

TURNING THE TABLE ON ASSESSMENT: THE GRANTEE PERCEPTION REPORT®

by Phil Buchanan, Kevin Bolduc, and Judy Huang
The Center for Effective Philanthropy

THE CENTER FOR
EFFECTIVE PHILANTHROPY

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In February 2004, the William and Flora Hewlett Foundation posted on its Web site results of a survey that compared the perspectives of Hewlett's grantees on the foundation to the views of grantees of 28 other foundations. Much of the news was positive – showing, for example, that Hewlett was regarded as a leader in its fields of funding to a greater degree than was typical of other foundations whose grantees had been surveyed.

But there was sobering news as well. Areas of poorer relative ratings included clarity of communication of foundation goals and strategies and a selection process that, though designed to help push grantees to clarify their own thinking, was regarded as comparatively unhelpful. The foundation's president, Paul Brest, drafted a commentary on the results, and their implications, and posted them on the Hewlett Web site along with excerpts of the report.¹

"Much of the Grantee Perception Report was positive," Brest wrote, "but, of course, it was the less positive aspects that got our attention and from which we probably have the most to learn."

This act of self-assessment and disclosure generated significant "buzz" in the foundation sector and led to reports in *The San Jose Mercury News* and *The New York Times*, among other publications. In explaining Hewlett's decision to be public about the survey results, Brest was quoted in the *Times* saying that, given the foundation's concern for strengthening philanthropy, "the more information we can make available, the better we all are."

The *Times* article went on to describe a dynamic between grantees and foundations in which "organizations, which typically live hand to mouth, are understandably wary of alienating any source of financial support." But, the article asserted, "this code of silence is increasingly being challenged."²

That the simple acts of surveying grantees, viewing results comparatively, and making the results public would be deemed worthy of widespread discussion in the foundation field – much less mainstream media coverage – speaks volumes both about the state of performance assessment in the foundation field and, perhaps, the increasing scrutiny foundations face. This chapter will explore these issues through the story of the development of the tool Hewlett used to gain these insights on its performance.

What Hewlett made public was an excerpt of a Grantee Perception Report® (GPR), prepared by The Center for Effective Philanthropy – a nonprofit organization that received initial funding in 2001 and is focused on providing management and governance tools to define, assess, and improve overall foundation performance. The GPR is a detailed report of grantee perceptions of various dimensions of foundation performance, portrayed on a comparative basis to grantee perceptions of other foundations. The report covers a range of issues – from perceptions of foundation impact on its fields and communities of funding, to responsiveness and approachability, to quantity and quality of assistance beyond the grant check provided to grantees.

¹ The authors would like to note that the Hewlett Foundation became a funder of the Center in July 2004 (six months after receiving its GPR). Paul Brest has served as a member of the Center's Advisory Board since 2002 and as a member of the Center's Foundation Performance Metrics Pilot Study Advisory Board. The Center has strict policies with respect to integrity and confidentiality of its data and treats funders and non-funders equally in the context of its research and provision of assessment tools.

² Stephanie Strom, "Charities Surprise Donor Foundations With Bluntness." *The New York Times*, April 23, 2004.

In these pages, the three of us, who have overseen the creation and implementation of the GPR, will discuss its origins and future potential.³ We will describe the forces that make performance assessment in the foundation field so difficult as well as those that have led to widespread adoption of this tool in a short time-frame. We will illustrate some lessons learned by foundations that have subscribed to the GPR and provide examples of changes made as a result of these new understandings of foundation performance. We will also describe some of the broadly applicable insights gained from the large-scale surveys of grantees we have conducted.

The story of the GPR is one of widespread and rapid adoption of a new assessment tool that has proven to be useful at the board, senior staff, and program staff levels. The GPR has revealed important new information for foundations about clarity of strategy and goals, consistency in process and approach, usefulness of non-monetary assistance provided, helpfulness of selection and evaluation processes, and intensity of administrative requirements relative to dollars awarded. This new information has led foundations to recognize and build on strengths, redress weaknesses, and even confront difficult questions of individual program officer performance.

ASSESSING FOUNDATION PERFORMANCE

Most leaders in the public, private, and nonprofit sectors believe that assessing performance is a critically important management activity. Assessment provides the basis for learning and improvement, informs future planning, and sheds light on both organizational and individual performance.

Yet even in the corporate world, where assessment would seem straightforward enough – given the availability of commonly understood quantifiable metrics such as profitability, return on investment, and market share – companies routinely struggle for the right set of measures to monitor. The challenge is to find measures that can be tracked in a timely way, are easily

understood and acted on within the organization, and are closely connected to achievement of key organizational objectives.

If performance assessment is difficult even in the corporate sector, it often appears harder in the world of mission-driven nonprofit organizations, as many scholars have noted and as other authors in this volume discuss. Organizational goals frequently seem not to lend themselves easily to quantification, the language and tradition of assessment is less developed, and management resources are often stretched – consumed by core mission-related work, with little time left for reflection, much less assessment.

But nonprofit organizations face external pressures, such as fundraising or competition from other nonprofit or for-profit enterprises, and these performance pressures typically catalyze, and provide some basis for, assessment. College and university leaders, for example, routinely consult comparative data on their institutions' appeal among prospective students and on a variety of aspects of institutional performance, from graduation rates to fundraising success to student satisfaction surveys. Leaders of social service agencies can track numbers of clients served and monitor their progress following an intervention, and assess a range of measures of financial and organizational health.

