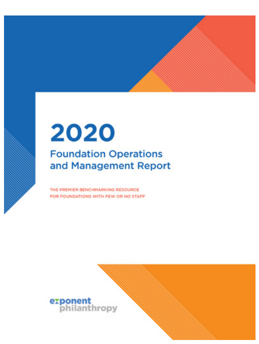
How Lean Funders Evaluate Their Work

EXPONENT PHILANTHROPY SPOTLIGHT REPORT

exponent philanthropy

This report expands on data presented in Exponent Philanthropy's 2020 Foundation Operations and Management Report and supplements it with information collected through interviews of our members. To highlight the current state of lean funder evaluation, it provides an overview of the evaluation methods funders use most often, what they find most useful, how those techniques play out in practice, and how funders use evaluation information to support their work.

Download the 2020 Foundation Operations and Management Report at exponentphilanthropy.org/fomr



IN THIS SPOTLIGHT REPORT

How Lean Funders Evaluate Their Work

Lean funders are increasingly recognizing that making change in complex systems requires flexibility, adaptation, and time—often years or even decades.

As a result, the emerging best practice around foundation evaluation is shifting from evaluating the short-term performance of grantees to determining if the foundation is meeting its desired impact and outcomes over time. With an understanding that progress rarely occurs linearly, lean funders are putting more emphasis on using evaluation for their own continual learning and adjusting.

Although evaluation can feel like a daunting task, our hope is that learning from other lean funders can show you a path toward more useful and fulfilling evaluation practices.

UNDERSTAND YOUR MOTIVATIONS

Evaluation isn't about passing judgment on yourselves or others. Instead, it aims to identify what works and what doesn't so you can devote more effort to the things that make a difference. It is the process of asking questions, collecting information, and using the information to answer those questions.

Jara Dean-Coffey, director of the Equitable Evaluation Initiative and principal of the Luminare Group, champions evaluation because it connects intentions, strategy, and inquiry. She encourages funders to name the questions they are asking and reflect on how the answers will inform their actions. You must also pay attention to who is asking the questions and who gets to make decisions about action. Success is less about the how of evaluation, she says, and more about the why and for whom does it matter.

Funders interviewed by Exponent Philanthropy report using evaluation for one or more of the following purposes:

- Monitoring compliance—Are grantees doing what they said they would do?
- Identifying successes—Was this individual grant a success that can motivate my board, my staff, or both?
- Testing assumptions—Was this grant the right decision, and, if so, should we continue to fund this organization?
- Seeking feedback—How can we improve our work to better support our grantees?
- Gauging systems change—How is our work changing the overall system we are working within?

Monitoring Compliance

Board members with operational mindsets who are deeply involved in reviewing grant proposals and making decisions on individual grants are more likely to focus on compliance in their evaluation work. Boards that rely on staff to manage the grantmaking process typically have other motivations.

Identifying Successes

When foundation boards need inspiration from successful grants to stay engaged in the work, staff seek out stories from grantees about how the funds allowed their nonprofit to make a difference. One foundation, for example, starts each board meeting with grantee success stories staff have collected since the last meeting.

Testing Assumptions

Several foundations Exponent Philanthropy spoke with are relatively new in their grantmaking processes. They tend to focus their evaluation on getting to know their grantees better so they can decide if they want to keep funding the organization. These foundations also are less rigid about the information they collect because they know they still have more to learn about their work.

"For program staff, evaluation can be important in testing our assumptions about why we recommend a particular grant," says Debra Moniz, director of administration and finance of the Cedar Tree Foundation. "If you don't evaluate the grant, you'll never know if your assumptions hold true," she says. "And you can learn as much from what goes differently as you can from what goes as expected."

Seeking Feedback

Funders also seek feedback from grantees on how the foundation can better support the grantee's work. Funders who take this approach express a sense of humility when discussing their work and a sentiment that the foundation's role is to support grantees' on-the-ground work.

Janis Reischmann, executive director of the Hau'oli Mau Loa Foundation, shares that the foundation surveys its grantees every 2 years to gather feedback on how the foundation can improve. The foundation also reports back on how it will incorporate that feedback into its work.

