THE COMMONWEALTH FUND

Foundation Performance Measurement: A Tool for Institutional Learning and Improvement

Executive Vice President–COO's Report

2005 ANNUAL REPORT

MISSION STATEMENT

The Commonwealth Fund, the first private foundation started by a woman philanthropist—Anna M. Harkness—was established in 1918 with the broad charge to enhance the common good.

The mission of The Commonwealth Fund is to promote a high performing health care system that achieves better access, improved quality, and greater efficiency, particularly for society's most vulnerable, including low-income people, the uninsured, minority Americans, young children, and elderly adults.

The Fund carries out this mandate by supporting independent research on health care issues and making grants to improve health care practice and policy. An international program in health policy is designed to stimulate innovative policies and practices in the United States and other industrialized countries.

Publication number 881

About the cover
The Commonwealth Fund's Board of Directors holds an annual retreat to consider external reviews of major programs, hear from expert panels on major health care issues, and discuss long-term program strategy. Directors, including Walter E. Massey, president of Morehouse College, and Samuel C. Fleming, chairman emeritus of Decision Resources, Inc., carefully examine the Fund's grantmaking experience and operating practices for lessons useful in shaping the foundation's work going forward.

Photographer: Martin Dixon

John E. Craig, Jr.

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The Commonwealth Fund

American foundations and nonprofit organizations are responsible to the public for the quality and efficiency of their work. This year, the Independent Sector's Panel on the Nonprofit Sector clarified the terms of that responsibility in its June 2005 report to Congress and the nonprofit sector, *Strengthening Transparency, Governance, and Accountability of Charitable Organizations.* Representing more than a year's painstaking work by dozens of nonprofit leaders, the report recommends more than 120 actions to be taken by charitable organizations, Congress, and the Internal Revenue Service to strengthen the nonprofit sector.[1] This agenda calls for significant improvement in self-regulation along with a modest increase in governmental oversight—a delicate balance needed to prevent abuses in the sector while preserving the independence that is the heart of its strength.

In its deliberations, the Panel paid particular attention to problems enumerated in the June 2004 Senate Finance Committee Discussion Draft on nonprofit issues and in subsequent hearings and roundtable meetings. Among those problems was the sense that the annual tax returns filed by nonprofits do not provide sufficient information about the effectiveness of organizations' programs, and that there are no commonly accepted procedures for ensuring that nonprofits are evaluating the effectiveness of their programs and services. The 2004 Discussion Draft specifically proposed that tax returns for nonprofits be revised to include "a detailed description of the organization's annual performance goals and measurements for meeting those goals."

The report by the Panel recommends against requiring nonprofits to provide more detailed statements on goals and performance measures in their annual tax returns. Instead, it urges that every charitable organization provide detailed information about its programs—including the methods it uses to evaluate outcomes—through annual reports, Web sites, and other means. In making this recommendation, the Panel points to the already abundant information organizations supply on the IRS tax return and argues that "because of the diversity of the sector and the subjective nature of performance measures, requiring more detailed statements of the performance measures would not provide meaningful information for the public or for regulators." The report notes, as well, that annual performance indicators are inappropriate for many institutions and their programs, given the long-term nature of the investments they make in human resources, medical research, and social interventions.

The Commonwealth Fund agrees with the Panel's assessments. We believe that accountability and transparency are crucial. However, the Fund's own experience confirms that standardized metrics and reporting systems are unlikely to align well with the work of most foundations or be sensitive enough to provide useful lessons. Instead, foundations should assemble an array of methods that allow them to examine their own performance and that of their grantees, make improvements based on lessons learned, and report findings to their various audiences. This holds true especially for the Fund and similar "value-added" foundations, which work directly with grantees to develop projects, carry them to fruition, and disseminate results.

Foundations can learn much from their counterparts throughout the nonprofit sector, just as the Fund has learned over the years from the practices of its peers. In that spirit, we offer an outline of the Fund's own performance assessment system and a compendium of the lessons it has generated about the most effective use of organizational resources.

THE FUND'S APPROACH TO PERFORMANCE ASSESSMENT

The Fund's emphasis on performance assessment derives from its belief that value-added foundations must necessarily be learning organizations. In other words, to add value to the work the foundation supports, the Fund's directors and staff must constantly examine the effectiveness of their strategies, systems, and processes and pay close attention to the environment in which the foundation and its programs and grantees operate. While the Fund is committed to the public disclosure of its activities, products, and accomplishments, its performance assessments are designed principally to assist the foundation's own managers, directors, and advisers.

The Fund employs six performance assessment mechanisms:

1. an annual operational review of programs and Fund activities, focused on work culminating during the year and its impact with respect to improving health care policy and practice;
2. case studies of selected completed grants;
3. annual numeric and qualitative assessments of all recently completed grants;
4. review annually of at least one major program, conducted by an external reviewer and including confidential surveys of key informants;
5. periodic confidential grantee and audience surveys, now augmented with periodic on-line audience feedback surveys; and
6. an overall review of the foundation's general strategy at five-year intervals.