Foundation leaders typically have not had such well-defined measures on which to rely. Although foundations often demand that nonprofit grantees assess their performance, they have frequently struggled with assessment of their own performance. The challenge is made tougher by foundations' unique position in society – as tax-advantaged organizations shielded from competitive pressures. How do foundations, which seek to affect change primarily through others – their grantees – assess their performance? In the absence of competitive or market pressures of any kind, or significant external pressure, how can performance be assessed?⁴ To quote Joel Fleishman of Duke University (and formerly of the Atlantic Philanthropies),

³ Phil Buchanan, the Center's first Executive Director, was the Center's first full-time employee after it received initial funding in the summer of 2001. Kevin Bolduc, Associate Director, joined the Center in October 2001 and Judy Huang, Manager, Grantee Perception Report®, joined the Center in September 2002. The authors wish to acknowledge and thank in particular the following Center staff for their contributions to the work described here: Ellie Buteau, Ellie Carothers, and John Davidson. The Center's Founders, Mark Kramer and Michael Porter, and members of the Center's Board of Directors and Advisory Board also contributed to this work. See www.effectivephilanthropy.org for complete lists of members. Thanks in particular to board members Phil Giudice and Ricardo A. Millett for their comments on an earlier version of this chapter. Finally, this chapter is informed significantly by the insights of GPR subscribers.

⁴ It is worth acknowledging that community foundations face a fundraising imperative and are therefore not as immune from competitive dynamics as

“foundations insist that grant-receiving nonprofits be accountable to them, but to whom are the foundations themselves accountable? To no one but their board, the IRS, and the state attorney general, none of which does, as a general rule, an acceptable job of accountability enforcement.”⁵

HOW ARE WE DOING?

The story of The Center for Effective Philanthropy’s Grantee Perception Report (GPR) begins with efforts to help advance the discussion of this difficult topic of foundation performance assessment. We were focused, in essence, on a deceptively simple question that many foundation CEOs and board members have asked themselves and their colleagues: *How are we doing?*⁶

The Center for Effective Philanthropy’s founding board members, and in particular Phil Giudice, Mark Kramer, and Michael Porter, were convinced that the foundation field could do more to assess and improve its performance. Three foundations stepped forward in 2001 with a total of \$345,000 to support the Foundation Performance Metrics Pilot Study: the Atlantic Philanthropies, the Surdna Foundation, and the David and Lucile Packard Foundation.

The Center set out, first, to understand current practice in performance assessment. We interviewed 18 CEOs of large, private foundations and 56 others, including trustees, senior executives, grantees, and experts in foundation and nonprofit management. We learned that most foundations shared a desire to understand their ultimate social impact, preferably relative to the resources invested. Conceptually, this approach is clear, and could theoretically be achieved

by aggregating the social impact of all grants made by the foundation, quantifying and monetizing that impact in some standard way, and viewing the impact relative to total foundation spending.

As a practical matter, however, this is admittedly difficult – if not impossible – at least for the vast majority of large foundations, which make dozens or hundreds of grants across multiple program areas, with each grant typically comprising a relatively small proportion of grantees’ budgets.⁷ Many of the country’s largest foundations have significant evaluation budgets, but while evaluations can be very useful in assessing specific grants, grantees, or programs, they suffer from a number of limitations when viewed in the context of overall foundation performance assessment.⁸

A number of CEOs expressed frustration with the utility of the data that results from traditional evaluations in understanding overall foundation performance: in an interview with us, one CEO called such data “so hyper-specific as to be meaningless.” Michael Bailin, president of the Edna McConnell Clark Foundation, describes the backward-looking nature of evaluation efforts as “post-mortem” and “more of an autopsy than a checkup on a living patient.”⁹ Others have noted that assessment activities by foundations are typically targeted at grantees, rather than at the performance of the foundations themselves. A 1999 Colorado Trust report put it this way: “Foundations most often direct their evaluations at the activities of their grantees, only rarely subjecting themselves to the same level of scrutiny, accountability, and discomfort.”¹⁰

We found that, for some foundations, the search for the perfect performance measure appeared to have become

5 Fleishman, a member of the Center’s Board of Directors, in a speech at the Center’s November 2002 seminar on foundation performance assessment. For a report on this seminar, see http://www.effectivephilanthropy.org/seminars/seminars_past.html

6 For the story of one foundation’s efforts to answer this question, see *Assessing Performance at the Robert Wood Johnson Foundation: A Case Study*, by Phil Giudice and Kevin Bolduc, Center for Effective Philanthropy, 2004. The report can be downloaded at http://www.effectivephilanthropy.org/publications/publications_overview.html. All Center for Effective Philanthropy publications are available free for download.

7 Over four rounds of the Center’s grantee surveys in 2003 and 2004, encompassing grantees of 117 foundations, the median proportion of a grantee organization’s operating budget funded by a given foundation annually was about 3 percent.

8 See the Center’s reports *Toward a Common Language: Listening to Foundation CEOs and Other Experts Talk About Performance Measurement in Philanthropy* and *Indicators of Effectiveness: Understanding and Improving Foundation Performance*, 2002, at http://www.effectivephilanthropy.org/publications/publications_overview.html

9 Michael Bailin. “Re-Engineering Philanthropy: Field Notes From the Trenches.” Waldemar A. Nielsen Issues in Philanthropy Seminar Series at Georgetown University, February 21, 2003. For full text, go to http://cpnl.georgetown.edu/doc_pool/Nielseno207Bailin.pdf.

10 Doug Easterling and Nancy Baughman Csuti. *Using Evaluation to Improve Grantmaking: What’s Good for the Goose is Good for the Grantor*, Colorado Trust, 1999.

