

CEP's Five-year Anniversary Event
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Remarks by
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Introduction

Anti-jargon guru Tony Proscio, who has written three great books about the scourge of fuzzy language in the foundation world, has a wonderful quote about accountability.

He says: "The word 'accountability' has acquired, by its sheer overuse, the kind of solemn grandeur that often SUBSTITUTES for thought, rather than encouraging it."

Accountability sounds so good, it seems so inherently valuable, that no one seems to care – or even to notice – that the folks using the term almost never define it.

Everybody supports accountability. And to ensure accountability, we must do "evaluation" – which opens up a whole new can of buzzwords.

Trust me. I looked in the thesaurus, and synonyms for the word "evaluate" are legion. We can appraise, approximate, estimate, rate, value, count, number, reckon, guess, judge, gauge, fix, figure, measure, calculate, assess, assay, account, compute, guesstimate, survey or benchmark.

I'm not sure, but I think we've done ALL of those things at Lumina Foundation...maybe all at once!

Brief History of Lumina Foundation

Lumina Foundation was founded on August 1, 2000, so it is now 6 years old. The source of our endowment funds was the sale of the operating assets of the nation's largest integrated student loan business to Sallie Mae. Our original corporation, USA Group, was an operating public charity—a 501c(3) organized to service higher education and its students' financial needs. USA Group had a strong not-for-profit/business orientation, committed to measurement, continuous improvement, and benchmarking.

Given the source of Lumina's funds, our mission is to improve rates of post secondary access and success for at-risk students. We are not focused on higher education, *per se*. And we are not focused on K-12 education, except as it prepares (or fails to appropriately prepare) students for post secondary education.

Lumina focuses on minimally prepared, at-risk students (SATs approaching 1000), who, statistically, do not get into and succeed in obtaining an education beyond high school in the same proportion as

other students. This group consists, specifically, of low-income, first generation, ethnic minority and adult students. Contrary to popular conceptions, it is far easier to get a baccalaureate degree if a student is rich and low achieving than if she is a low income, high achiever.

I am pleased to reflect with you about Lumina's use of CEP instruments over the past five years. We have used the Grantee Perception Survey and Report three times. The findings have provided useful comparisons with other foundations across the country, from the earliest days of Lumina's work.

This year we found the results even more helpful because we received:

1. the standard Lumina results to compare with our previous two years of feedback
2. comparisons telling us how we fare against 13 out of 20 foundations in a peer group which we defined for ourselves and use for multiple benchmarking purposes, including administrative costs, compensation and communications services
3. national comparisons with all 156 foundations included in the survey
4. feedback from grantees in major initiatives (such as our community college initiative, called Achieving the Dream) and cluster grants (our direct service, McCabe grants that help at-risk students prepare for college)

The Trustee/Director Survey also allowed our Board to have a productive conversation about its own assessment that had otherwise been postponed.

Evaluation/Benchmarking Overview—Use of Proxies

* Several years ago we created a peer group—originally to benchmark our administrative costs and our compensation practices. The factors we used to determine peer foundations include:

- Research capacity
- Communications emphasis
- Evaluation function
- Education focus
- Policy function
- Asset size from \$.5M-\$6B (14 of the 20 have less than \$2B)
- Other Staff Specializations

While we initially saw benchmarking as applicable to two areas, now we are interested for additional reasons as well. We use the group for compensation practices, communications assessment, administrative expenses (as per cent of assets and as a proportion of grants made [data is from 990PFs]). Additional uses include ideas for other functions, such as the structure of the investment function.

- Like most foundations, we evaluate large grants, initiatives, clusters and topical sectors (e.g., policy grants).

- We also created our own employee satisfaction survey and added Walker Information’s national database for further reference points.
- We define an organizational effectiveness assessment – an annual summary of assessments applied to the executive team for purposes of improving mission accomplishment and setting compensation. In the first 5 years of Lumina Foundation’s existence, significant bonus opportunities were available, based on results of this assessment. We moved in 2006 to straight salary with limited (and rare) bonus opportunity for specific individual achievement.