Currently under development is a seventh method—a performance "scorecard" that encompasses measures of the foundation's financial performance, the value of its work to audiences, internal processes, and human resource capacity.

Each technique produces useful information, but the more compelling lessons are drawn from the general trends and patterns that the various approaches reveal. We have therefore distilled the findings from our different assessments into a set of principles that guide the Fund's grantmaking.

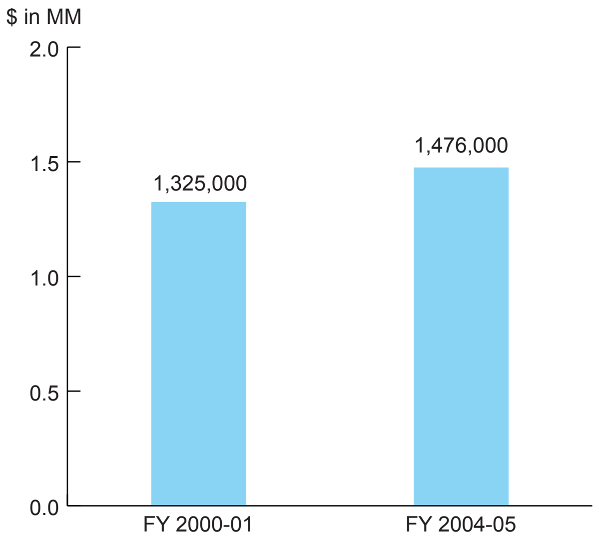
PRINCIPLES FOR VALUE-ADDED GRANTMAKING

1. Developing Sound Strategies

A foundation's program strategy should be mission-driven, based on sound analysis of the issues it is addressing, attuned to the broader context in which the programs are operating, and geared to the organization's experience and strengths.

- **Focus efforts to achieve effect.** At the July 1995 retreat of the Fund's Board of Directors, former Rockefeller Foundation chairman John Evans, M.D., offered "focus, focus, focus" as the three rules for strategic success in the foundation field. Even very large foundations need to concentrate their efforts, Dr. Evans said, if they hope to make an impact on complex social problems. Taking that advice to heart, the Fund has concentrated on improving health care coverage, access, and quality over the last 10 years; within that framework, it has concentrated further on a limited set of programs designed according to a few basic principles.
- **Pay attention to timing.** The second triplet of rules for strategic success is arguably "timing, timing, timing." Programs are likely to have greater effect when they are running with the tide of political, economic, social, management, and technological trends. Fund-supported projects that provided unique information at crucial moments, for example, have had major effects on fundamental policy assumptions or best practices in health care.
- **Organize programs around overarching, unified themes.** An annually updated plan for each major program is a highly effective strategic and management tool. Preparing and reviewing the plan provides opportunities to assess work in progress, make strategic course corrections, and gather early feedback from the Fund's executive team on projects being considered for development and funding in the coming year. Defining the dimensions of the problem, assessing the work of other funders in the proposed program area, and carefully thinking through strategic options are essential first steps in developing new programs.
- **Build a staff with the skills needed to add value to the work of grantees, carry out research, and communicate results.** The Fund's investment in professional staff has enabled it to maintain the grantmaking responsibilities for individual senior program officers at the optimal level of approximately $1.5 million annually, as recommended by experts on value-added foundations. The strength of the Fund's staff allows it to prospect in emerging policy areas (such as health care quality improvement), open up new fields, and attract other funders.
- **Emphasize communications to achieve results.** The Fund's grantmaking and research are designed to create a pipeline of products to be

The average grant dollars for which each Fund program officer is responsible has been maintained at approximately the optimal level recommended by experts on value-added foundations.

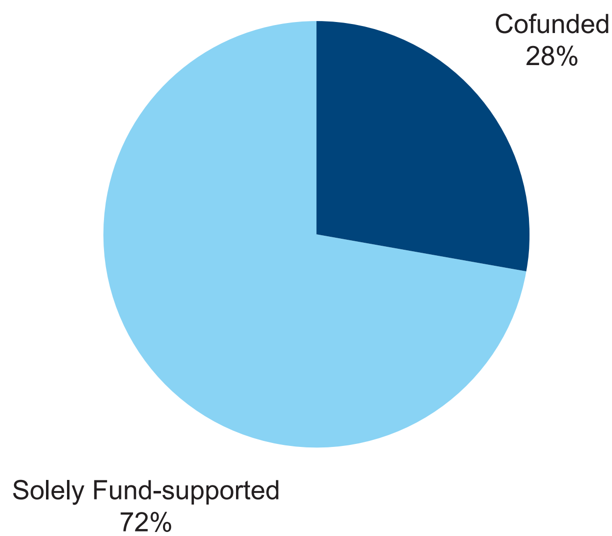


communicated to influential audiences. This perspective ensures a focus on deliverables from the very beginning.

