DO FOUNDATIONS MEASURE SOCIAL IMPACT?

AN INVESTIGATION OF THE FORCES THAT MOTIVATE FOUNDATIONS TO EVALUATE GRANTS AND MEASURE ORGANIZATIONAL PERFORMANCE

by

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B.A., Carleton College 1989

Submitted to the Graduate Faculty of

Graduate School of Public and International Affairs in partial fulfillment
of the requirements for the degree of
Master in Public Administration

University of Pittsburgh

2011

UNIVERSITY OF PITTSBURGH

GRADUATE SCHOOL OF PUBLIC AND INTERNATIONAL AFFAIRS

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January 14, 2011

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This paper examines the factors that influence the evaluation practices of American philanthropic foundations, using an institutional theory framework. To this end, it explores the literature, contributed by both the academic community and esteemed philanthropic practitioners, that informs understanding of organizational dynamics in general and evaluation practices in particular. From this literature emerged several propositions regarding the factors that influence evaluation practices. As part of this study, these propositions were explored through key informant interviews with representatives from eight foundations headquartered in Pittsburgh, Pennsylvania. Through this approach, this paper contributes to the field by integrating the views of academic theorists, philanthropic thought leaders, and current practitioners. Relative to evaluation practices, the most striking findings were the importance of the grantee-funder relationship, the influence of grantees, and the impact of organizational lifecycle. These insights have several implications for policy-makers and point to opportunities for further research.

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1.0 INTRODUCTION

In the non-profit sector, talking about the social benefits of American philanthropic foundations is like talking about motherhood and apple pie – of course foundations benefit society. *But do they? How do we know?* National surveys indicate that most foundations neither formally evaluate the effectiveness of the grants they make nor measure their own organizational performance (Ostrower, 2004; The Center for Effective Philanthropy, 2002). Though a few dedicate considerable resources to evaluating their grantees and their own organization, most foundations rely on grantees to self-report project outcomes. Even among foundations that believe independent evaluations of grantees are important, stated priorities do not reflect their actual practices (Ostrower, 2004).

The title of this research paper asks a very broad question about how foundations assess social impact. As suggested in the sub-title, this study focuses more narrowly on understanding foundations' evaluation practices and the forces that motivate their practices. This approach prompts the specific research question explored here, ***What exogenous and endogenous factors influence the evaluation practices[1] of philanthropic foundations?***

Answering this research question requires an understanding of the current situation, including organizational dynamics, the entities that make decisions about evaluation practices, and the experiences which shape the lens from which these decision-makers view evaluation practices. In addition, the research process requires a conceptual model to aid predictions about the external or internal forces that

[1] For purposes of this research endeavor, "evaluation" encompasses two distinct but inter-dependent management practices: 1) *project evaluation* that focuses on grantee performance relative to a specific project that receives foundation funding, and 2) *organizational self-evaluation* that focuses on the foundation's own performance relative to its strategic goals, founder's intent, and measures of overall effectiveness. The literature often employs the term "grantee-focused" evaluation to refer to project evaluation and the term "foundation-focused" evaluation to refer to organizational self-evaluation. In conformity with this approach, this paper uses these terms when needed to distinguish between these two types of evaluations.

could, or already have, prompted changes to existing practices. Each of these components is explored within this paper.

Ultimately, the aim of this research endeavor is to help policy-makers inside and outside the philanthropic community better understand how to motivate more foundations to adopt robust evaluation practices. The value of this endeavor rests on two fundamental assumptions:

1. **Evaluating performance is valuable** not only to the individual foundation, but also to the grantee, the philanthropic sector as a whole, the nonprofit sector collectively, and the public at large.
2. **Foundations are accountable to the public.** Though the foundations' assets are "theirs", these assets are also tax-exempt and paid out at a very slow rate – much more slowly than direct contributions to nonprofit organizations – and usually designed to ensure the foundation continues in perpetuity. Consequently, contributions to foundations carry a higher social cost and thus are held to a higher standard than individual donors' contributions.

The assertion that evaluation practices will strengthen the philanthropic sector and create public value is very much supported in the literature. In general, the literature expresses the view that without evaluation, neither the foundation community nor the public can assess the contribution and effectiveness of the philanthropic sector. Furthermore, without robust evaluation practices, organizational learning from philanthropic initiatives is lost, or at best, simply hoarded (Damon & Verducci, 2006; Faber & McCarthy, 2008; Fleishman, 2007; Goldberg, 2009; Grassley, 2009; Porter & Kramer, 1999). There is also the view that evaluating performance is an important public accountability. In particular, the charitable tax exemption is commonly cited as evidence that American society expects foundations to use their assets to achieve the greatest possible benefit (Fleishman, 2007; Porter & Kramer, 1999; Salamon, 2002a). Therefore, understanding how to motivate more foundations to adopt these practices is an important research objective.

To that end, the first section of this paper examines several streams of literature that have contributed to understanding this research problem, including network analysis, innovation studies, stakeholder theory, and institutional theory. This section briefly chronicles each of these theories. It includes a more extensive discussion of institutional theory, since this framework underlies the conceptual model used here to explore the factors causing institutional change.

The literature review also highlights important debates and trends in American philanthropy through the writings of thought leaders from the field. This section concludes with a brief discussion of evaluation, both in terms of social program evaluation (which focuses on grantees), as well as strategic performance management/evaluation (which focuses on the foundations themselves).

The second section of this paper describes a conceptual model and preliminary propositions. The model, developed by Greenwood, Suddaby and Hinings, is rooted in institutional theory and details six stages of institutional change (2002). From the literature and the Greenwood et al model emerge five preliminary propositions, or “expectations”, about the factors that might impact institutional change (and inertia) relative to evaluation practices in the philanthropic sector. The next section summarizes the results of key informant interviews with representatives of eight foundations headquartered in Pittsburgh, Pennsylvania, on the topic of evaluation practices. This discussion also reconciles the expectations with the input from key informants and discusses other findings that were interesting but incidental. In the concluding section, the paper revisits the research question, key assumptions, and opportunities for future research. This closing discussion highlights important implications for policy-makers seeking to motivate more foundations to adopt robust evaluation practices.

1.1 TIMELINESS OF RESEARCH ENDEAVOR

As popularized by 12-step recovery programs, the first step to overcoming a problem is admitting that you have one. In 1999, two scathing articles, one of which appeared in the *Harvard Business Review*, lamented foundations' sorry record on both grantee- and foundation-focused evaluation (Easterling & Csuti, 1999; Porter & Kramer, 1999). A Colorado Trust report stated, *"…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"* (Easterling & Csuti, 1999). Adding to this censure, Michael Porter and Mark Kramer asserted that, *"Until foundations accept their accountability to society and meet their obligation to create value, they exist in a world where they cannot fail. Unfortunately, they also cannot truly succeed"* (1999). These are just two of the many voices from inside and outside the foundation community forcefully proclaiming that the philanthropic sector has at least one problem: inadequately evaluating its effectiveness (Brest & Harvey, 2008; Damon & Verducci, 2006; Faber & McCarthy, 2008; Fleishman, 2007; Salamon, 2002a).

Inside the foundation community, the growing "venture philanthropy" movement has fueled enthusiasm for robust evaluation practices, and foundation CEOs are concerned about regulatory scrutiny if they fail to demonstrate social value (The Center for Effective Philanthropy, 2002). *Outside* the foundation community, policy-makers are asking about accountability and transparency as foundations have grown, not only in numbers and asset size, but also in influence (Faber & McCarthy, 2008; Fleishman, 2007; Grassley, 2009; Salamon, 2002a). Joel Fleishman posits that the public attention generated by Warren Buffet's decision to bequest the bulk of his wealth to the Bill & Melinda Gates Foundation and increased criticism from public officials might "generate enthusiasm" within the foundation community for serious self-regulation (Fleishman, 2007). Pointed public comments by key Congressional leaders and White House staff suggest the possibility of increased scrutiny and regulation. In 2009, Senator Charles Grassley, ranking member of the Finance Committee, stated his position:

> *"We believe in strengthening the charitable sector by making charities more accountable for the significant tax breaks bestowed on them in the tax code. This year marks the 40th anniversary of the enactment of the 1969 private foundation rules. In these 40 years, we have seen explosive growth in charities and charitable giving. What we haven't seen, though is the law, and the*

enforcement of the law, keeping up with that growth…. The question of the effectiveness and efficiency of the tax breaks for giving to charity is an important one" (Grassley, 2009).

In March 2010, the White House aired its related concerns:

> *"Sonal Shah, head of the White House's Office of Social Innovation and Civic Participation, urged foundations to take greater risks… She also said that much of her work has been hobbled by a lack of detailed data and statistics about nonprofit groups and how public policies affect them and the people they serve. Without reliable data, she says, it is often hard for her and her colleagues to get support for ideas that might help nonprofit groups"* (The Chronicle of Philanthropy, 2010).

The recent recession may have temporarily quelled regulatory attempts for two reasons. One, the economic downturn diminished the value of foundation assets, deflecting claims about abundant wealth. Two, public officials may not want to constrain private philanthropists when the jobless rate signals a vast need for continued social program innovation and support. Yet history suggests that foundation oversight will not go away and will likely re-emerge with a strengthening economy (Byrnes, 2004).

Anticipating ongoing attention to the issue of public accountability, a variety of organizations and consultants has emerged with evaluation tools and strategies. In addition, several noted universities, including the University of Pittsburgh, have created Centers of Excellence to support research in the field of philanthropy (see Appendix A). The rise of the venture philanthropy movement has also increased attention on philanthropic performance metrics and expanded the foundation lexicon to include "social return of investment", "patient capital", "social investing", "social entrepreneurship", and other impact-oriented terms. However, there is ample evidence that most foundations have not yet adopted evaluation practices that focus on either grantees ("grantee-focused evaluation") or the foundations themselves ("foundation-focused evaluation") (Grantmakers for Effective Organizations, 2006; Ostrower, 2004; The Center for Effective Philanthropy, 2002, 2006). Even among foundations which believe evaluation is important, there is a significant gap between stated priorities and actual practices (Ostrower, 2004). This finding presents evidence that professing belief does not necessarily translate into action.

2.0 LITERATURE REVIEW

The central research question explored in this paper is, ***"What exogenous and endogenous factors influence the evaluation practices of philanthropic foundations?"*** A comprehensive analysis of this question requires a thorough understanding of institutional dynamics (the framework), American philanthropic foundations (the context), and the field of evaluation research itself (the tool). This section begins by discussing several important social theories that inform understanding of institutional dynamics, including innovation studies, network theory, stakeholder theory, organizational change, and institutional theory. Since the research question explores the relationship between philanthropic foundations and the practice of evaluation, the literature review also highlights important issues in both philanthropy and evaluation before discussing the intersection of these distinct domains.

2.1 INSTITUTIONAL DYNAMICS

The fields of economics, political science, and sociology weave a rich tapestry of perspectives on institutional dynamics. In combination, these fields elucidate understanding of individual behavior, which have evolved into tools for understanding organizational behavior. For purposes of this research endeavor, the unit of analysis is the organization, as well as the field. As a result, innovation studies, network theory, and stakeholder theory, while providing important insights, fall short because the unit of analysis employed by these theories is primarily the *individual* (with innovation and network studies) or the *relationship* between the individual and the organization (with stakeholder theory). Institutional theory provides a more robust platform for analyzing organizational behavior, relative to the organization and the field as a whole. Therefore, the primary focus of this literature review is institutional theory. However, the particular insights of the other theories which inform this discussion are also included here.

Innovation Studies and Network Analysis

In 1962, Everett Rogers published *Diffusion of Innovations*, a seminal work from which grew the field of innovation studies. Now in its fifth edition (2003), Rogers' work is widely cited in the social sciences[2] to explain the adoption of innovations, ranging from technology to politics to health. The importance of Rogers' pioneering work, which categorizes individuals along a spectrum of innovators, early adopters, and late adopters, cannot be overstated. This contribution informs understanding of the factors which influence the diffusion and adoption of innovations and has a wide variety of applications. Rogers' contribution is particularly useful in understanding the diffusion of management practices, including the spread of evaluation practices in the philanthropic community.

Yet there remains a tension between the diffusion dynamics of individuals, as opposed to those of organizations. Rogers acknowledges that the organization is more complex, given that adoption and implementation are not one in the same. That is, the adoption decision may be made by the organization, but the implementation requires many individuals to act collectively. Early research in the area of organizational innovation found some similarities to individual innovation, but also some key differences. For example, these studies found low correlations between independent and dependent variables, and researchers faced significant data collection challenges. In combination, these dynamics initially discouraged work in the field (Rogers, 1995). Rogers' discussion of organizational complexities underscores the importance of understanding actual (implemented) practices, as opposed to stated (adopted) priorities.

[2] 29,907 citations recorded by Google Scholar as of October 25, 2010.

Over the last decade, the field of innovation studies has leveraged institutional theory to understand how innovation evolves within a particular field or sector system. To investigate these dynamics, Frank Geels makes an insightful distinction between the “supply side” of innovation (the tool) and the “user side” of innovation (the diffusion and use of the tool) (Geels, 2004). Geels asserts that innovation studies has focused on the development of knowledge (the technology or tool) and downplayed the importance of the user side (the social infrastructure which influences the diffusion and use of the tool).

Geels believes that the user side of the equation is critically important to understanding institutional adoption of innovations. ***The implication of this finding is that the users’ trust in the quality of the technology limits the adoption of the technology.*** Most work in the field of evaluation has focused on developing the tools, rather than educating users. This is especially important relative to the use of evaluation practices in foundations. Practitioner-users may have significant concerns about the ability of evaluation tools to capture both short-term and long-term impacts. This is likely a factor influencing the adoption of both grantee- and foundation-focused evaluation practices.

The field of innovation studies is linked closely with network analysis. Network theory focuses on the influence of strong and weak ties between individuals. Going back to the early work of Everett Rogers gives evidence that the experience of friends and early adopters influences the adoption of innovation more than objective data or research (Rogers, 1995). The relationship between individual ties and diffusion led to a connection between innovation studies and network analysis. The relationship between the diffusion of innovation and network theory is a discussion in and of itself.

For purposes of this research initiative, the critical contribution of network analysis is the role networks play in confining and diffusing organizational practices, such as evaluation practices. Network theory helps explain how information spreads. However, it does not provide a wholly sufficient explanation of why (or how) the institution responds to or processes the information gleaned from the network. For those insights, we turn to stakeholder theory and the larger body of organizational change literature (Clemens & Cook, 1999; Strang & Meyer, 1993).

2.1.2 Stakeholder Theory

In the early 1980's, R. Edward Freeman responded to the tension between network theory and institutionalism by developing a thesis of stakeholder influence. In his initial work on this topic, *Strategic Management: A Stakeholder Approach*, Freeman explores the fundamental relationship between the actor and the organization. Stakeholder theory is now featured as an essential framework in business ethics and corporate social responsibility texts (Jones & Wicks, 1999). For purposes of this work, stakeholder theory provides another lens from which to consider the factors which motivate foundations to adopt evaluation practices.

Stakeholder theory provides a bridge between individual and organizational behaviors by introducing as a unit of analysis ***the relationship*** between the organization and its actors. In this way, stakeholder theory examines the strategies that stakeholders use to exert influence on an organization. *"The stakeholder approach is about groups and individuals who can affect the organization and is about managerial behavior taken in response to those groups and individuals"* (Freeman, 1984).

Stakeholder theory is useful for understanding the motivations of individual decision-makers in organizations, but it does not fully address or explain the institutional constraints the decision-makers face. Therefore, what is needed is a framework which shifts the unit of analysis to the organization. The organizational change and adaptation literature provides many such theories. In particular, one sub-field of this literature, institutional theory, provides as especially useful lens for examining the research question at hand. As such, the remainder of the academic literature review discusses both organization change and institutional theory in more detail.

2.1.2. Organizational Change

The organizational change literature focuses on understanding the factors that influence organizational change (or inertia), as well as the organization's responsiveness to these influences. This field of study provides a macro-view of organizational dynamics which informs understanding of the factors which might influence management practices, including evaluation. The reigning perspectives share a common conceptualization of organizational change which includes looking at the: 1) *content* of the change ("what"); 2) *process* of changing ("how"); and 3) *context* of the change ("environmental") (Armenakis & Bedeian, 1999; Barnett & Carroll, 1995).

Content issues focus on *what* changes, including organizational strategies (mission/culture), leadership, employee skills and behaviors, and internal procedures. Process issues address *how* change occurs, related to implementation and employee/individual behavioral responses to change. Contextual issues refer to *"forces or conditions existing in an organization's external or internal environments"* (Armenakis & Bedeian, 1999). These conditions include regulatory constraints, peer pressure, and organizational experiences with previous change.

Another important process consideration, related to the source and direction of the change initiative, is especially pertinent to this study. Parsons suggests that there are three levels of authoritative hierarchy: technical, managerial, and institutional (1960). Hannan and Freeman posit that each of these layers within the hierarchy responds differently to inertial forces (1984). For example, core *institutional* processes will respond more slowly than peripheral changes to *technical* processes. Furthermore, they assert that changes at the institutional level generally trigger changes at the technical and managerial levels, but that the reverse does not always hold true.

