tpi
the philanthropic initiative

Making a Difference
Evaluating Your Philanthropy

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The Philanthropic Initiative

TPI is a nonprofit with a mission to help donors and social impact investors dream big and act wisely. Our efforts to advance and expand the broader field of philanthropy have been central to fulfilling our mission and to defining who we are. Through our consulting practice, we move rhetoric into reality and put innovation into action.

These two pieces, the consulting and the field-advancing, are intrinsically tied to and strengthened by one another; they keep us connected, retrospective and innovative. They ground us in the practical idealism needed to both inspire and deliver.

Corporations, foundations, families and individuals hire TPI to develop and execute customized philanthropic strategies. As a thought partner, convener, subject matter expert, or staff, we work across the continuum – from visioning and strategy through implementation and adaptation – to help our clients reach their unique goals.

Overview

Our intent in this publication is to offer some simple, pragmatic approaches to evaluation. The most effective evaluation efforts are tailored to the size, scale and complexity of the initiative under review, and conform to the donor's philanthropic goals, strategy and learning style. The approach that you decide to take to evaluation may be formal or informal, costly or cost-free, analytical or intuitive. In the end, it is all about learning from the giving experience, gaining a better understanding of the difference you are making, and improving the effectiveness of your future philanthropic investments.

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Measuring the Results of Charitable Activity

"I want to make a difference" This simple statement often sums up the motivating impulse for both sophisticated and beginning philanthropists. However, most donors soon learn that it is very difficult to measure the results of charitable activity. Donors who come to philanthropy from business careers often expect to measure nonprofit performance by the rigorous, quantitative measures used in the corporate sector, and are surprised by the resistance to such metrics in the world of philanthropy and "social investment." Indeed, there has long been debate about whether it even makes sense to import business metrics and expectations to the nonprofit sector and yet, the frustration around the issue of evaluation probably keeps some potential donors from becoming deeply engaged in philanthropy.

Roger D. was a successful real estate executive and a good corporate citizen. He was a generous donor to many organizations in his city. After selling his business, Roger devoted more of his time to philanthropy, focusing on community bricks-and-mortar projects that clearly benefited from his expertise and wealth. Over time, he found himself drawn to family and education issues and began supporting several early educational programs at local schools and health centers. It didn't take long before Roger became frustrated. He could not determine whether these projects were making a significant difference in the lives of young children. When he asked for data on program outcomes, he was given attendance rates and pages of testimonials. While he was moved by the stories of children's creativity and appetite for learning, he wanted more concrete evidence that his investments were improving outcomes. Without this, he wondered whether his money might just as well be spent by driving.[1]

Roger's frustration is typical of many donors who want to learn something from their giving experience. Measurement technology is obviously the most pragmatic and tangible approach, and in recent years more attention has been paid to the evaluation function in the nonprofit sector. The results have been positive, including the creation of useful assessment tools and the emergence of professional organizations devoted specifically to research and evaluation.

[1] All stories are composites of real donors.

Evaluation is about learning from your giving. Mark Twain once said, "Supposing is good, finding out is better." This may seem obvious, but there are many different reasons for "finding out." One or more of these rationales may match your personal learning style and philanthropic strategies.

- **Ensure that the recipients of your gift are accountable** – Did the recipient organization or individual adhere to the agreement? Did your money go to its intended purpose?

- **Help grantees improve or make mid-course corrections** – What have you and your grantees learned? Are there ways to improve or adjust the program or organization so it can fulfill its mission more effectively?

- **Build the capacity of grantees to self-assess** – Can the organization create internal systems for collecting and analyzing key information? What does it need in order to become a continuous learning organization?

- **Improve your future grantmaking** – What have you learned that will shape your future giving? Will you continue to fund a particular organization or program? Will you change your grantmaking criteria or adjust your overall philanthropic strategy?

- **Test assumptions and hypotheses** – How has your approach served the issue or problem? Were some of your assumptions biased in some way? Do you need to develop new hypotheses for how change happens?

- **Increase the level of knowledge in your field of interest** – Did you learn something that would be useful to other donors and nonprofit organizations? Are there findings that might influence public policy?

- **Make yourself more accountable** – Are you exercising good stewardship of your philanthropic funds? Are you investing your money to the highest and best use?

- **Feel satisfied with your giving** – Do you feel your gift made a difference? Your personal satisfaction will more than likely influence your enthusiasm, engagement and commitment to philanthropy. It may be that some or all of these objectives resonate with you, or that perhaps none of them precisely capture your reasons for "finding out." Take the time to determine your primary purposes for undertaking an evaluation. Your answer will influence the shape of the evaluation strategy.