- **Convene meetings of influential policymakers.** By developing signature meetings such as the Bipartisan Congressional Health Policy Conference, the International Symposium on Health Care Policy, and Alliance for Health Reform briefings, the Fund has cultivated important outlets for its work and set a high standard of quality for products created by Fund staff and grantees.
- **Use commissions and task forces strategically.** The Fund has used these bodies to organize its own work on an issue, ensure input and feedback from influential leaders and policymakers, and enhance communication of findings.
- **Actively seek influential partners.** Strong relationships with grantees and partners (who may be cofunders or collaborators) can be mutually productive and can help build a network of influential contacts for expanding a foundation's capacities.

Cofunding and other partnerships strengthen projects and leverage the Fund's capacities.

Percent of project dollars, 1995–2005



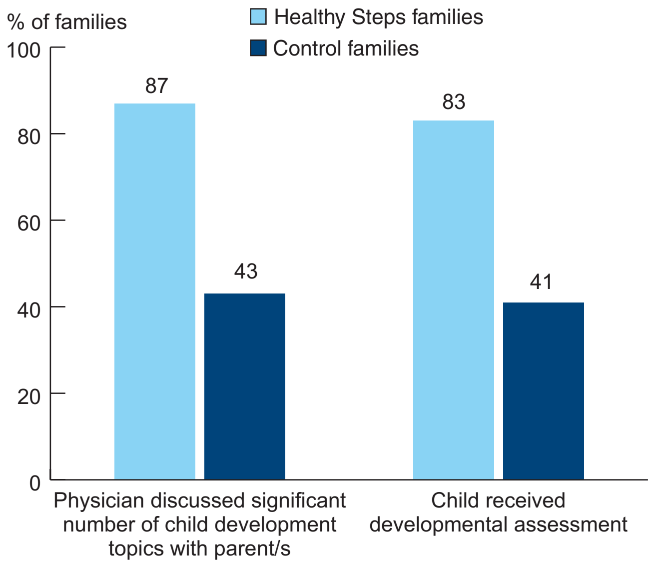
2. Capitalizing on the Fund's Comparative Advantages

The Fund has honed its niche and assembled a set of resources and capacities that give it an advantage in certain types of work.

- **Sponsor work that will inform key health care policy discussions and spark debates on existing or emerging issues.** Producing information on important policy issues can be a strong suit for a mid-sized foundation like the Fund. The Fund has built a strong staff and cultivated relationships with key grantees, who together bring the requisite expertise, experience, and intellectual creativity to the challenge. Work by the Fund and its grantees contributed to the debate leading up to the 2003 enactment of the Medicare prescription drug benefit; discussion of health plans during the 2004 presidential campaign; and deliberations on high-deductible health plans. Fund-sponsored work also played a role in making Medicare's two-year waiting period for the disabled a front-burner issue.

- **Analyze and report on policy options.** The Fund's Task Force on the Future of Health Insurance was particularly effective in analyzing states' options for improving health insurance coverage and assessing national options for expansion.
- **Assess the impact of public program changes or assist their implementation.** The Fund played a substantial role in tracking the implementation of Medicaid managed care in the late 1990s, and subsequently in assessing the progress and impact of Medicare+Choice/Medicare Advantage. The foundation is now sponsoring work to assess the implementation of the new Medicare drug benefit, with particular attention to the needs of low-income beneficiaries.
- **Use surveys to develop timely information and build a reputation as an information resource.** Surveys have been very useful to the Fund in identifying emerging issues (such as the growth of consumer debt associated with inadequate health insurance, or patients' problems communicating with their doctors), producing comparative performance data on the health care systems of the U.S. and other industrialized countries, and shaping the foundations' own work. Focus groups have been useful as well for defining problems, developing survey instruments, and giving a human face to survey findings.
- **Invest strategically in secondary data analysis.** The Fund has made selective, modest investments in the analysis of large data sets by experts in the field. That work has produced influential reports on, for example, the growing share of uninsured workers employed by large firms, uninsured Americans' lack of access to new medical technologies, and instability in Medicare supplemental drug coverage (recognition of which helped make the case for Medicare's new drug benefit).
- **Produce case and field studies.** Funding case and field studies of innovative practices has proved particularly useful during a period of rapid change in the health care system and in health care policy, when timely, accurate information is scarce. Based on the Fund's careful review of its experiences, purely descriptive field work is not as valuable as analysis.
- **Select "action projects" judiciously.** The Fund's most successful action projects have tended to be the first to apply an innovative idea to an important but little-recognized problem. A common pitfall of such projects is the "one-shot" interesting innovation. A comparative advantage of value-added foundations like the Fund is their ability to evaluate action projects, stick with a promising approach, and follow up with investments to produce widespread change.
- **Exercise caution respecting commitments to large-scale demonstrations and evaluations.** Large, very expensive undertakings are generally not practical for a foundation of the Fund's size

Evaluation of the Fund-supported Healthy Steps pediatrics care demonstration revealed success in promoting attention to child development issues.