This perspective has several important implications for this study. First, it suggests that the motivations which prompt grantee-focused evaluations (technical processes) may be different than the motivations that lead to foundation-focused evaluation (core institutional processes). Second, it suggests that some changes will be "easier" than others. That is, grantee-focused evaluations that simply require technical procedures to change (i.e. program officers allocating their time differently) will occur more easily than foundation-focused evaluation, which gets at core institutional identity and mission (*i.e. How* ***do*** *we measure success?*).

This theoretical view supports the approach used in this study to separately consider grantee- and foundation-focused evaluation practices, since each impact level may respond to different motivational forces, or perhaps respond differently to the same motivational forces. This framework also supports the intuitive notion that foundation-focused evaluation will require grantee-focused evaluations, but that the reverse may not necessarily hold true.

To hone in on a specific approach to understanding institutional change, the sub-field of organizational change literature most applicable to this study is that of institutional theory. Institutional theory provides a framework to analyze both internal and external mechanisms that prompt organizational change. This is especially important for a study of private foundations, since external mechanisms are somewhat weak: foundations are usually endowed for perpetuity, are not heavily regulated, and are not embroiled in competitive markets (Damon & Verducci, 2006; Fleishman, 2007; Porter & Kramer, 1999; Salamon, 2002a).

2.1.3. Institutional Theory

The common housefly sees the world not through one lens, but through a compound lens, constructed of many tiny lenses. Though this perspective produces a somewhat fuzzy mosaic, it outperforms the human eye's singular lens by providing a rich, 360 degree perspective on its environment (Goldsmith, 2010). In many ways, the diversity of disciplines contributing to the scholarly literature on institutional theory provides a compound lens from which to view the field. Institutional theory is a complex literature, with roots in political science, sociology, and economics. Each field has branded particular attributes of the institution, yet share the common objective of explaining why institutions change (Clemens & Cook, 1999; Hall & Taylor, 1996). Fuzzy as it may be, the contributions of these diverse perspectives construct a rich perspective on institutional dynamics which greatly enhances understanding of the institutional constraints and rules which define decision-making options and management practices. These institutional constraints and rules determine not only how foundations evaluate grantees but also how (and if) the foundation evaluates its own performance. Therefore, institutional theory is extremely relevant to this research endeavor.

Due to its multi-faceted history, the key concepts and ideas about institutional theory are expressed in at least three unique dialects. It is not surprising, then, that the definition of "institution" itself varies somewhat across these social science fields. For example, political science tends to view institutions as formal laws and monolithic state entities, whereas sociologists have expanded the definition to include culturally and cognitively developed organizations and actions (Clemens & Cook, 1999).

Even within the field of sociology, there are a variety of definitions of institutional theory. W. Richard Scott highlights four different approaches, which generally vary based on the degree to which they incorporate history and instill values, but each commonly defines institutionalization as "…a social *process* by which individuals come to accept a shared definition of social reality" (Scott, 1987; Scott & Meyer, 1994). Another commonly-held view is that within institutionalism *"the patterning of social life is not produced solely by the aggregation of individual and organizational behavior but also by institutions that structure actions" (Clemens & Cook, 1999).*

In addition, each social science *approaches* institutionalism differently. Economists look for rationality and equilibriums, political scientists look for the role of the state or other formal institutions, and sociologists look for culturally bound behaviors, or "taken for granted" assumptions. However, central to each school of thought are two fundamental questions:

1. *What causes institutions to change?*
2. *What is the relationship between institutions and individual behavior?* (Clemens & Cook, 1999; Hall & Taylor, 1996)

These are intriguing and important questions, pondered even outside the walls of academia, as evidenced by "pop culture" business literature. Both Maxwell Gladden and Bill Bridges have popularized the theoretical construct of institutionalism through their respective conceptionalizations of "tipping points" and "transition management" (Bridges, 2003; Gladden, 2000). Gladden's approach depends on exceptional personalities introducing and influencing the adoption of trends. However, he doesn't adequately explain how a fashion or fad becomes institutionalized.

Bridges approach is more inclusive, asserting that everyone faces constant change, and that success comes not from managing "a" change event, but from adeptly moving, or transitioning, from one change to the next. Following the lead of the "adaptation" school of organizational change theory, Bridges' notion parallels evolutionary biology: adaptation is essential for survival. However, evolutionary theory is not a compelling motivation for those working in a heavily endowed, self-perpetuating foundation. Therefore, neither of these pop culture perspectives satisfactorily addresses the core research question at hand.

In fact, the under-lying question, *What causes institutional change?*, is a difficult one to answer and currently lacks consensus. Simply stated, the academic debate centers around the question of whether change occurs *primarily* through **exogenous jolts** or through **endogenous shifts** in interests. The other important and fundamentally related question, *What is the relationship between institutions and individual behavior?,* also lacks consensus. Scholars who emphasize the constraints of institutional rules tend to favor the belief that exogenous jolts are needed to provoke institutional change. From the field of sociology, both DiMaggio and Scott adhere to this particular notion. DiMaggio suggests there is a threshold after which an organization's decision to adopt a new practice is often driven by the legitimacy conferred by adoption, rather than a rational analysis of whether or not the new practice provides economic advantage (DiMaggio & Powell, 1983).

Scott also emphasizes the role of exogenous factors on institutional change. *"Actions are a function of the environment of the institution, not autonomous choices, motivations or purposes generated internally"* (Scott & Meyer, 1994). Taking this argument one step further, Scott goes on to assert that institutions not only influence the behavior of actors, but that "*institutions create actors"* (Scott & Meyer, 1994). However, Scott does not strip agency completely away from actors, noting that actors and groups of actors do have the ability to influence and control institutional rules (Scott, 1987).

At the other side of the debate are scholars, including Kathleen Thelen, who believe that individuals are not tightly constrained by institutional rules. Thelen's perspective on rules is that *"rules are never 'simply' applied, they are always interpreted, enforced and enacted, and, of course, by actors who have divergent and conflicting interests"* (Thelen, 2009). As such, Thelen asserts that transformative change need not be abrupt, but can occur over time with shifts in the interests and composition of the political coalition upon which the institution rests. For example, exogenous changes can empower new actors within the institution, who gradually convert existing institutions to align with their interests (Thelen, 2000). In this way, exogenous change can prompt endogenous change. She also disagrees with those who attempt to distinguish between periods of institutional stability and institutional change (i.e. punctuated equilibrium theorists). Instead, she conceptualizes institutions as constantly evolving. Thelen expresses the crux of her argument as follows:

> *"My claim here is that scholars working within frameworks that conflate conceptually the institution and the behavior under that institution will find it hard to develop an account of change that leaves room for conflict and agency. They will find it difficult to see how change could ever be generated endogenously, instead, change will seem always to require an exogenous*

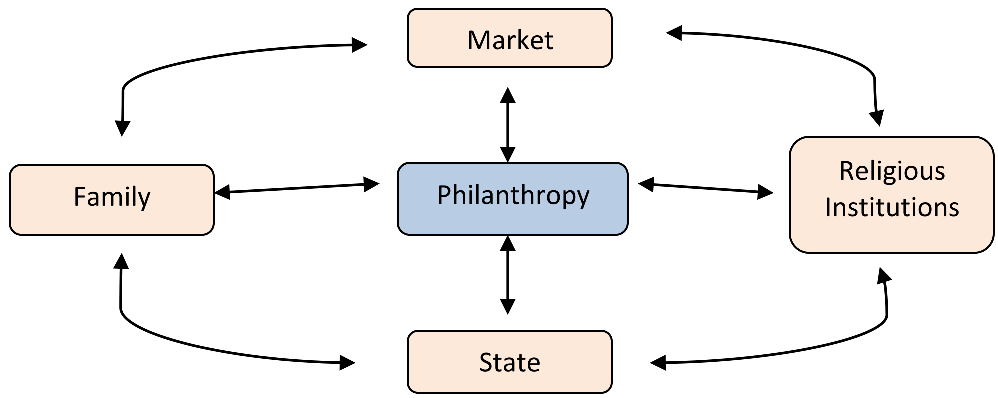
shock or shift that causes the old institution to break down and that creates an opening…By focusing on the political coalitions….we open up room for talking about strategy, conflict, and agency as important all the time and not just in those rare moments when structures break down entirely" (Thelen, 2009).

Testing these competing perspectives on institutional changes requires specific contextual information about the particular institution or field. Therefore, moving forward with this research endeavor requires stepping back to understand the context of philanthropy in general and the American philanthropic movement in particular.

2.2 PHILANTHROPY AND CIVIL SOCIETY

From an academic perspective, philanthropy finds expression in the same three scholarly disciplines which have contributed to the development of institutional theory: economics, political science, and sociology. Martti Muukkonen constructs a lens of civil society which integrates these three perspectives with regard to both philanthropy and institutionalism. As depicted in Figure 1, Muukkonen views philanthropy as an institution that emerged from the gaps left between state, market, family, and religious institutions (2009).

FIGURE 1: LENS OF CIVIL SOCIETY



Most of the philanthropy literature is dominated by two, somewhat parallel discussions of economic incentives and power relationships. Though the purpose of this paper is not to explicitly explore economic incentives or power relationships, one unifying theme running through this literature is **tension**. The economic incentives and power relationships reference tensions that exist between philanthropy and other institutions (the state, grantees, the market, etc.).

Muukkonen's graphic clearly depicts the source of this tension: border disputes with other institutional spheres. Institutional theory supports this view. According to institutional theory, conflicts arise when (and where) institutional spheres intersect because each institution (i.e. philanthropy, the state, society) has its own ideas about the appropriate relationship between institutions, its own ideas about the institutional rules which should govern different activities, and its own perspective on which institution should direct which activities (Scott, 1987).

Institutional theory suggests that each institutional sphere is guided by different institutional rules (or logics). For example, Friedland and Alford explain that *"…the institutional logic of capitalism is accumulation…the state's is..the regulation of human activity…the family is community…"* (Scott, 1987). These competing institutional logics explain why tensions occur when institutional spheres intersect.

Institutional theory, coupled with Muukkonen's civil society framework, helps elucidate the source of conflicts within the field of philanthropy. Since the institution of philanthropy itself rests on the margins of four institutions, each fundamental to most societies, conflicts over institutional roles and logics are inevitable and likely recur with every equilibrium shift. This perspective suggests that institutional conflicts are to be expected at the margin of institutional boundaries. Contributions from the field of complex adaptive systems supports this view, with evidence that emergence and innovation comes from the boundaries of existing fields (J. H. Miller & Page, 2007). It may be that these conflicts are the most efficient means of challenging static equilibriums.

In this way, Muukkonen's lens helps to explain not only the tensions between institutional spheres, but also why so many disciplines have engaged in research about philanthropy: economists discuss market failures, political scientists debate the role of philanthropy in a democratic state; sociologists assess power relationships between grantor and grantee; and sociologists and psychologists both discuss the institutional short-comings of family and faith.

Muukkonen's construct also explains why the field of philanthropy continues to be dynamic: as institutional roles change, so does the philanthropy. For example, early philanthropists provided for very basic human needs, but as the state increased the public safety net, philanthropists shifted their attention to public services the state didn't provide, such as mental health counseling, etc. (Roberts, 1984). Also, as family ties and the role of religious institutions have evolved, so has philanthropy. For example, many children now receive "character education" (values such as tolerance, responsibility, and perseverance) in school or through after-school programs (often funded by private foundation grants), rather than at home or through religious education.

2.2.1 Private Philanthropy in America

As foretold by De Tocqueville's famous observation about Americans' unique disposition to voluntary associations, philanthropy is embedded not only in American social policy, but also in the American psyche and common law (Byrnes, 2004; Schramm, 2006; Tocqueville, 1835). This is evidenced by the high rate of volunteerism and giving in the United States (Giving U.S.A., 2010; Independent Sector, 2001). Even through turbulent economic times, private giving in 2009 remained above two percent of gross domestic product (2.1% GDP to be exact), which is about three times as much as the next highest country, the United Kingdom (Fleishman, 2007; Giving U.S.A., 2010). Of the $303.75b given in 2009, 83% came from individual gifts and bequests, 12.5% from private foundations, and 4.5% from corporate foundations (Giving U.S.A., 2010).

In this context, foundation giving appears trivial. However, there are approximately 75,000 foundations in the United States, with assets estimated at $682 billion (The Foundation Center, 2009). Furthermore, the assets of the philanthropic sector are concentrated in a relatively small number of foundations (The Foundation Center, 2010). In addition, several unique attributes enable foundations to use their wealth and non-financial assets to impact social and economic problems and policies (Brest & Harvey, 2008; Faber & McCarthy, 2008; Goldberg, 2009; Schramm, 2006). These dynamics make the study of philanthropic foundations particularly interesting and also provide foundations with the ability to play a unique role in society.

The convergence of several key factors suggests that private foundations will continue to play an influential role in American social policy. These factors include:

1. **The increasing concentration of wealth.** In the United States, the top one percent of the population owns more than 40% of the wealth and contributes one-third of total charitable dollars. It is projected that in the coming years, households earning more than $1 million will provide 50% to 66% of charitable giving (Ostrander, 2007).

2. **The spectacular growth in foundation assets.** Over the past 30 years, foundation assets increased 1,000%. Since 2000, the growth in new foundations has continued to spiral, at nearly three times the growth rate of the mid-1990s (Faber & McCarthy, 2008).

3. **The trend for government agencies to "contract out" the provision of direct services to nonprofits.** Though government revenues and fees are rising, the typical contract doesn't cover the full cost of services, making nonprofits more dependent on contributions to keep delivering services (Salamon, 2002a). As a result, the foundations which support these nonprofit organizations have come to play a more influential role in social policy development and implementation, by exercising the "power of the purse" over nonprofit strategies and activities (Salamon, 2002b; Silver, 2004).

2.2.2. Institutional Tensions

The role foundations play in America generates admiration as well as suspicion. Consistent with the old adage, "With great freedom comes great responsibility", the manner in which foundations operate has prompted a long-standing debate surrounding the legitimacy and accountability of the philanthropic sector (Fleishman, 2007; Salamon, 2002a; Schramm, 2006). Institutional theory provides a framework for understanding the source of these tensions.

One source of tension is the absence of competitive market forces, tight regulatory oversight, or formal sanctioning mechanisms. While foundations are not completely isolated from the market, they are certainly unique. Classic market theory relies on the fundamental principles of supply and demand. Most foundations have endowments which provide a steady supply of revenue; all face highly inelastic demand for their resources. While philanthropic foundations *may* benignly compete with each other for breakthrough ideas and models, they generally function independently and even cooperatively in some cities. Therefore, classic market theory does not hold.

In general, foundations also operate outside the constraints of direct political action. While foundations are subject to government oversight, the general consensus is that the present regulations are minimal. Philanthropic institutions are not tightly constrained by either coercive forces or formal sanctioning mechanisms. In combination, these institutional dynamics are unique, leading several academics to describe foundations as "out of market" entities (Porter & Kramer, 1999; Salamon, 2002a; Schramm, 2006).

Another source of tension is the entrepreneurial spirit of philanthropic institutions. Political scientist and economist Joseph Schumpeter based his economic theories on the premise that entrepreneurs play a necessary role, disrupting the *"static equilibrium toward which social institutions gravitate"* (Schramm, 2006). According to this view, entrepreneurial activity pushes organizations off sub-optimal to more optimal equilibriums (Freeman, Harrison, Wicks, Parmar, & Simone de Colle, 2010). Carl Schramm asserts that in American society, *"the foundation plays the role of institutional entrepreneur, challenging other social institutions"* (Schramm, 2006).

Here it is important to note that while entrepreneurs are generally admired by historians, they are often disliked by their contemporaries. By definition, entrepreneurs challenge the status quo and existing power structures. This makes many uncomfortable, if not suspicious. This is not to say that the criticism directed at philanthropy is unwarranted. At the beginning of the 20th century, Jane Addams, a generous social advocate herself, expressed concern that charitable giving is in conflict with democratic principles. In more recent years, noted scholar Lester Salamon has taken wealthy donors to task for "philanthropic paternalism", which he believes creates "undemocratic" relationships because control is taken out of the hands of recipients (Ostrander, 2007). Another scholar, William Damon, asserts that foundations' independence has resulted in a field without a codified domain of practices. He views this as a serious issue for philanthropy.

> *"When a field lacks a domain of knowledge and standards to ground it, people working in the field have no means of agreeing upon what counts as success or failure…they cannot learn lessons from each others' experiences, they cannot devise regular ways of training new practitioners, and they cannot establish common metrics for evaluating their practices. The result is a field that is unable to gauge its own shortcomings and to thereby lead itself toward progressive change"* (Damon & Verducci, 2006).

Others cite the potential benefits of philanthropic initiatives lost through poorly executed strategies, lack of evaluation studies, and lack of knowledge-sharing (Damon & Verducci, 2006; Faber & McCarthy, 2008; Goldberg, 2009).

These institutional tensions reveal themselves in social and tax policy-making arenas. Social policy-makers are wary of the growing power of foundations in an era of "contracting out" and increasingly concentrated wealth. Tax policy-makers are focused on revenues lost to institutional philanthropy. They believe that contributions to foundations carry a higher social cost than an individual's charitable gift to a nonprofit organization that provides direct social benefits. This is because foundation assets are paid out slowly over time, whereas gifts to nonprofits provide relatively immediate and direct social benefit. As calculated by Porter and Kramer, these dynamics mean that the Treasury lost *"75 cents for every dollar foundations given to social enterprises"* during the 1990's (1999).

