Draft

# Results-Based Grantmaking

## An Approach to Decision Making for Foundations and Other Funders

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# Results-based Grantmaking

## A. Some Truths about Grantmaking:

It is sometimes hard to speak the truth about grantmaking. As one foundation executive put it: "Since I joined the foundation world, I haven't had a bad idea or a bad lunch." Foundations have power and prestige. People are sometimes afraid to be candid. There is a real risk that foundation initiatives suffer the "emperor has no clothes" syndrome. The following section is deliberately controversial. The intent is to put things out in a stark way and then see what constructive things follow from that. It is OK to disagree. Please don't be mad and cut my grant.

So, here are some truths about grantmaking:

> 1. Giving money away responsibly is a surprisingly hard thing to do. People think it's easy. But the process is so easily gamed. And the tax code pressures to spend a minimum percent of endowment puts pressure on spending money too soon and too fast. It should not be surprising that it is often not done well.
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> 2. The normal process of grantmaking involves (1) spending several years planning an "initiative," (2) inviting people to lie about what they can accomplish, (3) believing them, and giving them money, and (4) being disappointed with the results.
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> 3. Foundations want to buy change, and just as importantly, they want to buy credit for change.[1] Credit is a tricky business, because there are many factors affecting change in states, counties cities and communities, and foundation contributions are just one. There was a community I worked with where we were discussing some new initiative, and the potential effects this work might have on the teen pregnancy rate. Several people present said that we could not take any credit for teen pregnancy reduction because all of that credit had been used to get a grant from another foundation.
>
> 4. Grantees will say anything to get a grant. Grantees will say anything to keep a grant. Foundations actually believe them (or act like they do) because they want to believe them and need to believe them. There is actually a strange kind of symbiotic relationship between foundations and their grantees. They both need each other for different reasons. And sometimes they will dance together so that neither looks bad.

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[1]When Recently asked to describe “what business are foundations in?” replied “the business of turning money into credit.”

5. Most initiatives and pilots fail, some dramatically, most slowly. I have no data for this. I just think it's true. There are many reasons why this might be true. Partly it is the time limits on foundation support. Foundations usually do not see themselves as sources of on-going support for services. When the 3 or 5 years is up, grantees are expected to have other forms of support, or go out of business. Mostly, grantees don't think about this until it is too late. Then there is a mad dash to provide assistance around "sustainability." "Sustainability" is a defeatist word. It signals that a grantee has staked out some territory and now must hang on for dear life to sustain it. Grantees often become just another in the long list of non-profits competing for donations. Instead, a proactive approach would think about sustaining and <u>growing</u> the work from the beginning. If it is a good idea, it should become part of the way people do business, it should attract support because it is useful, and it should grow over time.

6. Foundations preach collaboration but don't practice it well. Foundations are sometimes/often in competition with each other over ideas and territory. This goes back to the credit problem above. It is important for foundations to establish an identity, and their grantmaking agenda *is* their identity. If some other foundation is doing the same stuff, how are you and they different? It sometimes happens that foundations identify common interests, pool their resources and coordinate their grantmaking strategies. More often they function as lone rangers.

7. Cause and effect is hard to show. This is another credit issue. But it has its roots in the complexity of the work. We have been spoiled by the simple control group research design, and much of the time it can’t be done, won’t work or isn't appropriate. We know from chaos anc complexity theory that traditional views of cause and effect don’t apply to complex systems. Communities are complex systems and cause and effect relationships between grant funded activities and change may be impossible to determine. We now know that single simple strategies don't work. We need complex multipart strategies to effect the well-being of children families or anyone else at the population level. We therefore need different ways to explain and evaluate this work. Foundations have been slow to move to new approaches to evaluating how complex strategies act on complex systems.

8. Money is desperately needed; and money can be poison. We have all seen the food fights which occur when a stack of new money is put in the middle of the community table. Old friends can become bitter enemies. We need to be more thoughtful about how to give money, when and to whom. We need a theory of grantmaking to go with our theories of change.

## B. Results-based grantmaking - some basic concepts

Before we take on the role of funders in results based grantmaking, we need to set forth some of the basic of ideas of results accountability. The starting point for results-based grantmaking is a set of ideas that distinguish the cross community well-being of populations from the well being of client populations served by programs agencies and service systems.

