

Concluding Remarks

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CEP: A Pioneering Achievement

I am grateful indeed for the honor of being asked to help CEP celebrate its fifth anniversary milestone, an honor that is made all the greater because of the distinguished participants in this celebration.

Why is CEP's founding worth celebrating? The answer can be found in an article in this city's great newspaper, as follows: "The world of charities, the world of soliciting and spending other people's money, is governed by a principle so obvious that it has inspired at least three clichés: Beggars can't be choosers. Silence is golden. Don't bite the hand that feeds you. This is why the mighty William and Flora Hewlett Foundation sent a shock through the nonprofit sector in February when it posted a survey on charities' attitudes towards its work. The foundation...was flaunting its warts, and, even more shocking, urging its peers to follow suit." That was from Stephanie Strom's article in *The New York Times*, on April 23, 2004, pronouncing the Hewlett Foundation's website posting of its Grantee Perception Report sufficiently newsworthy that it devoted an entire article to the posting.

Why is this cause for celebration? Because CEP is the first organization—indeed still the ONLY one—that has ever mustered the courage to take on the challenge of rating

the performance of foundations in all the ways they relate to grantees. As all of us in this room know foundations very well, none of us has to waste time wondering why it took about 100 years from the time foundations began to be established in the United States for a CEP to come along? We all know that it does take a great deal of courage to ruffle the feathers of the geese whose life mission it is to lay golden eggs for society.

The fact that CEP was able to succeed in breaking new ground is attributable to the rare insight about the great need for a CEP, the sharp focus on satisfying that need, and the high methodological standards with which Michael Porter and Mark Kramer, CEP's founders, shaped both the mission and methods of the new organization. The superb staff that they attracted to the mission, led by Phil Buchanan, and the board members whom they recruited, headed now by Phil Giudice, have now been steadily augmented by still other trustees who are every bit as passionately committed to support and extend CEP's mission as the founders and those they personally brought to the table. Altogether CEP has today as smart, as thoughtful, as hard-working and as dedicated a group of knowledgeable professionals as anyone could possibly hope for. Their engagement in CEP's mission promises that the next five years will be every bit as important and as successful as the past five years have been.

When one looks back on CEP's first and ever more successful analytic offering-- the Grantee Perception Reports—one is struck by the obviousness of the insight that it makes great sense to assess comparative foundation performance by surveying grantees. Of course that makes sense. Indeed, if a foundation has any interest in knowing how well it really is doing, and in understanding how it might do better, it seems perverse, indeed, dare I say it, downright stupid or at least wilfully self-blinding, NOT to survey grantees,

who are, after all, the primary, virtually the sole, clients of foundations. From the fact that, for nearly a century, foundations did not survey grantees, one is forced to conclude that foundations didn't much care to know what their primary clients thought about how well they were carrying out their philanthropic missions. That is only one aspect of the foundation aloofness which has occasioned much criticism, often even by foundation officers, over the years.

To be fair, I must note that, even before CEP was founded, some foundations DID individually survey their grantees by commissioning external consultants who guaranteed respondents anonymity, but, as those surveys focused only on a single foundation, they provided, by definition, no context by which to measure how well that foundation performed in comparison with its peers. It is the comparison of multiple foundation performance that CEP pioneered, and the great advantage comparison offers is highlighted by one instance. The Robert Wood Johnson Foundation was among the first foundations to undertake grantee surveys, perhaps 10 years before CEP's founding, but those surveys failed to reveal some of the most important shortcomings of RWJF's performance. When CEP did its first survey which included RWJF's grantees, and shared with the RWJF staff and board its confidential findings about RWJF's performance compared to other foundations, the report revealed performance shortcomings that were sufficiently important that the President of RWJF was moved to write all RWJF grantees to express regret that it had been performing so far below its own expectations with regard to the practices in question, and to promise prompt rectification of the shortcomings. That is the only example I know of when a foundation has made such a widespread mea culpa, and it is a great tribute to the RWJF culture both that it cares

about how the Foundation relates to its grantees, and that it is willing to be frank about its shortcomings.

The Grantee Perception Report continues to be a gold mine of information which CEP analytic staff has been mining every more imaginatively and deeply. The fact that more than 100 foundations, including 7 of the 10 largest foundations, have been interested enough to commission CEP to conduct such surveys for them speaks worlds about how valuable they find the information generated by the GPRs. (Parenthetically, one cannot help but wonder why the other 3 among the largest foundations have not found the courage to have CEP undertake GPRs for them, too!) Some of the commissioning foundations have even posted the GPR findings, including negative comments, on their websites. While the individual GPRs are not made public, CEP's analytic staff members do prepare public reports of comparative foundation performance on a number of dimensions, but the scattergrams do not identify which foundations scored at which levels. Even the reports delivered confidentially to the GPR commissioning foundations reveal only the scores of the commissioning foundations, but without identifying the names of the other foundations with which it is being compared. That points out the striking dilemma facing CEP, to which I will return shortly.