Collectively, these perspectives raise important questions about accountability and continue to fuel debate about the role of foundations in general. In isolation, even robust evaluation practices will not quiet these controversies, but such practices can provide the information needed to better understand the overall social impact of philanthropy.

2.3 EXISTING EVALUATION RESEARCH AND PRACTICES

For purposes of this research exercise, evaluation includes social program evaluation (focused on the grantees), as well as strategic performance management (focused on the foundations' own performance). This section examines the rise of social program evaluation as a field, trends in strategic performance management, and the perspectives of philanthropic thought leaders on both grantee- and foundation-focused evaluation.

2.3.1 Social Program Evaluation

The field of evaluation research exploded in response to the Johnson Administration's "war on poverty" and the many social experiments it spawned. At that time, evaluation enjoyed widespread support. Evaluation was most often promoted as a powerful tool for leveraging collective learning in the field. This perspective is best expressed by this comment:

> *"Social problems have plagued civilization from time immemorial. Determined attempts to deal with these problems have been launched repeatedly…Much painful experience has been acquired from each new attempt but such experience has rarely been in a form readily available and useful to those initiating new programs…" (Sze & Hopps, 1974).*

The Great Society initiatives funded large-scale field studies that are still used today to validate theories of change. This is especially true of early childhood studies. However, during the Reagan administration, evaluation research floundered through funding cuts, although issues in methodology and timeliness (the studies took too long) had already muddled the field (D. C. Miller & Salkind, 2002). However, the most significant obstacle was the inability of researchers to conduct randomized controlled experimental designs – the gold standard of evaluation research. In response, quasi-experimental designs grew more prominent, but ultimately they too faced challenges, particularly the need for long time-series of data and an array of threats to validity (D. C. Miller & Salkind, 2002; Shadish, Cook, & Campbell, 2002).

Today, many advocates of evaluation continue to emphasize its value to field learning. Others have shifted the focus on evaluation from field learning to capturing social impact. Joel Fleischman defines impact as *"…the extent to which such inputs and outputs have actually changed society, creating new viable institutions, generating new knowledge, creating opportunities, and improving social welfare generally"* (Fleishman, 2007). However, measuring the impact of social programs is easier said than done. These longitudinal studies require both sophisticated tools and sophisticated skills: quantitative data needed to capture social impact and the skills needed to interpret the data.

As a result, the field of evaluation research continues to face its own unique set of fundamental issues, and even the evaluation literature reflects a range of opinions about the viability of evaluation tools. The central debate is whether evaluation can adequately measure the impact of one particular social program that operates in a complex social system.

A related concern is that measuring outcomes may be focusing on the wrong thing: individuals rather than social systems (Smith & Brandon, 2008; Sze & Hopps, 1974). This debate ties back into institutional theory because it suggests that actors developing and evaluating social programs are constrained by institutional logics which hinder creative solutions to both social policy and evaluation. (Sze & Hopps, 1974; Weiss, 1972). As examples, Sze and Hopps cite four *"institutional and human predicaments"* that they believe threaten the viability of evaluation findings. These problems include:

1. The difficulty in defining social problems and hence goals of social programs;
2. The difficulty in maintaining objectivity;
3. The difficulty in avoiding contamination by social and human constraints; and
4. Organizational and institutional forces exerted on the researcher (1974).

Taking this argument one step further leads to this view *"…targeted impact evaluation directs our attention away from these (institutional) relationships, and…rivets (our attention) on a target population of problem people"* (Sze & Hopps, 1974). This perspective suggests that the theories of change employed by social innovations may operate within the constraints of institutional structures, rather than in attempts to change them. These logic models carry with them the "taken for granted assumptions" that place the burden on individuals rather than broader social and institutional systems. The recent literature suggests that this controversy, manifest in debates about evaluation theory, method, practice, and profession, has not yet been resolved (Smith & Brandon, 2008).

Obstacles to evaluation include not only the systematic tools but also ethical dilemmas. A recent survey of Council of Foundation members provides evidence of these challenges. This study found that one-third of survey respondents who had worked with evaluators faced ethical challenges. These challenges were characterized by disagreements with the evaluation findings (positive and negative), ownership of the evaluation findings, and conflicts of interest (Morris, 2007).

Collectively, the evidence from the field suggests that even evaluation researchers recognize the cost and implementation challenges inherent in social program evaluation tools. Researchers are increasingly interested in qualitative methods to develop narratives and uncover unintended consequences. However, policy-makers continue to demand quantitative data to substantiate costly social program investments. This too generates tension between evaluation researchers, evaluators, funders, and policy-makers.

Nonetheless, several national foundations have employed viable and robust evaluation tools and approaches (Brest & Harvey, 2008; Isaacs & Colby, 2010). Reflecting back on the contribution of Frank Geels, it is interesting to note that in these institutions there is focus on both the tools (development of knowledge) and the application (use of the knowledge) (Geels, 2004). In most of the evaluation research literature, there seems to be a disconnect between those developing the tools and those who use them. The literature focuses almost entirely on the tool. There is very little attention paid to those who use them. This disconnect likely contributes to the slow diffusion of evaluation practices in the field as a whole.

Another constraint that likely limits diffusion of evaluation may be that it just isn't very exciting and may not be a core competency of either foundation staff or grantees. Their strengths may be identifying new ideas and implementing them, rather than evaluating them. This suggests that foundations with robust evaluation practices may have not only more organizational enthusiasm for evaluation, but also a different composition of skills in their respective staffs. Whatever their approach, it is extraordinarily wise but unfortunately unusual.

2.3.2. Strategic Performance Management

Most everyone would agree that attention to organizational performance is beneficial. As documented in the bibliography, there is a rapidly growing body of work promoting the virtues and value of foundation-focused evaluation, including websites, books, reports, and scholarly articles. While there are debates about the ability of evaluation tools to capture social program impact, there is generally more confidence in tools that capture organizational performance. However, "the devil is in the details." While the unquestionable motive of private sector corporations is profitability and shareholder return, quantifying success outside of the private sector has proven much more challenging. Michael Porter, Robert Kaplan, Mark Moore, and Bernard Marr are noted leaders in this field and each has taken a somewhat unique approach to performance management outside of the private sector (Scherer, 2009).

One outcome of translating organizational performance is a new paradigm of organizational purpose. According to Moore, non-profit organizations (including foundations) should measure not only their individual performance, but also their contribution to their respective fields (Moore, 2000). Thought leaders in the philanthropic community emphatically agree (Brest & Harvey, 2008; Fleishman, 2007; Isaacs & Colby, 2010; Porter & Kramer, 1999).

During the last decade, strategic performance management has become an imperative for the non-profit sector. Foundations are very much responsible for this trend, as many require strategic plans and performance metrics as a condition of funding. However, national surveys suggest that most foundations have not embraced this approach for their own organizations (Grantmakers for Effective Organizations, 2009; Ostrower, 2004; The Center for Effective Philanthropy, 2002).

The apparent lack of strategic performance management within foundations is, if not disturbing, at least ironic. (Damon & Verducci, 2006; Easterling & Csuti, 1999; Fleishman, 2007). As stated best by Fleishman, *"There is the paradox of organizations that devote their efforts to changing society, yet rarely seek to measure, or even comprehend, the extend of the changes they actually produce"* (Fleishman, 2007). Organizations striving to capture empirical data on evaluation practices include The Urban Institute's Center on Nonprofits and Philanthropy, The Center for Effective Philanthropy, and Grantmakers for Effective Organizations. Each of these organizations conducted surveys during the 2000's to develop a baseline understanding of how (or, if) foundations measure effectiveness. Appendix B summarizes the key questions, methodologies, and findings of these three studies.

Though each varied in its specific line of inquiry, these studies shared several over-arching themes:

- **There is no silver bullet.** Even the foundations most engaged in measuring social impact find data lacking and struggle to identify proxy indicators. Evaluation is costly and even foundations which value formal evaluation assess only a small portion of the projects they fund.

- **Foundations which strive to measure social impact are motivated by both internal stakeholders** (satisfy boards, improve their grant-making practices) and **external stakeholders** (concerns about regulatory scrutiny, desire to proactively respond to looming political pressures).

- **Grantees are frustrated** that grant-makers expect them to make community-wide impacts yet provide short-term, project-based grants rather than long-term funding and/or operating support.

Among smaller foundations, empirical evidence on evaluation processes is extremely sparse. One of the few studies identified for this literature review surveyed philanthropic organizations in and around Columbus, Ohio, to understand how these organizations framed mission statements (e.g. internal vs. external perspective) and to determine what, if any, process was used to assess mission accomplishment (Sheehan, 1996). Both the response rate and results suggest this was not an important issue for these organizations, at least in 1996. Sheehan's questionnaire not only had a low response rate, 15.81%, (which minimizes its generalizability), but also showed that of the few that did respond, only 13.86% actually used impact measures to assess mission achievement (1996).

In 2004, the Urban Institute (UI) surveyed all staffed foundations in the U.S. on their attitudes and practices about effectiveness. The UI study did not specifically address organizational mission but did find that less than a third of small foundations (less than $10 million in assets) conduct evaluations. Of those that did, the primary reason was to determine if the project met its goals (Ostrower, 2004). However, both studies struggled with low and likely biased response rates. In the UI and Sheehan studies, it seems intuitive that the sample is biased, since foundations that saw value in evaluation and effectiveness measures were most likely to respond.

In practice, for most foundations, evaluation, if done at all, is grantee-focused (and conducted by the grantees themselves). This approach to evaluation may lack objectivity because grantees fear that failure will negatively influence the likelihood of future funding. Grantee-led evaluations also fail to capture the grant's impact in the context of the foundation's overall goals, interests, and contributions to the field and/or community. A recent survey found that even among the nation's largest 225 foundations, only a small percent of grants are formally evaluated. Broader initiatives to capture the foundation's contribution to an organizational field or its impact on a community are even less common (Ostrower, 2004; The Center for Effective Philanthropy, 2002). This is especially problematic, given that attending to grantee-focused evaluation places emphasis on grant-making, rather than the over-arching goals of the foundation (Isaacs & Colby, 2010).

Compounding these dilemmas is the unique position of foundation-sponsored initiatives. In the case of private foundations, their connection to the environment is much weaker that the state's (Isaacs & Colby, 2010). This is evidenced by even a cursory look at foundation grants relative to government spending on schools, health care, and other public goods. There are many other actors involved in large scale social change, including independent citizen groups and nonprofits not directly supported by foundations. Therefore, changes in socio-economic outcomes **cannot** be fully attributed to philanthropic giving. Yet the influence philanthropic giving has on social systems is undeniable.

Evidence supporting this assertion comes from the field of public education. Between local, state, and federal sources, spending on public education is gargantuan – approximately $1.16 ***trillion*** (U.S. Department of Education, 2009). In total, foundations granted about $5 billion to public education programs in 2007[3]. Though foundation dollars seem relatively small, it is interesting to note the impact that multi-billion and multi-million dollar grants have on educational institutions. The most recent example is the impact of the Obama Administration's "Race to the Top" grants. This pool, capped at $4 billion (roughly $1 billion ***less than*** the amount of foundation grants) has incented a great number of states to implement large-scale reforms to make themselves eligible for the "Race to the Top" funds (Toppo, 2009; U.S. Department of Education, 2010).

Locally, much smaller amounts of money have influenced the Pittsburgh Public Schools (PPS). In 2002, several local foundations acted in concert to decry the wanting performance of the PPS administration and School Board by withdrawing $11 million in funding (Lee, 2002). This action contributed to the realignment of the School Board and Executive Staff, with these same foundations ultimately funding a national search for a new superintendent. More recently, the promise of a $40 million grant from the Bill and Melinda Gates Foundation swayed the Pittsburgh City Teachers Union to consider contract changes to include "pay for performance" incentives (Rujumba, 2010). These examples show that even though private dollars are much smaller than public dollars, the targeted nature of these funds can have powerful effects on public institutions.

One, rather controversial, view on why foundations don't have robust evaluation practices comes from Joel Fleishman, who suggests that foundations which don't measure their impact or share information about their goals and strategies are *"…less interested in achieving impact than in showing the world that their hearts are in the right place"* (Fleishman, 2007). A gentler spin on this is that foundation staff are more enthusiastic about looking ahead than looking back. Also, program officers may fear that a program failure will negatively impact *their own* career (Damon & Verducci, 2006; Isaacs & Colby, 2010). Executive promotion of failure as an "opportunity for learning" can lessen this human tendency, but it will likely always be a factor in any evaluation process. As a result, a negative consequence of

[3] The Foundation Center reported nearly $5 billion going to educational institutions in 2007. Since The Foundation Center captures only grants of $10,000 or more, it understates philanthropic giving by small and mid-sized donors.

more robust evaluation practices *could be* program officers who are even less willing to take risks on new social policy approaches and initiatives.

Another consequence of **not** evaluating effectiveness is that misguided philanthropy can create even greater problems than it is trying to correct. William Damon asserts that the individualist attitudes of private foundations have kept the field from developing a *"domain of normative standards"*, which he believes results in *"…a field that is unable to gauge its own shortcomings and thereby lead itself toward progressive change. This is a recipe for ineffectiveness at best and catastrophic failure at worst"* (Damon & Verducci, 2006).

Though the dialogue within grant-making associations suggests greater interest in independent evaluation, recent evidence is that even foundations' stated priorities regarding evaluation do not reflect their actual practices (Ostrower, 2004). However, conceding defeat on this issue is not a viable option either, especially in the face of accountability movement activists. In most policy environments, it is no longer acceptable to assume that a given social program is good, or that its unintended consequences add value greater than the initial objective (Sze & Hopps, 1974; Weiss, 1972). The challenge is not only creating more robust (and affordable) evaluation tools but also addressing users' concerns and perceptions (Geels, 2004). Many philanthropic foundations and policy think-tanks have overcome at least some of these challenges (Brest & Harvey, 2008; Isaacs & Colby, 2010; Smith & Brandon, 2008).

Although there is much in the literature unabashedly promoting the values and virtues of evaluation, there is little attention to actual motives. The most common explanation for why some foundations evaluate and other don't is expressed in this quote, *"…There are no external forces compelling foundations to examine their work and assess what worked and what didn't; the motivation has to be internal, to come from a desire to achieve excellence…" (Isaacs & Colby, 2010)*

If this perspective were correct, this research endeavor would be pointless. However, institutional theory gives reason to suspect that institutional change in philanthropic foundations is a much more complex dynamic. Within an institutional theory framework, the remainder of this paper takes a closer look at the factors that influence changes in evaluation practices.

3.0 EMPIRICAL PROCESS

Drawing from the literature, there are three streams of institutionalism which are especially relevant to the study of factors which influence changes in foundations' evaluation practices:

- **Friedland and Alfred's** claim that tensions rise when (and where) institutional spheres intersect (Scott, 1987). As suggested by Muukkonen, philanthropy shares institutional borders with the state, the market, the family, and religious organizations (Muukkonen, 2009). Therefore, it is critical to understand the dynamics which occur at these institutional borders.

- **Thelen's** perspective on institutionalism, which harnesses the power of conflict and new entrants to generate endogenous institutional change (Thelen, 1999, 2000, 2009).

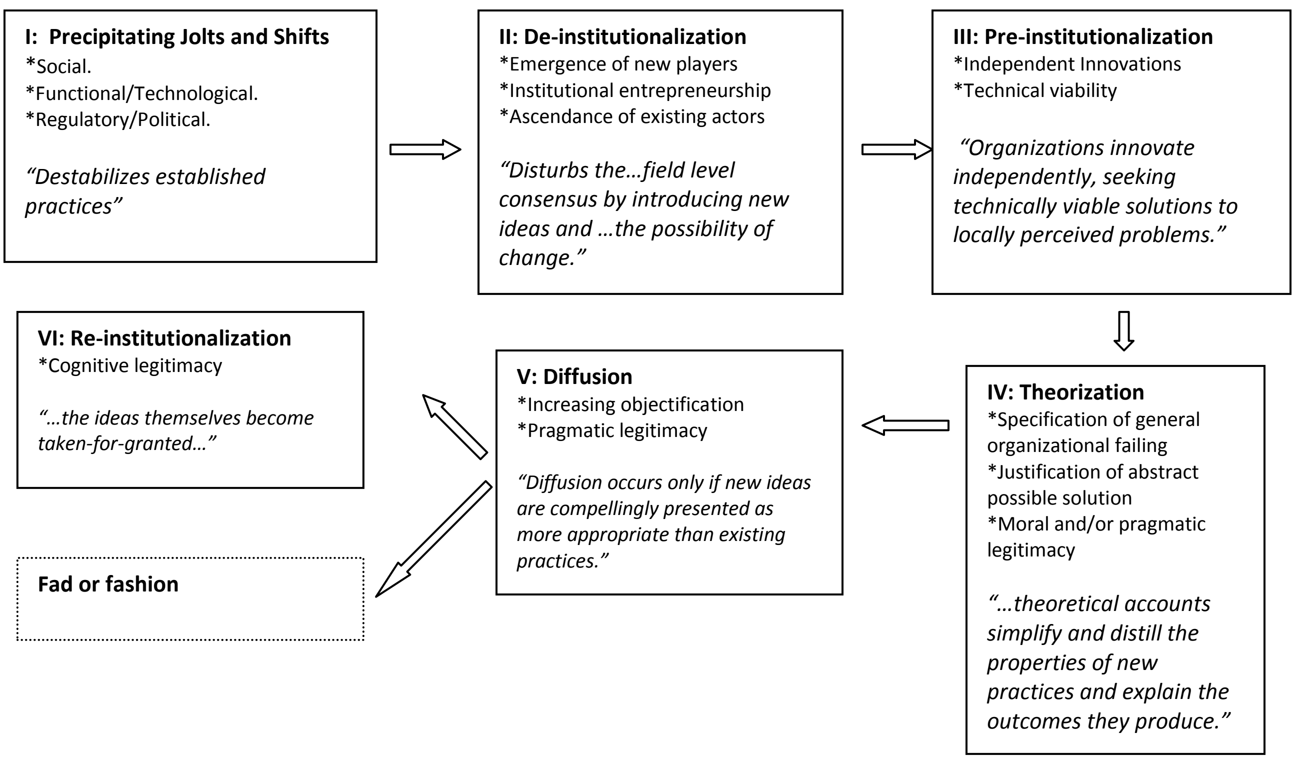
- **Schumpeter's** theory of the entrepreneur. Though not formally associated with institutionalism, Schumpeter's theory is important in this context, given the entrepreneurial role that foundations play in American society (Schramm, 2006).