> Results (or some places use the word outcomes): a (plain English) condition of well-being for children, adults, families or communities.
>
> > Results (or Outcomes, or Goals) are things like healthy children, children ready for school, children succeeding in school, safe children. By definition these are not the province of any one department or even the province of government itself. The plain English nature of these statements allows them to be used to communicate with taxpayers and voters who do not understand government jargon.
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> Indicators (or some places like Oregon call them benchmarks): are measures which help quantify the achievement of a result.
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> > So, for example, the rate of low birthweight babies helps quantify healthy births, the rate of high school graduation helps quantify children succeeding in school. Indicators are almost always matters of approximation and compromise, since there is no perfect set of measures to capture the complex English ideas embedded in results. There are techniques for choosing the best available indicators using established criteria (communication power, proxy power and data power) - and to establish, as an important byproduct of this work, a data development agenda, so we can be disciplined about getting better data in the future.
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> Strategies: These are complex but coherent sets of actions by many different partners which have a reasoned chance (see theory of change) of improving one or more indicators for a given result for a state, county, city or community population.
>
> > The best strategies involve many different partners from both the public and private sectors and make use wherever possible of no cost and low cost actions. Not all effective actions cost money or involve government programs. We now have a growing set of examples of such strategies where communities have turned around conditions for children or families
>
> Performance measures: Measures of how well a program, agency or service system delivers service.

> The most important performance measures will be about the well-being of the clients or customers of the service. We call these *customer or client results* to distinguish them from the cross community results discussed above. Often the only difference between these is the difference in scale between a client population and the total population (e.g. the repeat teen pregnancy rate for small program serving 30 young women is a performance measure for that program; the repeat teen pregnancy rate for all young women living in the county is a "community wide" indicator for the entire county population of teens.) There are many different typologies that have been developed to describe performance measures and many different methods for using them. All organizations should choose an approach to performance measurement and get started.[2]

As the client population of a service system approaches the total population in a given geographic area, then client results data for that service system begin to play two roles: first as measures for the performance of the service system and second as indicators (proxies) for the well-being of the whole population. This is most clearly evident in the public health and education systems. In this area of convergence between these two forms of accountability it is necessary to keep in mind the purpose of the work. We use high school graduation rate data to help superintendents, as managers, manage their service systems; and we use the same graduation rate for cross community collaboratives to assess and act on "(all) children succeeding in school." In the best communities, both types of efforts (that of manager and that of collaborative partner) exist and are linked.

The history of this work is to fuzz over the distinctions between these different kinds of accountability and associated measures. The best work in the country, including outstanding work taking place at the local level in California, Vermont and elsewhere starts by making these crucial distinctions and by agreeing on a common language that will permit both types of work to proceed with clarity and discipline.

There is much more to be said on these subjects, but let's stop here. If you want more information on any of these approaches check out the website: www.resultsaccountability.com.

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[2]Some criteria for making the choice:  Make sure it makes sense to you, make sure it is useful to managers, make sure it addresses the most important measures, those that tell you whether and to what extent clients/customers are better off, and make sure it get you from talk to action quickly and with minimal paper. One method which meets these criteria (developed by FPSI) places performance measures in four categories derived from the intersection of quantity and quality vs. effort and effect, and uses them in a simple seven step process to identify actions necessary to improve performance.

## C. Implications for what how foundations act and what they fund.

So what does this mean in practical terms for the way foundations and other funders act and what they fund? Here are some potential changes in perspective and behavior:

1. Defining Success: Defining and measuring success must involve both results accountability at the population level and performance accountability for grantees and the foundation itself.

> - For foundation grants which are solely about funding promising services or pilot programs, then measurement is about performance measurement and accountability for that service.
>
> - For grants which aim to change the quality of life in a geographic area for a population group (i.e. all children in Oakland), then measurement must involve both indicators at the population level which the grant aims to influence, and a set of performance measures for the specific activities which are funded with grant dollars.
>
> - Measurement of success or failure must always be framed in terms of a baseline. Baselines have two parts, an historical part which shows where we've been and a forecast part which shows where we're headed if we stay on our current course. Success at the population level means doing better than the baseline, or "turning the curve" away from the baseline.
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> And foundations must apply these accountability principles to their own operations. This means that, in addition to measuring the performance of grantees, performance measurement and accountability methods must be applied to the internal management of the foundation itself.

2. Leverage: The idea of grantmaking as leverage is, of course, a very old idea. The best grants will be those which leverage other resources and which together leverage change. The question prompted by results accountability, however, is "What kind of change?" If the purpose of the work is to improve the well-being of children families and communities, then the change we are talking about is change in indicators of well-being. The way to frame this notion is: "What set of investments could actually work to help a given community turn the curve on one or more indicators?"