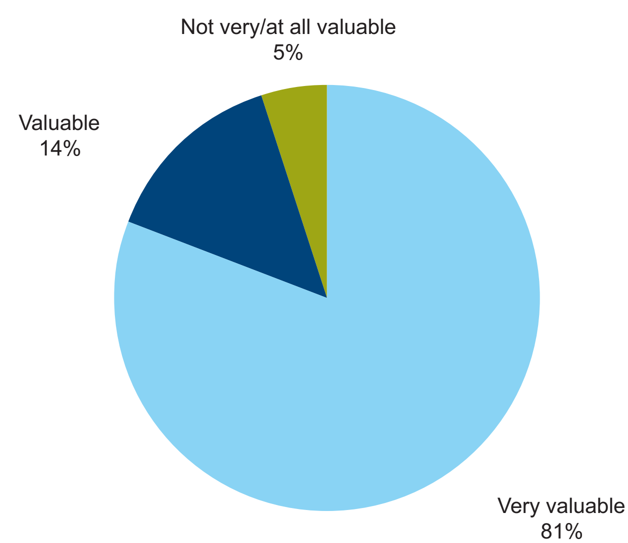


C. S. Minkovitz, N. Hughart, D. Strobino et al, "A Practice-Based Intervention to Enhance Quality of Care in the First 3 Years of Life: The Healthy Steps for Young Children Program," ***Journal of the American Medical Association,*** Dec. 17, 2003, 290(23):3081–91.

and run counter to its strength of generating needed information quickly and delivering it effectively to influential audiences.

- **Support institutional learning collaboratives and evaluations.** This affordable strategy has helped the Fund catalyze changes in organizational practice that would otherwise require resources beyond the Fund's means.
- **Work with states, either individually or through multistate initiatives.** States have made advances on many fronts, even in an era when federal progress is frequently stymied. The Fund has worked with states to expand health insurance coverage incrementally, track the effectiveness of high-risk insurance pools, address child development issues through Medicaid, and improve hospital safety.
- **Help build quantitative tools to move an issue or field forward.** The Fund has supported the creation of surveys, performance measures, and other tools that help hospitals and other health care providers improve the quality of their care. It has also devoted resources to assembling chartbooks, case studies, and other publications that map the state of existing knowledge and help define an issue.
- **Support the development of talented young individuals.** Fellowship programs for promising young professionals have paid off again and again. The Minority Health Policy Fellows and Harkness Fellows in Health Care Policy perform well individually while on their fellowships, then leverage their abilities in later years.

Harkness Fellows in Health Care Policy (1998–2003) report that the fellowship is valuable to their professional development and career advancement.



Institute for Health Policy, Massachusetts General Hospital,
2003 Survey of Harkness Fellows in Health Care Policy, post-tenure.

- **Bring experts and leaders together to sort out issues and build consensus.** Fund-sponsored colloquia and working groups have helped shape national and international agendas and given direction to the Fund's own work.
- **Draw attention to the international experience.** The Fund is unique in attempting to bring the experiences of other industrialized countries to bear in U.S. health care policymaking. That expertise has enriched the Fund's domestic activities and helped build strong ties with governmental leaders in the U.S. and other industrialized countries.
- **Exercise caution when outside familiar areas.** Projects that entail software development, for example, or large, cofunded projects involving abstraction of clinical data, have proven to be disproportionately costly and do not take advantage of the expertise of Fund staff.

3. Executing Strategy

Former Robert Wood Johnson Foundation president Stephen Schroeder, M.D., argues cogently that, in the end, "execution trumps strategy" in the foundation business.[2] Wise use of intramural resources lies at the heart of effective execution and enables value-added foundations to prove their mettle.

- **Start with planning grants.** A planning grant can be a prudent safeguard against blindly leaping into new programs and projects. The Fund uses planning support to test the feasibility of potentially valuable, but risky, projects and to develop business plans for large undertakings.
- **Vigorously vet grant proposals.** The Fund uses a collegial but rigorous process for vetting grant proposals brought forward by program officers. Its features include: 1) joint review by the foundation's executive management team; 2) independent rating by that team and by program officers of projects' risk/reward potential; 3) review by external consultants when necessary; and 4) critiquing by Board members.[3] The process keeps the Fund's executive management and Board in touch with all aspects of the foundation's work and builds the analytic skills of program staff. The emergence of widespread uncertainties about a proposal during the vetting process is a clear signal to probe further before proceeding.
- **Support only projects that make clear contributions to the program plan.** Projects that have little synergy with other projects, are focused on second-order issues, or are of questionable timing should be set aside.
- **Carefully define the scope of a project.** Fund staff and outside experts help sharpen project design and improve methodology. Research hypotheses need to be clearly stated, and the research design must be sufficiently robust to test the hypotheses objectively.
- **Assess the grantee's institutional capacity.** Good intentions sometimes outpace an institution's ability to change or implement new programs, especially when bureaucratic and financial constraints are also at play. A management consultant may be able to help an organization set priorities and mobilize internal support.
- **Be skeptical about projections that innovations will spread easily.** Clinical innovations do not typically sell themselves to the institutions that can benefit from them. In order