Elements of our Foundation Effectiveness Assessment include:

Administrative Effectiveness:

1. Grant payout target met
2. Budget met and administrative expenses at reasonable, approved level

Programmatic Effectiveness:

1. Ratings on specific elements of the Grantee Perception Report, both ratings and progress (against our previous ratings, against national norms and against peer group)
2. Communications survey (different elements chosen each year on rotating basis (e.g., website, e-newsletter, print publications))
3. Stakeholder survey (What do college presidents and other key constituents know/think about Lumina Foundation? While a small number of college presidents actually participate actively in Lumina’s work, they are important as potential opinion leaders and policy implementers.)

Philanthropic Effectiveness:

To what degree have we contributed to and influenced the philanthropic sector as a whole and to the field of post secondary access, specifically?

Specific Uses/Changes Lumina Has Made—Particularly of the Grantee Perception Report

- We have altered grant-application processes and are in the midst of a thorough review of forms and items we request from potential grantees, in response to grantee comments that our process requires them to take more time to apply. [A weakness here may be that the response comes from research grantees and other grantees funded under initiatives, where the proposal-writing process is, indeed, more complicated because the work is more involved. Grantees also say that the payoff is bigger when they do get a grant.]
- We have insisted on same-day logging of letters of inquiry and proposals, in order to “start the clock ticking” and ensure a rapid response to requests.
- We have made the guidelines on our Web site more specific re: what we will and will not fund.
- We published our research agenda in order to help research applicants have a better concept of what we will and will not fund.

- We review “aging” reports monthly to make sure that we are moving promptly in responding to letters of inquiry, approving scheduled payments and the like.
- Personnel counseling, mentoring, development and performance actions have taken place regarding quality of services to grantees and attention to moving grants and payments along expeditiously.
- We have had very productive conversations with our grant making and compensation committees re: Lumina’s specific strategies. While our scores, overall, have tended to be pretty positive, we received low scores on three factors: (1) assisting grantees with fund raising and having an effect on the (2) grantees’ organizations, *per se* and (3) impacting the local communities of grantees. Our board immediately concluded that, since we are not a community foundation, it is not troubled by the lack of local community impact. [In achieving ever-more refined focus in our work, it’s important to be clear re: what we are NOT.] Because we fund a good bit of research and project work emanating from centers or departments in large universities, we believe that our rating for effect on the whole institution has not been high. We also think that fund-raising assistance is difficult in an environment in which the number of foundations interested in post secondary education is shrinking. However, I hope this will change as our community college and college costs (“Making Opportunity Affordable”) initiatives mature in their impact. In our community college work, we *are* beginning to see significant increases in the number of colleges, states, funders and amounts of money we are able to attract to our model being used, increasingly, across the nation. We are tracking these numbers and see them as important indicators of Lumina’s impact in the field. However, we do not expect to see them reflected in future Grantee Perception Report results because these institutions, *per se*, are not grantees. We will track this impact data separately.
- In spite of high honors we have received for various communication vehicles in forums such as the Council on Foundations’ annual awards, the consistency of our communication with grantees rates under the median score for other foundations. CEP asked if the communication problem might be due to the fact that our program officers’ portfolios are larger than the national average. We recognize the fact that our portfolios have grown, and this has reduced our program officers’ availability to grantees. In response, we are doing several things, one of which is the development of a communication toolkit to support program officers. In addition, we are increasingly making fewer, larger grants and working through intermediaries so that our grantees with smaller grants for direct social services (e.g., McCabe fund recipients) or grantees that are part of a large initiative (e.g., community colleges) receive more individual attention. We also continue to emphasize professional development of staff (lifting up best practices in working with grantees, applying technology to internal communications issues, e.g., Sharepoint software; mentoring; etc.) and to work with staff on consistent use of the materials. CEP’s monograph on communication with grantees is excellent and, I think, one of its most valuable products.
- As I mentioned earlier, we use the Grantee Perception Report and specific elements within it as key pegs of our overall report of Foundation Effectiveness to our Board of Directors. Some Directors initially were skeptical about the survey, thinking instinctively that people to whom the Foundation gives money would never comment negatively about the Foundation. However, the candor of the respondent comments we received and the assurance of the national database have helped to overcome this reservation.