Echoing the grantee-centric approach, Tanir Ami, CEO of the CARESTAR Foundation, says, "For us, evaluation is about two things. We want to make more effective grants, but we also want to make sure we are staying grantee centric. We won't know how to improve our work unless we keep the grantee at the center of our work."

Gauging Systems Change

Vanessa Briggs, president and CEO of the Brandywine Health Foundation, describes how evaluating systems change influences a foundation's work. "If you want to make systems-level change, you have to look at systems-level measures. The foundation looked at health outcomes in our area, and there weren't any real changes." It discovered that "funding had improved access to care, but that wasn't making the community any healthier," she says. "Without looking at the systems-level metrics coupled with listening to community voices, we wouldn't have known we needed to adjust our funding strategies to achieve our mission."

For Reischmann, this type of evaluation is an opportunity to check in with your work and make sure you are still on the right path. Every 3 years, the foundation contracts with a local university to conduct a green jobs study in Hawaii. The foundation uses that report to ensure the program work is on the right course and to support its grantee partners. The report helps the foundation's grantees demonstrate the importance of their work to other funders and to program participants.

Interviewees tell Exponent Philanthropy that the time frame for evaluating systems change ranges from every 2 years to every 7.

"You have to have humility about how much impact one grant can make," says Florine Luhr, president of The Cullen Foundation. "You need to consider this realistically when conducting your evaluation."

CHOOSE YOUR METHODS

The foundations most satisfied with their evaluation processes are not necessarily the ones using the most sophisticated methods or investing the most money or time. Instead, they have a clear sense of what they want to achieve and where their foundation fits in the ecosystem.

Liz Sak, executive director of The Cricket Island Foundation, encourages foundations to answer these questions before beginning any evaluation:

- What difference do you seek to make with your philanthropy?
- What information would best inform and demonstrate the success of your organization?
- What are your current sources of information?
- What other information do you need to articulate your impact?

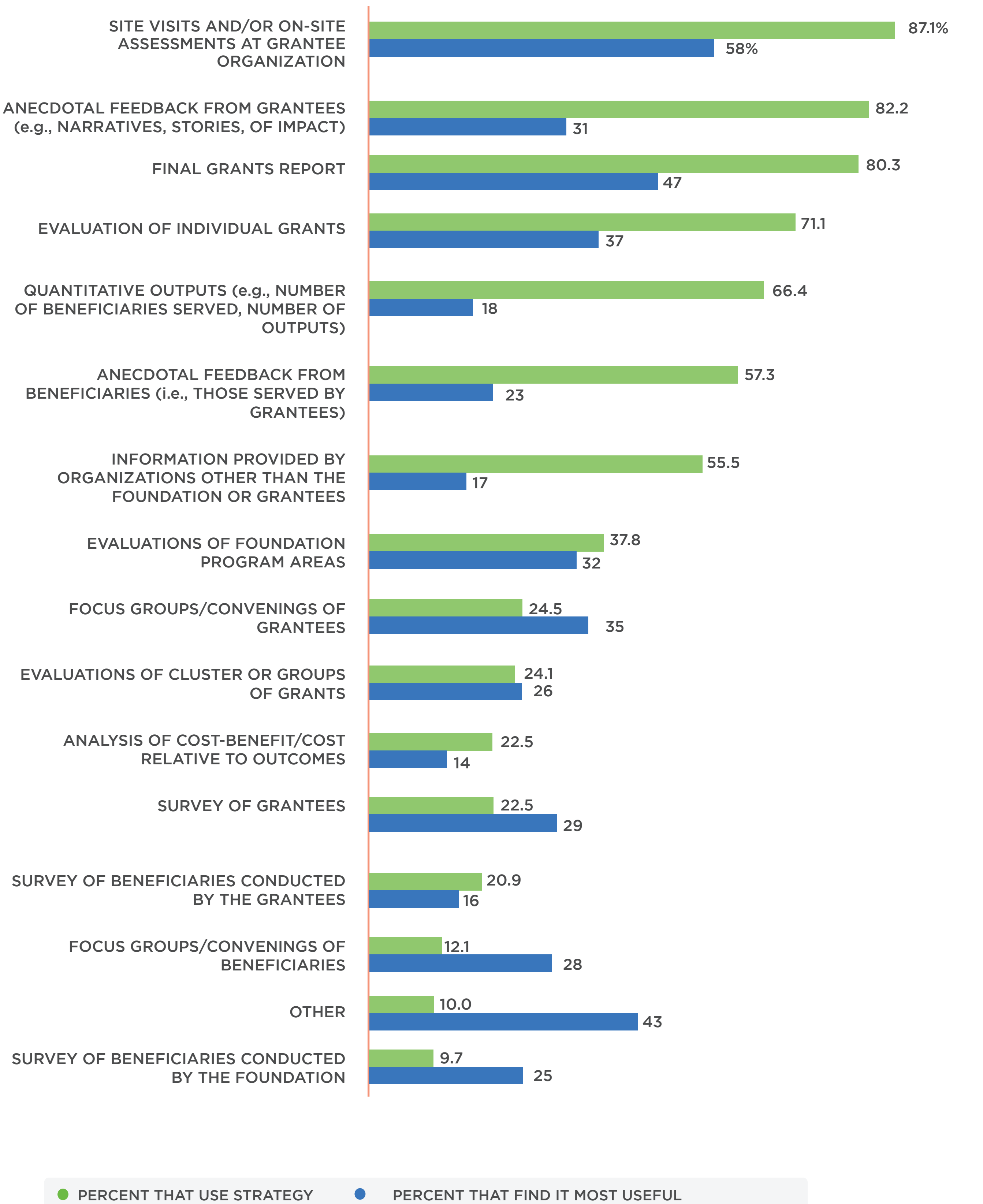
Lean funders report using, on average, seven strategies, activities, and resources for evaluation. Foundations with more assets and more staff use, on average, more evaluation strategies. Our members' top evaluation methods include:

