RESEARCH OVER FAMILY FOUNDATION

Executive Summary

1.1. Definition: Family foundation is a foundation whose funds are derived from members of a single family. At least one family member must continue to serve as an officer or board member of the foundation; they or their relatives play a significant role in governing and/or managing the foundation throughout its life.

1.2. Vision and Mission: Foundations exist to make something happen that most likely wouldn't happen otherwise. From this perspective, both the task of a foundation and the responsibility for setting its direction can seem pretty formidable. To keep from feeling overwhelmed, it is often useful to think about such change in terms of vision, mission and strategy.

1.3. Management Models:

1.3.1. **Management by Donor(s):** Often occurring in first-generation family foundations. This type of management usually gives the donor great control.

1.3.2. **Management by Board Members (Family and Nonfamily**): Board members share responsibility for managerial functions. For example, one board member might keep the central records while another manages the money and still another handles correspondence.

1.3.3. **Administrator (Family or Nonfamily):** Many boards hire or appoint a staff person to oversee the daily functions of the foundation. This person operates as administrator, manager or both. Typically, the administrator facilitates board action rather than setting policy or program direction.

1.3.4. **Executive Director (Family or Nonfamily):** Larger foundations often hire an executive director who sets goals and shapes programs for the foundation, recommending projects to its board.

1.3.5. **Management by a Bank or Law Firm:** Many large banks and law firms manage the assets and sometimes the grantmaking of family foundations.

1.3.6. **Management by a Community Foundation:** A community foundation supports charitable activities focused primarily on local needs-those of a particular town, county or state.

1.3.7. **Philanthropic Management Firm:** Serving as the office for a number of foundations, a philanthropic management organization may be a private business, professional practice, or a nonprofit organization.

1.3.8. **Consultants:** The family foundation hires an individual or consulting group for specific tasks that recur but are not necessarily ongoing.

1.4. Staffing Models:

1.4.1. **Administrator Model:** A staff person who works part or full time and deals primarily with administrative issues.

1.4.2. **Consultant Model:** An individual is hired to do specific tasks that recur regularly but are not necessarily ongoing.

1.4.3. **Director Model:** A staff person is hired to provide recommendations and oversight in most or all of the foundation's activities.

1.4.4. **Trustee Staff:** A trustee may serve a specific staff role on a part time or a full time basis.

1.5. Grant Making:

1.5.1. Type of grants:
- Unrestricted Grants
- Restricted Grants
- General Support
- Project Support
- Endowments
- Seed Grants
- Research
- Capital Grants
- Matching Grants and Challenge Grants
- Other Financial Support

1.5.2. Models for Grantmaking:
- The Classic Grantmaking Model: Grants to Nonprofit Agencies
- Taking Responsibility for Operating a Program
- Program Related Investments
- Discretionary Grants

1.6. Grant Evaluation:

1.6.1. **Expert peer review** is associated with judgement-based information. The peer may be an individual or a committee. The review may consist of reading documents or site visits and interviews with project staff, participants or others, or both.

1.6.2. **Data-based evaluation** uses other methods. A descriptive analysis, for example, uses descriptive statistics to characterize a program, its participants, and attributes of the relevant social, political, or economic environment for the purpose of understanding how and why a program works. A case study makes extensive use of descriptive analytic methods.

1.6.3. **A comparison-group design** is called for when it is important to measure effects and to attribute those effects to a project or program. In such designs, a group of people or institutions who receive an innovative treatment or participate in a new program are compared with a similar group who do not receive the treatment or participate in the program.

1. INTRODUCTION

1.1 Definition

The Council on Foundations defines a family foundation as a foundation whose funds are derived from members of a single family. At least one family member must continue to serve as an officer or board member of the foundation, they or their relatives play a significant role in governing and/or managing the foundation throughout its life. Most family foundations are run by family members who serve as trustees or directors on a voluntary basis, receiving no compensation; in many cases, second- and third-generation descendants of the original donors manage the foundation. Most family foundations concentrate their giving locally, in their communities.

1.2 Fact Sheet of American Family Foundation

Approximately two-fifths of the estimated 56,600 private and community foundations in the United States are believed to be family managed. Family foundations give over 40% of the $27.5 billion in foundation grants awarded in the U.S

1.2.1. Board Compensation

72% of family foundations do not compensate board members for their services. This is largely due to the common sentiment among family trustees that foundation work should be primarily a volunteer activity.

Family foundations providing compensation to their board members usually pay set fees (89%). These fees include an annual fee (50%), and/or fee based on board (74%) or committee (22%) meeting attendance.

1.2.2. Board Composition

42% of family foundations had boards comprised of family members only and 58% had boards that included nonfamily members, such as business associates or community representatives.

27% of trustees were nonfamily.

Many family foundation boards are composed of multiple generations of family members.

Second generation (children, neices or nephews) 38%, and third-generation (grandchildren, neices or nephews) 28%, family members have the greatest representation on the boards.

1.2.3. Board Preparation

Many family foundations (68%) feel that succession is one of the most important issues facing their foundation.

Only 37% prepare younger family members for their roles as future board members and/or managers of the foundation.

1.2.4. Spending Policies

Most family foundations (87%) are designed to exist in perpetuity.

The primary spending formula for most family foundations (59%) aims to meet the minimum distribution requirement (payout).

28% decide on an appropriate amount to spend each year, depending on current grantmaking program goals and investment returns.

2. FAMILY FOUNDATION'S VISION AND MISSION

When you get down to it, the reason a charitable foundation exists is to change the world or, at least, change that part of it that you particularly care about. Foundations exist to make something happen that most likely wouldn't happen otherwise. From this perspective, both the task of a foundation and the responsibility for setting its direction can seem pretty formidable. To keep from feeling overwhelmed, it is often useful to think about such change in terms of vision, mission and strategy. Each of these concepts can be thought of as an answer to a simple question:

- Vision - What would a better world look like?
- Mission - What change do we want to make in the present world to bring about our vision?

2.1. What is Your Value?
Explore one or more of the following questions that you find interesting:

- What experiences and people have been key in shaping your core values and passions?
- What do you notice about your values when you consider your choices, such as life directions, career, free time, lifestyle, donations and spending?
- When you hear of world events or witness an injustice, what moves you most? With what have you been most troubled? Most delighted?

2.2. Turn Your Value into Vision

Once you have defined your values, its time to turn them into your foundation's vision. A vision statement helps to transform ideas into reality. Once articulated, a vision can generate realizable goals.

A clearly articulated vision can:

- provide important information about where you are heading, and why
- provide inspiration to those you are leading
- be a touchstone when decisions need to be made
- be a friendly reminder of why you keep on going when you'd rather quit

- help you're-focus when you're confused with details and frustrated with setbacks keep you, and the people with whom you share your vision, on track.

2.3. Functions of Vision Statement

- Visions forms a bridge between individual and organizational sense of purpose.
- Visions create a basis for an individual's, and a foundation's, sense of importance
- Visions are challenging, but obtainable.
- Visions provide a context in which events are understood and behavior patterns guided and justified.

2.4. Creating your vision

With your values in hand, the following questions can help you expand your perceptions regarding your foundation's potential and help you articulate a vision statement that serves as a driving force within your foundation.

- What do you want your foundation to accomplish?
- What do you want as the fundamental purpose of your foundation's existence?
- What unique contribution do you want your foundation to offer to the community you serve?
- What do you want historians to say is your foundation's enduring legacy twenty-five years from now?
- In what ways do you want your foundation's resources perceived as providing value to your community?
- What does your organization do that enhances the quality of life for the next generation?

In conjunction with your list of values, integrate your responses from the previous questions and form a brief vision statement containing the following elements:

- Describe the foundation's environment in terms that explain what has happened in the past, current realities, what people should expect in the future, and how to anticipate certain key events and interpret specific consequences.
- Describe a major problem or opportunity that exists beyond the foundation's boundaries and why the foundation should pursue it.
- Relate this problem or opportunity to a unique capability within the foundation's current or potential grasp.
- Relate how addressing this problem or opportunity will allow the foundation to "make a difference."
- Explain why focusing on this problem or opportunity should serve as the foundation's essential purpose.

3. FAMILY FOUNDATION MANAGEMENT

3.1. Management Models

Family foundations are unique within the foundation world and there is no one-size-fits-all answer to management. Each family creates its own rules and structures for its foundation, allowing for a variety of management styles to choose from.

Foundations choose among these models based on the following three factors:

1. The nature of the foundation's grantmaking
2. The skills, experience and willingness of its board members; and
3. The costs of management.

3.1.1. Internal Management

3.1.1.1. Management by Donor(s)

Often occurring in first-generation family foundations, this type of management usually gives the donor great control. The donors may engage part-time staff or rely on support staff within their own business or family offices for administrative tasks. For a list of family foundations that share staff with the family business, see last page.