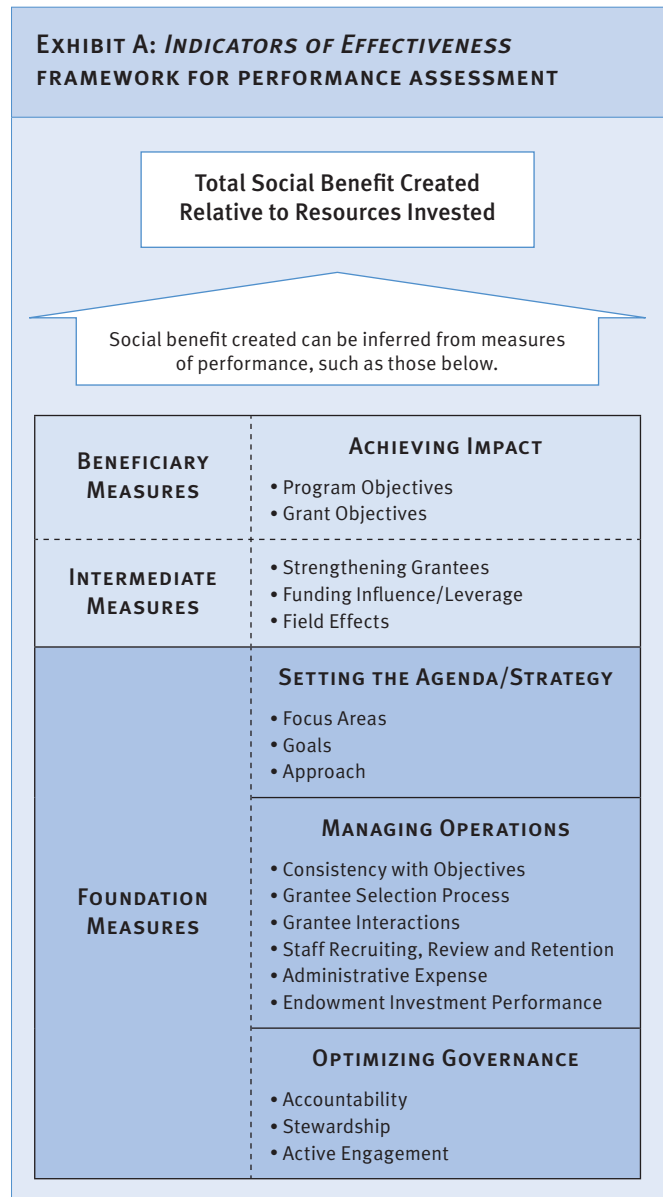
the enemy of the good or indeed of any measure at all. Some interviewees conceded that, in the absence of unassailable impact measures, what was left was simply a void: little data was routinely accessed by foundation leaders to understand performance. At the board level, the understandable tendency was to focus on that which was easily quantified and compared: investment performance and administrative cost ratios. For example, in a 2002 survey of foundation CEOs the Center conducted, 76 percent described their boards as “substantially involved” in assessing the endowment investment performance of the foundation; just 20 percent said their boards were “substantially involved” in assessing the foundation’s social impact.¹¹

With this reality as backdrop, we sought to understand what additional data foundation leaders believed would be useful even if the data were more in the category of “indicators of effectiveness” than definitive proof of impact achieved. We created a performance assessment framework (see Exhibit A), published in our report, *Indicators of Effectiveness: Understanding and Improving Foundation Performance*, based on what we heard in our interviews, dividing 17 key measurement topics into four broad categories: Achieving Impact, Setting the Agenda, Managing Operations, and Optimizing Governance.¹² It is the Center for Effective Philanthropy’s goal to develop data that informs measurement in these areas as fully as possible.¹³

For each of the 17 measurement topics, we identified potential data sources, or indicators of effectiveness, on which foundation leaders could draw. For a number of the specific measures, grantee perceptions of foundation performance were one useful potential indicator among many. After all, grantees were being funded by foundations in order to achieve foundation objectives, giving them unique insight into the foundation’s performance. Questions for which grantee perceptions were potentially relevant included:

- Are we improving grantee effectiveness?
- Do we influence others to fund our grantees?

- Is our selection process clear and uniformly implemented?
- Are we responsive to our grantees and do we treat them fairly?
- Are we seen by grantees to be making a significant positive impact on their fields? Their communities? Their organizations?¹⁴



¹¹ See *Indicators of Effectiveness: Understanding and Improving Foundation Performance*, page 5.

¹² *Indicators of Effectiveness*, page 13.

¹³ For example, to assist in assessment within the category of “Optimizing Governance” the Center launched the Foundation Governance Project in 2003. That project seeks to develop data that will be useful in informing best practice in foundation governance. The Center is currently planning a research initiative focusing on the category of “Setting the Agenda,” with a particular emphasis on program strategy development.

¹⁴ *Indicators of Effectiveness*, page 13.

THE CHALLENGE OF COLLECTING AND UNDERSTANDING GRANTEE PERCEPTIONS

There are many examples of foundations that have surveyed their grantees through individual customized surveys. But most foundations that survey their grantees receive overwhelmingly positive news. Quantifiable grantee ratings of their foundations cluster toward the high end of an absolute scale and among the open-ended, qualitative comments, the positive statements outnumber the negative. Despite the tendency among many in the field to invoke the analogy of customer satisfaction, surveying grantees proves simply not to be akin to surveying customers in a business setting. After all, customers pay for a service. Grantees, on the other hand, receive money. As some with whom we have discussed this research have suggested, you can only rate a benefactor so low.

As we noted in one of our reports on our Foundation Performance Metrics Pilot Study:

...Several foundations use periodic surveys to probe grantees' perceptions of whether and how the foundation has strengthened grantee performance. Serious questions were raised, however, about the candor and usefulness of grantee responses absent a larger context in which to interpret them. One CEO noted that his foundation had scored highly in a survey of grantees but, in the final analysis, he didn't know what to make of the results. What was an average score? How candid were the grantees given that they were evaluating a crucial source of funding? [A] need was expressed for better ways of collecting comparative and reliable data that would allow foundations to understand how their own performance had affected their grantees.¹⁵

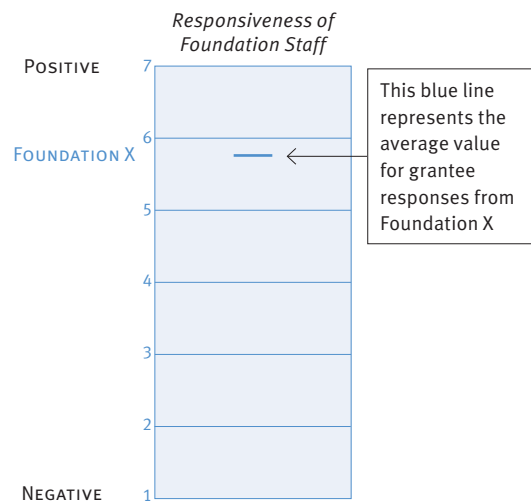
There were essentially two issues that complicated efforts by individual foundations to survey their grantees. First, no matter how many assurances were made by foundations and third-party surveyors regarding confidentiality of responses, foundation executives worried that they were not receiving candid responses from grantees. Second, a lack of comparative data made results difficult to interpret, particularly given that grantee ratings of foundations tended toward the high end of any absolute scales.