3. Partners: This requires an understanding, yea acknowledgment, that no foundation grant can, by itself, turn an indicator curve; just as no government agency or program can. Foundation grants are potentially one part of a larger strategy to turn a curve.

4. Credit: Foundations must resist the notion that they can claim (exclusive) credit for their

grants having caused a particular change in an indicator. Foundations are partners in a complex environment where cause and effect is difficult to establish. This means that foundations must give up the idea that they "own" a particular indicator, like teen pregnancy, and become more team players in describing and attributing impact.

And following are some potential roles for funders which align with results based decision making processes and are displayed graphically on the attached chart.

1. Support infrastructure for collaborative work. It may not be available from any other source.

2. Help create new social technology, like investment boards or a framework for results-based decision-making, budgeting and accountability. (Investment boards made up of business and community leaders could make investments in the well-being of children and families, and establish the methodology to capture the downstream savings of those investments. The captured savings could then be reinvested.)

3. Support public engagement: Help frame and raise the visibility of issues of well-being on the nation's agenda.

4. Sponsor tables to turn curves. This is the heart of the work: partners coming together to work in a disciplined way to produce measurable improvement in the well-being of children, adults, families and communities at the community, city, county, state or national levels.

5. Support new tools, like report cards on child, family and community well-being, family and children's budgets and cost of bad results analysis.

6. Support data development agendas. We are 100 years behind the business community, 70 years behind the labor movement, 50 years behind the public health service, in creating timely, reliable comparable data on the well-being of children and families.

7. Support analysis, research and public education on the story behind the curves. This is closely connected to the public engagement role above. But deeper work is needed for us to understand the causes and forces at work behind the trends we see in child and family conditions. The recent influence of research on brain development, in spite of sometimes shallow and misinformed use of the data, is a good example of the power of this role.

.8. Support partners with a role to play: Support convening partners, conferences and leadership development. Many of the people doing leading work on child and family well-being do so in isolation. Funders can provide the money to bring these people together, to share and create new knowledge.

Even more important is leadership development. Foundations have a special responsibility here. After years of recruiting (deforesting) talent from the public and private service sector, foundations have a responsibility for the reforestation of leaders. This should be a broadly based effort equal to at least 10 times the size of the funders staff on an annual basis. To modify metaphors in mid stream, investments in leadership will reap benefits for years to come. And a wise strategy will include funding for some of the things the newly emerged leaders want to do.

9. Support pilot programs, research, evaluation and dissemination of what works. This has been one of two traditional major roles for funders and foundations. It continues to be important, but funders need to think beyond this work, and more importantly put it in the context of the results we are trying to produce.

10. Support innovative and gap-filling services as part of a larger strategy. This is the second traditional major role. The money from foundations and other charitable funders makes up only a tiny fraction of the total spending on children and families. Foundations have traditionally taken one of three approaches:

> They decide that they can't save the world so they will fill as many gaps as they can by providing services that would not otherwise be available. Funders need to stay with these investments for more than a few years. If a neighborhood needs recreation, then buy recreation for all the kids. There is no dishonor in an ongoing commitment to a place. The tradeoff is flexibility to change your mind later on.(The Red Cross blood banks, shelters and emergency services are classic examples.)
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> A second variation on this is the funding of innovative programs which fill gaps in a small way, but set the stage for more expansive replication if the pilot is successful.
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> And most ambitious of all, foundations try to leverage their small contributions into much larger change than their money alone can buy. Often the money does not buy services so much as a strategic virus that may someday infect the whole body politic. What has often been missing from these three roles, and the last in particular, is the clear picture of ends vs means provided by a sound results accountability framework.

11. Support performance accountability: This is accountability for how well programs, agencies and whole service systems perform. Funders can help organizations take the difficult steps of creating accountability systems and more importantly the culture change necessary to sustain such systems. They are also beginning to understand that performance accountability begins at home. It is not just something somebody else should do.

D. <u>A decision making process for results-based grant making</u>

Given the above possible approaches, how could a foundation systematically develop a grantmaking agenda based on the concepts of results accountability? What if funders and foundations used the following thinking process?