Advantages:	This type of management reflects the donor's values and passions. The donor has full control over all aspects of the foundation.
Limitations:	Because this type of management limits meaningful involvement by family members, the opportunity for sustained family involvement may be restricted.
Tip:	If donors intend for other family members to become active board members in the future, they may want to orient those individuals while the foundation is still developing. This way, board members will gain interest in the foundation and the experience in order to later run the foundation with knowledge of the donor's intentions.

3.1.1.2. Management by Board Members (Family and Nonfamily)

Board members share responsibility for managerial functions. For example, one board member might keep the central records while another manages the money and still another handles correspondence.

Advantages:	This type of management gives board members the opportunity to

	learn the business of family foundations. Because everyone has a respective task, the board functions as a team, allowing every member to feel ownership of foundation activities. This style is also cost effective, as board members often volunteer or serve at a low rate of compensation. According to Al Castle of the Samuel N. & Mary Castle Foundation in Hawaii, volunteer family members "bring a passion, often a firm understanding of the donor's intent, a knowledge of their community and a clear sense of family values that are critical ingredients in the success of the foundation. Family volunteers can maintain family visibility and identity better, in most cases, than managing the foundation through a community foundation or shared management office."
Limitations:	Because board members may have varying levels of time, skill and experience, this type of management may yield uneven results. It can also create tension if board members do not complete their tasks in a timely or professional manner.
Tip:	Consider writing policies on administrative tasks. Streamline functions by clearly identifying tasks and the people responsible for them. Create benchmarks to ensure that everyone meets deadlines and that the work maintains a professional standard.

3.1.1.3. Administrator (Family or Nonfamily)

Many boards hire or appoint a staff person to oversee the daily functions of the foundation. This person operates as administrator, manager or both. Typically, the administrator facilitates board action rather than setting policy or program direction. The administrator might handle correspondence and telephone calls, log grant requests, review and evaluate proposals, arrange meetings, visit sites and prepare materials for the board. This position may be full-time or part-time, paid or volunteer, and may carry different titles, such as director, program manager, program officer, or coordinator.

3.1.1.4. Executive Director (Family or Nonfamily)

Larger foundations often hire an executive director who sets goals and shapes programs for the foundation, recommending projects to its board. In some cases, the executive director acts as the lead supervisor, providing leadership to both foundation employees and the board. This position is usually paid, although it can be full- or part-time.

When hiring for an administrator or executive director, the board should consider the pros-and potential pitfalls-of family versus nonfamily staff. Whether or not the staff is family, the board should always develop a clear job description, performance

standards, and measures for evaluation in advance of the hire. This is especially important when the staff person is a family member, as it may later pose a challenge to develop and implement accountability measures because of family relationships.

3.1.1.5. Family Staff

Advantages:	A family member will be more aware of the family history and values, as well as sensitive to family dynamics. The family administrator can reap the experience and personal rewards of acting on the "front lines" of the foundation. In addition, a family member may more effectively communicate the purpose and value of the foundation and have the board's trust to expedite grants quickly. With a close family relationship to the manager, board members will likely maintain a strong sense of confidence in the foundation's administration. In addition, a family staff person may make more of a long-term commitment to the position.
Limitations:	Family members may not have program expertise, experience and objectivity of outside managers. Other board members may perceive the family staff person as biased or predisposed to certain policy decisions, based on a history of personal interactions. In addition, the staff person may experience tension between the roles of steward and staff. A family member who is paid may cause resentment among those members who are not paid. It may be harder to develop appropriate accountability measures for family staff because of over-reliance on familial relationships. For that reason, terminating an ineffective employee may be more difficult when that employee is a family member. According to personnel consultant Ann Ostergaard in Pittsburgh (412/488-6119 or annie@angstrom.net), "If family foundations don't define the jobs that people will handle, it can cause internal conflict-just as it would with any organization. In order to make sure goals and expectations are met, it is especially important to define jobs and complete performance evaluations of a family staff member. By doing this, family foundations can maintain objectivity in a very subjective-and personal-environment." Consultants can help with job descriptions and performance appraisals, bringing impartiality and credibility to the process.
Tip:	In addition to developing a clear job description, performance standards and evaluation measures in advance, board members should decide how the staff will be oriented, trained and supervised. Board members should also become well-versed in the law-both federal and state-to avoid any appearance of self-dealing. For a brief

	description of self-dealing, see below.
	The prohibition against self-dealing (IRC ?4941) contains many potential hazards for family foundations. Simply stated, a private foundation is prohibited from entering into any financial transaction with certain related parties defined in the law as "disqualified persons." (Disqualified persons (IRC ?4946a) include officers, directors, trustees, employees [and most family members of these individuals] with authority to act on behalf of the foundation and substantial contributors to the foundation.)

3.1.1.6. Nonfamily Staff

Advantages:	A staff person outside the family can offer fresh viewpoints, program expertise and experience in assessing proposals. This person may have more time to make site visits, monitor grants and evaluate programs, which can yield more efficient grants management and administration. A qualified person can offer an objective approach to strategic planning, mission and board development, and intergenerational succession planning. This type of management often works well for board members who are separated geographically, creating one easily accessible contact.
Limitations:	The costs for salary and benefits for nonfamily staff may be significant. Board members will nevertheless have to dedicate their own time to recruit, train and oversee this staff person. An outsider to the family may create tension and issues of control between board and staff. In addition, this staff person will have access to confidential family matters.
	In an article in Family Business Review, Ann von Lossberg, a former administrator of the Marion T. and Henry J. Knott Foundation in Baltimore, observes that families may go through a tumultuous period when deciding to hire a nonfamily member. "Almost invariably," she writes, "the family is split between those who see the advantages of nonfamily administrators and those who are wary of including an outsider in confidential family matters. Clearly, when the first nonfamily administrators are hired, they usher in a new era for the foundation."
Tip:	If the foundation is financially able and there are no willing and qualified family members, hiring a nonfamily staff person may be an excellent option. Board members should develop a clear job description, performance standards and evaluation measures in advance of hiring staff. They should also decide who will orient, train and supervise this position.

3.1.2 External Management

3.1.2.1. Management by a Bank or Law Firm

Many large banks and law firms manage the assets and sometimes the grantmaking of family foundations.

Advantages:	Foundations gain access to staff, expertise in finance, law and administration, and may use the bank or law firm as their public intermediary. These firms can manage a foundation's investment portfolio, as well as prepare all tax and financial documents. Families who wish to shield their identity, protect their privacy and/or do not seek unsolicited proposals may find this model advantageous. This model may also reduce administrative overhead, yielding more money for grantmaking. Tom Theobald, board member of the $8 million Theobald Foundation, has found the services of his bank's trust department very cost effective. The bank manages the Theobald Foundation's assets and financial administration, and occasionally forwards unsolicited grant proposals. "They don't help you answer fundamental questions, such as what sorts of projects you want to support and why, but I can't imagine that the financial administration could be handled more economically. Their address appears on all documents, and I'm very happy to keep a low profile."
Limitations:	This model provides less visibility and a less proactive management style. Some foundations may object to the low level of communication between these firms and the community, especially in the wake of mergers. The public will not be as aware of the family's investment in the community. In addition, with this model, costs can vary widely depending on fees.
Tip:	Typically, families who designate a firm to manage their foundation have had previous relations with the firm (i.e., for estate planning or wealth management). Even so, a family foundation should shop for a firm that best fits its needs, clearly define what tasks to be performed and monitor the performance it receives. Board members should also compare fees and services before choosing a firm.

3.1.2.2. Management by a Community Foundation

A community foundation supports charitable activities focused primarily on local needs-those of a particular town, county or state. They are designated public charities rather than private foundations by the IRS because they raise a significant portion of their resources from a broad cross-section of the public each year.

Community foundations provide an array of services to donors who wish to establish a giving program without incurring the administrative and legal costs of starting private foundations. In this arrangement, donors advise rather than direct community foundations about the disposition of grants, with the community foundation board giving final approval. In some cases, community foundations will manage an existing family foundation for a fee. For an example of family foundations managed by a community foundation, see last page.

Advantages:	Community foundations can provide staff or administrative services (for a fee), or the family foundation's assets can be placed within the community foundation itself. Community foundations offer exceptional grantmaking expertise, particularly within a community or geographic region. A family foundation can reduce its overhead, enjoy opportunities to network and collaborate, and access experienced staff.
	The Triangle Community Foundation in North Carolina managed a family foundation for two years. According to Tony Pipa of the Warner Foundation, former director of philanthropic services at Triangle, the relationship evolved out of a donor-advised fund the foundation managed for the family. The family decided to set up its own foundation to fund projects statewide, and turned to the community foundation for help in defining its mission and establishing a grantmaking process. "This has been a win-win situation for both sides," says Pipa. "The Triangle foundation staff built its expertise in family foundations, and was able to get the new foundation up and running very quickly even though the donors had no previous experience in philanthropy.
Limitations:	Family board members will not be able to supervise the staff, as they report only to officials at the community foundation. Grantees may become confused about who directs the family foundation and where the grants actually come from. A family foundation will have less visibility with this model.
Tip:	The extent of the family foundation's relationship with the community foundation can vary. Before choosing a community foundation, the family foundation's board members should weigh their desired degree of involvement and visibility.