To Evaluate or Not?
This is the Question

While there are many good reasons for incorporating evaluation into your philanthropy, many responsible donors have decided to omit the evaluation step. Their reasons may be among the following:

- They invest significant time identifying leaders and institutions in advance of funding them, and therefore, trust them to use the funds responsibly.

- The nature of their gifts is so concrete that evaluation is unnecessary, e.g., supporting a capital campaign for a new building.

- Their gift is small relative to the size of the organization.

- Their evaluation criteria are entirely subjective and personal, e.g., seeing the smile on a child's face who attends the grantee's after-school program.

- They perceive their contribution as a reward to a great organization or leader, with the funds to be used flexibly.

- Another funder is conducting an evaluation that serves the same purposes.

- They decide that the cost and effort of an evaluation will take away from the real work of the organization without providing conclusive results.

While these are all valid reasons, most donors find that the learning to be derived from some kind of evaluation process adds value and meaning to the experience of philanthropy. What follows are several approaches to evaluation. Some are time and budget-intensive and others are relatively simple and pragmatic.

Monitoring vs. Evaluation

Evaluation can have a wide range of meanings. It may be useful here to make the distinction between the terms monitoring and evaluation. Both monitoring and evaluation are valuable tools in the donor's quest for quality and continuous learning. Monitoring attempts to answer the question, "Did the grantee fulfill the agreement?" Evaluation attempts to answer the question "So what?" or "What is the impact of the grant?"

Monitoring determines conformance to plan and objectives and helps to identify gaps in the managerial and fiscal capacity of the grantee organization, simply by its ability to provide useful data and documentation. Evaluation determines the effectiveness of initiatives as measured against criteria and goals.

Monitoring is a relatively straightforward and inexpensive task. Evaluation, because of its more complex questions, may require a greater commitment of time and resources, depending upon the nature of the project and the donor's learning goals.

Approaches to Evaluation

Evaluation can include both *regulation* and *enhancement* approaches. Funders who use evaluation in a regulatory way bring an "audit" mentality to the process to ensure that organizations perform to a certain standard and to withdraw support from organizations that fail to meet these standards. The risk with this approach is that it can lead to an atmosphere of distrust or can limit the organization's potential for authentic learning, since the grantee may pursue only those initiatives that guarantee success. On the other hand, the regulation approach is useful for articulating minimum standards and demanding accountability from the grantee.

A funder who relies on an enhancement approach will use positive reinforcement to reward good performance. For these funders, evaluation is an integral aspect of the partnership with the grantee, and they work closely with their recipient organizations to overcome barriers to success. The risk with this approach is that funders may become so close to their grantees that they lose the broader perspective that comes with a more detached, objective stance.

For most donors, what seems to work best is a balance of regulatory and enhancement approaches, depending on the organization and its particular situation. For example, a regulatory approach may be appropriate for evaluating gifts to well-established organizations, while an enhancement approach may be favored for start-up organizations or experimental pilot programs.

The Scope of Evaluation

THE MAIN CHALLENGE OF AN EVALUATION IS DETERMINING WHAT IT IS YOU WANT TO EVALUATE.

The challenge of answering the "So what?" question has resulted in many new evaluation methodologies. However, the disparity of goals and strategies used in different fields, and among different types of organizations, is too broad to conform to any single index or performance measurement tool. Within the scope of evaluation, there are several different kinds from which to choose:

- Summative evaluations gather and analyze data that respond to the "So what" questions. These evaluations are typically conducted by an outside evaluation expert at the beginning and conclusion of a project.

- Formative or participatory evaluations review programs in progress to help grantees identify problems and make mid-course corrections. These are characterized by an interactive process between the grantee and an outside evaluator. Some formative evaluations are conducted in partnership between the donor and the recipient organization.

- Cluster evaluations focus on the broad goals of a grant initiative. They are typically collaborative and provide an overview of the progress and impacts of multiple initiatives within one organization, or among several organizations working to achieve similar goals.

- Meta-evaluations assess the impact of the funder's entire philanthropic portfolio. These comprehensive evaluations may include long-term outcome studies and surveys of grantees that assess the funder's performance and support. These are usually performed by outside consultants.

What Do You Want to Measure?