Given these issues, we began to explore the possibility of viewing grantee perceptions of foundations on a relative, or comparative, basis. We believed the Center

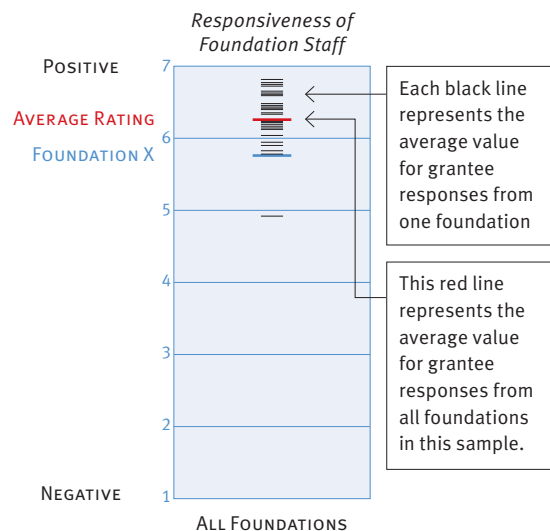
EXHIBIT B: COMPARATIVE GRANTEE PERCEPTION DATA INCREASES UNDERSTANDING

On the question of responsiveness, average ratings of foundations by grantees cluster toward the high end of the 1-7 scale. Foundation X might view its results as quite positive if they were presented without an understanding of how other foundations are rated on this dimension. However, once results for a set of foundations are displayed, it is clear that Foundation X is among the lowest rated. We can say with a high level of statistical certainty that Foundation X is below average on this rating – even though the absolute score is high.

FOUNDATION X VIEWS GRANTEE RATINGS OF STAFF RESPONSIVENESS...



... COMPARATIVE GRANTEE DATA REVEALS PROBLEMS



¹⁵ *Toward a Common Language*, page 6.

for Effective Philanthropy could establish itself as a trusted, independent collector of candid grantee perspectives and that we could then analyze and present results to individual foundations. We discussed a variety of possibilities for implementing this concept, including asking grantees that had received funding from a variety of foundations to rank-order those foundations on a number of different dimensions.

Ultimately, we chose instead to survey individual foundations' grantees, asking them to rate their experiences with one foundation only. This allowed us to understand in some considerable level of detail both how a foundation's grantees perceived it on many dimensions as well as how those perceptions compared to how other foundations were perceived by their grantees. (See Exhibit B.)

We developed a survey instrument with input from members of our foundation performance metrics pilot study advisory board, board of directors, and external experts in survey design. We then tested the instrument with a set of grantee volunteers. Our pilot survey, conducted in 2002, focused on grantees of 23 large, private foundations that we believed to be representative of the largest 100 foundations on a number of key dimensions.

Although most members of our Advisory Board were supportive, many others with whom we discussed the survey expressed skepticism as to its utility, and some even questioned whether grantee perceptions were relevant at all to issues of foundation effectiveness. As one senior executive at a large, national foundation told us, "Grantees are just a means to our ends. We're not interested in their perspectives." We argued that, given that grantees were the foundation's chosen agents of change, their views on the ways the foundation helped or hindered them were highly relevant to the foundation's ability to achieve its ends. But for this

individual, and for some in the field, this argument was not persuasive.

In light of this skepticism, we feared that few foundations would opt into a pilot grantee survey. So we decided to survey grantees of the selected foundations entirely independently. We informed the foundations of our plan to survey their grantees, but we did not rely on their cooperation. Instead, we gleaned grantee contact data from public tax filings of the selected foundations and simply proceeded to survey their grantees. Reactions, not surprisingly, were something less than uniformly positive, with some foundations expressing considerable dismay that we would unilaterally survey "their" grantees.

Ultimately, however, more than half of the foundations whose grantees we surveyed during the pilot expressed interest in seeing the results, and we presented some of the data to the senior leadership of those foundations, who found it revealing and useful. This experience taught us that there was, indeed, significant utility in comparative grantee perception data.

BEYOND THE PILOT STUDY: THE POWER OF COMPARATIVE DATA

With the lessons of the pilot effort still fresh, we set out to re-design the survey instrument based on the feedback we received and create a prototype performance assessment tool for individual foundations, which we called the Grantee Perception Report® (GPR).¹⁶ In 2003 and 2004, in four discrete rounds, we surveyed more than 22,000 grantees of 117 foundations (most among the largest several hundred in the country), receiving nearly 14,000 completed responses.¹⁷ Nearly half of those foundations opted into the survey process in order to receive a GPR. The other foundations were surveyed independently – to ensure a representative and diverse comparative cohort.¹⁸

¹⁶ The price of the GPR ranges from under \$10,000 to over \$30,000 depending on asset size of the foundation, number of grantees, and degree of customization of our analyses.

¹⁷ Overall response rate was 53 percent in spring 2003 survey round, 66 percent in fall 2003 round, 65 percent in spring 2004 survey round, and 64 percent in fall 2004 survey round.

¹⁸ A number that were surveyed independently ultimately elected to receive a GPR, bringing the total number of GPR subscribers in 2003 and 2004 to 65. The rapid rate of adoption of the GPR surprised us and stretched the resources of our small, young nonprofit organization. Initially, we observed that GPR subscribers were disproportionately foundations whose leaders knew us through attendance at our seminars or other direct interactions. But the group quickly broadened, particularly as increased media and lawmaker scrutiny of foundations led more foundations to ask themselves whether they were doing all that was necessary to assess and improve their performance.