3.1.2.3. Philanthropic Management Firm

Serving as the office for a number of foundations, a philanthropic management organization may be a private business, professional practice, or a nonprofit organization. It may specialize in particular program interests or grantmaking

approaches. Depending on the family foundation's needs, these professional managers might be highly visible and proactive on their clients' behalf or they might provide only minimal administrative oversight.

Advantages:	These organizations offer complete management, grantmaking and administrative services, plus they introduce board members to various philanthropic networks and resource groups. Family foundations can maintain their identity and individual character, or they may function anonymously. Family foundations can set all the terms of grant selection and may also have a say in personnel decisions. The Samuel P. Pardoe Foundation, a New Hampshire-based family foundation with around $10 million in assets, has relied on a professional grant management firm for administrative support since its inception ten years ago. According to President Charles Pardoe, the company was initially hired as a consultant to explain foundation fundamentals, since none of the family members had any previous foundation experience. Since then, the company has served as the front and back office of the Pardoe Foundation, fielding queries, forwarding proposals and handling paperwork for the board members, who are geographically dispersed. "We have found it extremely valuable to have an independent third party as a sounding board," says Pardoe. "The management company staff members provide us advice on best practices. The only down side is that the management company sometimes has closer relations with our grantees than the board members do."
Limitations:	Fees can be significant, depending on services rendered. Bookkeeping and similar services may be billed on an hourly basis, while full-service packages (including salaries and overhead) will likely be assessed as a percentage of the grants portfolio.
Tip:	As with choosing other outside management options, a family foundation should weigh its asset size and desired level of involvement before seeking outside services.

3.1.2.4. Consultants

In this case, the family foundation hires an individual or consulting group for specific tasks that recur but are not necessarily ongoing. For instance, a consultant might receive grant requests and prepare recommendations for trustees; facilitate a retreat or draft a mission statement; or design and manage programs, plan investments and prepare tax returns. The consultant is usually paid an hourly or daily rate and may spend extensive time working for the foundation.

Generally, a family foundation consultant does not represent the family or the foundation, nor does the consultant provide an office, telephone number or keep records for the foundation. The consultant may be an individual working from home, someone in a practice specializing in nonprofit or foundation boards or a consulting firm.

According to Trends in Family Foundation Governance, Staffing and Management, Fourth Edition, 71 percent of respondents (172 out of 242 total) reported using at least one type of consultant in 2000. Most foundations with less than $10 million in assets who use consultants do so on a short-term or part-time basis for specialized tasks or discrete administrative functions.

Advantages:	It is possible to hire specific expertise on a part-time basis that the foundation could not afford on a full-time basis. The cost of ongoing staff and office space is not necessary. In addition, board members will not have to dedicate time to supervise the person as they would a staff person. Over the past ten years, the Nathan Cummings Foundation has brought in consultants at different stages in its development. According to Trustee James K. Cummings, "It's important for us to have a neutral professional who listens without an agenda and who gives feedback in a non-charged way. We're a family that has a lot to say, and the consultant makes sure the weaker voices are heard along with the stronger ones. Having the consultant present keeps us on track and focused in ways we probably wouldn't be on our own."
Limitations:	The consultant needs to maintain close contact with board members and reflect their values. The foundation may be less visible without a specific office and an easily accessible person to reach. If a consultant is hired to interact with applicants and grantees, response time may be frequently delayed if the consultant has other commitments.
Tip:	Board members should clearly define expectations and performance standards upon hiring a consultant. Have your legal counsel review the consulting arrangement and contract. For consultant referral, contact the Council on Foundations at 202/467-0407 or e-mail family@cof.org.

3.1.3. Sharing Management

Many foundations share staff or space with one or more other organizations-a corporation, a law firm, a nonprofit, or another grantmaker. This can be a significant

cost-saving option. According to Trends in Family Foundation Governance, Staffing and Management, Fourth Edition, 25 percent of family foundation respondents (55 out of 216 total) indicated that they currently share professional or support staff with another organization.

Sharing staff and space can fall into any of the above management models. Many foundations, for example, share space with the donor's family business or home office. In some cases, a staff person manages a donor's company foundation and the family foundation.

Advantages:	Lower costs and administrative overhead. In some cases, exchange of resources and ideas.
Limitations:	When a staff member is shared and must perform functions that require different skill levels, the possibility for over- or under-compensation exists. Also weigh carefully whether a shared individual understands the aims of the family and the nature of those community organizations or players with which the family and foundation interact.
Tip:	Sharing arrangements should be thoroughly reviewed by the foundation's legal counsel and accountant to prevent violations of self-dealing rules.

Can a family foundation and a family member share office space and related expenses? Legally, such sharing is possible but involves complex and necessary recordkeeping. Assuming the office space is owned by an unrelated party, both the foundation and the family member should pay rent directly to the landlord. This arrangement suggests that separate leases will be necessary. Payments for other expenses such as copying and telephone should be paid directly by the two parties. If the foundation were to pay the bill and seek reimbursement from the family member for his or her share, such a transaction could be viewed as an extension of credit, which is clearly self-dealing.

3.2. Staffing Models

The two major considerations for family staffing, and they are linked, are: how much time do family members have to give to the foundation? How much hands on development and control do family members want? In addition, the geographic location and the expertise or experience of trustees will have a bearing.

3.2.1. Administrator Model

A staff person who works part or full time and deals primarily with administrative issues. This person might handle correspondence and telephone calls, log in grant

requests, track the grant process, arrange for meetings, send letters and grant approvals, make deposits and reconcile financial records. In an administrator model there is usually a specific office location but the administrator may work for other foundations or may handle other work for a trustee, lawyer, or financial advisor who is related to the foundation. Sometimes administrative staff time is provided on a pro bono basis by one of the trustees.

Strengths:	The foundation trustees are freed from routine administrative tasks. Trustees maintain hands on direction of the foundation.
Possible problems:	The administrator needs a clear supervisor and may need help in adjusting to differing board chairs. This model assumes that trustees have the time to provide grant review and leadership themselves.

3.2.2. Consultant Model

In this case, an individual is hired to do specific tasks that recur regularly but are not necessarily ongoing. For instance a consultant might receive grant requests and prepare recommendations for the trustees. Or an individual might be asked to manage financial resources. The consultant is usually paid an hourly or daily rate and may spend extensive time for the foundation during a grant review process twice a year, for instance.

In some foundations, the consultant acts as an executive director, assisting the board in the development of grant focus areas and Requests for Proposals.

Strengths:	The cost of ongoing staff and office space is not necessary. It is possible to hire specific expertise on a part time basis that the foundation could not afford on a full time basis.
Possible problems:	The consultant needs to maintain close contact with trustees and reflect their values and interests in recommendations. The foundation may be less visible without a specific office and easily accessible person to meet with. Response time to applicants and grantees is frequently delayed because the consultant has other commitments.

3.2.3. Director Model

In this model, a staff person is hired to provide recommendations and oversight in most or all of the foundation's activities. The staff person who is usually, but not necessarily full time may have the title of Executive Director. The Director oversees any other staff, manages the office, receives and makes program focus and grant recommendation to the board works with the board chair to develop board agenda, provides recommendations related to financial resources. This model most closely parallels the role of Executive Directors in independent or non-family foundations.

Strengths:	Trustees can provide leadership without the necessity of spending large amounts of time. A professional staff person has time to be aware of opportunities and developments in the community and the field. A non-family executive director may act as a calming influence on volatile family dynamics.
Possible problems:	This is the most costly staffing model. The staff person might not accurately reflect the values or interests of the trustees.

3.2.4. Trustee Staff

A trustee may serve a specific staff role on a part time or a full time basis. In this model, the trustee usually receives a salary and fulfills the same role a specific staff person might. Any of the above staff roles could be filled by a trustee staff.

Strengths:	The trustee staff knows the family and its values and concerns. A trustee staff person may have a longer term commitment.
Possible problems:	A trustee staff can be caught up in the family issues and concerns or may be seen as having a point of view or position. It may be harder to develop and implement appropriate accountability measures for trustee staff because of family relationships.