- For the first 5 years of Lumina’s existence, significant bonus potential was available to executive leaders, and the GPR was one key factor in performance assessment. As of 2006, we no longer have that bonus potential. However, we use specific GPR elements to assess the Foundation’s overall performance—and the CEO is held accountable for all of these measures.
- Today we consider the survey a helpful tool in Lumina’s effort to improve its effectiveness and to be transparent to the public regarding its work. To this end, last year we initiated two additional actions.
 - We post a concise, lay-friendly summary of the results on our Web site, offering the full report to anyone who requests it.
 - We send an e-copy of the summary to participating grantees, along with a note of thanks for their participation in the survey. I have personally received wonderful notes of thanks from grantees who take the opportunity of providing further comments about our work, saying that they appreciate our transparency and, almost to a person, say that this is the first time they have been provided with the results of such a survey in which they participated.

Next Steps for Lumina Foundation

We continue to seek additional tools and refinement of our proxies of effectiveness. These steps include:

1. Consider adding individual program officer identification to the GPR questions. This would allow us to refine the use of the GPR in performance counseling and employee development. (However, the surveys are not intended for performance management uses. So, what would CEP need to do to develop a performance management tool? For example, a program officer who conscientiously presses a grantee on budget, performance or timeliness issues might come in for some undeserved criticism from respondents, while a sloppy grant maker could get praised for inattentiveness to costs and quality. Limitation of these surveys will always be that we do not/cannot know the context of the responses.) Questions for us would be how this information is treated in GPR reports and how we would treat it in our efforts to be transparent.
2. Consider adding the employee survey in 2007.
3. Consider repeating the Trustee Survey in the future to assess progress.
4. Finally, we are considering how to assess the effectiveness of our program strategies to date. In this effort, we are:
 - Working with a small group of similarly interested foundations to develop a common approach for assessment and reporting;
 - Encouraging CEP to continue its consideration of this program strategy challenge;
 - Aware that others [FSG and Evaluation Roundtable?] may be interested in the challenge;
5. Continuing to refine our strategy for further focus of our work (Lumina’s “hedgehog” in Jim Collins’ terms). In this regard, we are seriously considering articulating a national goal to achieve an

additional 10 million 2- and 4-year degrees by 2020 to bring the US back to its former top ranking among developed nations in the percent of its workers, aged 24-44, with college degrees. Questions before us include: How will this goal affect our strategy, our execution of our strategy overall, our criteria for awarding grants, and our measurement/assessment of the effectiveness of our strategy? Like most, if not all, foundations, our resources are insufficient to accomplish our mission. And, as we have long ago concluded in post secondary access: there's never enough money—and money is never enough to get low income, at-risk students into and through college. Money is necessary but insufficient. Calibrating our own work against this national goal is the challenge we will continue to face in the days ahead.

Summary Points

- The GPR is valuable because it provides benchmarks against which to measure our Foundation against itself and against others.
- Grantee perception is not proof of a foundation's effectiveness...but it is a proxy we believe is worth measuring.
- Not every measure of the CPR is relevant to every foundation. But the data provide a frame of reference for determining in an intentional way which measures are important to us.
- We don't use the GPR as an end in itself. Rather, we use it to help us answer key self-assessment questions to stimulate improvement, as follows:
 - What are the Foundation's contributions to the fields in which we operate?
 - What do grantees think about us? Our impact? Our processes? Our relationships with them?
 - How effectively has the Foundation communicated its work?
 - In what ways has the Foundation cultivated a staff/culture that lead to successful outcomes?

Conclusion

As we launched Lumina Foundation six years ago, I was delighted to see the Center on Effective Philanthropy emerging simultaneously. CEP has provided great stimulus and support in the difficult and imprecise effort to measure foundation effectiveness. We appreciate CEP's leadership and collegial approach in helping Lumina Foundation and the philanthropic sector move toward greater accountability and transparency—all to improve our service as trustees of funds deployed for the common good.