

From Measurement of Impact to Learning for Impact:

European Charitable Foundations'
Learning Journeys

Executive Summary

Do Good. Do Better.



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ACKNOWLEDGEMENTS

We are extremely grateful for the precious time and guidance given by staff at the participating foundations, especially: Luís de Melo Jerónimo, Director of the Cohesion and Social Integration Program (Calouste Gulbenkian Foundation); Francisco Palmares, Manager at the Cohesion and Social Integration Program (Calouste Gulbenkian Foundation); Gina Crane, Head of Communications and Learning (Esmée Fairbairn Foundation); Anthony Russell, Learning Officer (Esmée Fairbairn Foundation); Annica Johansson, Global Head of Impact (Reach for Change); Elisabeth Paulson, Portfolio Director (Impetus); Sherine Mahmoud, Investment Director (Impetus); and Veronica Olazabal, Director, Measurement, Evaluation and Organizational Performance (The Rockefeller Foundation).

We are thankful that Verónica Urda, Head of Socioeconomic Impact at BBK, and Nora Sarasola, Director of Social Projects at BBK, recognized the need for such a publication and supported its development.

Sophie Robin from Stone Soup, and Cristina San Salvador, kindly reviewed this publication and provided valuable feedback.

Designed by www.vansterandlei.com

2020, February

ISBN 978-84-09-19358-5

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Study supported by **BBK**

Executive Summary

About the report

The report fills a research gap by **addressing the challenges faced by foundations in developing impact management strategies**. By impact management we mean the systems, processes, culture, and capabilities related to social impact measurement. While there are frameworks that cover impact management in general, our research suggests that **the charitable foundation sector faces a distinct set of enabling factors, barriers, and priorities regarding impact management**.

To help close the current gap between theory and practice on impact management in the European foundation sector, we use a case study approach supplemented by an extensive literature review. **We describe how four leading European charitable foundations – the Calouste Gulbenkian Foundation (Portugal), the Esmée Fairbairn Foundation (UK), Impetus (UK) and Reach for Change (Sweden) – are navigating impact management**. We also include **The Rockefeller Foundation** in the research as an example of a pioneering American foundation in this field.

Figure 1:
Overview of the participating foundations

[Source: Own analysis with information released by the foundations websites]

→

*** Note:**

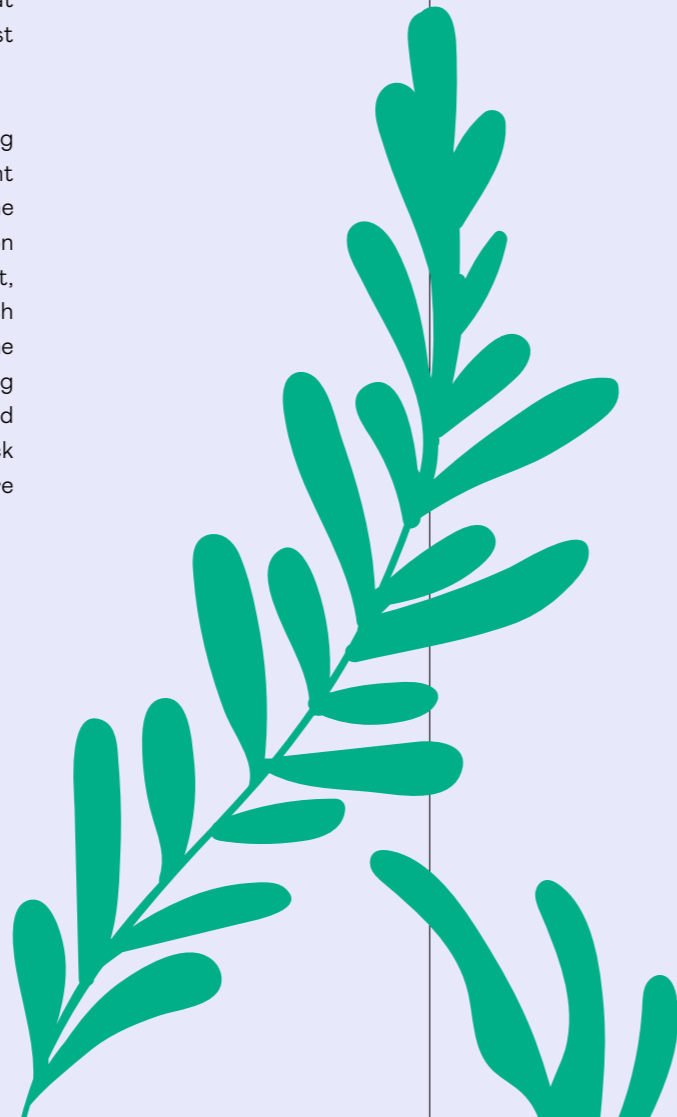
- Legacy foundations are founded by philanthropists and are influenced by the history of their founder
- Grantmaking foundations make charitable donations (grants) to organizations, institutions or individuals for charitable purposes
- Operating foundations manage their own charitable programs and activities