1. What conditions of well-being do we hope to affect for the better?
2. How would we recognize those conditions in measurable terms?
3. For the places we are considering supporting/helping, how are they doing on these measures. What do the baselines look like?
4. What is the story behind these baselines?
5. Who are the partners who have a potential role to play?..
6. What works? What would it take to turn the curves? What strategy should the community (city, county, state) as a whole pursue to make this happen?
7, And finally, what is our role in that larger strategy?

It is rare that funders conceptualize their grantmaking as part of a larger national or local strategy.. The attached chart, titled “A Simpler View of the Funders Role in Results Accountability” displays the true relationship of the grantmakers role to population change. Typically, grantmakers skip the work of articulating a larger strategy (of which they are part). And in doing so they create the impression (and may actually believe) that their grantmaking by itself will turn the curves. This of course is fantasy, but it is also a trap. Because initiatives that are sold to the funder’s board on this basis, must also be defended on this basis. Board members probably know that the initiative is being oversold, but it sounds so good it is hard to resist. But years later the disappointment sets in when the advertised effects fail to materialize. Even without hard numbers supporting change, the funding organization of course describes the initiative as a success because it has “made a contribution,” and because there are a lot of stories to tell about doing good.

A more honest approach, that boards would probably appreciate, is to first set out what the funder believes is necessary to effect population community wide change and then place the grantmaking agenda within this context. Any of the roles set out in Section D above could be defended as a legitimate contribution, without suggesting that the funder can do it alone.

Consider this example: The array of grantmaking targeted to reducing violence picks promising investments (like conflict resolution teaching in schools). This is all well and good. But these limited grant agendas are somehow expected to show up as community wide reduction in violence. What if instead the funder set out a complete strategy including what they believed to be the necessary full range of actions by federal, state and local public and private sector partners. Taking the time to do this thinking would be a contribution in an of itself. This level of strategic thinking would help point to the most effective use of the funders money. And would remove the need to promise more than what is possible.

## E. An approach to creating a "Theory of Grantmaking"

As if the preceding paragraphs were not trouble enough, there is finally the matter of the "theory of grantmaking. It is not enough to set out a role to play as part of a larger strategy if you don't know how to fulfill that role. If foundations are change agents, then there is a compelling reason to believe that a coherent theory of grantmaking is necessary to produce that change. A theory of grantmaking could be thought of as part and parcel of the foundation's theory of change. But there may be value in considering it separately. It involves a more specific question: "How can we give money and support to make our theory of change work?" The answer to this question must address at least four elements of grantmaking: *how* to give money[3], for *what*, to *whom*, and *when*. Here are some beginning thoughts about how a theory might be conceptualized using these four elements.

### 1. How to give money:

(a) Seek the greatest leverage

Match your funds with others.

Don't give money too soon.

Offer non monetary support in addition to or instead of money.

Support/require open architecture and non-proprietary replication of any social innovation developed with foundation support.

(b) Buy change not games. The classic method is the experimental model. Foundations experiment on communities and states, test out their ideas. Use of an RFP is the classic method. Foundations spend years figuring out what they want to accomplish (test) and how they think a state or local group could do it (demonstrate it). Then they issue an RFP asking promising groups to come forward and tell them what glorious things they would do with the money. Often times there is a planning grant phase before there is an operational phase. Money is then given to some agent who goes about doing or paying for the work. Some fine initiatives have come about this way. But this method is prone to gaming. A lot of money shows up and becomes the source of conflict. Sometimes the initiative disintegrates dramatically. More often it is a matter of slow decay.

(c) Share credit: No one really believes claims of sole credit anyway. Chaos and complexity theory explains why traditional cause and effect relationships don't apply to complex systems.

### 2. For What?

[3] And other non-monetary resources.

(a) Buy elements of a larger strategy that will produce measurable improvement in the well-being of children, families and communities. In other words, buy the actual turning of curves.

(b) Any of the roles articulated in section D will help bring clarity of purpose and honesty about effect

(c) Consider acting more like an investment bank. Here foundations would entertain requests for monetary and non-monetary support from community efforts that had started on their own, but needed some additional support to take the next step. Foundations could be selective about which types of efforts to support, just as an investor might decide on what kinds of stock to buy.

3. To Whom:

(a) Support:

- Partnerships and organizations with a good track record or clear commitment to collaboration.
- Agendas owned by the community, not invented to please the foundation.
- Organizations and coalitions ready for money.

(b) Support leaders with a vision. Support people who will make something happen with or without foundation grants.

(c) Be careful about giving money which significantly changes the political balance of power in a community. Grants can be a win for some elected and community leaders and a loss for others. Assess stakeholders' interests and be smart about politics.