3.2.5. Salaries

Family foundations, on average, pay lower salaries to their staff than do independent foundations. Part of the reason may be that some staff are also family

members and board members, and may be expected to contribute their time at a below-market rate to the foundation. More than half of family foundations indicated that at least one family member serves as staff for the foundation. Of these foundations, more than half compensate family members for their staff service. Family members commonly serve in the positions of CEO/Executive Director, Vice President, or Program Officer.

3.2.6. Employee Benefits

Nearly all family foundations indicated that they provide some benefits to their full-time staff. According to the results of the 2000 Foundation Management Survey, the average benefits package for family foundations was equal to 25% of each employee's salary.

Eighty-seven percent (87%) of family foundations offer benefits in addition to paid leave. The most common benefits offered include health, retirement, dental, and life insurance.

3.3. Alternative Staffing Strategies

Because of their relatively small size and unpredictable staffing needs, family foundations often use alternative strategies to help with their management and grantmaking. Four of those strategies follow:

3.3.1. Sharing Staff

To provide more affordable staffing, many family foundations share staff with another foundation or organization. Twenty-five percent (25%) of family foundation respondents currently share professional or support staff with another organization. Most share staff with the family business or another foundation.

3.3.2. Using Consultants

An even more popular method of providing short-term staff is using consultants. Seventy-two percent (72%) reported using at least one type of consultant. Most foundations with less than $10 million in assets who use consultants do so on a short-term or part-time basis for specialized tasks or discrete administrative functions. Popular types of consultant support include tax preparation, lawyers, investment advisors, auditors, computer/information systems, and other accountants.

3.3.3. Using Interns

A few family foundations use interns to help with their staffing needs. Nearly all of

these foundations pay their interns, usually on an hourly basis.

3.3.4. Sharing Space with Colleagues

While many family foundations share staff, even more share office space. Forty-three percent (43%) of family foundation respondents share space with at least one other organization. Most share space with the family business, another foundation, a corporation, a law form, or a nonprofit.

4. BOARD MANAGEMENT

4.1. Trustee Orientation

4.1.1. Board Member Orientation

Whether a family member or not, becoming a board member can be a complex and confusing experience. Give new members a roadmap - an orientation that describes the legal, financial and grantmaking roles and responsibilities. This can be a one-time briefing or, ideally, a continuing education for all board members. Regardless, a basic board manual or resource book can be an essential tool to the new member.

Of the respondents [to the Council's 2000 Foundation Management Survey], half answered that their foundation has no formal orientation for board members. According to a poll conducted at the 2000 Family Foundations Conference [of 623 participants], close to 40% said that they were given to orientation on their legal and fiduciary responsibilities of becoming a board member.

A Board Handbook Sampler

Here are some ideas to include in your board orientation handbook:
Board membership and calendar - list of board member names; job descriptions of chair and members; committee lists; calendar of meetings
Foundation background - mission, vision, values statements; history; description of grantmaking process; long-range planning; annual report
Bylaws and policies - articles of incorporation and bylaws; board policies on indemnification/directors' and officers' liability insurance, conflict of interest, attendance, compensation and/or expense reimbursement
Staff (if any) - staff names; job descriptions; personnel policies
Finance - investment policy and reports; budget; audit statement; financial procedures
Minutes and issues - minutes of recent board meetings; description of current issues for discussion; sample meeting agenda

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4.1.2. Position Descriptions

A small but growing number of family foundations develop position descriptions for their board members. These descriptions help board members understand their roles and responsibilities and clarify the relationship between the board and staff (if any). Approximately 14% of family foundations said they have a written position description for at least one of their board members.

4.1.3. Board Activities

Seventy-three percent (73%) of 207 family foundations that engage in some type of strengthening board performance activity indicated that board members attend conferences and/or seminars. A similar percentage stated they circulate relevant articles or publications - even share subscriptions. Others go on site visits, tour different programs or hold meetings at outside facilities.

4.2. Issues of Board Management

4.2.1. In its broadest sense then, what are some of the basic responsibilities and duties of foundation trustees?

The first is to ensure that the foundation achieves its purpose while maintaining loyalty to donor intent and objectives, as well as loyalty to the interests of the public and the community the foundation is supposed to benefit. The trustees are expected to provide protection for a prudent and some are beginning to suggest perhaps even an expert level of investment management of foundation assets (see "Legally Speaking," pg. 6). Trustees are expected to make certain that the foundation complies with all pertinent laws, rules, and regulations, whether federal, state, or local. Trustees should act responsibly at all times to protect the public interest in the foundation's work and generate credibility for the field.

4.2.2. What steps should foundation trustees take to go about ensuring that their foundation achieves its purpose?

I think trustees should start by reviewing and becoming familiar with the past history of the foundation and the expressed intentions of the donors. You could say this would be "getting in touch with our history," the legacy and the traditions that are due our loyalty, before setting out to pursue our own vision of the foundation's future. At the Meadows Foundation, we went back and reviewed all of the giving habits of my uncle to try to understand what he had been doing and what was motivating him, because we didn't have a lot of written documentation from him. We did have an oral tradition and history that everybody claimed as the current perception of what he intended, and we had to get together as a group, debate and blend those ideas.

Trustees should develop a mission and vision for the foundation and consider what success would look like if the dream is achieved. Articulate the organizational values and principles that should guide the work of the foundation. One of the things we did as a family was sit down and talk about the principles that unite us as a family. Trustees should engage in strategic planning to develop measurable goals and provide responsible and appropriate places and polices for operations.

Trustees should identify, engage, and evaluate a chief executive officer. Remember that trustees retain full responsibility for the performance of the CEO and for

monitoring and conducting oversight of the CEO's actions. It is also important that the board speak as a unified body to the CEO rather than each of the trustees attempting to influence or set the policy of the organization as if they were the one and only trustee. The trustees should approve the investment and grantmaking policies and actions and provide for periodic review of those policies to ensure their continuing relevance.

Trustees should ensure the continuation of the foundation or provide for its orderly termination. This subject is not often talked about since everyone assumes the foundation is going to go on forever, assuming it has relevance and importance when, in fact, it may have outlived its usefulness.

Trustees must take all necessary steps to ensure public accountability, such as conducting financial, legal and management audits periodically. They should ensure reporting and payment of withholding and excise taxes and, of course, encourage the issuance of annual reports and publications to the public. Trustees should establish the policies that are going to determine the way in which the foundation interacts with the public, such as our response time to inquiries. Are we going to answer every piece of correspondence that comes in? If so, within what time frame? Are these grantseekers just bothersome folk, or are they really at the very heart of what we are about?

Trustees should select qualified attorneys and accountants and meet with them and use their services regularly. This is a very complex legal field and, even though I was trained as a lawyer, one of my main tasks was to find those potential trouble spots and get the lawyers to help us do our work within the law's framework. For example, foundations have lots of potential liability arising from some of the new laws and cases dealing with the Americans for Disabilities Act, hiring, promotion, and firing practices, as well as issues of harassment. All of these items ultimately can come back to the trustees' responsibility for oversight if there is some impropriety.

Trustees must ensure that sufficient grant and qualifying distributions are made to satisfy foundation legal requirements, build safeguards against self-dealing and prudently fulfill investment responsibilities. Supreme Court Justice Cardoza once said, "Many forms of conduct, permissible in a work-a-day world for those acting at arms' length, are forbidden to those bound by fiduciary ties. A trustee is held to something stricter than the morals of the marketplace."

4.2.3. How does a trustee deal responsibly with loyalty to donor intent in a changing world?

First of all, recognize that dealing with the tension between the "dead-hand" statements of the founder and the changing issues of a current and future world is a necessary tension and reality of trusteeship. My uncle, for example, said, "Don't give to state institutions. They have the power to tax, they just don't have the will

to spend." But when we began to look at it, he also had other values, such as "Always go for excellence no matter where it is found in institutions or non-state institutions." So, in trying to reconcile how those conflicting instructions play out, there is an ongoing challenge for trustee interpretation and decision.

Foundations need to find ways to develop the practice of passing on the organization's historical values and traditions. There have been several sessions at foundation meetings talking about how to pass on the traditions and histories of the foundation. I encourage living donors to be more articulate about their desires without restricting the needed flexibility for the future. Clarify your goals, but in broad terms around values and principles.

Try to separate custom and practice from mandate in deciding what is strong donor intent and what was really intended to be contextual advice. Every previous act was not necessarily carved in stone and established as the only way things can be done. Sometimes trustees must even think in terms of termination or partition when donor intent cannot be carried out.

4.2.4. What are some of the issues if trustees are also staff members?

I was a trustee and staff member by virtue of requirements in our legal documents, but that sometimes creates an awkward position. Many times I would not even speak up at the board meeting to influence the outcome of trustee deliberations because as a staff member I had already done my job in bringing something before them. Only after the board debate had been fully developed would I comment on pending issues, except for clarification of factual matters.