to recognize the value of new methods, administrators and professionals often need strong support. Adapting a proven innovative model to local conditions is unavoidable, and is perhaps even essential to successful adoption by institutions. A charismatic founder may not be best suited for managing a successful replication effort.

- **Reach practitioners through their organizations.** The Fund has magnified the practical impact of projects by working with professional, organizational, and trade associations to engage members who might not otherwise be interested in a particular issue.
- **Collaborate with organizations that are powerful agents of change.** The Fund has had success in forging partnerships with organizations that are well-positioned to diffuse innovation. Examples include the National Academy for State Health Policy, the National Committee for Quality Assurance, the Health Research and Educational Trust, the Institute for Safe Medication Practices, the Organization for Economic Cooperation and Development, the American Board of Internal Medicine, and medical professional societies.
- **Commit to the long-term work of building a movement.** Through the sponsorship of the Picker Institute, the Fund was instrumental in the emergence of the patient-centered care movement in the 1980s and early 1990s. Opportunistic support of selected projects in recent years has helped position the Fund to make another contribution through its new Patient-Centered Primary Care Initiative, focused on developing and using physician performance measures to encourage providers to be more responsive to patients' needs and preferences. The Fund has also contributed to the nursing home culture change movement and to a systemic shift in well-child care toward greater emphasis of developmental issues.
- **Increase funding flexibility through the use of small grants.** The foundation's Small Grants Fund provides a flexible mechanism for undertaking exploratory work, evaluations, or project planning. It thereby helps to improve the risk/return profile of the Fund's major grants portfolio, assists grantees in obtaining funding from other sources, and provides supplemental support for unforeseen follow-up work. Small grants have been particularly useful for commissioning expert analyses of Fund surveys, underwriting small research projects, and supporting meetings and conferences.
- **Exercise caution in joining a large undertaking as a small contributor.** For a foundation to have an impact under such circumstances, it must be perceived as adding significant value through the expertise, time, and energy of its staff.
- **Be alert to the risks of projects whose success and conduct are contingent on government action.** Turnover in government agency staffs and shifting policy priorities can delay or imperil partnerships with agencies. At the same time, the availability of foundation funds can help officials hold to a planned course.
- **Enhance large undertakings with well-chosen add-on projects.** The real payoff of a long-term investment is sometimes realized only

with a final, relatively small and unplanned commitment. Communications activities and supplemental data analyses have been particularly useful in this regard.

4. Selecting and Positioning Grantees for Success

The success of any grant is ultimately contingent on the abilities, experience, and commitment of the principal investigators and the strength of the partnership established between them and the Fund.

- **Look to researchers with practical experience in large public programs.** In the Fund's areas of interest, researchers with backgrounds in the Medicaid or Medicare programs often prove to be unusually productive because of their policy instincts and understanding of administrative practicalities. These individuals tend to be based in premier research consulting firms, and therefore expensive, but they usually demonstrate their worth.
- **Work with project directors who have performed well in the past.** The Fund benefits greatly from capitalizing on past investments and relationships. Yet our experience also indicates the need to be on the lookout for diminishing returns with higher-profile researchers whose professional responsibilities and external commitments are continually expanding. In such cases, it is probably not wise to press grantees who are reluctant to take on additional assignments.
- **Be cautious about putting research responsibilities into the hands of non-researcher practitioners.** Investigators whose strengths are largely operational or activist are unlikely to carry out data-specific analysis successfully. In some instances, the pairing of an implementer/activist with a researcher yields a productive partnership.
- **Recognize that technically oriented investigators may need help with communications.** Grantees with strong technical skills and reputations ensure that the work produced is well received in their fields. Products from such grantees sometimes benefit from the efforts of Fund staff to sharpen their policy relevance.
- **Pay particular attention to the leadership of multidisciplinary, synthesizing projects.** The success of chartbooks and commissioned sets of papers depends on a very energetic and capable coordinator, one expert in her own right and skilled at leading multidisciplinary teams and drawing out the major lessons from a large body of material.

5. Contributing to and Monitoring Work in Progress

Value-added foundations have "general contractor" responsibilities that make programs greater than the sum of their individual grants—and the job is far from done with the signing of a grant award letter.

