

The Evaluation Matrix

by Mark Kramer

Evaluation is one of the most confusing topics in philanthropy – in part because it embraces multiple definitions that are often jumbled together. Evaluation refers to at least three different kinds of measures, each of which can be assessed at three different levels — and for a community foundation, there is a fourth level relating to its donors. Combining these measures and levels produces the following twelve-part matrix that shows more precisely some of evaluation’s varied meanings.

Evaluation Matrix

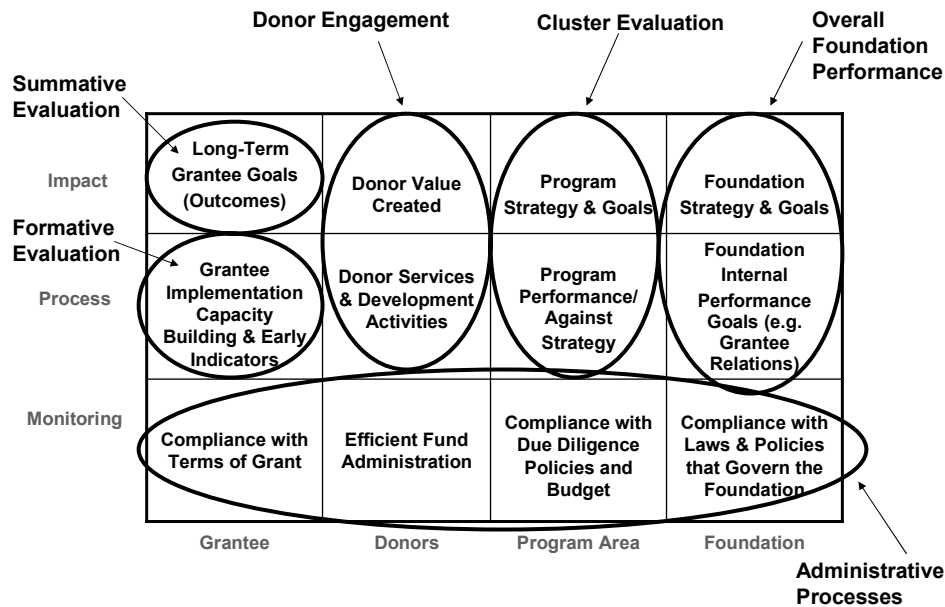
Measures	Impact	Long-Term Grantee Goals (Outcomes)	Donor Value Created	Program Strategy & Goals	Foundation Strategy & Goals
	Process	Grantee Implementation Capacity Building & Early Indicators of Success	Donor Services & Development Activities	Program Performance Against Strategy	Foundation Internal Performance Goals (e.g. Grantee Relations)
	Monitoring	Compliance With Terms of Grant	Efficient Fund Administration	Compliance with Due Diligence Policies and Budget	Compliance with Laws & Policies that Govern the Foundation
		Grantee	Donors	Program Area	Foundation

Levels

All of the boxes are related to each other and many depend on each other as prerequisites, but no two boxes are the same. For example, measuring compliance is not the same as measuring impact, and neither one is the same as measuring the foundation’s implementation of its own policies and strategy. Understanding each box in the matrix requires asking a different set of questions and conducting different kinds of evaluation activities. Every box, however, offers essential information that the CEO and Board need to manage a well-run community foundation.

Some of these boxes fall into the traditional realm of formal evaluation, such as impact and process measures at the grantee level, more commonly known as summative and formative evaluation. Some encompass more recent trends such as the evaluation of grant clusters or entire grant programs. Others, such as monitoring, have been considered merely administrative functions. Finally, those measuring donor or foundation process and impact are at the forefront of FSG’s work, but are only beginning to be recognized as part of the evaluation field.

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This idea that evaluation involves so many different kinds of information is at odds with the more common perspective that impact evaluation is the only legitimate measure of a foundation's performance. In the end, there is no doubt that measuring social impact is essential, but each box represents a set of trade-offs between time, cost and usefulness. The cost and delay of end-impact evaluation seriously limit its usefulness as a management tool. And for community foundations, traditional impact measures overlook the value that can be created by working with donors. Each measure and level of evaluation serves a legitimate role: all are helpful, but none are definitive.

Consider the value of each measure and level:

Monitoring Measures are largely a matter of fiduciary responsibility. The single most widely-used evaluation process in the field today is a self-report by the grantee describing whether the funds were spent as intended. Boards need these measures to fulfill their roles as stewards of the foundation's resources. Similarly, efficient fund administration is essential to fulfill the foundation's responsibilities to its donors. At the program level, monitoring shows whether the program officer was true to the budget, strategy and values of the foundation. Were the grants made consistently with the Board's intentions? All too often foundations are so focused on the future, they fail to examine whether their current strategies are actually being followed in practice. Finally, at the foundation level, the Board's fiduciary, legal and fiscal policies must be monitored to ensure that they are being followed, especially in this time of increasingly rigorous public scrutiny.