					
NAME OF THE FOUNDATION	The Rockefeller Foundation	Reach for Change	Calouste Gulbenkian Foundation	Impetus	Esmée Fairbairn Foundation
SIZE (assets and annual grantmaking)	Assets of over \$4bn and annual grantmaking of over \$160mn	Assets of \$4.2mn and charitable cause spending of \$4.92mn in 2018	Assets of €2.8bn (among the biggest in Europe) and €65mn in activities (without management costs of €25mn) in 2018	Assets of €8.9mn and annual grantmaking of €4.65mn in 2016	Assets of £996mn and annual grantmaking of £40.5mn in 2017
GEOGRAPHY	Offices in the United States, Italy, Kenya and Thailand	Swedish foundation with presence in 17 countries	Portugal, UK and France	UK	UK
TPOLOGY OF FOUNDATION*	→ Legacy → Grantmaking	→ Grantmaking	→ Legacy → Grantmaking and Operating	→ Grantmaking	→ Legacy → Grantmaking
HISTORY OF THE FOUNDATION	→ Set up in 1913 → Preserves same mission	→ Co-created in 2010 by successful entrepreneurs in the non-profit and business sector	→ Founded in 1955 by Calouste Sarkis Gulbenkian	→ Founded in 2013 from the merger of two pioneering VP organizations: Impetus Trust and The Private Equity Foundation (PEF)	→ Founded in 1961 by Ian Fairbairn
SECTORS OF ACTIVITY	→ Health → Food → Power → Jobs → Climate and Resilience → Innvation → Co-impact	→ Children and young people	→ Charity → Arts → Education → Science	→ Education and employment for disadvantaged young people	→ Arts → Children and young people → Environment → Food → Social change

Setting the scene: impact management and foundations in Europe versus America

The foundation sector's capacity for impact is increasing and the nature of its role in the complex process of social change is evolving as foundations begin to creatively leverage their financial and non-financial assets. The influx of new and performance-oriented actors from the business world, as well as a growing concern among foundations themselves that they use their power in an accountable manner by better listening to the organizations and beneficiaries they are supporting, is fostering **more attention to the issue of impact management**. Yet, there is some ambivalence as foundations struggle to balance a new performance management mindset with a desire to preserve what is valuable about a longer-term vision that understands social change as a complex process that may resist measurement.

In Europe, there are exciting and promising examples of grantmaking foundations that are relatively advanced in their impact management practice (these best practices are included as case studies in the report). There is thoughtful, innovative, and exemplary work on impact management found in the European foundation sector. Yet, Europe generally lags behind the American foundation sector, which has more intermediary supporting organizations focusing on the issue, a larger community of evaluation professionals, and a strong culture of transparency. The key trends in America revolve around the **acknowledgement of an important power shift**: handing back power to grantees and beneficiaries and including them as more active agents in impact management.



Key framework developed: impact management learning journey roadmap

As part of this study, we have developed an **impact management learning journey roadmap for charitable foundations**, as illustrated on the following page, to cover the key themes and sub-themes that foundations are advised to consider around impact management. We have framed this whole process **as a learning journey**. The roadmap is aimed to be a practical and useful tool for foundations, and it reflects **key insights from the research** – namely that:

- Developing and implementing impact management strategies is a long-term change management process that requires time, patience, and resilience.
- Foundations need to move beyond a compliance and risk management approach to see impact management as a learning opportunity for themselves, their grantees/investees, and the broader sector in general.
- A shift is required from technocratic and siloed approaches to an understanding of impact management as a holistic, foundation-wide issue that touches on key 'softer' themes such as organizational culture.

The roadmap covers five essential themes that foundations are advised to consider around impact management:

1. **Designing an impact management approach:** This covers the 'what', 'where', 'when', and 'how' of impact management including, for example, designing which tools are used, how impact data is collected and validated, and how stakeholders can be included in the process. These are the essential first steps in any impact management strategy by foundations.
2. **Resourcing and organizing for impact management:** This is about ensuring that the organization is budgeting sufficiently for impact management related work and creating an appropriate organizational framework for it to be a foundation-wide activity and concern.
3. **Embedding impact management through organizational culture:** As the saying goes, 'culture eats strategy for breakfast', thus foundations need to pay special attention to carefully embedding their approach as part of the organizational structure, enabling the shift from a compliance and communications-oriented mindset, to one where learning and honest reflection are prioritized.
4. **Building internal and external capacity:** The European foundation sector needs to invest more in building internally, as well as among grantees, the necessary skills for implementing impact management.
5. **Collaborating, sharing knowledge, and being transparent:** There are encouraging signs of foundations pooling data, reducing the grantee reporting burden, and sharing insights and learnings. The data and technology wave could enable exciting opportunities for foundations to work together to improve impact management across the sector. The data and technology wave could enable exciting opportunities for foundations to work together to improve impact management across the sector.