- **Build synergies among projects by bringing grantees together.** Annual meetings of all program grantees, often including selected experts, are directly beneficial to the conduct of the projects. In addition, they can lead to mutually beneficial collaborations among grantees and help in refining and maintaining vigorous program strategies.

- **Develop realistic timelines, in collaboration with grantees.** Institutional review board processes can delay the start of research projects involving human subjects, and realism regarding them is essential in developing timetables. While it is not always possible to keep projects on schedule, the Fund increases its success rate by having skilled, proactive professional staff. An effective grants management unit issues alerts when projects appear to be delayed or faltering and provides expertise in developing corrective action.
- **Look closely into changes in project leadership.** Experience cautions against assuming that a substitute principal investigator will carry out a project with the same vigor as the original proposer.
- **Recognize that changes at the foundation may weaken oversight of grants.** Foundation staff should be given incentives to devote the necessary attention to older projects, even those no longer in the programmatic spotlight.
- **Cut losses when a project is not working and the situation is irremediable.** This can be particularly hard to achieve when a foundation has a capable, confident, and committed program staff. A strong grants management staff is an effective safeguard in this respect.
- **Be disciplined about closing grants and learning from experience.** By systematically scoring each completed grant on performance and requiring a staff memorandum on lessons learned, the Fund ensures that grants are closed in a timely way, gains early feedback on results, and maintains an important archival record.

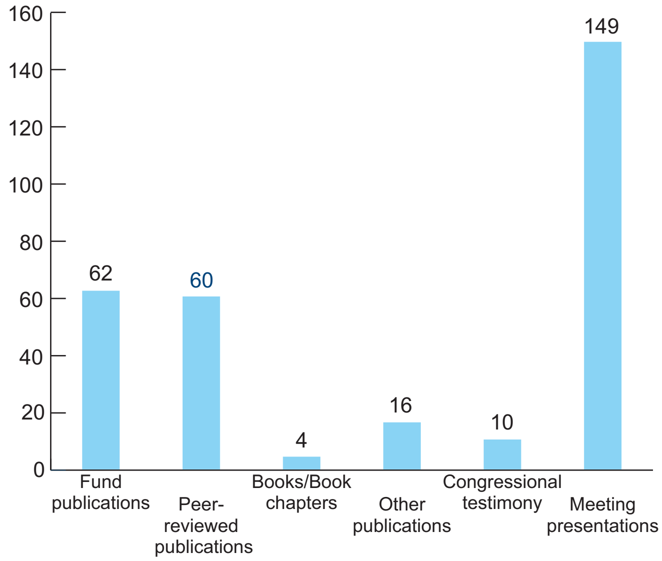
6. Communicating Results to Influential Audiences

Foundations operating in the policy arena and seeking to help bring about major system improvements, such as those needed in health care, must take the same hands-on approach to communicating the results of their work as they do in developing and monitoring projects.

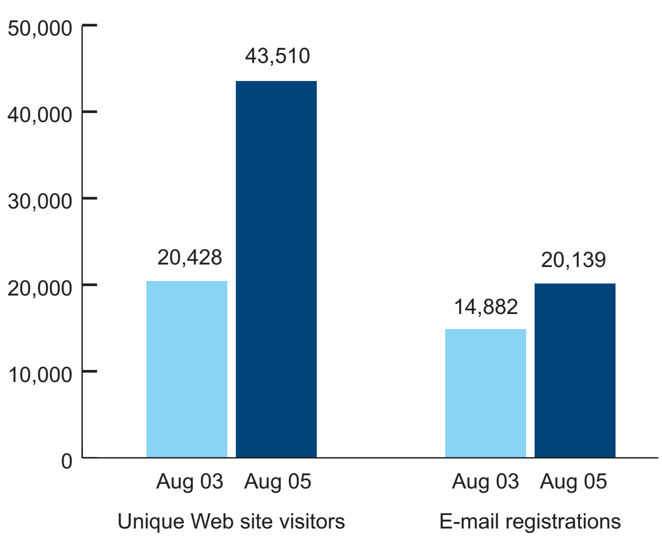
- **Build strong connections between program and communications staff.** A communications unit that is intimately familiar with programmatic work and actively looking for opportunities to package it effectively is central to each program's success. The unit should be led by an experienced and creative leader, who serves on the foundation's executive management team.
- **Develop publishing and distribution strategies geared to the needs of influential audiences for timely, easy-to-use information.** The Fund has emphasized publishing new information to policy audiences in easily accessible formats. The Fund's commitment to self-publishing most of its survey and sponsored research has paid off in timeliness and media attention.
- **Package information to attract targeted audiences.** Program and communications staff should be prepared to provide substantial writing and communications support in the publication of sponsored research. With commissioned sets of reports, sequential releases of the individual papers can build momentum on an issue.
- **Exploit the power of the Internet.** A state-of-the art Web site enables dissemination of research papers, newsletters (including The Commonwealth

The Fund's publications program and work with grantees helps assure effective dissemination of the results of sponsored projects to influential audiences.