The main challenge of an evaluation is determining what it is you want to evaluate. Along the continuum of monitoring and evaluation goals, there are various levels, dimensions or activities that you can assess, including:

- Activity – Is the project actually taking place? For example, is the community women's health clinic in full operation?

- Process – Is the project progressing according to plan? Is the clinic using the new breast health screening protocols?

- Inputs – What are the available resources and how effectively are they being managed? Are there sufficient clinicians and volunteers to staff the clinic?

- Strategies – Are the strategies clearly defined? Has the clinic launched community outreach initiatives as planned?

- Outputs – What is the project producing, in terms of concrete data? How many women have been served?

- Outcomes – Has the project delivered the desired outcomes, in terms of tangible results? Have the new screening methods increased the detection of early-stage breast cancer while decreasing the incidence of late-stage breast cancer in this community?

- Impact – What is the project's impact on the broader challenge in the larger community? Has the clinic publicized its outcomes to practitioners and community advocates in the field of women's health and preventive care?

- Effectiveness – Do the outcomes and impact justify the resources allocated to the project? What is the differential between clinic expenses and the documented cost and impact—financial and emotional—of late-stage breast cancer treatment?

Although all of these elements are inter-related, some of them—activity, process, inputs and outputs—are more conducive to monitoring, while other elements—outcome and impact—require a more complex, evaluative approach.

What Are the Steps in the Evaluation Process?

The most effective evaluations are tailored to the size, scale and complexity of the organization under review, as well as to the goals that the donor has identified as most important. Very few donors have the appetite or resources for embarking on formal, large-scale, multi-million dollar longitudinal evaluations. While donors who are committed to major policy initiatives or replicating successful programs may find such evaluations worthwhile, most philanthropists are looking for simpler, practical methods for assessing their contributions.

Pre-grant considerations – Even before the donation has been made, there are steps you can take to enhance the learning possibilities. Communicate your expectations and be clear with the grantee about your objectives and criteria for success. If these components are discussed and set in place at the beginning of the grant period, the job of monitoring and evaluation will be much easier. A letter accompanying the grant should confirm that the donor and the recipient organization are in consensus about the methods for measuring success, the timeline, and the potential use of the evaluation activities. In some situations, multi-year gifts may be appropriate for the donor and grantee to work together and apply the lessons learned from one year to the next.

Post-funding partnership – Once the grant is made, develop a relationship with the grantee that emphasizes candor and mutual learning. Take the time to visit with the organization. Model an attitude of openness and a willingness to learn throughout your partnership with the recipient. As the project progresses, be realistic about what is possible and encourage the recipient organization to be realistic about their goals and the potential for measuring success.

If results of the program cannot be measured during the grant period, work with the organization to identify benchmarks and milestones in the short term. For example, a gift aimed at diversifying attendance at an art museum may take several years to show measurable results. However, one indicator of success might be the museum's number of outreach events in new communities, i.e., school groups in immigrant neighborhoods.

Progress reports – Organizational progress reports are a common method for monitoring gifts. Provided on an annual, semi-annual, or quarterly basis, progress reports function as a useful self-assessment tool for the recipient organization and keep the donor alert to the use of funds and the adherence to grant guidelines. A progress report typically covers the following areas in a 1 to 2 page narrative:

- What has been accomplished to date?
- What challenges have you encountered and how have you addressed them?
- Based on your experience to date, what changes do you expect to make in the original plan?
- How have funds been spent so far?

Several philanthropic membership organizations have created "Common Report Forms" that reduce the burden on nonprofit organizations to create customized progress reports for each of their funders. *(See resources section for contact information.)*

Donors should think carefully about the amount of information that they need. Generally, progress reports should not be required if there is a good chance that you will not read them or change funding as a result of reading them. If your gift is small and/or given for general operations rather than earmarked for a specific purpose, then a brief conversation or published annual report may be sufficient.

Many donors also request a final report that documents the overall results of the gift and provides a summary account for grant expenditures. These reports can be valuable sources of information to share with other potential donors to the organization and may help inform future grantmaking by the same donor.

DIRECT ENGAGEMENT, AS A HANDS-ON VOLUNTEER OR AS A BOARD MEMBER, PROVIDES INSIGHTS THAT GO BEYOND THE NUMBERS AND POLISHED LANGUAGE OF A PROGRESS REPORT.

Site visits – Many donors conduct site visits six months or a year after making their gifts to see what progress has been made to date and to discuss any challenges the organization is facing. These visits can be very gratifying emotionally; for example, seeing young people perform in an after-school program you supported. Post-grant site visits also are a wonderful way to involve family members in your giving.