- Site visits, on-site assessments, or both, at grantee organizations (87%)
- Anecdotal feedback from grantees (82%)
- Final grant reports (80%)

Unsurprisingly, the evaluation methods most commonly used also tend to be those that foundations rate as the most useful. Our members' most useful evaluation methods are:

- Site visits (58% rated it most useful)
- Final grant reports (47% rated it most useful)
- Evaluations of individual grants (37% rated it most useful)
- Anecdotal feedback from grantees (31% rated it most useful)

Frequency and Usefulness of Evaluation Methods



Site Visits

Nearly every interviewee uses site visits, yet when and how they are used vary widely. Some foundations see site visits as a critical step in the grantmaking process, whereas others prefer them as a way to evaluate an organization after making the grant. Some foundations conduct in-person site visits, others conduct virtual site visits, and some have an in-person representative use technology to bring additional foundation representatives along on a virtual site visit.

Regardless of when and how foundations use site visits, funders describe site visits as a key way to come to know their grantees. Some foundations worry that grant writers may present an overly polished representation of an organization, so the site visit is a way to verify the organization's quality. Other foundations view site visits as a critical starting point in establishing a trusting relationship with the nonprofit's representatives. Site visits allow the foundation to put a face to a name and allow for more open and candid conversations than a grant application or e-mail exchange. Says one member funder, "If you want honest feedback and collaborative effort, you can't underestimate the power of the relationship with your grantee."

Final Reports

Written final reports are also common—both compliance-based final reports and reports framed around grantee-defined outcomes.

Foundations using compliance-based final reports focus more on ensuring that grantees have used the funds in the way the foundation intended. They request financial statements and budgets that align with what the foundation expected.

Other foundations ask grantees to set the outcomes for the grant or project in their application. When completing the final report—and, in some cases, interim reports—grantees are asked to reflect on the goals or outcomes they set for themselves. They also are asked to share progress made toward those goals or what prevented the grantees from achieving them. Says Beth Versten, executive director of The Harvey L. Miller Family Foundation, "We evaluate our grants based on each grantee's stated goals rather than what we think they should accomplish or our impact on the field as a whole."

The key to success in this approach is not just relying on the reporting but having communication outside of reports. As Dylan Tatz, executive vice president at the Newton and Rochelle Becker Charitable Trust, points out, "It is so important to communicate your expectations to your grantees up front. Having an open and honest dialogue is the key to identifying mutually agreed upon goals."