Communications output of 101 grant projects completed July 2003–June 2004



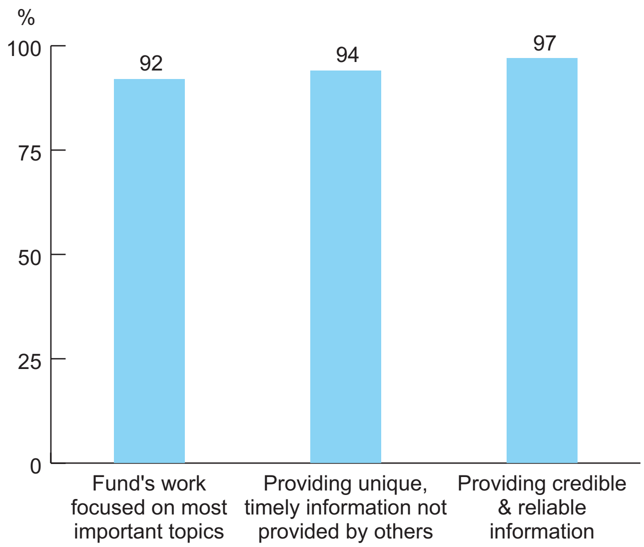
Investing heavily in electronic communications has greatly expanded the Fund's capacity to disseminate the results of its work to influential audiences seeking timely information useful to their work.



Fund Digest, Quality Matters, and States in Action), testimony prepared for congressional hearings, grantee profiles, and other research that might not otherwise be widely disseminated. An enhanced e-mail alert system has enabled the Fund to promote sponsored research published in peer-reviewed journals. Additional Web-based communications vehicles such as Washington Health Policy Week in Review and the bimonthly Health Care Opinion Leaders Survey are proving useful to the Fund's audiences and are helping build its reputation as an information resource.

- **Sponsor conferences to disseminate important work.** The Fund often uses small grants to support conferences. The Fund's own staff are intimately involved in developing agendas and selecting presenters in order to achieve the full communications potential of these events.
- **Monitor quality carefully.** Quality control has become a particular challenge in recent years, as the Fund has increased its capacity to publish and disseminate large numbers of documents on its Web site. An internal Web content review committee meets regularly to review materials before they are posted.
- **Survey key audiences to assess effectiveness and obtain feedback.** An audience survey in 2000 provided helpful feedback on Fund publications and encouraged investment in a Fund Web site. A 2003 audience survey instigated a shift to electronic dissemination of publications and upgrades to the site. The Fund is now exploring the use of more frequent online audience surveys and taking advantage of improved methodologies for tracking Web traffic.

The 2003 Survey of Fund Audiences indicates that the Fund is helping meet the information needs of its influential customers.

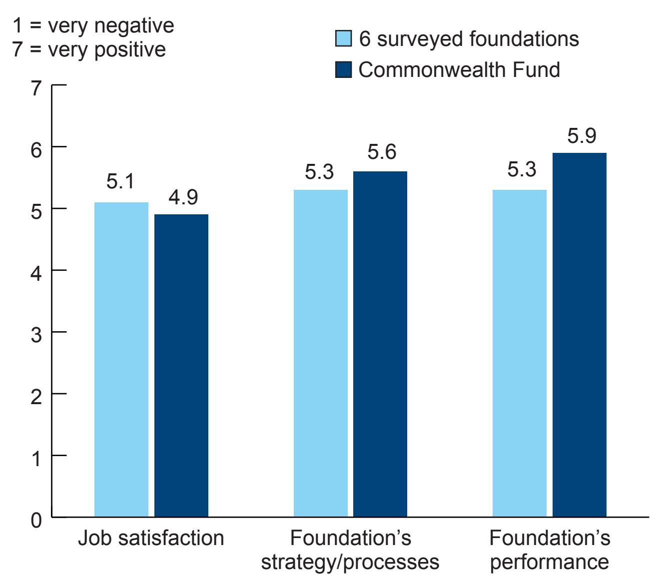


7. Staffing to Accomplish Value-Added Goals

Management consultant Jim Collins argues that great nonprofits, like great companies, concentrate on "getting the right people and hanging on to them" and sees "developing a sustainable resource engine to deliver superior performance" as being as important as strategic focus and pursuit of comparative advantage in distinguishing "great" from simply "good" nonprofits.[4] His principles apply with particular force to value-added foundations.