These views suggest that a robust model of the factors influencing change must provide a platform for considering the impact of both internal and external influences on organizational behavior, as well as the "activities on the margins" which occur between institutional spheres. Another consideration in selecting a model of institutional change is that change in foundations may evolve very slowly. This is due to the fact that foundations are somewhat sheltered from competitive market forces and have not been subjected to heavy-handed regulation. As a result, organizational change may occur very subtly, making it difficult to detect. This suggests that the model should have several stages ***prior to*** diffusion to capture incremental changes.

3.1 CONCEPTUAL MODEL AND PROPOSITIONS

The conceptual model presented by Greenwood, Suddaby and Hinings addresses both the internal/external dynamics, as well as the expected subtleties of institutional changes. This model, depicted in Figure 2, conceptualizes six stages of institutional change[4] (2002). Four of these changes occur prior to diffusion. This paper primarily focuses on the first three stages.

FIGURE 2: CONCEPTUAL MODEL



[4] The model presented by Greenwood et al describes Stage I as "Precipitating Jolts". I have expanded this definition to include "and Shifts", to capture the signals of endogenous shifts in political coalitions, as suggested by Kathleen Thelen (Thelen, 2000).

Integrating the literature and this conceptual model with the research question, ***"What exogenous and endogenous factors influence (changes in) the evaluation practices of philanthropic foundations?"*** leads to five propositions, or "expectations". Given the preliminary and investigative nature of this study and the small sample of key informants, this research endeavor cannot prove or disprove formal hypotheses or specific propositions. However, the process employed here can identify tendencies and interesting trends, which could point to opportunities for future research pursuits. In this spirit, the preliminary propositions, perhaps more aptly described as "expectations", are not tightly bound or constrained to a particular stage of the Greenwood et al model but do follow the change dynamics and direction it suggests.

The first expectation addresses foundations' fundamental attitudes about current evaluation tools and practices. The second expectation relates to the dynamics which could precipitate changes to evaluation practices. The next two expectations focus on the influential drivers of changes to evaluation practices. The fifth and final expectation identifies the organizational characteristics of foundations that are more likely to experiment with more robust evaluation practices. For each of these "expectations", the following discussion examines the support coming from the existing literature and the type of evidence from the interviews that might validate (or invalidate) the expectation.

Expectation 1: Attitudes about Evaluation

Expectation 1: Foundations do not fully trust the viability of evaluation tools and the usefulness of the information that evaluation tools provide. This is a significant barrier to adopting robust evaluation practices.

This expectation doesn't directly relate to the Greenwood et al model, but rather harkens back to the literature review and the contributions of Frank Geels (Geels, 2004). Validation of this expectation requires supporting feedback directly from foundation practitioners.

Support from the Literature

As already discussed, Geels believes that the user side of the equation is critically important to understanding institutional adoption of innovations. ***The implication of this finding is that the users' trust in the quality of the technology limits the adoption of the technology*** (Geels, 2004). Most work in the field of evaluation has focused on developing the tools, rather than educating users. Surveys suggest that practitioner-users may have significant concerns about the ability of evaluation tools to capture both short-term and long-term impacts. Recent surveys also imply that even foundations that are very engaged in measuring social impact find data lacking and struggle to identify proxy indicators. These surveys also suggest that the costs of grantee-focused evaluation are barriers to adoption (Ostrower, 2004; The Center for Effective Philanthropy, 2002, 2006, 2009). Taken as a whole, these factors are all likely to reduce foundation practitioners' confidence in evaluation tools and results. This lack of confidence, compounded by cost concerns, is likely a factor which negatively influences the adoption of evaluation practices.

Expectations 2: Precipitating Jolts and Shifts

Expectation 2: Over time, changes in the evaluation practices of philanthropic foundations will predominantly come from endogenous social shifts. Though exogenous regulatory jolts may trigger abrupt change in high-level foundation practices, it is less likely that these regulations will directly impact evaluation practices. Regulators are more likely use tax policy to extract larger distributions *from foundations than to pursue more drastic measures, such as establishing agencies to monitor the performance of philanthropic institutions.*

This expectation relates to the first stage of the Greenwood et al model, which focuses on the precipitating jolts that destabilize established practices. The model categorizes the jolts (and in this case, the shifts) as social, technological, or regulatory. Validating this expectation is somewhat retrospective, in that it first requires evidence of disruption to existing evaluation practices. Validating the source of the shift as social and endogenous could come through evidence that a foundation took independent action to change its evaluation practices. For example, the foundation might have been dissatisfied with its current practices, or it might question its current practices based on information about another foundation's evaluation approach, perhaps gleaned from a social peer network. Evidence that changes to evaluation practices are primarily driven by regulatory interventions would run counter to this expectation.

Support from the Literature

The philanthropy literature suggests that social and regulatory influences have the greatest potential to destabilize established management practices in foundations. Social influences include the growth in concentrated wealth and the persistence of social ills. The concentration of wealth opens up opportunities for shifts in the interests and influence of philanthropic institutions. New wealth also introduces new entrants to the philanthropic community, who bring with them new ideas about evaluation practices.

Another factor is the persistence of social ills, which generates dissatisfaction with the status quo and signals that current practices are not meeting current needs. The growing concern about America's ability to sustain its dominant world position is substantiated by the fact that the United States' Human

Development Index score has fallen relative to other OECD countries, from #2 in the 1970's to #12 in the 2000's (Burd-Sharps, Lewis, & Martins, 2008). At the local level, a recent report by The Center for Race and Social Problems at the University of Pittsburgh documented many such disparities in Allegheny County, Pennsylvania (2007). In combination, concentration of wealth and the persistence of social ills are two factors that support the expectation that precipitating changes are both endogenous and social shifts.

Paul Brest and Joel Fleischman, two noted philanthropic thought leaders, believe that either regulatory action or the threat of such action is needed to prompt more strategic evaluation practices (Brest & Harvey, 2008; Fleishman, 2007). Their views emphasize the need for exogenous regulatory jolts. However, there is no evidence in the literature that new tax policies would reach down into specific management practices or over-ride the board's management authority. Historically, government regulation has come through tax policy (Byrnes, 2004). The last significant government intervention occurred in the 1969 Tax Act[5]. The most recent regulatory change, related to the Internal Revenue Service Form 990, was also embedded in tax policy. Rumblings from Congress and other state actors arise sporadically (Grassley, 2009; The Chronicle of Philanthropy, 2010).

While the current economic dilemmas may have temporarily distracted potential regulators, the ongoing need for new revenue sources suggests that tax policy may once again be used to regulate foundation activities, by either raising the distribution requirement or somehow reducing tax-deductible contributions. Recent national surveys suggest that foundation executives are concerned about increasing oversight and demands (Grantmakers for Effective Organizations, 2009; Ostrower, 2004). In the current political and economic environment, it is possible that regulatory interventions could prompt foundations to revisit their general management practices. However, the expectation is that the regulations would probably not directly "jolt" changes to evaluation practices.

[5] The 1969 Tax Act defined private and operating foundations, levied an excise tax on foundation assets, established the minimum distribution requirement, expanded the reporting requirements and regulations of all tax exempt organizations, and also included other regulations which applied specifically to foundations (Byrnes, 2004).

Expectations 3 and 4: Sources of De-institutionalization

Expectation 3: Foundation board members, more than staff, initiate changes to evaluation practices.

Expectation 4: Foundation board members initiate changes to evaluation practices because they are influenced by private sector measurement practices and seek similar performance metrics for the philanthropic institutions they serve.

These expectations relate to both Stage I and Stage II of the Greenwood et al model. While Stage I addresses precipitating sources, Stage II explores the actual disturbances in the field level consensus. The model describes these disturbances as coming from new players, institutional entrepreneurs, and/or existing actors who introduce new ideas and the possibility of change. As with Expectation 2, validating these expectations has a retrospective element: both assume that existing evaluation practices are being questioned.

Validating that the board is the primary source of change is nuanced. The evidence would need to demonstrate that the board initiated a review process, (e.g. a request that staff examine other evaluation practices) or that one or more board members independently sought out information about other approaches to evaluation practices. Evidence of staff-initiated reviews of evaluation practices would weaken this expectation, even if the board ultimately endorsed new practices. Validating Expectation 4 requires background information on board members initiating evaluation practice reviews or direct input from the board or key executives that private sector experience significantly contributed to dissatisfaction with the foundation's existing evaluation practices.

Support in the Literature

Institutional theory, coupled with Muukkonen's civil society framework, suggests that institutional conflicts are to be expected at the margin of institutional boundaries. Contributions from the study of complex adaptive systems supports this view, with evidence that innovation and change come from the boundaries of existing fields (J. H. Miller & Page, 2007). Drawing from this literature, board members are expected to be important sources of institutional change in foundations, since they exist at the intersection of institutional spheres. That is, board members play important roles *inside* the philanthropic sphere (as fiduciaries and decision-makers) as well as important roles *outside* the philanthropic sphere (as community leaders, successful professionals, etc.). As such, they are expected to be vibrant sources of change.

Given that board members are often successful business leaders, the expectation is that they would demand, or at least desire, that the foundations for which they are fiduciaries employ evaluation practices that capture organizational impact, as is commonly done in the private sector. While performance measurement is not as straightforward in the nonprofit sector, noted business leaders have translated private sector practices for nonprofit sector purposes that could also work in foundation settings (Kramer, Parkhurst, & Vaidyanathan, 2009; Porter & Kramer, 1999). Therefore, the expectation is that board members will initiate efforts to measure foundation performance through robust evaluation practices.

Expectation 5: "Young" Foundations Differ from Mature Foundation

Expectation 5: Relatively young foundations (e.g. those founded in the last twenty years) experiment with more robust and innovative evaluation practices than mature foundations (e.g. those founded more than twenty years ago).

This expectation relates to Stage III of the Greenwood et al model, described there as pre-institutionalization. During this stage, organizations innovate independently, seeking technically viable solutions to locally perceived problems. Validating this expectation requires demonstrating that organizations are independently experimenting with innovative evaluation practices. In addition, the expectation is that "younger" foundations tend to experiment with more robust and innovative approaches than mature foundations. Validation of this expectation could come through supporting evidence, such as:

1) New foundations experimenting with their own approach to evaluation, rather than modeling their approach after mature foundations; or
2) Mature foundations experimenting with new evaluation processes, modeled after those developed by new foundations.

Support in the Literature

Almost by definition, philanthropic institutions operate independently. This independence is a result of each foundation's unique charter and the intent of its founder(s). It is also partially a result of being relatively sheltered from competitive market pressures and regulatory constraints. One social benefit of this independence is that foundations can function entrepreneurially and have the freedom to innovate, without burdensome shareholder oversight or arduous regulatory hurdles.

Institutional theory suggests that new actors generate new practices. Therefore, the presence of new entrants is another potential source of innovation. Consistent with this perspective, institutional theorists have found a relationship between organizational characteristics and the era in which the organizations were founded. That is, the "generally accepted" organizational practice at the time when the organization is founded tends to firmly "stick" with the organization over its lifetime (Scott, 1987). This suggests that "young" foundations will generally have different practices than "mature" foundations.

Therefore, the emergence of new players leads to new practices. These new practices are typically perceived as innovative, or “entrepreneurial” if for no other reasons than they are new (not necessarily better). Therefore, institutional entrepreneurship is expected to be associated with the emergence of new actors.

These views about innovation and lifecycle are particularly relevant to the field of philanthropy in general and evaluation practices in particular. In earlier times, philanthropic wealth came from manufacturing and banking empires. The organizational and philosophical paradigm of this generation built the American philanthropic movement. Today, the fantastic growth in capital markets and the “dot com” boom has created a new movement: venture philanthropy. This movement was initiated by philanthropists who made their fortunes by thinking “outside the box.” High-tech entrepreneurs broke the traditional business model, flattening organizational hierarchies and introducing new technologies that have permanently altered generally accepted business practices and social culture. Now, these individuals apply their business (and product development) skills to social ills by breaking the traditional model of philanthropy (Solomon, 2009).

Many of these entrepreneurs, most famously Bill Gates and Jeffrey Skoll, made their fortunes relatively early in their careers. As a result, they often view philanthropy as a second career. They are not only active funders, but also highly engaged in social experimentation and influential in policy-making circles. They bring a “giving while living” passion to a field historically established by estate bequests and administered by lawyers and bankers. The influence of these individuals is evident in the lexicon of philanthropy, which now includes terms such as “social ventures” and “social entrepreneurs” (Solomon, 2009).

Emerging trends in the philanthropic engagement model also suggest that these new entrants have broadly impacted foundation practices. While foundations have traditionally embraced a *laissez faire* governance approach toward their grantees, a new brand of philanthropist is promoting an engagement model that includes direct board involvement or even board representation in grantee organizations (Novogratz, 2009; Pittsburgh Social Venture Partners, 2010; Solomon, 2009). They have also implemented performance metrics that strive to capture social return on investment and results-oriented evaluation approaches (Novogratz, 2009; Solomon, 2009).

Broadly speaking, these innovations stem from paradigm shifts, or using the vocabulary of institutional theorists from the field of sociology “taken for granted assumptions”, relative to performance measurement and organizational purpose. Traditionally, mature foundations rewarded grantees for good ideas or good relationships with funders, with much less emphasis on capturing impact. Performance metrics from the private sector are beginning to seep over to the social sector, as evidenced by growing attention to Social Return on Investment (SROI) and other impact-oriented metrics. Therefore, the expectation is that younger foundations are more likely to embrace these *contemporary* management practices than replicate the *established/traditional* practices of mature foundations.

3.2 QUALITATIVE EXPLORATION PROCESS

To qualitatively explore these expectations, this research endeavor included key informant interviews with a small sample of executives representing a diverse array of foundations headquartered in Pittsburgh, Pennsylvania. These foundations included:

- The Claude Worthington Benedum Foundation
- The Falk Fund
- The Forbes Funds
- The Grable Foundation
- The Heinz Endowments
- The McCune Foundation
- Pittsburgh Social Venture Partners
- Women and Girls Foundation

Though the foundations in this sample are diverse in terms of asset size and life cycle, they are not diverse geographically and may not represent the diversity of practices evidenced nationally.

Organizational Demographics[6]

For this sample, the 2009 median asset size was $113,788,574 with a maximum and minimum of $1,373,427,000 and $39,607, respectively. In this sample, asset size and life cycle are correlated only for the three smallest foundations. The sample life cycle, i.e. "age" as of 2009, ranges from a minimum of seven years to maximum of 80 years, with a median of 30 years. The two youngest foundations were founded after 2000. Of the eight foundations, five are fully endowed family foundations.

The other three, and smallest, organizations are not family foundations and also actively seek new funds from individuals and/or other foundations. This dynamic puts pressure on them to demonstrate their value. As evidenced through the interview discussions, the need to generate revenues influences

[6] See Appendix C for complete demographic statistics.

their attitudes about evaluation and their resulting practices. This is an important dynamic that is not mentioned in the existing literature but is discussed in more detail later in this analysis.

Since Pittsburgh does not have large foundations recently founded by high-tech entrepreneurs, the key informant interviews do not capture the influence of these types of new entrants. However, the Pittsburgh Social Venture Partnership (PSVP) did represent this sector in some ways. While it is not a fully endowed foundation, PSVP's "personality" is very entrepreneurial and its engagement model is philosophically consistent with the venture philanthropy movement. It is also relatively young, having been founded in 2001.

As a result, this small sample does provide a starting point for exploring the expectations that emerged from the literature and Greenwood et al model, which offers a contribute to the field, at least at the local level.