Recognizing that grantees might be reticent or fearful to comment on their funders given their dependence on foundation funding, our processes ensure total confidentiality of individual grantee responses, even allowing grantees the option of responding anonymously. Grantees have been overwhelmingly appreciative of the opportunity to provide this candid and confidential feedback – sometimes noting what a welcome change it is to be asked to “turn the tables” and comment on the performance of their funders.

We have seen that ratings of foundations do still skew toward the high end of an absolute scale, but in comparing foundation averages to one another, there are indeed statistically significant differences. Moreover, the difference in tenor of open-ended comments between a grantee rating a foundation a 4 on a scale of 1 to 7 on a dimension such as satisfaction, for example, and a grantee rating a foundation a 7, is striking. For example, a typical grantee comment when rating a foundation a 7 is: “From the outset of our grant application process, and in on-going communication with foundation staff, [we] have encountered a cordial, responsive, experienced and highly professional team.” A grantee rating a foundation a 4, on the other hand, might use language like this: “The foundation has little appreciation for the burden and unrealistic time demands and deadlines that they impose. They seem to feel we have nothing else to do but respond to them.”¹⁹

The statistically meaningful differences that exist when comparing foundations’ average ratings allow for new insights into performance. The existence of such variation has made the GPR a highly valued assessment tool by trustees, CEOs, senior staff, and program officers. Many foundations that previously believed themselves to have comparatively strong and productive relationships with their grantees have been awoken to a different – and sobering – reality.

GPR results cover a wide range of issues, from highly subjective perceptions of a foundation’s impact on its fields or communities of focus to questions about whether grantees received certain types of assistance beyond the grant check and how much they valued that assistance. They also cover administrative processes,

from selection to evaluation and reporting. Some foundations, drawing on data provided by the Center, have been able to persuasively demonstrate to their boards that they are seen to be performing comparatively well in these areas. Others have learned that they are doing less well than they had hoped in areas of importance to them, and have therefore reconsidered strategies, policies, and practices.²⁰

Some examples of how foundations have used the GPR follow.

- The board and staff of a large, private foundation were surprised to find significant concerns among grantees and lower than average ratings on a number of dimensions, such as responsiveness and fairness, that had long been seen as important values by the foundation. The CEO noted in a recent letter to the foundation’s grantees that the foundation’s past efforts to assess performance had lacked comparative data and that participation in the Center’s Grantee Perception Report[®] process shed new light on areas requiring improvement. “The ... findings were sobering, to put it mildly,” the CEO wrote, “suggesting far from optimal performance when compared with some of our peer foundations.” The CEO detailed the findings and noted that “we have started to make improvements in the processes that are fundamental to building better and more collaborative relationships with our grantees and colleagues” and begun a “top-to-bottom” reexamination of those processes. “You should begin to see ... beneficial changes almost immediately,” the letter concluded.
- A community foundation saw that it was making repeated, one-year, small grants to the same organizations and requiring significant administrative time for grantees. This frustrated grantees, who were looking to program officers for leadership on key community issues. And it frustrated program officers, who believed the refusal of the foundation’s board to consider making fewer, larger grants was hindering their ability to be effective and creating pointlessly high transaction costs for both grantees and for them. The foundation is now making fewer, larger grants and redefining the program officer role to address crucial community needs.

¹⁹ Actual grantee comments from spring 2004 survey round.

²⁰ To date, twelve foundations have commissioned the APR.

- SC Ministry Foundation in Cincinnati learned that it was highly rated by its grantees on dimensions such as overall satisfaction, responsiveness, approachability, and fairness and was providing a relatively high level of assistance beyond the grant check.²¹ However, the Foundation's leaders also learned that the foundation rated comparatively lower in perceived impact on its grantees' fields and influence on public policy. They were also concerned to see that its grants were quite small relative to the administrative requirements placed on grantees. Its ratio of dollars awarded per grantee hour spent on administrative processes was lower than most other foundations, and open-ended comments from grantees questioned whether the balance between the requirements imposed on them and the level of funding received was appropriate. Following internal discussions with staff and the Board, the Foundation took a number of steps, which it described in a letter sent to all grantees. "We will be ... aiming toward proportionality between grant size and levels of effort," the letter states, going on to say that the Foundation "will streamline the progress and evaluation reporting formats."
- Another GPR subscriber's Board of Directors was planning to cut the foundation's research staff because of concerns regarding its relatively high administrative costs – until it learned that this research was highly valued by grantees and a key component of comparatively high grantee perceptions of the foundation's work. The Board decided against the cuts.
- The George Gund Foundation in Cleveland, which reported in its 2003 annual report on its largely positive GPR results, learned that one of its program areas "had become an unsatisfactory catch-all. ... The discernment of our grantees, combined with the need to prioritize economic development, led the foundation to conclude that civic affairs was no longer supportable as a stand-alone program area."²² The program area was eliminated.

Many foundation GPR subscribers that had previous experience with grantee surveys now realized

that their past efforts to survey their grantees in the absence of comparative data had been limited in value. Frequently, foundations ask us to customize their comparative cohort, in order to see results relative, for example, to other community foundations, other health-focused foundations, or other large, national funders. Other foundations are satisfied to see their results against the broad group of foundations whose grantees the Center has surveyed. Regardless of how the comparison is structured, it is the comparative data that makes the GPR valuable.

As the *Times* reported in its story on GPR subscribers:

Foundation executives say one ... beneficial aspect [of the GPR] was the survey's ability to show how they compared with peers, something they are unable to learn with their own studies. The Greater Cincinnati Foundation had surveyed its own recipients but was disappointed in the results.

"Even though we provided a means for them to talk anonymously, we didn't learn anything, in part because we had nothing to compare the results against," Kathryn Merchant,²³ the foundation's president and chief executive, said.

[After receiving its GPR] the foundation was taken aback to learn that it was the slowest to approve grants of all foundations [whose grantees were surveyed in one of the Center's survey rounds]. So it streamlined reviews of organizations that were seeking grants of \$10,000 or less.