Process Measures at both the grantee and program levels show whether a program is being well-implemented and meeting interim indicators of success long before the ultimate impact is ever known. It seems plausible that a well-run program is more likely to achieve positive impact. Reviewing short-term progress can also increase impact through mid-course corrections if things are going poorly. For donors, process measures include engagement in the work of the foundation and a robust development effort that builds philanthropic resources for the community. At the foundation level too, process measures offer insight into how well run the foundation is on a range of measures from grantee service, selection and due diligence, to investment performance and administrative expenses. Here too, while there is no absolute link between process and outcome, one can infer that a foundation which provides good grantee service, for example, makes it easier for its grantees to serve their social missions and achieve impact, or that a rigorous due diligence process is more likely to weed out low-performing grant applicants. In short, at all levels, process measures provide a sense of how we are doing along the way — inferential, but timely and important to foundation effectiveness.

Impact Measures are most commonly assessed at the individual grant level. It would be nice if we could evaluate the impact of every grant, then somehow aggregate the results to describe the impact of the foundation as a whole. However, without a well-developed strategy that provides a framework to link every individual grant together around a concrete and measurable goal, it is very difficult to combine separate grant results into a single evaluative process.

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FSG has done pioneering work on the creation of independent measures of impact that can cut across different program areas, such as metrics of value creation, but these are only beginning to be implemented. At the donor level, the test of a community foundation's impact is the degree to which its efforts contribute to more knowledgeable or effective giving by its donors.

Grantee level impact evaluation has other limitations too. It is rare that a single grant can make a major leap toward achieving some broader strategic objective, so foundations are almost certain to be disappointed when looking at grants individually, especially in relation to the ambitious goals that guide many foundations today. Grant level evaluation, therefore, often sends a message of futility that can discourage its use.

Evaluating grants separately also discourages risk, because there is no way to convey, for example, that nine failed grants were more than justified by the success of a tenth. Finally, evaluating individual grants overlooks the results achieved by the foundation's non-grantmaking activities, and reinforces the mistaken idea that a community foundation's operations, non-monetary assistance, and work with donors "don't count" toward the social impact it achieves.

Program level impact evaluation has the benefit of more realistic expectations for the overall impact that results from a portfolio of grants. Risky grant programs can be justified in terms of the total dollars spent and results achieved, regardless of the success rate for individual grants. Program level impact evaluation can also take into account the value and impact of non-grantmaking activities.

The test of whether a foundation's strategy is effective, however, rests on evaluating the impact of the foundation as a whole. The strength of a strategy rests on the fit between all the different activities a community foundation performs, whether in program or development, and it is only by looking at the interrelationship of all activities that one can assess the consistency of fit, the validity of assumptions behind the strategy, and the effectiveness of its implementation. If, as we suggest, the real value of evaluation is its usefulness as a management tool to refine strategy and improve implementation over time, then it is only by looking at the foundation overall that a foundation's leaders can learn how to improve performance.

Ultimately, the test of a foundation's performance is not merely whether it achieved any impact, but whether it is making good choices – consistently allocating its resources to achieve the greatest "impact per dollar" — whether in grants or donor development. As yet, there are no easy answers for how this can be measured, but through our work with clients, FSG has begun to develop a set of practical tools that can help community foundations assess their overall performance in increasingly informative and accurate ways.

If we can be of help to your foundation in evaluating programmatic impact or development strategies, or in developing and implementing a comprehensive foundation-wide performance measurement system that informs all twelve aspects of evaluation, please give us a call. ☺

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Clients

FSG's latest work covers a wide range of issues for corporate, community and private foundation clients around the world:

- FSG continues to assist community foundations in implementing cost revenue analyses. Notably, several foundations in the range of \$30MM to \$70MM in assets have elected to perform this study with FSG's help.
- Most recently, for a health care conversion foundation, FSG developed a new five year strategic plan informed by research into community health priorities and an understanding of the foundation's unique strengths and values. The strategic plan outlined several new proactive initiatives, as well as a new approach to capacity building for key non-profit partners.

A Growing Team

We are delighted that two new consultants have joined our firm.

Greg Hills joined us as a Senior Consultant. Greg comes to FSG with significant strategy development experience through his work at Archstone Consulting and Deloitte Consulting. His non-profit experience includes three years with US-Asia Environmental Partnership, a USAID-funded public-private partnership promoting the cooperation of NGO's business and government in support of environmental improvement and sustainable development throughout the Asia-Pacific region.

Greg holds an M.B.A. from Tuck School of Business at Dartmouth College and a B.A. from Hamilton College.

Garance Watzek joined us as a Consultant. Prior to joining FSG, Garance served as a consultant with Arthur D. Little and with the European Bank for Reconstruction and Development. Her non-profit experience includes managing grants for NGOs in the Middle East on behalf of the European Commission and founding a non-profit, WorldTalk.

Garance holds an M.B.A. from INSEAD, a M.Sc. in the Politics of the World Economy from London School of Economics and a B.A. in Finance from the University of Paris IX Dauphine.

Coming Up!

Join us at 2:00 on **March 18th** at the Grantmakers for Effective Organizations Conference in Seattle for a presentation on

The Dilemma of Foundation Leadership

Foundations face an inherent contradiction by trying to be leaders without imposing their desires on their grantees. Drawing on the concept of “adaptive leadership” **Mark Kramer** will offer a new approach to reconciling this tension and creating social value.

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About FSG

FSG is a professional consulting firm exclusively dedicated to helping community, corporate, private and family foundations increase their effectiveness.

We offer objective analysis and confidential counsel on strategy, organizational alignment, strategic communications, governance, leadership, foundation-wide assessment, and community foundation donor development.

We invest in innovative ideas and we partner with our clients to help them do good, better.

For more information call us or visit our web site.

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