Foundations with sophisticated grants management systems can populate a portion of the final report with the grantee's own words from their application. Interviewees find that this approach leads grantees to provide more concrete responses. Luhr of The Cullen Foundation encourages you to think ahead: "When you're setting up your grants management system, it is so important to think about how your system will support your data collection and your evaluation practices."

Anecdotal Feedback From Grantees

Funders typically glean anecdotal feedback from site visits or informal conversations during the grant period. Although members don't report that anecdotal feedback is the most effective way for foundations to evaluate, they often say it is an important piece of the evaluation puzzle. For example, anecdotal feedback is an excellent way for funders to collect qualitative information about an organization or a specific grant.

Funders who value anecdotes emphasize that you need to build trust and a rapport with grantees to really get useful information from these informal conversations. Funders share that, on your first phone call or site visit, you cannot expect to get eye-opening nuggets of information or learn about an organization's struggles. It sometimes takes several interactions with a grantee to build trust so they realize you won't stop funding them as soon as they admit they aren't perfect.

Multiple Strategies

Exponent Philanthropy's member interviewees exemplify how multiple evaluation strategies fit together to paint a picture for the funder. These foundations don't try to get all the information they need from one evaluation strategy; instead, they work to suit the evaluation strategy to the type of information they are looking for. Site visits are great for gathering qualitative information about a grantee, but they aren't a good way to collect budgetary details. Final reports are a great way to collect an end-of-year summary, but keeping in touch with your grantee through informal conversations and gathering anecdotal feedback allows you to know how a grant is going throughout the year.

Combining different strategies allows funders to use both their time and their grantees' time more effectively. It also allows for stronger partnerships and relationships to develop.

Notably, our interviewees emphasize efficient evaluation approaches. Although they have varying staff sizes ranging from no staff to four, all express the sentiment of being pressed for time and having to prioritize their work—and honoring the same in their interactions with grantees. "We are here to help our grantees," says one funder, "not make them jump through hoops."

Factors that Influence Evaluation Choices

Board Members' Perspectives
According to our interviewees, board members bring lenses from their outside experiences to their foundation's evaluation work. For example, board members with banking experience tend to focus more on grantee finances and outputs, whereas board members with subject matter experience (e.g., hospital executives) take a more nuanced approach to evaluation metrics.

Foundation Age
Newer foundations or those that have recently ramped up their giving are especially focused on making an impact in the near term. Staff describe wanting to learn what works quickly so they can direct more of their funds toward successful strategies. These staff members also describe boards that are thinking about their legacy and are eager to make an impact.

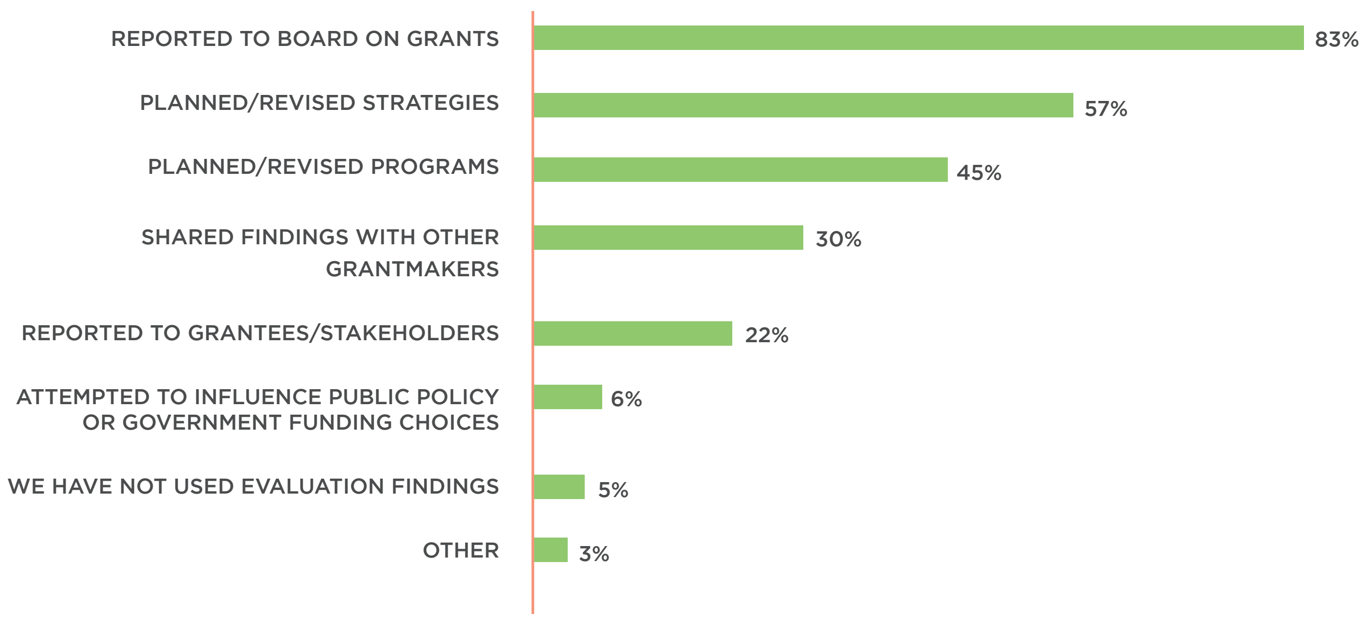
Foundation Structure
For one interviewee legally structured as a trust, trustees focus on executing the donor's intent and rely on staff to assess the trust's impact.