Some funders make the effort to visit all their grantees annually. Others make regular or occasional site visits to grantees with whom they work closely or to check on risky programs. "Surprise visits" to grantee organizations are generally not recommended since they may create an adversarial atmosphere, but may be warranted in extreme cases; for example, if the organization is not providing progress reports, or if the reports seem incomplete.

Volunteering – For some people, the best way to get an accurate sense of how their charitable gift is being used is to become involved with the grantee organization as a volunteer. Direct engagement, as a hands-on volunteer or as a board member, provides insights that go beyond the numbers and polished language of a progress report. If, for example, your gift is allocated to general operating purposes, the measure of success might be the organization's overall health and capacity, as observed on a weekly or monthly basis. Because direct involvement provides a greater degree of access to staff, clients, and other stakeholders, you will have more opportunity to assess your grantee's leadership, staffing and infrastructure. You also can bring your expertise to bear on the organization's strength and future direction; for example, a donor with significant CEO experience may enjoy helping organizations navigate difficult transitions in his capacity as a board member.

Convening grantees – Another useful tool for evaluation is for the donor to bring organizations together to share knowledge or to work with an expert to build skills; for example, in fund-raising or volunteer training. This peer-to-peer "enhancement" approach, often used with "cluster" evaluations, works best when the different organizations share similar purposes, conduct complementary activities, and are not competing for the donor's funds.

Organization self-evaluation – Many donors focus on self-assessment as an important part of institutional capacity-building. Several tools have been developed in recent years to support organizational self-assessment. These self-assessments vary in the scope of measurement, data collection, staff time, outside technical assistance and cost needed. However, they all require the commitment of the nonprofit organization to continuous learning and improvement. *(See resources section for a listing of several self-assessment tools.)*

Peer review – The peer review process is a cost-effective approach to evaluation in which similar organizations visit each other's sites, review methodology, observe program progress, and provide constructive feedback. Many donors who fund medical research or highly technical projects employ this approach, often with a panel of peer advisors. However, even donors in fields as diverse as education or the arts can use this approach effectively.

Independent consultants – Expert independent consultants bring objectivity, autonomy and credibility to the task of evaluation. The selection of an evaluator should be determined by the objectives of the evaluation, the timeline, available funding, and the potential audiences for the resulting report. The evaluation field ranges from large organizations with teams trained in various quantitative and qualitative methods to consultants based in academia and the foundation sector. The cost of hiring an independent evaluator varies from a few thousand dollars for a modest protocol involving the grantee to the million dollar range for longitudinal studies involving multiple grantees and sites. *(See resources section for resources on locating independent evaluators.)*

Did My Gift
Make A Difference?

Even with all the approaches and tools to conduct evaluations, it is still difficult to get a reliable answer to the question, "Did my gift make a difference?" Donors should understand that there are unique challenges embedded in the process of creating sustained social or community change.

Challenge of quantification – Many changes cannot be measured in quantitative terms, and what can be measured may not always be the most important piece of information. For example, philanthropists who contribute to their local library endowment know that they are supporting the intellectual capital of their community, regardless of how many times a single book is checked out or how many patrons attend the library on a weekly basis.

Long time horizons – The results issuing from a charitable gift may take many years to be realized. A donor may invest in early childhood education, but the results may not be revealed for a dozen years. Donors need to weigh their need for tangible results with the costs and benefits of data collection and evaluation over an extended time horizon.

Measuring causality in the context of other factors – The science of change theory is complex. It is not always possible to attribute causality to a program's activities in the context of outside factors. For example, proving that a literacy program influences certain outcomes might be done relatively easily by isolating the other formal education that the students are receiving. Assigning causality in programs that address other social problems is more problematic. For example, many external factors influence the perpetration and reporting of crimes, which amkes it difficult to claim success from the results of a single community crime-prevention program.

There are also idiosyncratic features in the typical funding process and in the relationship between funder and grantee that pose challenges to the evaluation process. These include the following:

Imbalanced power relationship – Even with the best of intentions, the donor-recipient partnership is delicate. It is impossible to ignore the complicated expectations and behaviors that characterize the relationship between the funder and the grantee. This imbalance can constrain candid, straightforward conversations about the funding process or about disappointments and challenges the grantee may be facing.