4.2.5. How do you go about identifying and selecting new trustees?

Trustees must decide whether the needs of the foundation or the needs of the board take precedence in the selection process. Boards need good working relationships, so the tendency is to pick people that are like us and that we agree with, when in fact what may be needed for the organization is the lone, independent voice that will call all of us to better decisions. Trustees should determine how they will deal with issues of trustee and staff diversity and decide if there is merit in seeking term limits or rotation of trustees.

4.2.6. What can be done to ensure active trustee involvement and participation in the work of the foundation?

We have found that if you bring to the meetings issues of substance and if you involve the trustees in site visits, then you have a much more engaged trustee who feels that his or her time is well spent. If all you do is bring in reports from experts, many trustees feel they don't have anything to add to the discussions and decisions and they're just largely a rubber stamp of management recommendations.

4.2.7. What are the objectives of training and orientation of new trustees?

Clearly it should transmit the history, mission and purpose of the foundation. It should provide orientation to existing foundation policies and how those policies were developed. Codes of ethics or agreed procedures should be reviewed. One of the things which we did and have done on several occasions is to form a partnership in a document that we called the "Rules of the Foundation." We as a body say, "This is what we expect of one another in the performance of the task of Meadows Foundation trustee." And we have a committee charged with ethical enforcement of that agreement.

Foundation boards should also be involved in the training and orientation process to try to prepare for the orderly succession of leadership. All too often that is a task left to crisis and happenstance and not one that is planned. I believe that the last great task of leadership is to provide for your successor's selection and then encourage their empowerment. The transition process is an opportunity for the whole board to think about what it is going to do in the future. It should be a time to renew and review the way we've been doing things.

5. GRANT MAKING

5.1. Types of Grants

Grants come in a variety of forms, and as part of its decision making, a family foundation must choose the form of specified grants it intends to make.

5.1.1. Unrestricted Grants can be used for any purpose the recipient chooses, including operating support and overhead. These grants are popular with grantees because they provide maximum flexibility in spending funds, including program as well as administrative activity.

5.1.2. Restricted Grants can be used only for the purpose the grantor specifies.

5.1.3. General Support grants can be used for the full range of the grantee's activities. The grantee determines how the funds will be used. They are typically not used for programs.

5.1.4. Project Support grants support a prescribed set of activities to achieve a defined projected outcome.

5.1.5. Endowments can consist of cash, stock or virtually any other asset. The grantee usually does not spend the principal but can use income from the endowment to meet general operating expenses or for uses specified by the foundation.

5.1.6. Seed Grants help new organizations or programs. The grantee can use the funds for planning or feasibility studies or for the initial costs of staff and operations.

5.1.7. Research grants are typically made to universities, think tanks, hospitals, medical colleges and other research institutions and organizations.

5.1.8. Capital Grants help meet future demands, usually of organizations with long life expectancies, by financing purchase of land, construction of physical facilities or similar activities.

5.1.9. Matching Grants and Challenge Grants pledge to match the amount an organization can raise from other sources. There is a specified matching ratio and, usually, there are outside limits to the foundation's promise.

5.1.10. Other Financial Support may include debt reduction grants or emergency grants. Arts stabilization funds, introduced by The Ford Foundation, provide short-term financial and expert management support to nonprofit organizations on an as-needed basis.

5.2. Models for Grantmaking

5.2.1. The Classic Grantmaking Model: Grants to Nonprofit Agencies. Most family foundations take the form of a grantmaking foundation. A few may operate a charitable activity directly, but most apply most of their annual budgets to grants to other charitable organizations that provide services to the public.

5.2.2. Taking Responsibility for Operating a Program. A family foundation need not be a grantermaker. It can become an operating foundation by applying for such status from the IRS. An operating foundation is legally required to expend most of its required payout on programs that it operates.

5.2.3. Program Related Investments. Although they are not outright gifts, program-related investments (PRIs) are immensely useful to nonprofit organizations. PRIs consist of foundation loans, loan guarantees, equity investments or deposits in banks to help nonprofit organizations such as community development corporations gain access to capital. Foundations restrict PRIs to programs that complement their grantmaking program. Foundations often ask for collateral and expect the PRI to be part of a financial package that includes other sources of money.

5.2.4. Discretionary Grants. Family foundations sometimes give trustees the authority to distribute small grants without prior approval of the full board of directors. Discretionary grants may serve as a way to respond promptly to unexpected community needs or emergency circumstances. They may also encourage geographically-dispersed family members to continue to exercise some personal involvement in the grantmaking, or resolve ideological differences between board members.

5.3. Ten Tips to a Wise Grantmaker

1. **Make meaningful investments through multi-year grants.**
   Support sustained efforts. Make investments for *at least* two to three years rather than one-shot, one-year grants. As with short-term investments of your endowment, short-term grant investments often show little return. For a few organizations that demonstrate excellence and whose missions fit closely with your philanthropic goals, provide continuing unrestricted grants. Invest in these "flagships" for the long haul so you can make a real difference together.

2. **Focus on the core mission, not special projects.**
   Provide operating support for programs that are central to the nonprofit's mission rather than "special projects" that may veer from their core mission

and priorities. Project grants are often like caviar and dessert - nice, but not essential and maybe not even healthy. What the grantee truly needs in order to have a real impact is the vegetables and protein of unrestricted support that nourishes the body of its core mission and work.

3. **Invest in results over novelty.**
Don't just fund new things. Support programs with documented results father than pushing only *new* programs or projects. Before you fund a new organization, look carefully to see if there's already another organization with the same goals as the applicant. Your money may go further if you don't have to pay for the new start-up costs. If you do fund a new organization, fund it long enough to help it get established (3-5 years *at least*) and support the costs required to help diversify its funding for the long term.

4. **Fund advocacy to address the root causes, not just symptoms.**
One change in public policy often can address a problem more fully and cost-effectively than years of investment to alleviate the social symptoms that result from the problem. Support advocacy and the education of the public and of elected officials. Don't believe the myth that you can't fund the critical work needed in advocacy and public policy. Understand the difference in your foundation's own advocacy and what you can support through grants. Understand the difference in lobbying (which charitable nonprofits can do) and electioneering (which they can't do). Understand that lobbying is only one potential form of advocacy. Advocacy and public policy may be the best investments you make.

5. **Invest enough to do the job right.**
Support the full cost to do what is proposed, including necessary expenses for planning, salaries and benefits for the caliber of people required to do the job well in the time allocated, financial oversight, office space, supplies, and supervision. Think twice before you cut the proposed grant amount significantly. It may be better to decline the proposal than to make a grant that does not pay the real costs. *You probably are not helping when you make a grant that's inadequate to do the job well.* As in business, an investment that's too small for the job is often wasted. If you do cut the grant amount, ask the grantee how this will reduce the scope and anticipated results of the effort.

6. **Include what it costs to evaluate meaningful results.**
Expect results, but include enough funds in the grant to cover the research and planning required to create good evaluation strategies and to track and measure the results over time. Don't push for simple numbers that may count the wrong thing just so the nonprofit can show quick results. The difference that most nonprofits seek to make is neither simple nor easy to measure.

7. **Be realistic about the high cost of collaboration.**
Underwrite collaboration among nonprofits when they initiate it. Externally imposed collaboration seldom works in the long run. Genuine collaboration is very expensive, time consuming, and hard. If you do support collaboration, fund the considerable staff time and other costs required for the organizations to exchange information and ideas, build trust, engage several key people from each group over time, plan together, keep all the stakeholders constantly informed, facilitate their collaborative process, and assess results. And, don't equate collaboration with a merger, which may or may not be the desired result of collaboration.

8. **Protect your investment by supporting efforts to strengthen nonprofit organizations.**
Leverage your funds by supporting efforts to strengthen the capacity of nonprofit organizations so they will be able to use your dollars well. Invest in board and staff development, planning time, and help from resource organizations and consultants. *Don't try to select - or be - the organization's consultant yourself.* As a grantmaker, your environment, stresses, stakeholders, and accountability are very different from those in nonprofits' daily work. The natural power difference between grantmakers and grantseekers means that the nonprofit is not in a position to tell you when your "advice" is not helpful or relevant to its situation.

9. **Help with financial sustainability.**
Support efforts by nonprofits whose work you value to strengthen their financial stability. Make grants to help them become more sustainable by diversifying their funding bases, recruiting new donors, generating earned income, creating endowments, and marketing. Most investments of this type require at least three years. Also support sound financial management - audits, CPA advice, technical assistance, management information, and staff development.