USE THE INFORMATION YOU COLLECT

As we reported in the 2019 Foundation Operations and Management Report, evaluation data are most frequently used for reporting to the board on grants, planning or revising strategies, and planning or revising programs. Conversations with Exponent Philanthropy members support these data.

Reporting to the foundation's board takes different forms ranging from using simple compliance reports to informing board retreats on the foundation's overall strategy. Evaluation also helps funders learn more about their focus areas and further refine their philanthropic approaches. Versten of The Harvey L. Miller Family Foundation says, "By asking grantees how they measure success internally, we learn more about the work, what success looks like, and the strength of each grantee as a continual learning organization."

Application of Evaluation Findings (n=327)



CONCLUSION

As you navigate which evaluation practices are most useful and inspiring for your foundation, Moniz of the Cedar Tree Foundation offers these evaluation lessons:

- Get the board to help with big-picture goal-setting. What do board members want to accomplish within a particular grant or grant program, and how will they know when they have done that?

- Work with the grantee to set the standards by which they want their grants measured, and share that information with the board early in the process.

- Don't get too caught up in metrics.

"Evaluation is hard," echoes Jenny Russell, executive director of the Merck Family Fund. "Don't get stuck on it. There is only so much you can achieve as one funder, and sometimes expectations can be too high." She adds that it is important to "be patient and supportive of your grantees. You aren't here to fail people. You are here to advance your foundation's and your grantees' mission."

Appendices

APPENDIX A: CASE STUDIES

The Cricket Island Foundation

The key to self-evaluation is focusing your evaluation not on your grantee's work but on the foundation's work. Liz Sak, executive director of The Cricket Island Foundation, shares the importance of focusing the foundation's evaluation efforts inward to identify ways to improve the its work while minimizing the burden on grantees.

Using a cohort-based model, The Cricket Island Foundation supports youth-led social change by focusing on emerging and medium-sized organizations, and providing capacity-building supports to help them achieve greater organizational sustainability. When the foundation considered expanding its grantmaking model to another city, its board first wanted to better understand if the funding model was working. The board, staff and an outside consultant developed an assessment plan that centered on assessing that model rather than the work of the foundation's grantees.

The foundation concentrated on using existing data (e.g., a previous survey of its grantees, the grantee's progress reports, information on the grantees' Form 990) and supplemented those data with information from focus groups and interviews with grantees. The foundation and consultant analyzed the existing data and supplemented those data with focus groups. They found that grantees had increased their organizational capacity, executive leadership, and youth leadership. But more important than learning from their grantees what was working well, the foundation discovered it could improve by giving grantees control of convening agendas and providing more grant support for collaboration among grantees. The foundation also identified ways to incorporate assessment and evaluation into its workflow so it could focus on constant improvement rather than produce backward-looking reports.

The foundation now routinely seeks feedback from its grantees on how the foundation's model is working. That feedback helps the foundation sharpen its focus on continually improving and supporting grantees.