Let me add that CEP continues to mine new data from within the GPRs. It will soon make public a report on its findings from boring more deeply into the GPR information that have enabled it to disaggregate the over-all survey reports on a foundation down to the program officer level. It could therefore, if it wished to, include in GPR reports to commissioning foundation CEOs and Trustees the perceptions of grantees on a number of different dimensions down to the program officer level!

In addition to the GPR data, CEP has published 11 major reports on such topics as foundation trustee perspectives on foundation governance, the CEO perspective on foundation governance, grantee perceptions on foundation communications, and perspectives on performance measurement in foundations. In other words, CEP is continually publishing public reports, based on empirical data gathering, about many important issues in foundation management.

The Challenge of the Next Five Years

In view of the nothing short of amazing track record CEP has earned itself, one can encourage CEP to take justifiable pride in breaking new ground to serve the foundation sector. No organization, however achievement rich, should ever rest on its laurels, however, because at the instant it starts doing so, it begins to go down hill. So let me suggest two challenges to CEP for the next five years to enable it to go to the next level of service to foundations, to the nonprofit sector as a whole and to the general public. I do so in the spirit of a whole-hearted supporter and admirer of CEP, and I do so as an individual, not in any way speaking for CEP.

Here are my two challenges.

1) CEP Needs A New Business Model

While the gold mine of data on foundation performance is unique and rich, the business model of CEP has had its aspects of gold, too, but with private benefits that are not without public costs. It has become a pair of golden handcuffs which prevents CEP from publicly identifying the comparative performance of individual foundations by name. The idea of making public the data generated by the grantee surveys has always been a goal of those who founded CEP, as well as most, perhaps all, of those now on the

board. The problem is that CEP itself is now 30% supported by a revenue stream from the GPR private consultation agreements with individual foundations, and likely cannot make the GPR results public, that is identifying the range of performance among individual named foundations, without cannibalizing the main income stream that supports CEP. What really should be a public good for the foundation community as a whole and for the public in general, therefore, is still a private good which has economic value to CEP possibly only so long as we keep the information private.

I think the conundrum can be resolved, but to do so will require more general operating support from foundations for CEP, at least until a new business model can be invented and tried out. If the availability of some kinds of foundation performance data is in fact a public good, which I strongly believe that it is, then all foundations that are willing to shoulder responsibility for the welfare of the foundation sector should step up to the plate and provide support to CEP for that purpose. Some foundations are already supporting CEP with general operating support. If other foundations would provide about an additional \$750,000 a year for three years in general operating support, that would permit CEP to try out the new business and make public the reports on comparative foundation general performance, identifying all of the foundations covered in the particular surveys so that everyone could ascertain which foundations performed well and which didn't. But we would not necessarily go into further detail in public. Foundations wishing to get greater granularity about their performance, or get information down to the program officer level, could do so by signing the same kinds of private consultation agreements as they now sign, and for the same amount of money.

Such a balancing would put public pressure on the foundations to shape up, give the public some comparative basis for judging how well foundations are doing their job, and also provide the foundations with a strong incentive to pay CEP for finding out the nuts and bolts of their respective performance rankings.

Why is transitional foundation funding needed? To enable CEP to test-market this new way of doing CPRs. If the foundations know that the gross performance comparative data will be released, they will be disinclined to pay for individual consultations to learn how they performed against their peers. Once the new system is in place, and they realize that they will have an even greater need to dig more deeply into the data about their performance, they will conclude that they must sign up for the individual consultations nonetheless.

2) CEP Should Expand Its Performance Assessment Mission Beyond Process to Substantive Grantmaking

The nonprofit sector as a whole, as well as the foundation sector in particular, desperately needs information on things that work and do not work so that all of us can stop reinventing the wheel. When John Abele, the co-founder of Boston Scientific and the founder of the Argosy Foundation, was beginning to engage in large scale philanthropy, he asked me if there was any place he could turn to find out which foundation initiatives worked and which ones didn't in particular fields of activity, and I laughed and told him, alas there is no such place because foundations simply don't put out such information. I believe strongly that some organization or organizations should take on the mission of assessing the performance of foundations in their substantive grantmaking. This will be quite different from the performance assessment of process

that CEP does so well, and it will also be much more complicated and potentially controversial. But it needs doing, and if any organization has the intellectual capital to figure out how to do it, CEP does. Perhaps it should take on the task of trying to figure out HOW it can be done, even if it finds itself incapable of taking on that mission because it might well distract CEP staff from doing what they are already doing so well. If CEP can figure out how it can be done, perhaps some of the foundations interested in foundation transparency, effectiveness and efficiency can be persuaded to support a new organization that would perform such substantive program assessment.

Both of those challenges should be enough for the next five years, and, God willing, I'll come back in five years time with another couple of challenges for the following five years.

Thanks so much for your attentiveness and patience.