10. **Give nonprofits enough information to decide whether to invest in *you*.**
To help nonprofits decide whether to spend their scarce time and resources preparing a proposal for you, communicate at least the basics listed below. A simple photocopied sheet is fine. The appearance is not important, but providing this information is important. The goal here is to make the best use of your time and theirs - so that you get fewer inappropriate proposals, and so that nonprofits won't waste precious time and money on proposals that you won't seriously consider. Tell them:

- Your preferred fields for funding and whether you accept proposals outside these fields. If you *really* have no preferences, say so. You may have priorities even if you think you don't. To find the, look back

at the past proposals you have and have not funded to discern your patterns.

- Your preferred types of funding - such as building organizational capacity, planning, financial sustainability, board and staff development, capital projects, endowments, operating support, direct services, educating the public about key issues, advocacy, or public policy.

- Grants you have made in the past 1-3 years. Include the grantee, location, amount, and a brief purpose. This helps nonprofits screen themselves out *before* they apply, saving their philanthropic resources and yours.

- Whether you prefer to be one of several funders or the only one. If you want to be the only donor for a particular effort, say so early and then recognize that you have an obligation to fund it fully.

- How do you want them to communicate with you. Do you prefer a call, visit, letter or email? Do you want to talk with them before they submit a proposal? What constitutes a full proposal? Are your trustees open to hearing from applicants? Grantmakers vary widely in their preferences. Nonprofits won't know what you prefer unless you tell them. The more you can put in your materials or on your website, the more they can do what you want.

6. GRANT EVALUATION

6.1. Reasons for Evaluation

- To be accountable as a public trust
- To assist grantees to improve
- To assess the quality or impact of funded programs
- To improve a foundation's grantmaking
- To increase the state of knowledge
- To disseminate innovative programs
- To plan and implement new programs

6.2. Pros and Cons of Grant Evaluation

6.2.1. Pro:

1. You will be deemed worthy. Evaluation is a "good" thing to do. We all know of the increased demand for philanthropic dollars. Board members are increasingly eager to see the outcomes of social programs expressed in terms which are accessible.
2. There is cross-disciplinary consolidation to be accomplished, an activity at which foundations are skilled. An emerging literature and momentum favors agency involvement in self evaluation. Independent Sector has been active in this regard. Wedding this good energy to current trends among professional evaluators is promising and possible. Input and support from foundations would greatly assist this amalgam.
3. Getting involved in evaluation promises stimulation. A creative contention around evaluation exists in the foundation world itself. David Samuels attacks us for not being sufficiently university-based (The New Republic, 9/18/95 and 9/25/95); several leading foundation officers think evaluations of individual programs are largely a waste of time, and leading evaluator Michael Quinn Patton has recently advocated working in a more free flow way and giving up evaluation reports altogether (Evaluation Practice, "Developmental Evaluation," Volume 15, Issue 3, pgs. 311-319).

6.2.2. Con:

1. It is a time and resources demanding activity. A recent innovative evaluation of four after school programs cost $75,000 a year, for example. Bruner, which funds only evaluations, has made grants ranging from $14,000 to $350,000 with most grants in the $60,000 range.
2. There may be confusion about the intentions of the evaluation. What a funder does/asks during an evaluation and what the grantee's role during

the process is can constitute a disguised field of landmines. There is NO underestimating how threatening the word "evaluation" sounds. This is not a situation where you can breathe the word "partnership" several times and then be done with it. It will take all your powers of listening and reflecting to hone a workable evaluative relationship.

6.3. Approaches to Monitoring and Evaluating Grants

Most family foundations with assets of less than $10 million are managed by trustees and family members without the support of a large administrative budget or professional staff.7 Trustees of these foundations often assume that monitoring and evaluating a grant is difficult and expensive. As a result, they choose to fund only those organizations with which they are familiar. This assumption is incorrect: monitoring and evaluating grants can he accomplished relatively easily and cost-effectively.

6.3.1. Needs Assessments. These evaluations verify and map the extent of a problem. They answer questions about the number and characteristics of the individuals or institutions who would constitute the targets of a program to address the problem. Needs assessments can help design a new program or justify continuation of an existing program.

6.3.2. Monitoring. Monitoring activities produce regular, ongoing information that answers questions about whether a program or project is being implemented as planned, and identifies problems and facilitates their resolution in a timely way.

6.3.3. Formative Evaluations. These evaluations answer questions about how to improve and refine a developing or ongoing program. Formative evaluation usually is undertaken during the initial, or design, phase of a project. However, it also can be helpful for assessing the ongoing activities of an established program. formative evaluation may include process and impact studies. Typically, the findings from formative evaluations are provided as feedback to the programs evaluated.

6.3.4. Process Evaluations. Studies of this kind are directed toward understanding and documenting program implementation. They answer questions about the types and quantities of services delivered, the beneficiaries of those services, the resources used to deliver the services, the practical problems encountered, and the ways such problems were resolved.   Information form process evaluations is useful for understanding how program impact and outcome were achieved and for program replication. Process evaluations are usually undertaken for projects that are innovative service delivery models, where the technology and the feasibility of implementation are not well known in advance.

6.3.5. Impact or Outcome Evaluations. These evaluations assess the effectiveness of a program in producing change. They focus on the difficult questions of what happened to program participants and how much of a difference the program made. Impact or outcome evaluations are undertaken when it is important to know how well a grantee's or foundation's objectives for a program were met, or when a program is an innovative model whose effectiveness has not yet been demonstrated.

6.3.6. Summative Evaluations. Summative evaluations answer questions about program quality and impact for the purposes of accountability and decision making. They are conducted at a project's or program's end and usually include a synthesis of process and impact or outcome evaluation components.

Information from evaluations can help a family foundation board to:

> Ensure that the foundation is accountable as a public trust;
> Improve the foundation's grantmaking abilities;
> Increase the effectiveness of funded projects; and
> Plan and implement new programs.

6.3.7. Techniques for Conducting Evaluations. Small foundations can rely on grantee self-evaluations or make use of an experienced consultant or a graduate student at a local university to conduct evaluations. They can also perform site visits. Each of these approaches is discussed briefly below.

6.3.7.1. Grantee Self-Evaluation. The most common form of grant evaluation employed by smaller foundations is the grantee self-evaluation. One family-managed foundation with assets of $2.5 million, for example, requires that each grantee sign a contract stating that it will provide a narrative evaluation of its project at the end of twelve months.

Grantees are sometimes reluctant to admit to their project's weaknesses, or may be unfamiliar with the self-evaluation process and thus unsure of what to report. Nevertheless, when a relationship of trust between the foundation and grantee has developed, grantees almost always appreciate participation in the evaluation process, and are more likely to accept and implement findings.

To help grantees with the self-evaluation process, foundations might ask that they answer the following five questions:

1. What were the lasting benefits of the project?
2. Were goals set in the grant application fulfilled?
3. What problems arose during the project?
4. What are your specific plans, if any, for continuing the 'work started by this project?

5. Do you have any comments, suggestions or criticisms about working with the foundation staff?

6.3.7.2. Outside Assistance. Consultants can bring objectivity, autonomy and credibility to grant evaluations. Family foundations sometimes locate consultants by checking with staff of a larger private foundation or a community foundation or through peer networks.

Foundations with limited funds for part-time consultants might consider these means for getting an external assessment at the lowest cost:

- Undertake joint evaluations and share costs with other small grantmakers funding in the same field.
- Ask a larger, staffed foundation to lend expertise.
- Build the costs of evaluation into the grant and have the evaluator work for the grantee. This is the least troublesome form of external evaluation for a grantee, although it may raise questions for trustees about objectivity.

_6.3.7.3. Trustee Site Visit__s._ Site visits, conducted after a grant has begun, are relatively inexpensive and allow funders to see grantees and their grant dollars at work. During these site visits, foundation trustees might ask grantee personnel such questions as:

- What differences exist between the way the organization planned and actually implemented the project? What do the differences mean to the staff, project, population served and organization?
- What were project's results, for the people served and for the organization? Did the project accomplish its goals? What significant internal and external factors affected outcomes?
- What unanticipated benefits or problems arose?
- How could the foundation have been more helpful?
- How will the project results he disseminated?

In addition, trustees might want to consider asking the intended beneficiaries of the foundation grant:

- What difference did the foundation's support of the program make in their lives?
- What were some of the benefits and problems of implementing the project?
- How would they-the grantee-improve the project?

6.4. Evaluation Methods

Some primary evaluation methods presented in the context of evaluation choices:

6.4.1. Expert peer review is associated with *judgement-based* information. the peer may be an individual or a committee. The review may consist of reading documents or site visits and interviews with project staff, participants or others, or both. The benefits of this approach are that it can be done quickly and at low cost. The hazard of the approach is that it depends totally on the knowledge, experience, and viewpoints of the experts chosen, and so runs the risk of being biased.

6.4.2. Data-based evaluation uses other methods. A *descriptive analysis,* for example, uses descriptive statistics to characterize a program, its participants, and attributes of the relevant social, political, or economic environment for the purpose of understanding how and why a program works. A *case study* makes extensive use of descriptive analytic methods.