Fundamental Purposes of the Key Informant Interviews

The key informant interviews fulfilled two purposes: 1) qualitative exploration of the "expectations" which emerged from the literature and Greenwood et al model and 2) the opportunity to listen to and learn from respected practitioners. In this spirit, the findings are also reported in two parts. The first part reconciles the interviewees' perspectives with the expectations. The second part highlights interesting but incidental learnings which surfaced during conversations with interviewees.

Process Approach to Key Informant Interviews

The key informant interviews captured data from eight local foundations during September and October, 2010. The interviews reflect the perspective of either the chief executive or senior staff. For one organization, the board chair also participated in the interview. The interviews lasted approximately

45 minutes. This included a brief (five to ten minute) written questionnaire to capture current evaluation practices. The remaining time was spent discussing the unique attributes of the organization's approach, the entities (e.g. the board, chief executive, staff, regulators, etc.) that influence the organization's approach, and the most influential experiences (non-profit, private sector, public sector involvement, etc.) which shape evaluation practices. The complete survey instrument is presented in Appendix D. A detailed summary of findings appears in Appendix E.

The written questionnaire included questions from a recent national survey conducted by the Urban Institute (UI). These questions were used with the expressed written permission of UI. These questions were included because they were well-written and had been developed and tested by a well-respected research institution. In addition, the written questionnaire also asked about the characteristics of the foundation's peer group and its peer network.

To capture the relative importance of different entities, interviewees were given eleven cards, each listing a different entity[7]. The interviewees were asked to select and then rank the top three to five entities that were most important relative to four questions, related to the entities that most influence:

1. Their approach to *grantee*-evaluation
2. Their approach to *self*-evaluation
3. The field's (or their peers') approach to *grantee*-evaluation
4. The field's approach to *self*-evaluation

[7] These eleven entities were: Board of Trustees, Donor Relations, General Public Opinion, Government Agency/Public Sector Practices, Grant Recipients, Other Foundations/Peers, Policy-Makers/Regulators, President/Executive Director, Senior Staff/Program Officers, Social Entrepreneur Movement, and "Other".

Next, the interviewees were presented with a set of nine different cards which listed various experiences/background[8] and asked to follow the same selection and ranking process for a different set of four questions, related to the experiences/background of individuals/entities that most influence:

1. Their organization's *grantee*-evaluation approach

2. Their organization's *self*-evaluation approach

3. The field's *grantee*-evaluation approach

4. The field's *self*-evaluation approach

As noted here, the interview questions distinguished between grantee- and foundation-focused evaluation practices. One reason for this was the theoretical supposition that grantee evaluations are "technical" processes and foundation evaluation are "core institutional" processes. The thought being that each impact level may respond to different motivational forces, or perhaps respond differently to the same motivational forces (Hannan & Freeman, 1984; Parsons, 1960). This theoretical perspective suggests that foundation-focused evaluation will require grantee-focused evaluations, but that the reverse may not necessarily hold true. In retrospect, the ultimate findings were not conclusive on this point.

3.3 INTERVIEW FINDINGS AND THEMES

As mentioned earlier, the interviews served two purposes: exploring the "expectations" and listening and learning. Consistent with this approach, the interview findings are presented in two parts. Part one revisits the initial expectations. Part two discusses several interesting but incidental findings and themes.

[8] These nine experiences/background were: Capital markets experience, Experience at another foundation, Fund-raising experience, Marketing/public relations experience, Nonprofit organization/practitioner experience, Policy-making/regulatory experience, Private sector experience, Public sector/government agency experience, and "Other".

3.3.1 Part I: Reconciling the Initial Expectations and Interviewee Feedback

The expectations, or preliminary propositions, explored in this research paper emerged from the literature and the conceptual model developed by Greenwood et al (2002). Therefore, the focus of this section is reconciling the key informant interviews with the expectations. Significant discontinuities between the literature and the key information interviews are noted. However, the primary emphasis in this section is on determining whether or not the key informant interviews provide any evidence of tendencies that might support the initial expectations and provide opportunities for future research investigations.

Expectation 1: Foundations do not fully trust the viability of evaluation tools and the usefulness of the information that evaluation tools provide. This is a significant barrier to adopting robust evaluation practices.

Key informants provided general support for this expectation. In the interviews, even advocates of independent grantee evaluation voiced concerns about either the tool or the users, echoed by the sentiments of one interviewee, *"The key issues with evaluation are how do you address attribution versus contribution? How can grantees collect reliable data without detracting from their work?" What do you do with it (evaluation)?"* These concerns are commonly cited in the literature and were very much at the forefront of interviewee conversations about evaluation, especially grantee-focused evaluation.

As mentioned earlier, recent national surveys suggested that with regard to evaluation, stated priorities do not translate into actual practices. Interviewees in this sample took this view one step further, suggesting that actual practices may not translate into actual impact. Interviewees generally believe that although most foundations require grantees to submit evaluation reports, these reports may not actually change the behavior of either the grantee or the foundation. One interviewee suggested that most foundations don't really use the information grantees provide in evaluation reports, *"My sense is that we complete the loop more rigorously than others".* Several others cited fundamental concerns with evaluation practices, articulated best by this quote, *"Broad conversations about evaluation are overdone. Navel gazing is detrimental to the work we ought to be doing. At the end of the day, the important question is does the evaluation change your behavior? Have you learned anything about yourself? How do you evaluate the evaluation?"*

Several interviewees, however, spoke confidently about the value of the approach their foundation uses to evaluation grants and their own organizational performance. These interviewees described how their foundation approaches grantee evaluations and incorporated the evaluation findings into its decision-making processes. *"Evaluation is a process for the nonprofit and foundation to integrate in daily practice for the sake of continuous quality improvement. Practical monitoring tools are more important than retrospective external evaluations."* These interviewees were very engaged in talking about the lessons they have learned from project failures and the initiatives that have come out of conversations about the initial short-comings of past projects, *"We have changed in order to response to new areas of need. Unintended consequences (of projects the foundation funds) are difficult to find but usually are found investigating failures."*

Expectation 2: Over time, changes in the evaluation practices of philanthropic foundations will predominantly come from endogenous social shifts. Though exogenous regulatory jolts may trigger abrupt change in high-level foundation practices, it is less likely that these regulations will directly impact evaluation practices. Regulators are more likely use tax policy to extract larger distributions from foundations than to pursue more drastic measures, such as establishing agencies to monitor the performance of philanthropic institutions.

The interview feedback supports the expectation that internal social shifts are more commonly the source of organizational change to management practices than external regulatory jolts. Interviewees generally felt that foundations determine their own path, with little outside influence, with comments such as these, *"We're focused on our own mission."* Another foundation representative said, *"It (evaluation) is easier for family foundations because we are following the intentions of a family and carrying out their vision."* One family foundation representative mentioned the importance of generational changes, *"Generational changes bring new ideas, some good and some not so good".* While none of the other family foundations specifically mentioned this factor, it may be important in other family foundations but just didn't come up in the interview. There was also evidence that growth in concentrated wealth has altered the composition of the foundation community, since two of the foundations included in this process were founded within the last ten years.

Internal shifts in organizational direction and strategy were evidenced through dissatisfaction with the status quo. All interviewees believe that their organizations can (and must) continue to work to improve social outcomes. Some were more passionate about the need to demonstrate organizational value than others. At one end of the spectrum were two interviewees who felt strongly about their social responsibility to demonstrate outcomes, as reflected in this statement, *"We have pride in what we are doing..we have an obligation to say we did or didn't do it (the project goal) to the best we are able."* Similarly, another stated that *"We feel an accountability to the grantee community to evaluate our own performance."*

At the other end of the spectrum were two foundations with different views. One preferred working *"like a Stealth aircraft…we focus on our relationship with the grantee."* Another expressed the view that, *"our value is through our partners. We believe in leverage… to enable our grantees to increase their own capacity."* The others were in the middle. One interviewee captured the sentimental of this middle group, through this comment, *"it is important to balance the need for outcome measures with making sure the kids (served by the grantees) have a roof over their head."* The implication of this conversation, and several others in the middle, is that evaluation does come at a cost and may distract the grantee from doing the work the organization does best. To address this specific issue, several foundations prefer independent grantee evaluations, rather than self-reported outcomes.

While there was also evidence of social peer network connectedness, most interviewees didn't feel that the practices of other foundations impact their own evaluation practices. In fact, several interviewees didn't know much about other foundations' evaluation practices, *"I really don't know what others do or where the will for doing it comes from."* As a result, there was ***no*** solid evidence that connectedness necessarily leads to internal shifts in foundations. This finding supports the earlier view from the literature that while networks serve to diffuse information, there are many other factors which influence the implementation of new practices at the organizational level (Clemens & Cook, 1999; Freeman, 1984; Rogers, 1995).

Key informants were generally not concerned about future regulatory activity impacting evaluation practices. At least one was disgruntled by the mere suggestion that regulators had any role in foundation activities, *"We know that they want us to change but we are a family foundation. We're not an extension of them (the government)."* Therefore, the interviews did not provide evidence that foundation practices are currently influenced by the *threat* of regulatory changes. This finding is contrary to the national survey data.

In combination, the evidence supports the expectation that regulatory jolts could precipitate organizational changes, but the threat of future regulations is not currently impacting management practices, including evaluation, at the key informants' foundations.

Expectation 3: Foundation board members, more than staff, initiate changes to evaluation practices.

Based on the questionnaire of current practices and interview discussions, support for this expectation was weak, at best. On the written questionnaire, most all ranked board members as the most influential decision-makers regarding evaluation practices. However, the interview discussions suggest that board members do not necessarily *initiate* changes to management practices. The most often noted sources of internal shift were the executive leadership, *"The CEO is the driver of change. Change is staff-driven"*. Another interviewee stated, *"our board follows rather than leads"*. While board members must ultimately approve these changes, interviewees suggest that the impetus for exploring new practices typically come from executive staff, rather than board directors. This also suggests that the chief executive may be the primary architect of management practices, including evaluation.

This finding seems inconsistent with the literature, which describes highly engaged boards leading organizational strategy and designing performance metrics. This finding may reflect a weakness in the key informant process, given that it included only one board member. It may also reflect a weakness in the survey instrument, as it did not clearly distinguish between "influence" and "initiate", with regard to management practice changes. The instrument assumed that decision-makers initiate change. In retrospect, that was not a good assumption. However, it may also suggest that highly engaged boards are an ideal, rather than actual reality at many local foundations. A qualitative research process that included board members could provide more insights on this expectation.

Expectation 4: Foundation board members initiate changes to evaluation practices because they are influenced by private sector measurement practices and seek similar performance metrics for the philanthropic institutions they serve.

Given the weak support for Expectation 3, there was even less evidence supporting Expectation 4. Interviewees ranked nonprofit experience, rather than private sector experience, as the most significant influence shaping foundations' evaluation practices. Interviewees suggested that the foundation staff's nonprofit experience and the grantees' opinions about evaluation are particularly influential. Interview discussions suggest that foundations understand, *and are also sympathetic to*, the perspectives of and circumstances facing their grantees.

In fact, most foundations specifically mentioned their desire to minimize the reporting burden on their grantees, reflecting this comment *"We try not to be too arduous. We are very conscious of the "net grant". We don't want our evaluation requirements to detract from the project."* As articulated by one interviewee, *"They (grantees) are why we try to keep it (evaluation) simple while still being valuable to them and to us."* Another stated, *"We don't pretend to have answers. We listen (to the grantees) to find out what is working."*

This finding runs counter to much of the literature, which paints an imbalanced, if not antagonistic, relationship between foundations and grantees. This finding may simply reflect a weakness in the sample, as it included only foundations. (Anecdotal feedback from nonprofit executives suggests they do not see their influence as significant nor do they perceive foundations as sympathetic to their circumstances.) The influence of grantees on evaluation practices is an interesting finding and presents an opportunity for future research. For example, a similar survey of nonprofit executives could assess what grantees perceive as the important entities and influences that shape the evaluation practices of local foundations.

Since the interview process included only one board member, there isn't conclusive evidence that Expectation 4 is completely unfounded. However, the interviewees didn't feel that the private sector experience was a dominant influence, *"Practitioner experience is the most important thing."* Again, this is an expectation that could benefit from more intentional inclusion of foundation board members.

Expectation 5: Relatively young foundations (e.g. those founded in the last twenty years) experiment with more robust and innovative evaluation practices than mature foundations (e.g. those founded more than twenty years ago).

Overall, the interviews suggest tendencies which support this preliminary expectation. Rather than imitate mature foundations, new foundations have established their own unique performance evaluation approaches. One of these foundations sets its sights on very high level social indicators. The chief executive of this organization admitted that their strategic goals were *"wildly idealistic rather than actually achievable"* but given their mission of social change they felt these were ultimately the right ones. The other foundation formally measures only the *"leverage factor"* of its grants. This foundation defines the leverage factor as the amount of grant money the grantee receives as a result of the project the foundation helped launch or enhance. These two new foundations are active in national peer networks, but neither felt their self-evaluation practices were shaped by peer influences.

For most mature foundations, organizational performance evaluation has not changed substantially in the last ten years. Therefore, there was no evidence that mature foundations are replicating practices of young foundations, as suggested as evidence that might support Expectation 5. However, interview discussions suggest that mature foundations are experimenting with grantee-focused evaluation practices and that one size doesn't fit all.

In general, the interviews suggest that among mature foundations there are two factors which heavily influence the approach foundations use to evaluate grantees: 1) the *relationship* between the grantee and the foundation and 2) the foundation's *confidence* in the theory of change upon which the funded project is based. Further dialogue might reveal that these two factors are intertwined. That is, it could be that foundations have confidence in the theory of change because they first trust the grantee. Or, alternatively, foundations may independently determine the theory of change they believe is "best" and then select grantees which are capable of implementing the logic model the foundation has selected or developed. The implication of this claim is that foundations will be more likely to evaluate new, or experimental, social initiatives than those that are familiar, defined as either a "proven" theory of change or a "proven" grantee.

At least three foundations have distinctly different evaluation processes for grantees with which they have a long-standing relationship than for new grantees. At one of these foundations, *"(long-standing) grantees get unrestricted grants. They have different reporting requirements that they develop and we tweak interactively (with the grantee)."* At another, the evaluation approach is a function of the project and the lifecycle of the grantee, *"With mature grantees, evaluation is an iterative process to revise goals with the grantee if the landscape changes. With newer grantees, we focus not only on the outcomes but ask, is the grantee organization growing, too?"* The evaluation approach at one of these foundations also varies depending on how familiar the foundation is with the program area. Another foundation has made significant investments through independent evaluations to help identify leading indicators that signal that long-term social innovations are on track, *"We don't put long-term obligations on short-term grants but we want to know, what are the promising midpoint indicators?"*

These examples suggest that relative to grantee-focused evaluation, "one size doesn't fit all". Both young and mature foundations appear to be developing unique approaches to specific types of grants or grantees. In combination, these findings lend some support to the expectation that young foundation are more likely to experiment with unique approaches to evaluation than mature foundations. However, the findings also suggest that at least some mature foundations are also experimenting with grantee evaluation practices. This suggests that it is inappropriate to apply the "innovative" label only to young foundations.

3.3.2 Part 2: Incidental Findings and Themes

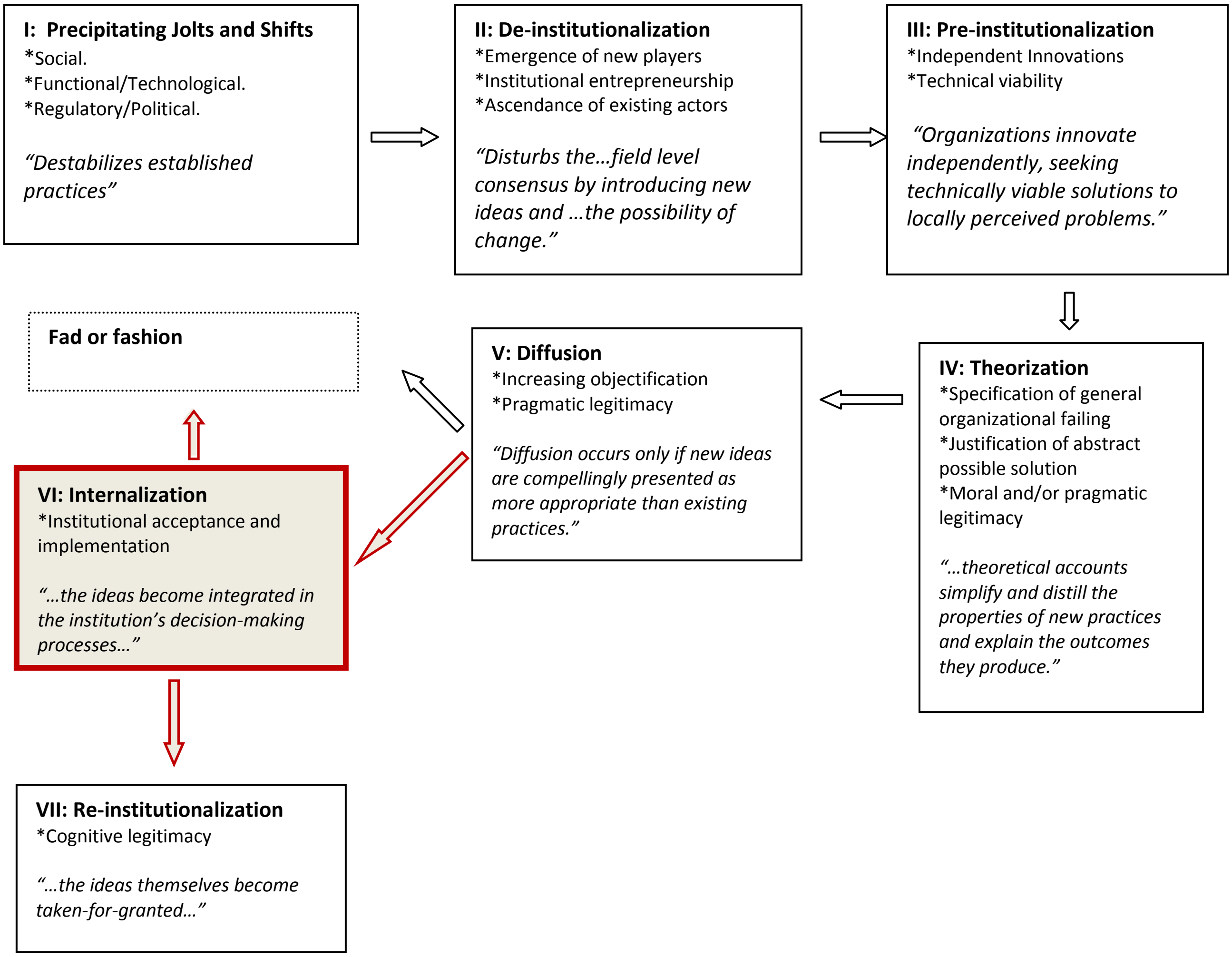
The Incidental findings include weaknesses in the conceptual model as well as interesting themes that emerged from the key informant interviews.

