

Necessary *And* Not Sufficient: the State of Evaluation  
Use in Foundations

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For the Evaluation Roundtable

Over the last decade “strategic philanthropy” has dominated the thinking of many big and ambitious foundations. Theoretically, foundations of this kind not only provide grant support to nonprofits, but importantly, assess social problems, develop strategies to solve them, and track the results of their efforts over time.

Yet how much do foundations really know about the results of their work? While the volume on the rhetoric about the importance of evaluating “measurable results” has undoubtedly increased, our study conducted through the Evaluation Roundtable, makes us question just how much foundations *really* know about the impact of what they do.

In a survey of evaluation leaders from most of the largest foundations in the country and other foundations known for their commitment to evaluation, we looked directly at the issue of whether foundations “walk the talk” by tracking the results of their work. Our study examined the practices related to use of evaluative information in 31 foundations that have demonstrated a strong commitment to evaluation over the years.<sup>1</sup>

Our interest in this study centers on how foundations know about and learn from their work. We wanted to understand what foundations actually do to assess their work—not just at the end of a series of strategic investments, but also during, when information about strategy progress (or lack thereof) is critical if a foundation is going to be able to take corrective action if needed.

At best the findings are mixed. Although evaluation leaders perceive an increase in demand for a broad range of types of evaluative information, funding for these activities has decreased. In fact, *nearly 40 percent of those surveyed invest less than 1 percent of their grant budgets on evaluative activities* (see Table 1). The size of staff devoted to these activities also has declined over the last few years.

**Table 1: Dollars Spent on Evaluative Information (averaged over two years 2007 and 2008)**

Foundation Size	Mean	Median	Minimum	Maximum
<b>Overall</b>	\$4,664,652 3.7%	\$1,629,313 2.2%	\$212,451 0.3%	\$28,719,575 17.8%
<b>Under \$50 million</b>	\$1,150,068 7.2%	\$1,054,500 7.4%	\$212,451 0.8%	\$3,000,000 17.8%
<b>\$50 to \$200 million</b>	\$2,354,650 2.4%	\$1,513,145 1.6%	\$273,281 0.3%	\$10,650,000 6.5%
<b>Over \$200 million</b>	\$12,139,240 2.6%	\$6,037,536 2.3%	\$500,000 0.3%	\$28,719,575 4.9%

Some may argue that costs have gone down as foundations become more experienced with evaluation. From our experience, however, levels of spending and staffing are so implausibly low that it is hard to accept that foundations have the information that could inform them about whether their strategies actually work.

### **What are the consequences of not having evaluative information?**

Our study revealed that many foundations invest much of their evaluation dollars in tracking performance metrics. Tracking metrics can be important, yet reliance on metrics alone will offer little insight into the effectiveness of a strategy while it is in progress. Metrics tell you about the current state—how many students are graduating high school, for example. They do not tell you why the rate is increasing or dropping or whether a foundation’s strategy is influencing these rates. Nor do they point to what could improve it. Too often the metrics they chose are administrative rather than programmatic or strategic. They are often inadequate for learning about the meaningful problems that arise when strategy moves beyond concept and into implementation.

To be effective at strategic philanthropy, foundations must stay sufficiently alert to implementation issues. No matter how strong a strategy is at the outset, it will need to evolve and adapt as it unfolds and encounters reality. Implementation rarely goes as planned. Yet knowledge about strategy execution is limited.

Many evaluation leaders told us of their skepticism about the usefulness of their metrics to inform program strategy. They raised three main concerns:

- That the metrics they were tracking did not adequately align with their strategies;
- That their investments were not sufficient to make a difference in moving the needle relative to the metrics chosen; and
- That the metrics chosen often reflect a long-term goal too distant to inform strategy implementation.

We have no problem with the use of a powerful metric—particularly if it aligns closely with program strategy and the foundation has invested enough resources and/or focused attention so that progress can be linked to its work. But most are not. Long-term metrics can be useful in keeping focus on the goal, yet they are woefully inadequate for foundation learning about strategy problems as they arise. They offer little insight or guidance on what is working or not.

With the increased power foundations assert within strategic philanthropy, comes an increased responsibility for learning about the ramifications of their strategic decisions. And this requires more investment than most (if not all) of the foundations in our survey provide.

### **A bright spot: the CEO matters**

There is, however, an interesting and important variation that emerged from the study. When the evaluation unit reports directly to the CEO, the picture is much brighter.

On almost all dimensions surveyed, when the evaluation unit reports to the CEO, evaluation will have more financial resources and staff and evaluations will be disseminated more to *every* audience of interest, including its board, other program staff, grantees and to the broader field. So too, when evaluation is under the leadership of the CEO, everyone in the audience pays more attention to evaluation findings, thereby upping the overall utility of the investment.

This set of findings is fairly counter-intuitive to what many have believed to be the case for embedding evaluation within a program staff unit. As hypothesized, the close alignment between the two would result in more program ownership and better use of evaluation from start to finish. This would result in a more collegial and responsive relationship and therefore both demand and use would go up.