For more information on The Cricket Island Foundation's approach, see "Cricket Island Foundation: A Case Study of a Small Foundation's Impact Assessment" by Anna Pond, Seema Shah, and Elizabeth Sak, in The Foundation Review, Volume 10, Issue 2, Article 6, June 2018.

Hau’oli Mau Loa Foundation

Introspection hasn’t always resulted in wholesale changes to Hau’oli Mau Loa Foundation’s work but has provided an opportunity to check in and make sure it’s still on the right path.

Janis Reischmann, executive director of the Hau’oli Mau Loa Foundation, told Exponent Philanthropy about the foundation’s support of environmental leadership pathways to inspire a next generation of homegrown conversation leaders in Hawaii. The foundation works at various junctures along the entire pipeline of leadership development—from youth education to higher education work and young professional network support—to create a green jobs pipeline in the state.

In support of this focus area, every 3 years, the foundation contracts with a department at a local university to conduct a green jobs study to identify the number of green jobs—especially conservation ones (e.g., how many, qualifications, salary)—in Hawaii. Because of periodic data collection, the foundation can compare trends over time.

The foundation uses the data to ensure it is on the right course in its program work. Those findings also help the foundation support its grantee partners. And, importantly, the information in the report helps grantees demonstrate to other funders the importance of their work as well as to encourage potential and current program participants that environmental conservation is a career worth pursuing.

To learn more about the Hau’oli Mau Loa Foundation’s approach to evaluation, see the exponent philanthropy article Lessons on Evaluation From a Foundation Executive Director.

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APPENDIX B: ADDITIONAL RESOURCES

Evaluation

Getting to Impact Through Evaluation can be a daunting topic for foundations of all sizes. So why encourage small foundations with already limited time and money to take on evaluation? That's easy: Evaluation is a key element for foundations that want to increase the impact of their giving.

With Your Own Eyes: Using Site Visits to Make Better Grants and Fulfill Your Mission Site visits are one of the best ways to make grant decisions because, in essence, site visits are a living, breathing grant proposal. These visits give you the chance to connect directly with the organization's board and staff, discover things that can't be learned from a written proposal, and clarify information that is important to your foundation.

Grantee and Applicant Perception Survey This survey offers your foundation a structured opportunity to learn from your grantees and applicants, identify areas of strength and opportunities for improvement, and set up your board and staff for productive conversations that increase your foundation's effectiveness.

Listening

Getting Out Into the Community: Identifying Gaps and Leverage Points for Change Get practical tips and tricks for "scanning the landscape" to inform good grantmaking. Here are 10 top ideas presented to fit a variety of time frames, budgets, and operating styles.

Listening Well Leadership begins with a humble act: listening well. Using your access as a philanthropist to engage people who are knowledgeable about your issue—and listening to them carefully—can give you broad insight few people in our society have. The perspective you develop, combined with deep knowledge of the details, can empower you to catalyze significant, lasting change. Get tips to help you open doors through listening.

Learning

Using Evaluation to Become an Effective Learning Organization The best way to make smarter philanthropic investments over time—and get better results from those investments—is to generate good information about what's working to address the problems that grantmakers aim to solve, what's not working, and why. Evaluation is key in this process.

Adopting a Learning Mindset Funders have an obligation to learn. But what does it take to adopt a learning mindset?

Focus

Focus Your Giving: A Key to Impact Wherever you are on the road toward impact, whether just starting to question the effects of your giving or ready to refine your strategies for even greater results, taking time to focus your giving can help you clarify what you want to achieve, use your resources wisely, measure progress, learn, and move closer to your goals. Ultimately, focusing your giving is key to achieving impact.

Five Barriers to Focus and Ways to Push Past Them In Exponent Philanthropy's many conversations with funders, we hear that finding a focus—for all or part of your giving—is the most fundamental step you can take on a journey toward fulfilling philanthropy.

Grantmaking

Awarding Multiyear Grants Multiyear grants are commitments foundations make to grantees for multiple years, and many Exponent Philanthropy members find these commitments to be powerful tools. Why not simply make repeated annual grants by asking grantees to reapply each year?