Conceptual Model

While the conceptual model employed here provided a robust platform from which to consider the preliminary stages of institutional change, further reflections on this model suggest that its later stages could be enhanced. Specifically, the existing model fails to distinguish between adoption and internalization of change. For purposes of this discussion, adoption refers to "going through the motions." For example, a foundation might adopt new evaluation practices before it learns to fully incorporate the results into decision-making processes. In contrast, internalization involves meaningfully incorporating new practices into decision-making processes. Both steps are needed to complete the cycle of institutional change (referred to as "re-institutionalization" in the Greenwood et al model).

This research endeavor underscores the importance of measuring not simply the adoption of practices, but the internalization of practices. As discussed earlier, the interviewees suggested that evaluation findings are not always internalized in a way that meaningfully impacts the organizational behavior of either the grantee or the foundation. This finding points out a short-coming of the conceptual model. This model's final two stages are Diffusion (Stage V) and Re-institutionalization (Stage 6). These stages do not adequately capture "internalization." Adding internalization as the penultimate stage would greatly enhance the model. Figure 3 depicts the model with this enhancement.

FIGURE 3



Other Interesting Findings from Key Informant Interviews

From the key informant interviews, one unexpected finding was the marked difference between the organizational evaluation approach of foundations that are fully endowed and those that are actively seeking new revenues. However, two of these three foundations are also relatively young. Therefore, it is difficult to determine if it is lifecycle or endowment status is driving these differences. Whatever the case, it was interesting that foundations which are not fully endowed purposefully use grantee evaluation as an organizational performance measure. These foundations actively promote their grant results to potential funders, as reflected by these comments, *"I feel like we're a nonprofit because we're always seeking funds." "I have an ongoing accountability to our current and prospective donors to show results."*

In contrast, the foundation-focused evaluation practices of fully-endowed foundations were somewhat different. Almost all evaluate the collective performance of grants made within each of their major program areas (e.g. education, the arts, the environment, etc.) over a three to five year period. There is less emphasis on quantifying social impact. One interviewee was especially articulate on this point, *"Social impact is hard. We think about it (social impact) but don't quantify it. We're more focused on the impact of our convening power than our money."* Without actually seeing written documentation, it is difficult to fully understand the precision incorporated in these strategic assessments. As already noted, there is an important distinct between adopting and internalizing practices. Capturing evidence about how foundations use, or internalize, evaluation findings provides yet another opportunity for future research.

Another unexpected finding was the extent to which interviewees downplayed the influence of peer practices on their foundation's evaluation process, *"My sense is that we complete the loop more rigorously than others".* Another common response echoed this statement, *"I'm simply not sure what others are doing".* The relatively minor influence of peers runs counter to the network theory literature. This may be a weakness of the survey instrument and questioning process. Alternatively, it could signal that peer networks may be important for diffusing information but may not influence the adoption and implementation of organizational practices (Clemens & Cook, 1999; Freeman, 1984; Rogers, 1995).

Another interesting finding was expressed through silence rather than words. The literature strongly suggests that regulators, the public (e.g. public opinion), and the venture philanthropy movement significantly influence evaluation practices. With regard to regulatory pressure, none of the interview participants either mentioned this as a factor for their foundation or ranked regulators as influencing their approach to evaluation. Only one ranked "public opinion" as important (it was #4 of 4 factors selected by this foundation). Two ranked the "social entrepreneur movement" as influential (it was either #3 or #4 of 4 factors selected by these foundations).

One plausible explanation for this silence is that regulatory issues, public opinion, and venture philanthropy are more important to board members than staff members. Since all but one of the interviews engaged only staff, the board perspective is absent from these interview conversations. Another possible explanation is that these foundations are not connected to national trends and movements. However, the interviews documented that all of these foundations are engaged in regional, if not national, associations. Several are highly engaged in national peer organizations, as evidenced by their participation in conference presentations and panels. National affiliations were not correlated with the influence of regulators or the social entrepreneurial movement. Geographic isolation from new venture philanthropy "mega" foundations may be another important consideration. These institutions are simply not present in the Pittsburgh region, if local social networks were important for factors (which this study suggests they are not). Though the interviews included one social entrepreneurial foundation, this organization receives funding from membership dues and does not have an endowment. It is relatively small and therefore very unlike the "mega" foundations.

Subtle, But Interesting, Themes

In reflecting on both the literature and the interview discussions, one subtle but potentially interesting theme emerged that may also deserve further consideration. This theme, tension, emerged not only through the investigation of institutional spheres but also in conversations about institutional practices/values, specifically accountability and innovation. Though these two practices are not mutually exclusive, they may create tensions. For example, accountability generally implies structure and oversight, whereas innovation implies flexibility and freedom. Innovation can coexist with accountability, by establishing shared expectations, articulating accountabilities for results/outcomes, and allowing for risk-taking (a.k.a. failures). While balancing innovation and accountability is possible, it is probably not easy. Strict interpretation of either practice/value could come at a cost to the other. As independent domains, there is rich literature on both innovation and accountability. These distinct fields provide vast opportunities for further research about how they relate to each other and how they are best balanced.

Another theme was the relationship between familiarity and evaluation practices. As noted in the findings, the evaluation practices of mature foundations place more emphasis on the project process and grantee relationship than on quantitative impact measures. Follow-up questions on this point suggest interviewees have concerns about the benefits and/or reliability of evaluation tools that measure outcomes, and thus tend to focus on ensuring that the process is consistent with proven theories of change. Grantee reputation is also important, *"They are advisors to what's working in the field."* One specifically stated that the grantee leader is the most important factor in grant decisions, *"80% of our grant giving is the leader. But is this good? Does it make the project replicable?"*

While sympathetic to the view that evaluation requires time and money that could otherwise support programmatic operations, philanthropic thought leaders might contest the assertion that "proven" strategies and organizations warrant less rigorous evaluation. However, they would likely support different evaluation strategies for long-term social change initiatives than more narrowly focused projects.

Failing to adequately employ any evaluation practice, even for "proven" strategies and long-term social change initiatives, leaves the foundations vulnerable on at least three fronts. First, the funded project may simply not implement critical elements of a "proven" theory of change. As a result, the project may have the right intentions but lack complete implementation, the consequence being failure to achieve expected outcomes. Second, the theory of change itself may no longer work. Changes in social structures and cultural orientations may not work in certain places. Without evaluation, the necessity of specific environmental or social factors may be simply taken for granted and their importance neither captured nor understood.

Finally, leadership changes may alter real or perceived project outcomes. Without consistent evaluation measures independent of leadership tenure, it will be difficult to determine if the leadership change impacted the outcomes of the project or if the leadership change simply alters the dynamic of the foundation-grantee relationship. For example, a new grantee leader might have less polished communication skills which prevent that person from “selling” project success as well as the prior leader. Conversely, a new leader may be more effective at communication than a prior leader and “repackage” the project outcomes to be more appealing to potential funders. Changes in foundation leadership could also impact the grantee-foundation relationship, making consistent evaluation approaches all the more important.

4.0 SUMMARY

At this point, it is important to remember the research question that prompted this study, ***What exogenous and endogenous factors influence the evaluation practices of philanthropic foundations?*** The literature, conceptual model and interview process provided a few answers to this question, but there remain many unanswered questions which provide opportunities for further research. Before moving on to a discussion of future endeavors, it is first important to revisit the two key assumptions upon which this research question rested and evaluate the research process used here. As stated in the introduction, these assumptions were:

1. **Evaluating performance is valuable; and**
2. **Foundations are accountable to the public.**

While these assumptions were strongly supported by the literature, the interview conversations suggest that local foundation practitioners might not accept them. Practitioner perspectives are very important to this study and thus prompt further discussion, if not reconsideration, of these core assumptions.

Admittedly, evaluation is difficult. Though most would agree that it is valuable, there are significant concerns about the ability of evaluation to capture social impacts, particularly indirect impacts and unintended consequences (both positive and negative). Where confidence in the theory of change or the grantee is high, foundations are generally less willing to invest the time and/or money needed to conduct evaluations. There are good reasons for this. Evaluation requires extra effort, and also extra costs. However, over-confidence in either the theory of change or the grantee also carries significant costs and risk, conjuring up images of emperors without clothes. Therefore, it is difficult to forfeit the assumption that evaluating performance is valuable, even if it has been "proven" in the past.

The public accountability of foundations was also a sensitive subject with interviewees. Though several specifically cited a moral obligation to demonstrate results, public opinion (much less public accountability) was not a significant factor in determining evaluation approaches and most do not share evaluation results publicly. Government intervention is certainly not held in high esteem. This suggests tension between accountability and innovation. Foundations may worry that public accountability limits their flexibility to innovate and experiment with social programs. That said, it seems viable that foundations can find ways to balance innovation and accountability: Operating as social entrepreneurs while also sharing knowledge by evaluating what works and what doesn't. Therefore, it is also difficult to forfeit the assumption that foundations are accountable to the public.

In evaluating the research process itself, considerations include the effectiveness of the theoretical framework, conceptual model, and key informant interviews. Overall, these components worked effectively to capture the unique dynamics of philanthropic foundations. Institutional theory provided an extremely robust framework for understanding the sources and causes of institutional change. While innovation studies, network analysis, and stakeholder theory provided important insights into inter-personal behavior and relationships, institutional theory best captured the unique dynamics of the overall organization. Though not highlighted specifically in the discussions of findings, the organizational change and complex adaptive systems literature helped inform understanding of overall institutional dynamics. This understanding was essential to processing the interviewees' responses and integrating these findings with institutional theory and the expectations.

The multi-stage conceptual model was also valuable to this effort. Since philanthropic institutions are somewhat sheltered from competitive market forces and constant regulation, change can occur relatively slowly, through internal shifts rather than abrupt jolts. As a result, it was important that the conceptual model have a relatively large number of stages of institutional change (six in this model), rather than just three or four. The relatively large number made it easier to identify movement, especially through the initial stages, that might otherwise go undetected in a more simplistic approach or one which focused on latter stages, such as diffusion and implementation, rather than the initial stages of exploration.

The final three stages of the Greenwood et al model: theorization, diffusion, and re-institutionalization, provide opportunities for further research. As already discussed, the model could benefit from the addition of a step between diffusion and re-institutionalization, to capture "internalization". Diffusion and adoption are not sufficient evidence that evaluation practices actually impact organizational decision-making. For this reason, it is critically important to capture information about how foundations internalize evaluation findings into decision-making processes.

4.1 OPPORTUNITIES FOR FURTHER RESEARCH

The most informative element of this research process was the interviews with local foundation practitioners. Each was gracious with their time and thoughtful about their responses. While these conversations provided the information needed to test the "expectations", even more information was gained from simply listening to their views about evaluation practices. Some of their perspectives were consistent with the literature, but others were not. The findings (both expected and incidental) made the process more interesting, and suggest future research opportunities. These opportunities include further explorations of:

- **The connection between familiarity and grantee-focused evaluation.** One insight relative to the factors motivating evaluation practices was the importance of the grantee-funder relationship and the foundation's trust in the theory of change. Reviewing grantee evaluation reports and internal foundation documentation would provide greater clarity on this point. Follow up interviews with both grantees and foundation representatives could also improve understanding of the connection, if any, between grantee-foundation relationships, project risk/innovation (e.g. untested or unproven theories of change), and grantee-focused evaluation practices.

- **The influence of grantees on grantee- and foundation-focused evaluation practices.** Interviewees suggest that grantees are very influential. National grantee surveys and anecdotal evidence suggest that grantees do not share this perception (The Center for Effective Philanthropy, 2006). Expanding the key informant interviews to include executives of grantee organizations would provide an interesting perspective on their perceived role in grantee- and foundation-focused evaluation. Also, including the board chairs of these foundations would provide more complete information from all stakeholders involved in the process, including their perspective on the factors that influences foundations' evaluation practices.

- **The connection between organizational life cycle and foundation-focused evaluation.** The initial expectation of this study was that the venture philanthropy model was the force most likely to upset static equilibriums. However, the association between organizational practices and the "dot com" model may be misplaced. It may not be the venture philanthropy model per se but rather the presence of new entrants that disrupts institutional equilibriums. Institutional theory suggests that new entrants adopt contemporary management practices, reflecting the era in which it is founded. Further exploration of new entrants might demonstrate that it is simply lifecycle, rather than the high-tech entrepreneurial model, that is the force behind new organizational paradigms and practices.

- **The influence of perpetual endowments on philanthropic foundations.** Though not the focus of this study, the impact of perpetual endowments on organizational behavior was curious. In fact, foundations *without* full endowments may share more in common with nonprofits than they do with fully endowed foundations. They certainly operate under different paradigms. Investigating the organizational practices of these "revenue-seeking" foundations relative to fully endowed foundation could yield interesting results.

4.2 POLICY IMPLICATIONS

As stated in the introduction of this paper, this research endeavor aspires to help policy-makers inside and outside the philanthropic community better understand how to motivate more foundations to adopt robust evaluation practices. The limited scope of this study also limits the degree to which this research can make specific policy recommendations. However, the literature and interview feedback suggest that policy-makers may wish to consider these ideas for improving the evaluation practices in the field of philanthropy:

1. **Provide more education to executive and senior staff about viable evaluation tools.** Though there are serious concerns even in the field of evaluation research, many foundations are finding creative and cost-effective approaches. This information should be shared more intentionally with staff practitioners to improve their trust in evaluation tools and results. Board members may not be the primary audience, given that staff may be more likely to initiate changes in evaluation practices than board directors.

2. **Emphasize the overall net social benefits of evaluation.** As stated repeatedly, evaluation provides benefit to the foundation, the grantee, and the field because it provides information about what works and what doesn't. Unfortunately, the costs fall on the foundation. Reframing the cost-benefit equation will require foundations to take into consideration the overall social benefit of evaluation, rather than simply the benefit they receive from information about grantee projects.

4.3 CONCLUSIONS

The title of this research paper asks how foundations assess social impact. The assumption in the sub-title is that evaluation practices are necessary tools in formulating answers to this question. During the key information interviews, it became increasingly clear that evaluation data is only part of the solution. The data also needs to be used. At a minimum, the data should inform decision-making at the grantee and the foundation. Ideally, it would facilitate learning in the field.

These practices depend on the capabilities of the field of evaluation to provide systematic tools and objective experts which effectively and reliably capture the true effects of programmatic interventions, especially the interactive effects of environment and intervention. Relative to the field of evaluation research, there is also a desperate need for "scholarship of common sense" (Freeman, et al., 2010). That is, more user-friendly approaches that balance the needs of real-world scenarios with the evidence-based and cost-benefit demands of policy-makers.

While increasing strategic evaluation may require improvements in the tools, it also requires improvements in user-application, such as a different mix of foundation staff skills. It is one thing to develop innovative tools; it is another for the information provided by these tools to impact decision-making. If foundations do not internalize evaluation findings, the tools really don't matter. This carries important implications for policy-makers. There may be a need to invest in the development of better evaluation tools. But, these investments are wasted if the evaluation findings are not internalized into decision-making processes.

Another looming challenge is the bigger question, not of philanthropy's social impact, but of its comparative advantage. Robert Reich, an influential thought leader and policy-maker, asserts that *"…for philanthropy to be worthwhile, it must do better than the state (at redistribution) than the state would do had the philanthropic assets been taxed"* (Damon & Verducci, 2006). This view positions philanthropic institutions and the state as competitors and also underlies much of the tax-policy debate. However, this view is not supported here. As evidenced by the recent economic downturn, *"sole reliance on the market is no panacea, nor is sole reliance on the state"* (Salamon, 2002a).