6.4.3. A comparison-group design is called for when it is important to measure effects and to attribute those effects to a project or program. In such designs, a group of people or institutions who receive an innovative treatment or participate in a new program are compared with a similar group who do not receive the treatment or participate in the program. Differences in prespecified measures of impact or outcome between the two groups are attributed to the intervention.

6.5. Tips for making effective evaluation

6.5.1. First Steps

1. Think of evaluation as a management tool. You and your grantees can use it to obtain feedback to improve programs and stimulate good planning. It also generates essential information to use with important outsiders - e.g., public policy people, other funders and nonprofits, media and other constituencies.
2. Develop in-house knowledge about evaluation. You don't have to conduct your own evaluations, but you do need to put together the right evaluation arrangements and see to it that the results are put to good use. That takes some knowledge of the field.
3. Encourage grantees to develop their own abilities, to monitor their work and either evaluate it themselves or get it evaluated by others. Only then will they begin to know what they are doing and be able to capitalize on that knowledge. Perhaps the first step is to persuade grantees to install the good recordkeeping practices essential to any effective evaluation.
4. When you do take the initiative in evaluation, find ways to make grantees your partners in the process. Let the results belong to and benefit both of you. Step back and take a broad look at your grantee's field of concern.

Evaluate a cluster of grants. Avoid "kill-or-continue" evaluations dominated by the issue of renewed funding.

5. When deciding which programs to evaluate, choose the ones that are really worth it. Consider the following criteria:

- The importance of the ideas involved
- Whether they are innovative
- Whether the programs affect significant numbers of people
- How much talent and money are at stake
- Whether the evaluation itself has the potential to provide new intelligence

6. Make sure the people who can make the most important use of the evaluation are involved as stakeholders in planning and carrying out the evaluation.

7. Do not be overly impressed with what has been done or written so far in the evaluation profession. There's plenty of room for improvement and new approaches.

6.5.2. Good Practices

8. Start early. When evaluation is planned at the same time the program is planned it can contribute to overall program design. Nothing sharpens program planning better than having to answer the basic evaluation questions:

- What are you really trying to do with this program?
- What is going to happen that can tell you whether or not you have succeeded?
- How will you know if it happens or not?

9. Don't try to evaluate everything. Try to get everybody to focus on the essential first question: "What is it that is most important for us to find out?" A clear statement of how the evaluation is linked to the purposes and the open questions of the program should be made part of the evaluation's records. Articulating what you choose to evaluate and why is, in itself, a very useful part of the process.

10. Be flexible. Allow for change or expansion in midstream if program objectives change or evaluation data show an important new direction for inquiry. Preliminary findings may show an unexpected program result - a "side effect" that may in the end be one of the most important outcomes of the whole program experience. Such findings deserve more evaluation attention.

11. Insist on evaluations that do not just count the hours that shine. Evaluations should or course not be hatchet jobs, but neither should they be valentines.

It is important to suspend judgement a little bit, to tolerate disappointments as well as successes.

12. Evaluate at the level of the people who will ultimately be affected by the program. The most trustworthy and useful evaluations are those that get answers directly, rather than from other institutions and professionals.

13. See that your evaluations take a longer view over time. Longitudinal studies, annual reviews and follow-ups after an initial study are much more revealing than a one-time shot. A cycle of interaction between programs and their evaluations can be set up: program planning, program experience, evaluation, learning, and then back to program planning.

14. Place more value on indications of behavior than on opinions. The most important part of evaluation planning is determining what are the best available indicators of success, and the strongest indicators are those that show behavior.

15. Look not only at the quality of a program (whether it's good or not) but also at its worth (whether it's needed).

16. Respect previous work. A good evaluation builds on what is already known.

17. Use a variety of evaluation methods for different purposes or sometimes side by side for verifying or contrasting. Combine quantitative and qualitative; get some numbers and some personal, documentary accounts.

18. Squeeze everything you can out of an evaluation. Compare, contrast, break down, and look at the impact of variables in several ways.

19. Use evaluation as a chance to bring grantees together. Evaluate clusters of grants, and encourage these grantees to share ideas, information and reactions.

6.5.3. Finding Evaluators and Working With Them

20. Develop relationships with sources of evaluators - preferably before you need them - and keep scouting around for new and better ones.

21. Find evaluators who are both disciplined in their approach to the task and convivial and tactful in their approach to people.

22. When possible, find an evaluator who has an identifiable personal interest in conducting the evaluation you want. This can give you a better job and often lower costs.

23. Know as much as you can about the professional interests and biases of an evaluator before you start working with him or her.

24. Make sure the evaluation looks at political issues as well as professional ones. If the goals of a program are both to provide services and to make an impact in the field, whether and how that impact happens is crucial to the evaluation. This may not happen if the evaluator is locked into a service delivery perspective alone.

25. Consider using an evaluation team, which will bring a diversity of viewpoints to the task.

26. Be clear with evaluators as well as with grantees about who is going to be responsible for the design, implementation and reporting of evaluations. Consider a written agreement or contract. Agree about who owns the evaluation, who releases the reports and how and when.
27. Make sure the people who are being interviewed or surveyed are indeed representative of the universe of people the evaluation says is represented. How the evaluators reached these determinations needs to be clear in the reports.
28. Insist on comprehension and precision in both quantitative and qualitative evaluations. Findings need to be clearly based on available data, and interpretations need to be clearly based on findings. Case studies and other qualitative methods require just as much attention to precision as methods with lots of numbers.

6.5.4. Funding

29. Budget adequate funds to do the evaluation. Mediocre evaluations lead to mediocre programs in the future. There is no easy formula for determining how much money to spend on evaluations. A modest program that shows strong signs of success, fresh ideas and potential influence, for instance, may warrant an evaluation that costs much more than the program itself.
30. On the other hand, don't let anyone tell you that an evaluation can only be scientific or rigorous if you spend megabucks. Creative evaluators can help you find ways to keep costs down.
31. Involve several funders and pool the group's resources. The results should be better and receive more attention.

6.5.5. Reporting and Dissemination

32. Give reporting and dissemination the importance - and the funding - they deserve. Don't accept the first draft of the evaluation report as a sacred, all-purpose document. Chances are you'll find it could be better written and organized, the findings could be presented in a more informative manner, irrelevant information has been included, and pertinent information has been omitted. Two reports - one summary, one with detail, may be needed. While it will usually be to your advantage to have the independent evaluator clearly the sole author of the report, paying a good editor to help the evaluator may be a smart investment.
33. Use oral reporting opportunities - conferences, staff meetings, board retreats - to disseminate and discuss information from evaluations.
34. Keep track of the impact of an evaluation. This includes reactions to oral reports, who asks for copies, who responds to the reports with comments, who takes action on the basis of the report, and what happens at meetings where the evaluation is planned, reported or critiqued. One reason it is hard

to find enough money to do evaluations well is that the impacts of evaluations are so seldom documented.

35. Give everyone in philanthropy the opportunity to know what you are learning from evaluation activity. Inform foundations that you know are interested in the field of a program that is being evaluated, regional associations of grantmakers, and the Council on Foundations. All should hear about your evaluations, preferably before and after they happen. To date there has been very little trading and talking about evaluation experiences.

6.6. Beyond Monitoring

6.6.1. When is evaluation beyond monitoring called for? Considerations to weigh in making this decision include:

- The importance of the questions that monitoring cannot answer,
- The adequacy and practicality of the evaluation options available to provide answers to those questions,
- The potential impact of the evaluation results for the foundation, its grantees, and the field,
- The cost of the evaluation options,
- The competing opportunities for the available funds.

6.6.2. When Monitoring is Enough
For many grants, evaluation beyond routine monitoring is not recommended, because either the monitoring itself satisfies the foundation's evaluation questions or the ability to learn from further evaluation is minimal. For other grants, limited resources will suggest that further evaluation would not be cost-effective.

For most foundations, grants unlikely to warrant evaluation beyond monitoring, even if resources were unlimited, include:

- contributions to the general support of grantmaker organizations;
- endowments;
- good citizenship grants;
- small contributions to very large undertakings;
- grants intended to yield tangible products (ex-purchase of equipment);
- start-up funding to help establish a program already demonstrated to work;
- general support grants for programs that are not innovative models;
- small feasibility studies; and
- planning grants that are expected to result in another proposal to the foundation.

6.6.3. When Evaluation Beyond Monitoring is Desirable
The factors that signal that further evaluation may be in order include the

importance to a foundation of the project, grant, or program that would be evaluated; the characteristics of the project, grant, or program that make it a good subject for evaluation; and the potential contributions of the evaluation.