We were surprised by the degree to which this was not the case. Evaluation leaders embedded in program talked about their difficulty in extracting funds for evaluation and related work. When program staff face the choice of supporting program or evaluation, our data reveal evaluation support suffers.

What accounts for these counter-intuitive findings? Perhaps, the issue has more to do with CEO interest. Having evaluation as a direct report, in that case, would serve as a direct indicator of executive commitment. Perhaps these more committed CEOs might also be more inclined to encourage more learning, more evaluative inquiry, more problem solving and therefore more evaluation.

Time and again we heard how important foundation leadership is in building a culture for learning and examination of foundation progress. As one evaluation leader who recently moved from reporting to program to reporting to the CEO explained, “We have a new president [who] is driving change here. Having the CEO focused on this is critical. Before [that], it was hard to get program officer attention. I can’t overstate how vital that is.”

### **The Importance of Learning about Strategy *Execution***

We realize that there is no simple formula for success in strategic philanthropy, but we also know that foundations are not living up to a major part of that role if they give short shrift to evaluation (in its many forms). Being a good strategist has implications for being a good learner. This is not a trivial supposition.

When a foundation embarks on a significant social change strategy, it has to stay alert to the never ending challenges of strategy implementation. Inevitably, most strategies are built on assumptions—that others will commit, that governments will support, that leaders have the capacity to lead and that organizations can do what they are charged to do. It is only in implementation that the soundness of these assumptions is revealed. And even with the best of up front planning and deliberation, there is often little that one can do to anticipate fully the full extent to which things can go wrong in implementation.

Learning about strategy is not for the faint of heart as it usually involves disappointment and challenge. It is not a lofty enterprise or academic in nature. Learning is important not because

it allows foundation staff to accumulate and demonstrate knowledge. It is important because strategy success depends on it.

If you ask how well foundations learn, what you hear will not be encouraging. While they do many things—our study illustrates just how many—they do not go deeply or sufficiently enough into an examination of their work to address the challenges that we discuss here. For foundations to be effective strategists, they need to learn more about the right things—to allow them to adapt to meet the changing realities on the ground.

This study demonstrates the importance of executive leadership in setting the tone and example for this kind of well directed learning. It requires investment—in evaluations but more importantly, in the time to realize their commitment to build and sustain a culture of inquiry and productive questioning, where unsubstantiated discussions do not suffice for strategic learning. Strategic philanthropy demands an environment where staff is accountable—not for being unequivocally right, but for learning, responding and improving. Only leadership can provide and support such an environment. And only leadership can demonstrate that they are serious about this commitment—by making a commitment to learning throughout the strategic enterprise—not just in the beginning but consistently throughout.

### **About the Study**

The study was conducted during the summer of 2009 to understand current trends and benchmark foundation evaluation practices. The study focused on “evaluative information” rather than on “evaluation” in order to capture the range of functions and activities used by foundations to gauge their own effectiveness.

A web-based survey was emailed to the person who had major responsibility for evaluation within the foundation. The survey explored: 1) how the evaluation function is structured, staffed, and resourced; 2) the types of evaluative activities conducted; 3) trends in funding and demand for evaluation; and 4) perceptions on how well the foundation uses evaluative information. We also asked each foundation to complete a separate form on their evaluation expenditures in 2007 and 2008. We averaged this data across two years. Thirty-one foundations completed the survey; 26 foundations returned their expenditure information.

In addition to the survey, we conducted one-hour, follow-up phone interviews with 29 of the survey participants. These interviews focused on learning more about why the interviewee responded as s/he did in the survey.

**A Caveat:** The sample size of this study is small, although it includes over 50 percent of foundations with grantmaking over \$200 million annually and nearly 15 percent of those awarding of \$50 million annually. The universe of foundations of interest is even smaller, in light of our criterion for study participation that a foundation has expressed/demonstrated strong interest in evaluation.

Previously, the Evaluation Roundtable has conducted other benchmarking studies on the role of evaluation within foundations. We did not use these studies as true points of comparison as

our methods have changed. We do, however, include some historical references to prior data collected, in order to put new findings in perspective.

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<sup>i</sup> Participating foundations include: Annie E. Casey Foundation, Atlantic Philanthropies, Barr Foundation, Bruner Foundation, California Endowment, California Health Care Foundation, California Wellness Foundation, Cleveland Foundation, Colorado Trust, Edna McConnell Clark Foundation, Ford Foundation, Gates Global Health, Gates Global Development, Gates U.S. Program, Hewlett Foundation, Hilton Foundation, James Irvine Foundation, J.W. McConnell Family Foundation, Kauffman Foundation, Kellogg Foundation, Knight Foundation, Lumina Foundation, Marin Community Foundation, New York State Health Foundation, Ontario Trillium Foundation, Packard Foundation, Pew Charitable Trusts, Robert Wood Johnson Foundation, Rockefeller Foundation, Wallace Foundation, and William Penn Foundation.