As entrepreneurial institutions, foundations play a valuable role, disrupting the inertia that keeps social institutions from achieving efficient equilibrium (Schramm, 2006). The evidence from the Muukkonen framework and Schumpeter's theories suggest that philanthropic institutions and the state do not have a competitive relationship but rather a symbiotic though perhaps "edgy" one.

In the United States, foundations fund social experiments and have the flexibility to be true social entrepreneurs (Schramm, 2006). This is not a role the state can play as well, if at all. The state needs foundations to keeping funding social experiments, but the state also needs foundations to quantify the value of these programs if the programs themselves are to ever enjoy widespread public support. This view is counter to Reich's assertion and the assumptions underlying the tax-policy debates: it suggests important roles for both the state and foundations. However, it also makes all the more evident the need for foundations to demonstrate the social impact of the programs they fund and to also demonstrate the value of their own institutions as social entrepreneurs. This view also suggests that it is much more productive to discuss evaluation in terms of public value (its benefits to the grantee, foundation, nonprofit sector, and the field as a whole) than comparative advantage. As such, this was the primary focus of this study.

Interest in philanthropy and its social impact continues to make this research topic timely. The clamor for foundations to increase their accountability and transparency is not likely to subside. Those who question the legitimacy of private foundations in a democratic society are likely to use tax policy to force this issue, by limiting tax-exemptions and/or raising foundation distribution requirements. To raise the level of civic discourse on this topic, both the public ***and*** foundations themselves need to better understand the social impact of both social experiments and philanthropic institutions.

Foundations are uniquely qualified to harness the collective wealth, influence, and experiences of innovative social experiments, as well as those that are "tried and true". Adopting and internalizing more robust evaluation practices will enable knowledge sharing about what works and what doesn't. This research endeavor suggests that this is yet another important social contribution foundations are extremely well-positioned to make.

APPENDIX A

SELECTED LISTING OF UNIVERSITY CENTERS OF EXCELLENCE ON PHILANTHROPY

Boston College
Social Welfare Research Institute
Paul Schervish, Director

City University of New York
Center on Philanthropy and Civil Society

Duke University
Center for the Study of Philanthropy and Voluntarism
Terry Sanford Institute of Public Policy

Grand Valley State University
Dorothy A. Johnson Center for Philanthropy and Nonprofit Leadership

Harvard University
The Hauser Center for Nonprofit Institutions

Indiana University-Purdue University Indianapolis
The Center on Philanthropy at Indiana University

Johns Hopkins University
Institute for Policy Studies
Center for Civil Society Studies

The London School of Economics and Political Science
Centre for Voluntary Organisation
Department of Social Science & Administration

Loyola University Chicago
Philanthropy & Nonprofit Sector Graduate Certificate Program

New York University School of Law
Program on Philanthropy & Law

Saint Mary's University of Minnesota
Master of Arts, Philanthropy & Development

University of Pennsylvania
Center for Community Partnerships
Penn Program for Public Service

University of Wisconsin-Madison
Center for Women and Philanthropy

Yale University
Program on Nonprofit Organizations

For the full list, see the original source: ***http://www.independentsector.org/programs/research/centers.html***

APPENDIX B

SUMMARY OF SURVEY PROCESSES AND FINDINGS

	Key Questions	Process	Key Findings
The Center for Effective Philanthropy (CEP) *"Indicators of Effectiveness: Understanding and Improving Foundation Performance"* *Note: CEP has a plethora of publications and assessment tools*	• How do foundations understand and assess the performance of their foundation? • How do/can foundations measure social impact?	• Year: 2002 • Scope: National • Participants: CEOs of largest 225 U.S. foundations, grantees, foundation trustees, and other foundation staff • Instruments: Surveys (34% response rate for CEO survey; 26% for grantee survey), interviews, review of publicly available information	• Foundations want to measure social impact – both from a strategic perspective as well as a practical one to address regulatory scrutiny • However, the lack of data makes this effort a struggle • Some are experimenting with indirect indicators • Performance assessments fall into two categories: • Formal grant and program evaluations (expensive) • Administrative measures of internal (foundation) performance, such as operating costs and investment performance (weakly tied to social impact) Outcome: Conceptual framework for assessing foundation performance at three levels: • Internal (foundation) operations • Grantee relations and grantee operations • Recipient impact
Grantmakers for Effective Organizations (GEO) *"Listen, Learn, Lead"*	• Where can changed practices make the greatest difference? • Who in philanthropy is leading change?	• Year: 2006 • Scope: National • Participants: Nonprofit leaders and grantmakers • Instruments: "Hundreds" of participants through 9 focus groups & 30 interviews	• Grantmakers believe they succeed through the success of their grantees • Grantees believe foundations should make long-term investments that allow nonprofits to make long-term changes in their respective communities • Grantees believe foundations are disconnected from community needs; they do not seek feedback

			and do not listen to the advice and perspective of field practitioners • The relationships between grantmakers and grantees lack trust which prevents long-term partnerships and funding relationships
The Urban Institute (UI) (Center on Nonprofits and Philanthropy) *"Attitudes and Practices Concerning Effective Philanthropy"*	• What is "effectiveness" • How do foundations see themselves? • How do they function? • Are they fully functioning in ways that they feel they should be?	• Year: 2004 • Scope: National • Participants: 1,192 staffed grantmaking foundations • Survey (35% response rate, though the rate varied by foundation size)	• The type (community, corporate, or independent), region, and size of the foundation impacted attitudes and practices concerning effective philanthropy. • However, a key outcome of this study was the development of a typology of effectiveness frameworks that worked across these basic categories. Outcome: Typology of effectiveness frameworks • Proactive orientation • Technical assistance/capacity building (for grantee) • Social policy/advocacy • Internal (foundation) staff development

APPENDIX C

ORGANIZATIONAL DEMOGRAPHICS OF FOUNDATIONS REPRESENTED IN KEY I NFORMANT INTERVIEWS

Foundations Represented

- The Claude Worthington Benedum Foundation
- The Falk Fund
- The Forbes Funds
- The Grable Foundation
- The Heinz Endowments
- The McCune Foundation
- Pittsburgh Social Venture Partners
- Women and Girls Foundation

Organizational Demographics

Foundation Statistics	Assets	Annual Grants	Year Founded	Age, as of 2009
Falk	$ 19,149,710	$ 529,471	1929	80
Heinz	$ 1,373,427,000	$ 54,551,000	1941	68
Grable	$ 208,427,438	$ 11,510,882	1979	30
WGF	$ 400,000	$ 50,000	2002	7
Benedum	$ 288,825,313	$ 18,862,619	1944	65
PSVP	$ 39,607	$ 42,301	2001	8
Forbes	$ 5,629,134	$ 399,273	1982	27
McCune	$ 416,601,190	$ 26,650,253	1979	30
Average	**$ 289,062,424**	**$ 14,074,475**		**39**
Median	**$ 113,788,574**	**$ 6,020,177**		**30**
Max	**$ 1,373,427,000**	**$ 54,551,000**		**80**
Min	**$ 39,607**	**$ 42,301**		**7**

APPENDIX D

SURVEY INSTRUMENT

Organization:___________________________________

Name/Position: __________________________________

For purposes of this survey, "grantee-focused" evaluation refers to efforts to assess the project funded and/or the grantee organization. "Foundation-focused" evaluation refers to organizational performance measures and/or goal-based mission achievement of the foundation.

Current Practices: Grantee- and Foundation-Focused Evaluation[9]

1. How does the foundation monitor whether grant funds are used as specified? (Check the most appropriate box for each item.)

	Never	Rarely	Sometimes	Often	Always
Site visits					
Interim reports required					
Final reports required					
Puts representative on grantee board					
Puts representative on grantee advisory committee					
By its ongoing involvement in the community/field					
Please list other ways the foundation *often or always* monitors the use of funds					

[9] Interview questions #1 through #8 taken from the Urban Institute's 2004 Survey "Attitudes and Practices Concerning Effective Philanthropy", led by Francie Ostrower. Used with written permission.

2. Does the foundation require grantees to collect information on outcomes of their work?
_ Never
_ Rarely
_ Sometimes
_ Often
_ Always

3. Does the foundation itself ever formally evaluate the work that it funds?
_ No (skip to Question 8)
_ No, but plans to do so within the next 12 months (skip to Question 8)
_ Yes

4. Why does the foundation conduct grantee evaluations? How important are the following? (Check the most appropriate box for each item.)

	Not At All	Not very	Somewhat	Very
Learn whether original objectives were achieved				
Learn about implementation of funded work				
Learn about outcomes of funded work				
Contribute to knowledge in the field				
Strengthen organizational practices in the field				
Strengthen public policy				
Strengthen its future grantmaking				
Please indicate any other *very important* reasons				

5. For whom are the results of the foundation's evaluations intended? (Check the most appropriate box for each item.)

The results are intended for…	Not At All	Somewhat	Mainly
Grantee organizations			
Other nonprofits in the grantee's field			
Foundation staff			
Foundation board			
Policymakers			
Other foundations			
Please list others for whom results are *mainly* intended:			

6. How often are the results of the foundation's evaluations made public?
   - _ Never (*Skip to Question 8*)
   - _ Rarely
   - _ Sometimes
   - _ Often
   - _ Always

7. How are evaluation results distributed? (Check all that apply.)
   - _ Website
   - _ Published papers and reports
   - _ Other foundation publications
   - _ Conferences/meetings
   - _ Press releases
   - _ Other *major* distribution outlets. Please list:___________________________

8. During the past two years, did the foundation engage in any of the following activities to help evaluate or strengthen its own performance? (Check all that apply.)

- _ Conduct a strategic planning process
- _ Conduct a board retreat
- _ Conduct formal review of staff performance
- _ Review grants for consistency with stated foundation priorities
- _ Compare itself to other foundations
- _ Conduct a formal needs assessment of its field or community
- _ Solicit anonymous feedback from grantees through surveys/interviews/focus groups
- _ Solicit non-anonymous feedback from grantees through surveys/interviews/focus groups
- _ Other *important* activities: Please specify:________________________

9. When you compare your organization's current evaluation practices to other foundations, rank the importance of these factors in defining a comparator group:

- _ Endowment size

- _ Geographic proximity

- _ Governance structure (private/family foundations, community foundations, corporate foundations)

- _ Similar programmatic focus areas (arts, youth, health issues, the environment, etc.)

- _ Other (please explain):

10. Please list the national and regional conferences your foundation regularly attends. Please ***circle*** those conferences in which your foundation has made a presentation or served on a panel in the past three years.

National Conferences	Regional Conferences

Discussion Questions

The next set of questions is designed to capture your perspectives on the practices of your organization, as well as the "field" of private philanthropy as a whole. Recognizing that foundation practices vary widely, please respond as best you can regarding the practices of either the field or those foundations included in your comparator group.

With regard to ***grantee***-focused evaluation, how do you view your current approach relative to the field as a whole? What are the most significant similarities? Differences?

Similarities

Differences

With regard to ***foundation***-focused evaluation, how do you view your current approach relative to the field as a whole? What are the greatest similarities? Differences?

Similarities

Differences

The next four questions ask about the influences that drive evaluation practices in your organization.

The entities that most influence our organization's approach to *grantee* evaluation (Please rank):

For the top five influences, please provide specific examples. For example, if "peers/other foundations" factor into your organization's approach, please list those peers that are most influential.

_ Board of Trustees

_ Donor Relations

_ General Public Opinion

_ Government Agency/Public Sector Practices

_ Grant Recipients

_ Other Foundations/Peers

_ President/Executive Director

_ Policy-Makers/Regulators

_ Senior Staff/Program Officers

_ Social Entrepreneur Movement

_ Other (Please describe)

The entities that most influence our organization's approach to *self*-evaluation are (Please rank):

_ Board of Trustees

_ Donor Relations

_ General Public Opinion

_ Government Agency/Public Sector Practices

_ Grant Recipients

_ Other Foundations/Peers

_ Policy-Makers/Regulators

_ President/Executive Director

_ Senior Staff/Program Officers

_ Social Entrepreneur Movement

_ Other (Please describe)

The experiences/background of the individuals/entities that most influence our foundation's approach to *grantee* evaluation are (Please rank):

_ Capital markets experience

_ Experiences at another foundation

_ Fund-raising experience

_ Marketing/public relations experience

_ Nonprofit organization/practioner experience

_ Policy making/regulatory experience

_ Private sector experience (Please describe: banking, heavy manufacturing, high tech, etc.)

_ Public sector/government agency experience

_ Other (Please describe)

The experiences/background of individuals/entities that most influence our organization's *self*-evaluation approach are (Please rank):

_ Capital markets experience

_ Experiences at another foundation

_ Fund-raising experience

_ Marketing/public relations experience

_ Nonprofit organization/practioner experience

_ Policy making/regulatory experience

_ Private experience (Please describe: banking, heavy manufacturing, high tech, etc.)

_ Public sector/government agency experience

_ Other (Please describe)

The next four questions ask for your opinion on the field as a whole.

The entities that most influence THE FIELD'S approach to *grantee* evaluation are (Please rank):

_ Board of Trustees

_ Donor Relations

_ General Public Opinion

_ Government Agency/Public Sector Practices

_ Grant Recipients

_ Other Foundations/Peers

_ President/Executive Director

_ Policy-Makers/Regulators

_ Senior Staff/Program Officers

_ Social Entrepreneur Movement

_ Other (Please describe)

The entities that most influence THE FIELD'S approach to *self*-evaluation are (Please rank):

_ Board of Trustees

_ Donor Relations

_ General Public Opinion

_ Government Agency/Public Sector Practices

_ Grant Recipients

_ Other Foundations/Peers

_ Policy-Makers/Regulators

_ President/Executive Director

_ Senior Staff/Program Officers

_ Social Entrepreneur Movement

_ Other (Please describe)

The experiences/background of the individuals/entities that most influence THE FIELD'S approach to *grantee* evaluation are:

_ Capital markets experience

_ Experiences at another foundation

_ Fund-raising experience

_ Marketing/public relations experience

_ Nonprofit organization/practioner experience

_ Policy making/regulatory experience

_ Private sector experience (Please describe: banking, heavy manufacturing, high tech, etc.)

_ Public sector/government agency experience

_ Other (Please describe)

The experiences/background of individuals/entities that most influence THE FIELD'S approach to *self*- evaluation are:

_ Capital markets experience

_ Experiences at another foundation

_ Fund-raising experience

_ Marketing/public relations experience

_ Nonprofit organization/practioner experience

_ Policy making/regulatory experience

_ Private sector experience (Please describe: banking, heavy manufacturing, high tech, etc.)

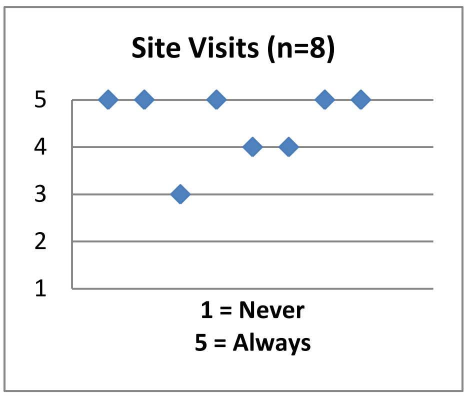
_ Public sector/government agency experience

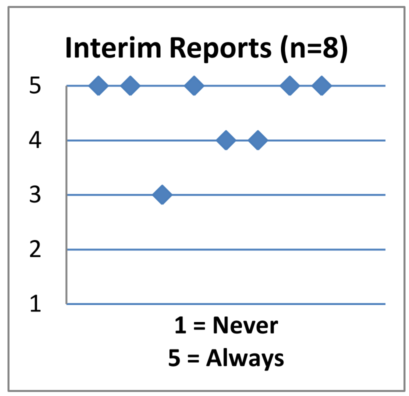
_ Other (Please describe)

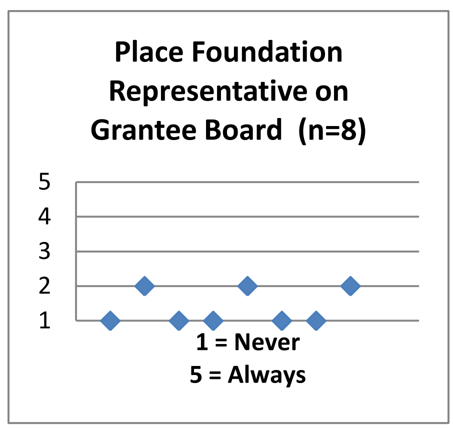
APPENDIX E

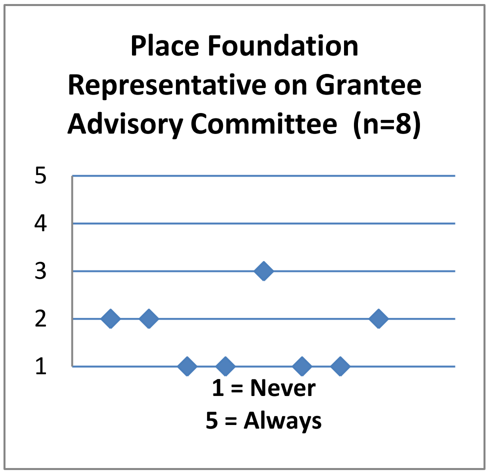
SURVEY FINDINGS: SUMMARY OF CURRENT PRACTICES

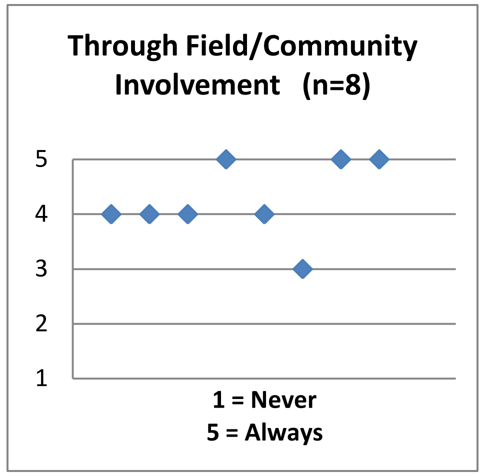
1. How does the foundation monitor whether grant funds are used as specified?