Sometimes the reason for deciding to evaluate derives from the foundation's perspective:

● When the grant represents a sizable investment for the foundation.
● When the project has great salience for the foundation's programs or larger goals.
● When foundation staff have been especially proactive in designing and initiating the project.
● When the foundation will be asked to renew funding for the project and wants to know more about the project's effectiveness and future potential than it can glean from monitoring.
● When the information obtained from monitoring will not be sufficient to satisfy the foundation's accountability needs.

Sometimes the main signal that evaluation would be a good idea comes from the characteristics of the project or grant that would be evaluated:

● When the project has potential to be a model and evaluation can be a tool of dissemination.
● When the project has potential to have a measurable impact on a target group of people or institutions.
● When the design of the project is such that a credible evaluation is feasible (that is, if important effects can be measured within a reasonable period of time).
● When the grant can be grouped with similar other grants to form a cluster, so that the grants can be evaluated together.
● When the project, once in progress, experiences problems that could compromise its performance.

Finally, the potential utility of an evaluation is indicated:

● When evaluation could improve the performance of the project.
● When evaluation would enhance the impact of the project.
● When evaluation results have potential to influence policymakers in the public or private sector.
● When evaluation will yield information that will make an independent contribution to the attainment of the foundation's goals.

6.7. Who Conducts the Evaluation?

Evaluation activities may be conducted by foundation staff, grantees, or outside evaluators. What considerations should be taken into account in choosing among these three sources?

6.7.1. Foundation Staff as Evaluators

Most of the time, foundation staff perform routine grant monitoring, although some foundations use consultants to review grantees' final reports and some organize formal site visits by staff and outside experts to evaluate grantee performance.

Some staff undertake a small evaluation project, such as a mail survey of grantees, possibly in collaboration with a local consultant or with the assistance of a student intern or a research assistant. As a rule, foundations do not hire staff to carry out evaluations that require major data collection and research.

However, foundation staff can play a significant role in the design of a major evaluation by specifying the evaluation's purpose, the target audience, the key questions to be answered, and the methods that would provide the kinds of information desired, and by monitoring the evaluation's progress.

6.7.1 Grantees as Evaluators

Grantee's various reports can provide useful evaluation information. Progress reports can contain process information on project implementation, services provided, and people served. With some forethought, grantees can arrange to collect the necessary information from their routine record systems.

Grantees' final reports can take the form of summative evaluations based on judgement and information from program records, in which they describe how projects were implemented and the extent to which their original objectives were attained. Some foundations provide guidelines to help their grantees organize their reports in the ways that will be most informative and useful to the foundation.

Sometimes grantees build, or can be assisted to build, an evaluation component into their project workplans, covering both process and impact questions and carried out by program staff themselves, or by consultants under subcontract. These evaluations can often satisfy a foundation's needs for evaluative information. However, the foundation should recognize its won role as an important stakeholder in the evaluation and should make sure that its information needs will be met by the built-in evaluation.

6.7.3. Outside Evaluators

The design requirements of a complex evaluation may require more technical expertise, more research capacity, and more dedicated staff than either the foundation or the grantee can reasonably be expected to provide. It then becomes appropriate to look to an outside individual or group to conduct the evaluation.

A related consideration is generalizability. If a purpose of the evaluation is to inform the field, it may be important to use a design that will yield results that can be compared with results from evaluations of other programs or with statistics from national surveys. In such cases, outside evaluators familiar with such studies and surveys may be best qualified to conduct the evaluation.

Another consideration is the need for objectivity. If the purpose of the evaluation is to learn about the effectiveness of a new model, and if its target audiences are scientists and policymakers, the results may carry more weight with those audiences if the evaluation is conducted by an impartial outsider rather than by the staff who are conducting the program being evaluated or by a subcontractor to the grantee.

Sometimes, multiple grants are evaluated at the same time as part of an overall program evaluation. In such cases, it may be most acceptable and practical to have the evaluation performed by a neutral third party.

6.8. How Much to Spend

The cost of an evaluation project can range from a few hundred dollars for an expert-judgement assessment of a completed research grant to a few million dollars for a randomized controlled experiment of an innovative service program at multiple sites. Between these extremes, many kinds of evaluations can be conducted for under $10,000; a visiting-committee expert review involving travel to several program sites; a descriptive study of program clients' characteristics, use of services and satisfaction; a telephone survey of grantees,; or a study of the number of publications yielded by a research program. A descriptive evaluation of a program that entails primary data collection at one site might range from $10,000 to $50,000. Process and impact evaluations of programs in more than one community requiring data collection from individuals at two or more points in time might cost from $100,000 to $300,000.

Examples of factors that increase costs are:

- A desire to attribute causal impact to the program, which means using a comparison-group design (and hence more data collection)
- Programs that target whole communities rather than specific groups of individuals
- Multisite rather than single-site programs
- Programs that try to make relatively small reductions in problems, so that evidence of impact is hard to discern
- A need to collect primary data, when suitable records or published statistics are not available
- Designs that require data collection in person

- Designs that require collecting data at multiple points in time
- A need for data that must be collected through highly technical procedures

6.9. What Foundations Are Really Doing to evaluate their Grantees

6.9.1. Types of Evaluation Performed or Funded.

Most respondents (93 percent or 498) indicated that they evaluate the projects or programs they fund; about one-half said that the~' conduct self-evaluations and fewer than one-in-five support evaluations of organizations or programs funded by others.

6.9.2. Kinds of Grants Evaluated.

Three-quarters of respondents indicated that thex' evaluate grants made to a new organization or an organization that the~' (the grantmaker) are funding for the first rime. About 60 percent evaluate grants above a certain amount, and an equal proportion indicated that thex' evaluate grants made outside of typical program areas (such as special initiatives).

6.9.3. How Evaluations Are Conducted.

For 80 percent of respondents (424 of 527), evaluation is handled by staff or board members; 179 of the 424 use this approach exclusively. The second most frequent approach was to include evaluation as part of grant activities; that is, funded through the grant and carried out by or under the direction of the grantee. Grantmakers were less likely to have evaluations implemented by outside consultants under contract to the grantmaker (22 percent of the 527), and even fewer reported having an evaluation supported through separate grants (11 percent).

6.9.4. How Evaluation Findings Are Used.

Most respondents (90 percent or 496 of 522) use evaluation findings to assist them in making future funding decisions or to measure program effectiveness (82 percent). About half of the respondents used evaluation findings to capture program results or to demonstrate the strategic value of a program. Few (12 percent) indicated that they release evaluation findings to media and/or general public.

6.9.5. National Survey on Role of Evaluation.

The survey queried 238 members of the Council on Foundations, all of which had assets below $250 million and 25 percent of which had assets below $10 million. Family foundations were not identified as a distinct category. The authors developed twelve findings from their data:

1. Most small and mid-size foundations do evaluate as part of their standard operating practices. Much of this evaluation takes the form of grant monitoring by foundation staff and grantee self-report.

2. Small and mid-size foundations fund evaluation through administrative/operating budgets and as a component of grant activities with greater frequency than through grants to external evaluators.
3. Thirty-one percent of responding small and mid-size foundations conducted at least one external evaluation in the past three years. Five foundations conducted fifteen or more external evaluations in the past three years.
4. Most small and mid-size foundations do not trace dollars expended on evaluation.
5. There is no meaningful trend for recent years in the number of evaluations being funded by the responding small and mid-size foundations.
6. Small and mid-size foundations make the decision to conduct external evaluations usually for the purpose of gaining new knowledge. The controversial nature of a grant or program context does not appear to increase the likelihood that foundations will use an external evaluator.
7. The evaluation process tends to be the responsibility of the program officer of record in the foundations surveyed. There is no widespread use of "evaluation directors" and/or staff dedicated to evaluation efforts in these foundations.
8. Evaluation results are typically shared more often/with audiences within the foundation.
9. Evaluation is most often used for the purposes of holding grantees accountable, assessing program impact and informing strategic thinking in foundations.
10. Small and mid-size foundations do not often use evaluation to hold themselves accountable to the public.
11. Small and mid-size foundations find evaluations not helpful when specific qualities in the evaluation are useless (as in the collection of data simply for the sake of research) and limitations inherent when the grantee is the source of evaluation information (such as that consisting wholly of anecdotal evidence).
12. The most commonly cited barrier to conducting evaluation among respondents was a lack of resources-notably, staff to oversee or conduct evaluation, staff time to commit to evaluation and dollars to support evaluation activity.

The authors found that evaluation "clearly centers on grantees," which-after foundation personnel themselves-are the most likely evaluators. The authors concluded that:

This emphasis on self-evaluation has mixed results from the perspectives of foundation personnel. There are concerns about the grantees technical adequacy and the natural tendency to be less than candid. However, the grantees involvement in evaluation reflects the notion of the 'reflective practitioner" that is considered a best practice in the literature on effective organizations.

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