"It's not all that scary to get feedback," Ms. Merchant said. "I knew we were going to get slammed on the time thing, but getting the information that compared us to others really helped us change practices that had been around a long time."²⁴

GOING DEEPER: COMPARATIVE DATA BY PROGRAM AREA

Beyond illustrating average ratings of a foundation relative to grantee ratings of other foundations, the GPR allows for comparison among program areas, or program officers. Increasingly, GPR subscribers have mined this data extensively to understand the strengths

²¹ SC Ministry Foundation leaders gave us permission to discuss their confidential GPR results.

²² George Gund Foundation Annual Report, 2003.

²³ Merchant is a member of the Center's Advisory Board.

²⁴ Stephanie Strom, "Charities Surprise Donor Foundations With Bluntness." *The New York Times*, April 23, 2004.

and weaknesses of individual program areas and/or program officers. We have found that, at many foundations, the differences in grantee perceptions among program areas and/or program officers are as great as the difference among foundations.

Sometimes, the results have uncovered significant performance issues in the form of deep concern among grantees about a particular program officer’s unresponsiveness or arrogance. In other cases, the program area or program officer level data has simply facilitated productive discussions about whether differences in program officers’ behavior with grantees are intentional and make sense in light of differences in program goals – or whether they are unintentional and therefore potentially more problematic. Some program level data has highlighted for foundations significant areas of leadership and expertise previously not well recognized.

A NEW DATA SET AND NEW INSIGHTS FOR THE FIELD

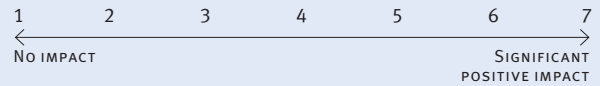
Beyond allowing individual foundations to obtain valuable data on their performance, the grantee survey process has allowed the Center to develop a rich new data set from which we can distill lessons of broad relevance to those in the field. Through the data, we were able to dispel some myths.

For example, there were some who believed that our grantee survey efforts would prove pointless because grantee perceptions would be systematically skewed by forces that had little to do with foundation leadership. Maybe, for example, grantees’ ratings of a foundation would be based largely on the size of the grant they received: the bigger the grant, the higher the ratings. Our analysis of the data demonstrated that this is not the case. It turns out that structural characteristics of the grant, grantee, or foundation are not key predictors of grantee perceptions. Grant size or type, grantee size or focus, or foundation size or type do not explain much of the variation that exists in grantee perceptions.

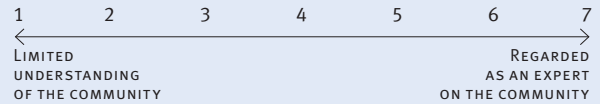
It is instead, other attributes related to staff conduct and expertise – attributes achievable within a variety of foundation structures – that predict grantee ratings of satisfaction with their funders, impact on the grantee organization, impact on the community, and impact on the field. This is a crucial finding that is explored in our paper, *Listening to Grantees: What Nonprofits Value in their Foundation Funders*, which analyzes our Spring 2003

SAMPLE GRANTEE SURVEY QUESTIONS

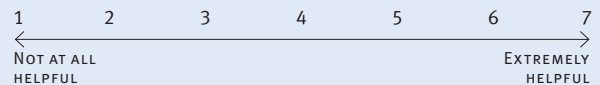
A. Overall, how would you rate the Foundation’s impact on your field?



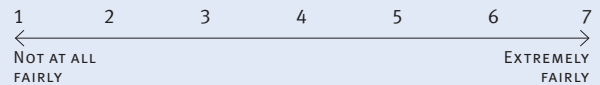
B. How well does the Foundation understand the local community in which you operate?



C. How helpful to you was participating in the Foundation’s selection process in strengthening your program/organization?



D. Overall, how fairly did the Foundation treat you?



E. What improvements would you suggest in the Foundation’s services or processes that would make them a better funder?

survey results, and in a forthcoming paper that will offer further analyses of a combined data set of several rounds of grantee surveys. (See sidebar: *What Nonprofits Value in Their Foundation Funders*.)

Our analysis indicates that the attributes that most foundation leaders use to describe their foundations – attributes such as size and program focus – do not explain differences in grantee perceptions of overall dimensions such as satisfaction and impact. Put another way, our analysis belies the adage that “when you’ve seen one foundation, you’ve seen one foundation.” It reveals, instead, that there are common characteristics of foundations that have strong relationships with grantees and that these characteristics cut across the attributes that many in the field believe define differences among foundations.

The grantee survey process has also allowed us to inform the field about the range of foundation practices on basic process dimensions such as grant

WHAT NONPROFITS VALUE IN THEIR FOUNDATION FUNDERS

The relationship between foundations and grantees is much discussed, debated, and dissected. Competing theories abound regarding the key attributes of successful and satisfying foundation-grantee relations: most are informed by speculation about what nonprofits really value. What is often missing from these discussions, however, is rigorously collected and large-scale data about the opinions of grantees.¹

In *Listening to Grantees: What Nonprofits Value in Their Foundation Funders*, we sought to go beyond looking at comparisons of individual foundation grantee perception data and address findings more globally through analysis of our spring 2003 survey round, which included 3,184 grantees of 30 foundations. We identified three factors – which we refer to as the three dimensions of foundation performance that grantees value in their foundation funders – that best predict variation in overall grantee satisfaction. They are:

- 1) *Quality of Interactions with Foundation Staff*: fairness, responsiveness, approachability
- 2) *Clarity of Communications of a Foundation's Goals and Strategy*: clear and consistent articulation of objectives
- 3) *Expertise and External Orientation of the Foundation*: understanding of fields and communities of funding and ability to advance knowledge and affect public policy.

These dimensions, and their implications for foundation leaders, are explored in detail in *Listening to Grantees*. Specific implications include: making necessary investments to perform well on the three dimensions; supporting the development of specific and relevant expertise by program officers and foundation staff; aligning operations to optimize grantmaking patterns or policies that increase program officer ability to concentrate on the three dimensions; seeking to maintain consistent focus and direction ensuring consistency of policy and communication; communicating frequently; providing timely feedback to grantees; and seeking confidential, comparative feedback from grantees.