General Operating Support: Grantmaking to Support Mission General operating support, or "gen op," are grants made to support a nonprofit's mission rather than specific projects or programs. This grantmaking strategy also is known as "unrestricted" or "core support" because it allows the grantee to use the funds to strengthen the organization or further its charitable purpose as it sees fit—whether for salaries and overhead or to expand a program, invest in technology, or engage in further fundraising efforts.

Grant Tracking: Designing a System That Fits Your Foundation For many foundations, grants management can be a time-consuming and complex task. Tracking grant applications, approvals, grants made, grantee report deadlines—how do you do it all? In this article, Exponent Philanthropy shows you how to create a good fit for your foundation. We equip you with key questions to ask and three important steps to take when choosing a system that works for you.

APPENDIX C: METHODOLOGY

Survey Respondents

This report is grounded in data from the 2019 Foundation Operations and Management Survey. Out of a sample of 1,812 foundation members of Exponent Philanthropy, a total of 466 completed the 2019 survey for a response rate of 26%. The majority of respondents self-identified as family foundations (53%) or independent foundations (39%), and respondents were relatively evenly distributed across the United States. More than two-thirds (70%) reported having paid staff of some kind. Of those, 71% had between one and three staff members. Median asset size among respondents was $21,403,793, and mean asset size was $49,218,202.

Survey respondents were asked to self-report the data. Given the nature of the data collected, respondents could potentially provide inaccurate information by overstating or understating their foundation's engagement in practices that are deemed as desirable or undesirable, respectively. To minimize this potential bias, participants were assured that none of their responses would be attributed to them or their foundation in the report. Interview data closely aligned with the information reported in the survey, minimizing our concerns about this potential bias.

Survey Questions

Participating foundations were asked to identify the strategies, resources, and activities they used to learn about what was and what was not working in their efforts to achieve their programmatic goals. Survey respondents were also asked to rate the usefulness of each evaluation resource to learning what worked and did not work in their efforts to achieve their programmatic goals. They were presented a list of options and asked to indicate which strategies they use and to rate the effectiveness of that strategy on a scale from 1 to 5. This question was adapted from The Center for Effective Philanthropy's 2018 publication Understanding & Sharing What Works: The State of Foundation Practice.

Interview Strategy

In addition to the survey data, Exponent Philanthropy staff conducted 20 semistructured interviews with survey respondents to gather qualitative information about how and why they use different evaluation methods. Interviewees were asked to describe how the foundation evaluates grant applicants, how they decide which organizations or projects to fund, how they evaluate grants after they have been made, and how the foundation uses that information. Interview subjects were drawn from a pool of survey respondents who indicated their willingness to discuss their evaluation strategy on a question in the 2019 Foundation Operations and Management Survey. Exponent Philanthropy reached out to a total of 50 individuals to request an interview.

APPENDIX D: DATA TABLE

	PERCENTAGE OF FUNDERS THAT USE EVALUATION METHOD	PERCENTAGE OF FUNDERS THAT FOUND EVALUATION METHOD MOST USEFUL	AVERAGE USEFULNESS	SAMPLE SIZE (*N*)
Analysis of cost-benefit/cost relative to outcomes	22.5%	14%	3.29	457
Anecdotal feedback from beneficiaries (i.e., those served by grantees)	57.3%	23%	3.71	454
Anecdotal feedback from grantees (e.g., narratives, stories of impact)	82.2%	31%	3.92	454
Evaluations of individual grants	71.1%	37%	4.04	453
Evaluations of clusters or groups of grants	24.1%	26%	3.64	449
Evaluations of foundation program areas	37.8%	32%	3.82	452
Focus groups/convenings of beneficiaries	12.1%	28%	3.61	448
Focus groups/convenings of grantees	24.5%	35%	3.98	453
Final grant reports	80.3%	47%	4.20	457
Information provided by organizations other than the foundation or grantees	55.5%	17%	3.40	454
Quantitative outputs (e.g., number of beneficiaries served, number of outputs achieved by grantees)	66.4%	18%	3.49	450
Site visits, on-site assessments, or both, at grantee organizations	87.1%	58%	4.33	457
Survey of beneficiaries conducted by the foundation	9.7%	25%	3.48	452
Survey of beneficiaries conducted by the grantees	20.9%	16%	3.46	449
Surveys of grantees	22.5%	29%	3.77	449
Other	10.0%	43%	4.14	70