- **Hire expert, professional staff.** Recruiting and enabling a professional staff is the sine qua non for a mid-sized foundation like the Fund to achieve its mission. The Fund has sought and succeeded in hiring staff who are highly qualified in the various disciplines associated with health policy, as well as research, survey techniques and analysis, and communications.
- **Strive to retain staff and promote stability.** Staff turnover is inevitable in a field of high professional mobility like health care, but the Fund explicitly attempts to retain key staff and take steps to minimize the effects of turnover when it occurs. New staff members receive an orientation on ongoing work and are encouraged to assume accountability for that work.
- **Take steps to identify job satisfaction issues.** The 2005 Center for Effective Philanthropy Survey of Foundation Staff (encompassing six peer foundations) revealed that Fund staff give their organization comparatively high ratings on the effectiveness of its programs and processes. The results also pointed to areas where the Fund could improve job satisfaction.
- **Lead major programs from inside the foundation.** Over the past five years, the Fund has relied increasingly on its own staff to lead selected major programs—a shift from its earlier tendency to use external program directors who

Staffs of the Fund and peer foundations rate their organizations positively on job satisfaction, but rate their foundation's processes and performance even more highly.



Center for Effective Philanthropy, 2005 Survey of Foundation Staff (composite scores on multiple dimensions of job satisfaction, foundation processes, and foundation performance).

had responsibilities to their own organizations and other funders.

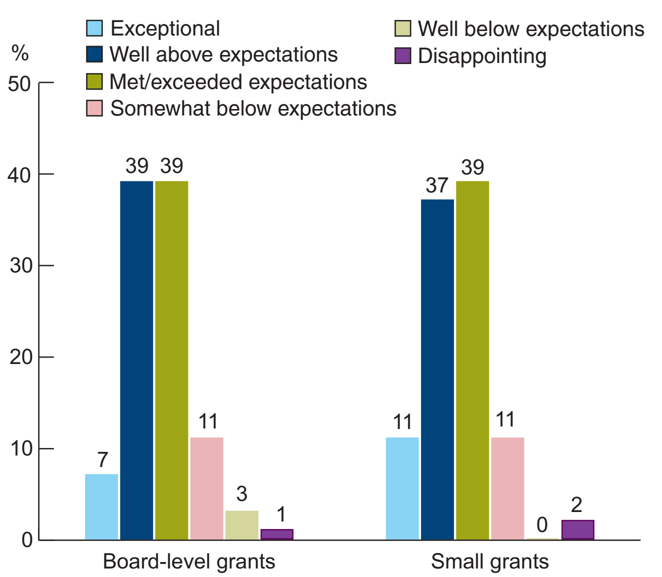
LEARNING FROM EXPERIENCE

The great majority of Fund projects completed over the last 12 years have met or exceeded expectations—a record that reflects attention to the principles outlined here and a commitment to drawing lessons from experience.[5]

As recently summarized by health policy and management professor Stephen Shortell, a substantial body of management research demonstrates that organizational learning "is often critical for achieving high performance in other domains. It involves the organization's collective ability to incorporate new knowledge and practices."[6] A learning organization, explains Harvard Business School professor D. A. Garvin, is "skilled at creating, acquiring, and transferring knowledge and at modifying its behavior to reflect new knowledge and insights."[7]

The great majority of both Board-level and Small Grants Fund projects have met Fund performance expectations.

Performance of 432 Board-level and 484 Small Grants Fund projects, 1992–2004



A major strength of the foundation sector is the independence and heterogeneity of the institutions that populate it. But regardless of size, mission, donor intent, history, program focus, leadership background and vision, and staff and board capacities, every foundation stands to gain from periodic assessments of its grantmaking experience and the lessons such reviews yield. Especially when operating in fields where evaluating impact is difficult and when funding work that does not easily lend itself to outcomes measurement, foundations can help ensure strong performance and accountability by installing systems and processes for drawing lessons. In the foundation sector, evidence of the presence of robust processes for institutional learning may be among the best available measures of an organization's commitment to high performance.

NOTES

1 The report can be downloaded from Independent Sector's Web site, or that of the Panel on the Nonprofit Sector.

2 Robert Wood Johnson Foundation Annual Report 2001.

3 Risk ratings are based on established multiple criteria, weighted according to their experience-based level of importance.

4 J. Collins, *Great to Good and the Social Sectors: Why Business Thinking Is Not the Answer,* Nov. 2005.

5 As noted above, Fund staff prepares an annual report to its Board on all recently completed Board-level grants (greater than $50,000) and Small Grants Fund projects ($50,000 or less), including scoring of individual projects on project performance, grantee performance, risk level, and staff level of effort. Completed projects are scored on a 1 (low) to 5 (high) scale independently by the Fund's president, executive vice president for programs, senior vice president for research and evaluation, director of grants management, and the relevant program officer.

6 S. M. Shortell et al., "An Empirical Assessment of High-Performing Medical Groups: Results from a National Study," *Medical Care Research and Review,* Aug. 2005 62(4):407–34.

7 D. A. Garvin, "Building a Learning Organization," *Harvard Business Review,* July 1, 1993 71:(4):78–91.

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