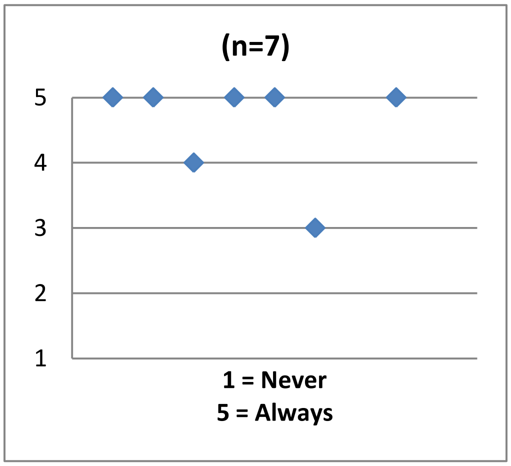




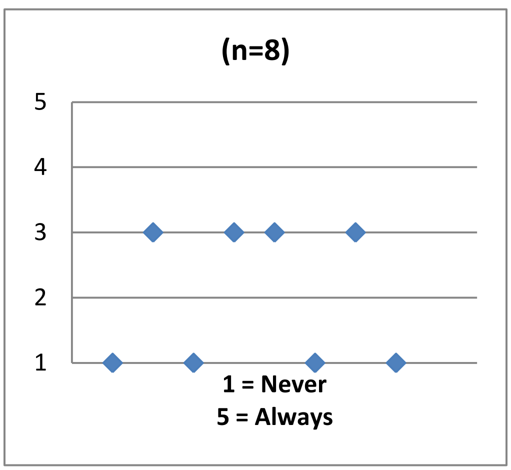

Place Foundation Representative on Grantee Advisory Committee (n=8)
5
4
3
2
1
1 = Never
5 = Always


Through Field/Community Involvement (n=8)
5
4
3
2
1
1 = Never
5 = Always

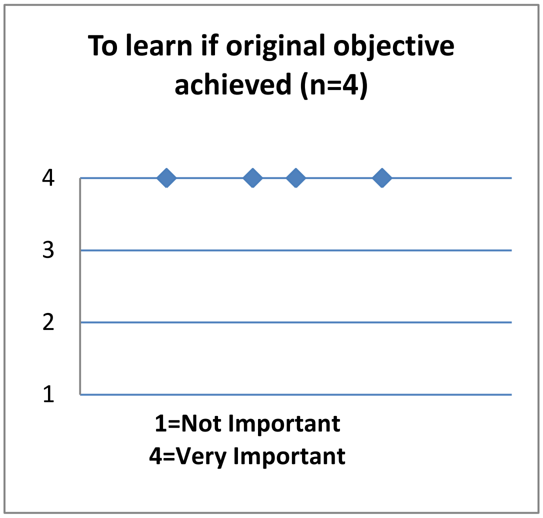
2. Does the foundation require grantees to collect information on outcomes of their work?

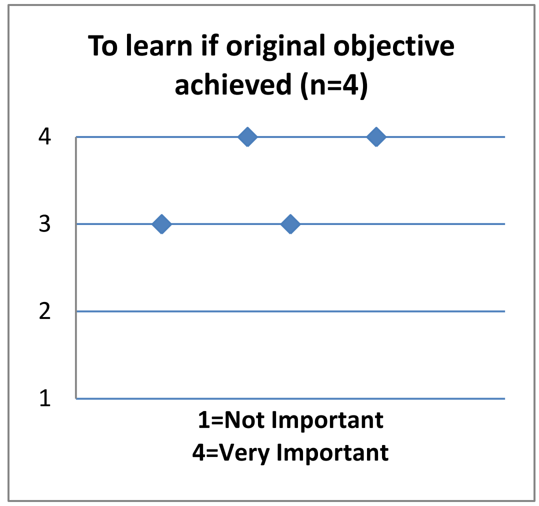


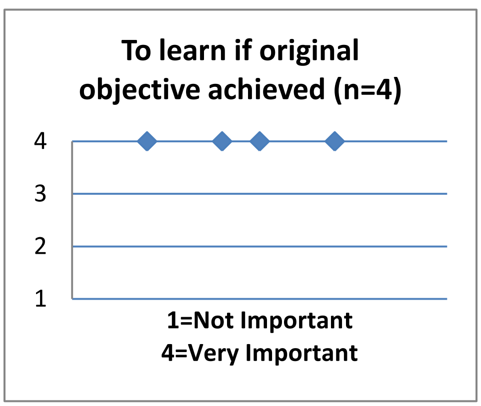
3. Does the foundation itself ever formally evaluate the work that it funds?

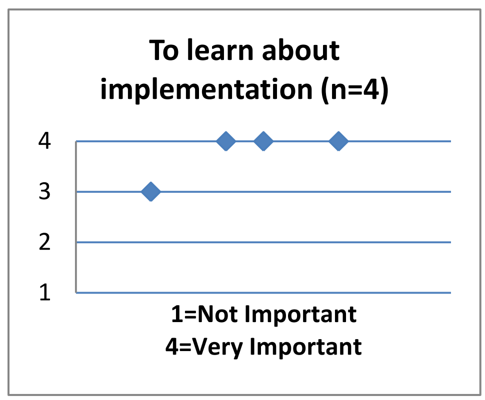


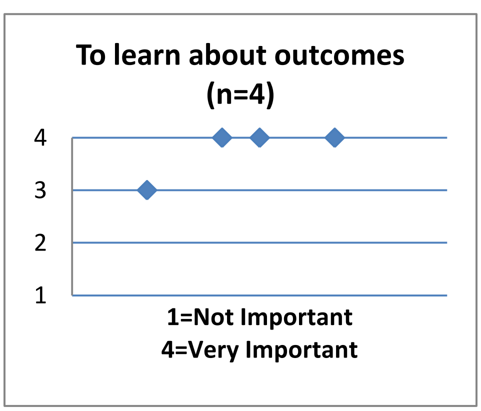
4. **Why does the foundation conduct grantee evaluations? How important are the following?**

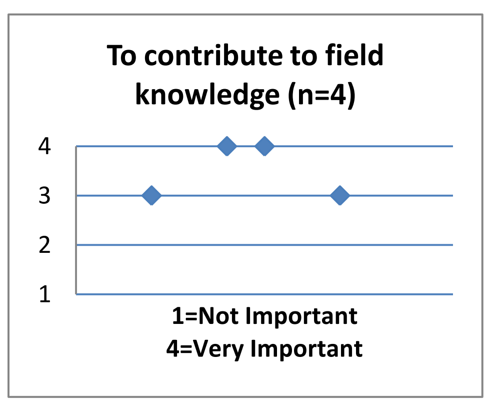




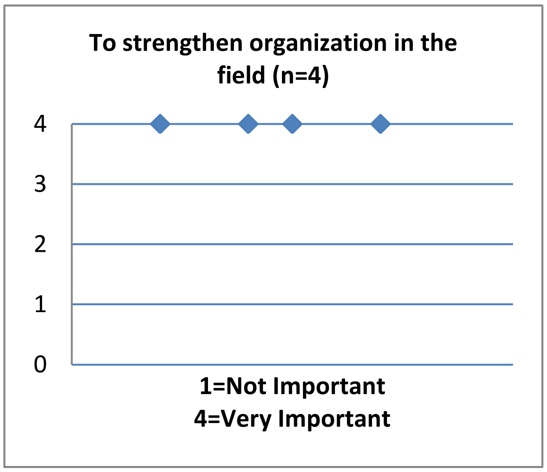


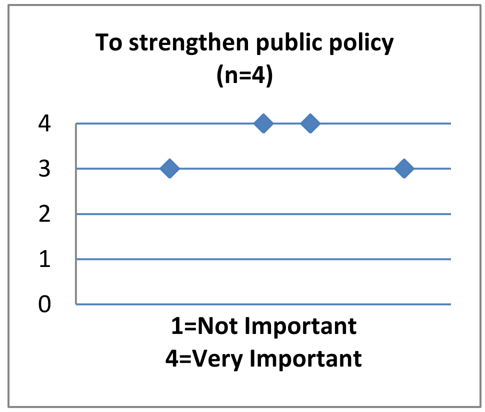


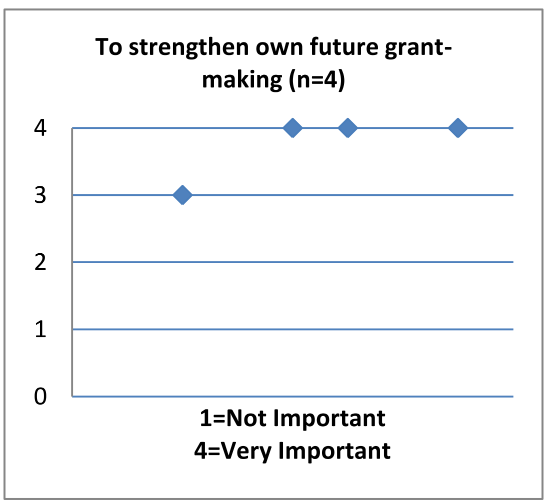




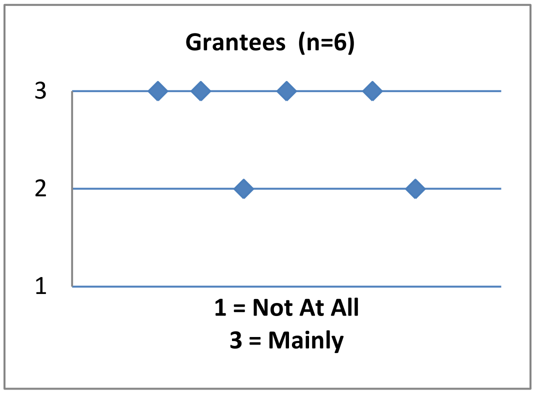
Why does the foundation conduct grantee evaluations? How important are the following? (con't)

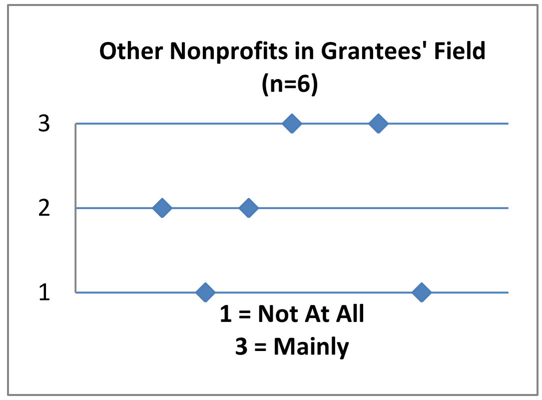


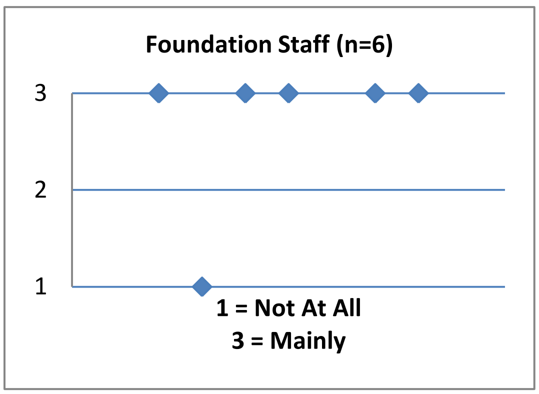


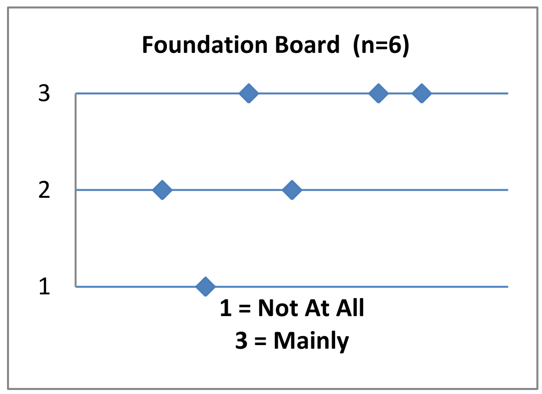


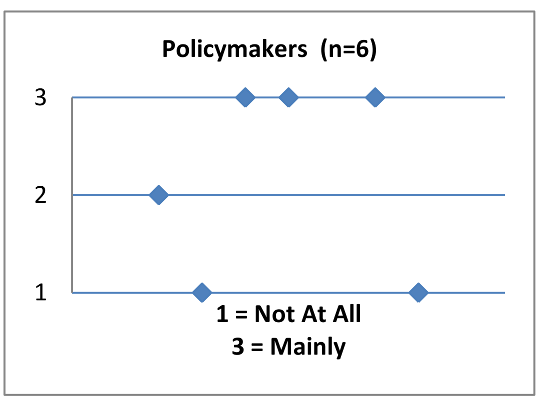
5. For whom are the evaluation intended?

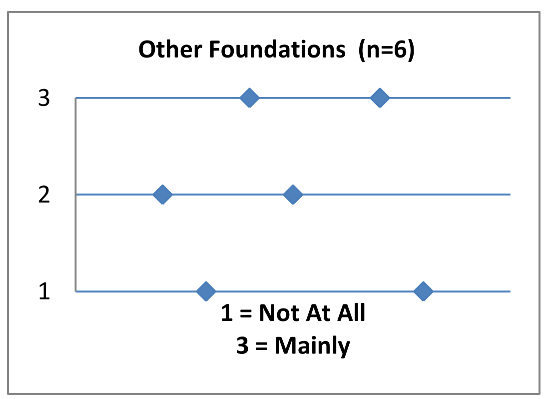




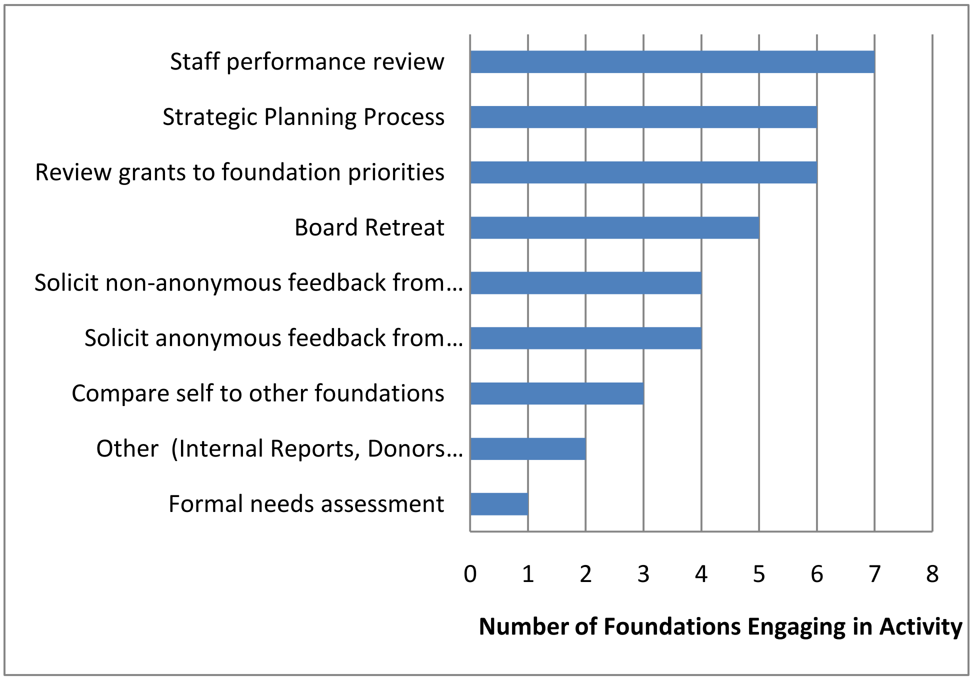








6. **During the past two years, did the foundation engage in any of the following activities to help evaluate or strengthen its own performance? (Check all that apply.)**



7. Important factors in defining a comparator group:

	Endow-ment Size	Geographic proximity	Governance structure	Similar programmatic focus areas	Other
Foundation A	1	2	4	3	
Foundation B	2		3	1	
Foundation C	2	4	3	1	
Foundation D			3	1	2 (Systemic Change)
Foundation E	4	3	2	1	
Foundation F					1 (National association)
Foundation G				1	
Foundation H	3	4	2	1	

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