(d) Don't encourage the proliferation of collaboratives. Over the past 15 years, foundations and other funders (e.g. federal and state governments) have required the creation of collaboratives to plan and oversee grants. This has caused an explosion in the number of such organizations, and the purpose of collaboration has been undermined. Very often the same people serve on many different boards[4]. We need a period of mergers and acquisitions where we get back to the original purpose of have one, or at best a few, places where the work is brought together. If foundations don't do this, grantees will (and should) rise up in revolt.

4. When:

[4]CDC now tracks a new mortality category: death by collaboration - caused by multiple collaboratives with essentially the same membership. People running from one meeting to the next wears them out and kills them.

Later rather than sooner. Perhaps most importantly, foundations should not give money too soon or in too large an amount in the first years. Money brings out the worst in people and organizations. And, unless the groundwork has been laid for how to use new resources as part of a shared and owned agenda, grants can actually do damage. Give help, give travel money, give comfort and support in the early years. Let the work mature to the point that it needs money to take the next step.

## F. Conclusion:

Foundations and other funders can practice what they preach. It is just as hard for funders to change as any of the organizations they fund. But the same principles apply. There are real benefits to working within a clear results and performance accountability framework. Funders can place their grantmaking agendas in the context of larger strategies to improve results, that they help articulate. Grantmaking can be both more realistic and more effective. Putting an end to false promises will increase credibility and the willingness of boards and other partners to stay engaged. And the focus on measuring progress will begin to provide the kind of tangible evidence that the community and the funders deserve to have. Finally, funders can begin the difficult process of using performance measurement and accountability practices in the management of their own organizations. With the recent dramatic growth in endowments, the combination of these changes could strengthen the business of grantmaking at time when its role is becoming more visible and more important.

# Results Accountability
# and Potential Roles for Funders

## Results-Based Decision Making

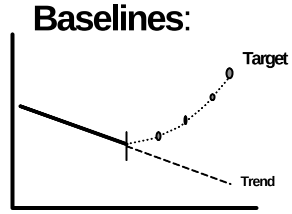
**Population**: Children prenatal to age 5

**Results**: Children enter school healthy and ready to learn

**Experience**

**Indicators**:

**Baselines**:




**Story** behind the baselines:

**Partners** with a role to play:

**What works**

**Criteria**

**Strategy, Action Plan and Budget**

**Program, agency and service system performance accountability**

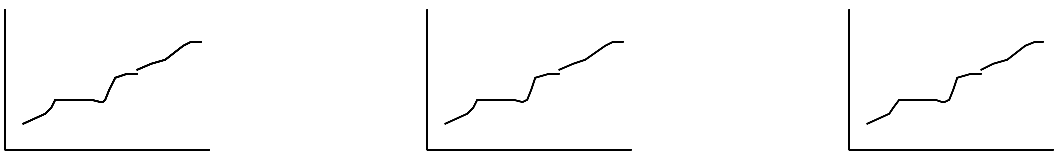
- Support infrastructure for collborative work
- Help create new social technology, like investment boards, and results-based decision-making, budgeting and accountability systems
- Support public engagement
- Sponsor tables to turn curves
- Support new tools (report cards, children's budgets, cost of bad results analyses)
- Support data agendas
- Support analysis, research and public education
- Support convening of partners, conferences and leadership development
- Support pilot programs, research, evaluation and dissemination of what works
- Support innovative and gap-filling services as part of a larger strategy
- Support and use performance accountability

A Simpler View of

# the Funders Role

in Results Accountability

## Results and Indicator Curves to Turn



## Strategy to Turn the Curves

- Assessment of whether the indicator curves are turning or not

### Our Role as part of that strategy

- Performance measures for the programs/organizations we fund
- Performance measures for the management of our organization

# Organizations Still Waiting

## for their first foundation grant

1. Institute for the Study of Spontaneity (ISS)

2. Center for the Study of Centers for Study (CESCES)

3. National Association of Foundation Grantees (NAFOG)

4. Center for Wishful Thinking (CWIT)

5. Technical Assistance Center for Congressional Amity (TACCY)

6. Federation of Organizations with Good Intentions (FOGI)

7. Overhead is Us (IOU) (Also know as Us is Over Our Head)

8. Center for Misleading Data (OMB)

9. Ctr. for Sht. Trm. Thinking (CISTT)

FPSI

10. Hindsight Inc. (HINDINC)

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