1 Excerpted from the Executive Summary of *Listening to Grantees: What Nonprofits Value in Their Foundation Funders*, Phil Buchanan, Kevin Bolduc, Judy Huang, Center for Effective Philanthropy, 2004. Page 2.

turnaround, time required of grantees during the selection and evaluation processes, or data requested by foundations during those processes. There is, for example, a wide range of foundation averages in the length of the selection process. Of the 30 foundations

in our spring 2003 round of surveying, for example, the average time from submission of a grant request to receipt of funds was 5.7 months, but one foundation took an average of more than a year. Similar variation exists in the administrative burdens places on grantees, with some foundations providing an average of less than \$1,000 per hour required of grantees on administrative processes such as selection and reporting and others providing as much as \$8,000 per hour.

LESSONS LEARNED FROM 50 GPR PRESENTATIONS

The stories that emerge from the GPR experience are diverse and varied, as the examples we have described make clear. But, with the benefit of having delivered more than 50 of these reports over the past two years, a number of lessons have emerged:

1) GPR data is relevant at the program officer, senior management, and board levels.

Typically, we present GPR results to foundation program staff, senior staff, and boards, often in several separate meetings. The GPR has relevant information at each of these levels. To grantees, the foundation is the program officer, and perspectives on the foundation relate directly to perspectives on the particular program officer(s) with whom they interact.²⁵ But, as we noted in *Listening to Grantees*, “many of the implications [of the data] cannot be acted on by program officers in isolation. Indeed, to undertake the key activities necessary for strong relationships with grantees, resources need to be aligned and job descriptions crafted in a way that allows the program officer to do what is needed.”²⁶

2) Results must be viewed in the context of a foundation's strategy and values.

An understandable initial reaction of foundations that receive their GPR results is to focus on all dimensions on which the foundation is perceived less positively on a rating scale than others whose grantees we surveyed. But it is important to remember that being the highest rated on a particular dimension isn't always appropriate, given a foundation's strategy or priorities. For

25 See the Center's *Listening to Grantees: Understanding and Improving Foundation Performance*. Also, in her 1999 focus groups with grantees for the Forum of Regional Associations of Grantmakers, Marcia Sharp drew a similar conclusion, noting in her report that “For grantees thinking about particular foundations, as opposed to the overall group, it is clear that ‘the program officer is the foundation.’”

26 *Listening to Grantees*, page 17.

example, foundations that do not seek to influence public policy should take heart – rather than despair – when their grantees rate their impact on public policy to be comparatively minimal. For almost every foundation, there are areas of relative strengths and relative weakness, and, in the best cases, those correspond to the foundation’s priorities and theory of change.

3) Strong leadership is required to identify priorities in responding to concerning results.

For foundations that receive disappointing ratings from grantees across a range of dimensions of importance to the Foundation, responding effectively can be difficult. The natural tendency is to seek to deny the results by explaining them away as the result of some specific, unusual circumstance, such as staff transitions, or even to question whether grantee perspectives are important or legitimate. We have seen strong leadership overcome this kind of initial reaction. Several keys to success are:

- a. Involving staff in designing solutions to the problem, ensuring that they feel a sense of ownership and responsibility for the process.
- b. Mobilizing foundation staff around some early, “easy wins,” such as a redesign of an inefficient process in order to generate momentum, confidence, and enthusiasm.
- c. Communicating clearly throughout the organization the relative priorities and sequencing of action steps.

4) Communication back to grantees regarding what was learned through the process is crucial, and generates significant goodwill.

If grantees are to change their views of a foundation, they need to know that the Foundation has taken their feedback to heart. We have been struck by how seriously grantees take our surveys, answering thoughtfully and with eloquent open-ended comments that accompany their numerical ratings. Foundations that have communicated back to grantees in a timely and candid manner have received significant positive response. Grantees, aware that the GPR results have been delivered and are being acted upon, express support for the foundation’s efforts to improve.

5) Grantee perceptions are just one perspective on foundation performance.

As powerful as the GPR has proven to be as an assessment tool, it is important to remember that it offers only one perspective on foundation performance. While grantees are undoubtedly crucial partners for foundations, as their chosen agents of change, they are not the only constituency with valuable perspectives on a foundation’s performance. Policymakers, declined applicants, community leaders, and those served by grantees are just a few of the additional populations that also may have valuable insight into a foundation’s effectiveness. Finally, perception data is not the same as hard data on a foundation’s ultimate social impact. As we have already discussed, it may not be possible in many cases to know definitively whether current strategies will yield eventual impact, nor to develop an exact equation of impact relative to resources invested. But foundation leaders should still do their best to develop as much information as possible to help them understand as fully as possible whether or not they are achieving their objectives. They should also work to ensure that they have, in each of their areas of programmatic focus, a well-defined strategy, or theory of change, linking activities to desired outcomes. Some, such as Paul Brest of the Hewlett Foundation, have suggested that the ability to articulate this connection between grantmaking and other activities and desired outcomes may be the best proxy of all for foundation effectiveness.

REFLECTIONS ON THE GPR

The rapid adoption of the GPR has been fueled by a number of different forces: the natural desire of foundation leaders to do the best they can in their work; a sense that it is only fair for foundations to subject themselves to assessment processes given that foundations so often require such processes of their grantees; and heightened scrutiny from the media and lawmakers.

We found early on in our work on performance assessment that there was significant frustration among foundation leaders about the lack of access to data that can inform their efforts to assess performance. Many were drawn to the GPR simply because it offered some way to gauge effectiveness and established baselines in some important areas. They were hungry, in other words, for any kind of feedback that might help them

to learn and improve. This is perhaps the most significant force driving interest in the GPR.