Unwillingness on both sides to accept failure – Donors are sometimes unwilling to accept the fact that their funding has been unsuccessful. The eagerness to reap the emotional rewards of philanthropy may cause the donor to avoid or discount evaluations that reveal severe problems. Grantee organizations likewise have no incentives to support evaluation efforts that might produce negative results. It is a challenge to create an environment where mistakes and failure are perceived as opportunities for learning.

THE DONOR AND GRANTEE WORK AND LEARN TOGETHER AS PARTNERS, WEATHERING THE CHALLENGES AND CELEBRATING THE ACCOMPLISHMENTS.

Given these limitations and challenges, funders need to see evaluations not as definitive answers, but as lessons in philanthropy that will resonate over time, as the following story demonstrates:

Serena M. was an elementary school teacher for many years before her parents passed away and left her with a bequest to establish a foundation. Serena decided to fund enrichment programs for disadvantaged children who were struggling with academics. She knew that these children often benefited from exposure to the arts, and she believed in the potential of enrichment programs to develop self-esteem and build positive relationships with caring adults. Serena provided three-year "enrichment grants" to eight schools that submitted compelling proposals. When Serena reviewed progress reports at the end of the first year, she found that some schools listed program activities and attendance figures while other schools included children's artwork and laudatory letters from parents. The first set of reports assured Serena that the grants had been efficiently spent, But the second set of reports was more emotionally satisfying. Serena acknowledged that she had no basis for comparing the programs and decided to provide more guidance to her grantees.

In the second year, Serena asked the grantees to report on obstacles to program implementation and to develop plans for integrating their programs into the daily curriculum. She visited each of the schools and identified the most dynamic, ambitious programs. Serena then hosted a conference for the grantees, with workshops led by teachers from the best programs. The conference was a great success. The teachers were energized by working together, and an educational consultant extended their learning by creating a handbook of "best practices."

By the third year, Serena felt more confident about her grantmaking. There was evidence of improved academic performance and test scores, and most of the grantees had succeeded In bringing the programs into the core curriculum, thereby reaching new groups of children. When asked by a friend about how her foundation was doing, Serena could honestly say, "I think we are really making a difference in the lives of these children!".

Final Thoughts

As you think about what kinds of monitoring and evaluation strategies make sense for you, the following principles may offer useful guidance:

- Monitoring and evaluation are all about learning. The donor and grantee work and learn together as partners, weathering the challenges and celebrating the accomplishments.

- Monitoring and evaluation should be conducted in the context of a quest for quality, and to encourage and reward excellence.

- The best monitoring and evaluation strategies are integrated into the funding process, starting with early discussions with grant recipients about the criteria and indicators for success, ongoing learning and documentation and post-grant reflection and renewal.

- Nonprofit organizations typically operate under financial constraints. Be realistic about what a nonprofit can evaluate and support the capacity of your nonprofit partner to be a continuously learning organization.

- Good performance is not measured by financial or quantitative data alone.

Paul Ylvisaker, a dean of american philanthropy who has served on many foundation boards, led the Ford Foundation's urban poverty program in the 1950's. Every year he walked the streets of a neighborhood funded under the program and asked himself, "have we made anything better?" this question is at the heart of good evaluation work in the world of philanthropy.

Resources

RESOURCE ORGANIZATIONS

- **Grant Craft** – is an online source of tools and publications for effective grantmaking including: *Evaluation Techniques: A Series of Brief Guides.* This guide explains evaluation and assessment techniques that help document and analyze the work supported in ways that are meaningful to foundations, grantees, and wider field or community. www.grantcraft.org

- **Grantmakers for Effective Organizations (GEO)** – is a coalition grantmaking organizations committed to building strong and effective nonprofit organizations. GEO's Web site houses a database of research, articles and other resources on evaluation. www.geofunders.org

- **Innovation Network** – a nonprofit organization that is dedicated to developing and sharing evaluation tools and know-how with nonprofits and funders. Helpful tools and training resources for evaluation are available at www.innonet.org

- **Urban Institute and The Center for What Works** – offer The Outcome Indicators Project. It provides a framework for tracking nonprofit performance. The tool suggests candidate outcomes and outcome indicators to assist nonprofit organizations that seek to develop new outcome monitoring processes or improve their existing systems. www.urban.org www.whatworks.org

- **W.K. Kellogg Foundation** – offers a Logic Model Development Guide. This is a comprehensive guide to logic models—what they are and how to develop them. A logic model—also known as a *theory of change*—is a blueprint for designing and evaluating programs. www.wkkf.org.

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