A number of leaders in the foundation field are also increasingly uncomfortable with the tendency to translate calls for foundation accountability into increased demands on nonprofits without asking questions about the effectiveness of foundations themselves. The disconnect between what is asked of grantees and what foundations ask of themselves – noted both in Joel Fleishman’s talk and in the Colorado Trust report mentioned earlier in the chapter – does not sit well with many foundation leaders. Many leaders in the field have experience as grantees and bring to their positions a desire to avoid the kind of double standard on questions of performance assessment that they believe they sometimes observed while on the other side of the conference room table.

Finally, the heightened scrutiny of foundations from the media and lawmakers over the past several years has undoubtedly also driven interest in the GPR – and other Center for Effective Philanthropy initiatives, such as the Foundation Governance Project – as foundations look for ways to demonstrate a commitment to effectiveness, standards, and accountability. Several foundation leaders have expressed a concern that, without a positive story to tell the public, media, and lawmakers – a story that includes specific steps being undertaken to improve performance (not simply to avoid malfeasance) – there is little chance of heightening the esteem in which foundations are held.

One senior executive at a large, national foundation, speaking at a gathering of foundation colleagues, described his foundation’s decision to obtain the GPR as a direct response to the changed external environment. In so doing, he cited the adage, “when you are going to get run out of town on a rail, get in front and make it look like a parade.” And Diana Gurieva, Executive Vice President of the Dyson Foundation, one of the first foundations to commission a GPR, put it this way: “If we believe there is an important core good in partnering with grantees, then the Grantee Perception

IS THE GPR RIGHT FOR YOUR FOUNDATION?

Foundations of a wide range of sizes, geographic foci, strategies, and grantmaking priorities have participated in the GPR process. Several questions are helpful in determining if this is an appropriate tool for your foundation:

- Do you believe that grantees have a valid perspective on the foundation’s work, and are you ready to act on their feedback? If not, there is no purpose served in asking grantees to take the time and energy to participate in the process. Little is accomplished if foundations obtain the GPR without being open to making changes to improve on the basis of what is learned.
- Do you employ several staff members? Many of the questions on the GPR survey instrument relate to interactions with – and assistance provided by – staff. The Center does not recommend the GPR for foundations without staff.
- Do you have at least 30 grantees? We believe that this is a threshold number to make surveying worthwhile and to ensure that grantees feel comfortable responding.

If the answer to these questions is yes, then contact the Center for Effective Philanthropy to discuss timing, cost, and other logistics. The Center surveys grantees twice a year, once in the spring and once in the fall. The deadline for participation in the spring round is in mid-December; the deadline for participation in the fall round is early July. The entire process takes approximately six months from the decision to participate to presentation of the GPR.

Report[®] is a valuable tool to help us be better at it. Also, having a sense of how our grantees perceive us is an important self-critique in light of recent public criticisms of foundations.”²⁷

In keeping with foundation efforts to demonstrate accountability and transparency, an increasing number of foundations are being public not just about their decision to obtain the GPR but, following Hewlett’s lead, about their results – posting some or all of the data on their Web sites. The Rhode Island Foundation, for example, posted its GPR results and took out an ad in the *Providence Journal* inviting the public to review the report.

*Ask any funding source: Truth is hard to find sometimes. Understandably, people are reluctant to “bite the hands that feeds them.” ... Critics and second opinions are required if an organization wants to grow, improve, and serve its various customers better. Anonymity makes truth-telling and tough love possible. And we’re already changing as a result.*²⁸

²⁷ Gurieva, speaking at the Center’s October 2003 seminar on foundation effectiveness.

²⁸ Op-ed page advertisements, *Providence Journal*, September 15 and September 21, 2004.

It has become a less tenable position to simply throw one's hands in the air and say, "you can't assess this stuff." While it is true that it is very difficult, and perhaps in many cases impossible, to assess a foundation's total social impact precisely, there is, in fact, much that can be assessed that reflects on questions of foundation performance and effectiveness. Doing so is important, then, not for its own sake, but because it generates learning which leads to improvement.

Indeed, the Center's work is guided by the framework for performance assessment laid out in our report *Indicators of Effectiveness* and referenced earlier in this chapter. We believe a complete effort to answer the questions outlined in that report represents the best opportunity to understand foundation performance. We are beginning to explore ways to use our various assessment tools in combination as part of a comprehensive assessment of foundation performance that addresses all of the areas outlined in our framework (under the broad headings of Achieving Impact, Setting the Agenda, Managing Operations, and Optimizing Governance). After all, foundations will never have one simple tool by which they can assess their performance in its totality. The nature of foundation work makes assessment a challenge and necessitates a creative approach that taps into multiple data sources to offer a set of "indicators of effectiveness."

The Grantee Perception Report® (GPR) has proven to be one effective tool, and we are encouraged by the positive changes that are beginning to occur among foundations as a result of bringing the grantee

perspective more fully into focus in the context of foundation performance assessment. Grantees have much to say that is crucial for foundations to understand. As one grantee wrote in responding to one of our surveys, "I think it would be helpful if foundations listened more closely to nonprofit organizations as to what it is they need." Grantees will, if asked in a way that ensures confidentiality, provide valuable insight into a foundation's areas of relative strengths and weakness. While they can sometimes be critical, they can also recognize excellence. As one grantee put it, "I work with four foundations. This one is in a class by itself in terms of staff professionalism, respectful treatment of grantees, focus of mission, and creativity. It is a student of excellence in its chosen fields."

Understanding whether grantees believe a foundation is meeting this kind of high standard or falling short can be a crucial component of a larger performance assessment effort. After all, grantees have a unique perspective into the strengths and weaknesses of foundations, but they may feel inhibited in their ability to provide this feedback freely to foundations.

The GPR was created out of recognition of those forces that can impede communication, most significantly the power differential inherent in a relationship between those who have money and those who need it. The GPR, then, is about listening and learning, and enabling foundations to see strengths and weaknesses on a comparative basis. And it is about improving — such that objectives shared by foundations and grantees are more likely to be met, and social good created.



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*Providing comparative data to
enable higher-performing foundations*