01 Designing an impact management approach

-  Clarity of impact goals and purpose
-  Moving from an audit to a learning mindset
-  Engaging with stakeholders
-  Determining level of impact
-  Choosing social impact measurement toolbox
-  Integrating grantmaking, venture philanthropy, and impact investment approaches
-  Rigor, proportionality, and attribution
-  Including a shared measurement agenda -across funders and sectors
-  Re-iterating, course-correcting, and growing in confidence

02 Resourcing and organizing for impact management

-  Resourcing impact management
-  Organizing for impact management
-  Busting silos

03 Embedding impact management through organizational culture



-  Ensuring that the Board and C-level lead the process
-  Spreading an impact mindset in the organization
-  Moving towards a shared learning approach with grantees
-  Becoming a learning organization



05 Collaborating, sharing knowledge and being transparent to support impact management

-  Developing joint initiatives
-  Engaging in honest and frequent sectoral exchange
-  Leveraging data and technology

04 Building internal and external capacity to manage impact

-  Building staff capacity
-  Building grantee capacity

Key findings from the impact management learning journey roadmap



Designing an impact management approach

01



Clarity of impact goals and purpose:

Impact management will fail without a clear strategy at foundation, programmatic, or project level. Most foundations included in this study have either considered or actively use the theory of change tool.



Moving from an audit to a learning mindset:

Foundations are changing their approach from evaluating projects to prove impact to creating opportunities for an honest and learning-oriented understanding of how the foundation, or its grants, have created change (being equally open to success as well as failure).



Engaging with stakeholders:

Foundations interviewed for this research are careful to ensure any impact management data collected by grantees/investees is something that the charities already gather or is very useful to them. This also means listening to grantees, encouraging direct feedback from them on the foundation and its impact management activities.



Determining level of impact:

Pioneering foundations are trying to understand their impact at a foundation-wide level, rather than simply at a programmatic or individual grant level. Most foundations admit that there is some way to go before they are comfortable with how they are capturing foundation-wide impact. Creativity is required here, particularly for foundations supporting diverse sectors where impact aggregation is difficult.



Choosing social impact measurement toolbox:

Foundations involved in this research each developed customized tools based on their specific needs. There is **minimal standardization of frameworks or measurement indicators**, even for foundations working in similar sector areas. American research points to an increasing emphasis on the use of conversations and site visits with grantees to better understand impact, rather than traditional impact reports produced by grantees.¹



Integrating grantmaking, venture philanthropy, and impact investment approaches:

Many American and European charitable foundations are experimenting with venture philanthropy and impact investing approaches. There is a strong, although recent, background of performance and impact management in these sectors that European foundations are adopting and sometimes trying to integrate with existing grantmaking practices.



Rigor, proportionality, and attribution:

While foundations are aware of issues affecting the social sector, in particular poor quality impact data, there is an increasing shift towards **simplicity in impact management and the creation of light-touch approaches** that enable foundations to become more data-driven, rather than instinct-driven, and which give them actionable data and insights.



Including a shared measurement agenda -across funders and sectors:

If foundations are working together on macro systems-level change, they are encouraged to adopt shared measurement approaches, and to jointly improve the level of impact data serving the whole sector.



Re-iterating, course-correcting, and growing in confidence:

Foundations included in this research emphasize the design and development of an impact management approach as an experimental and exploratory learning process that never ends.

Key findings from the impact management learning journey roadmap



Resourcing and organizing for impact management

02



Resourcing impact management:

While evaluation budgets are increasing in American and European foundations, financial and staff resources are still tight because this area has historically been under-resourced. In the US, evaluation spend is estimated in general at only 1% of overall grant spend, although larger foundations appear to be spending between 7.5-10% of total project costs on evaluation.² Impact management could be further prioritized and reflected in clear and expanded budgets, with impact-related responsibilities contained in organizational job descriptions.



Organizing for impact management:

Each foundation is developing its own unique organizational approach to impact management. There are no right or wrong answers, but foundations need to be aware of the changing skills required for impact management, beyond the technical. These skills involve a strong diversity and inclusion perspective, good listening skills, a collaboration approach with stakeholders requiring relationship-building internally and externally, and the ability to harness the data and technology wave.



Busting silos:

Some foundations are embracing the challenge of how to structure teams for more organization-wide impact management approaches. For charitable foundations using a range of financial tools (i.e. grantmaking, as well as investing), foundations are encouraged to create organizational structures, processes, training, and incentives to ensure fluid communication and learning exchange between grantmaking and impact/social investment within their foundations on impact management matters.

² Preskill, H., Mack, K. (2013). *Building a Strategic Learning and Evaluation System for your Organization*. FSG.



Embedding impact management through organizational culture

03



Organizational culture is one of the crucial and underestimated success factors for impact management as foundations often struggle to bring their staff and grantees on board with new approaches.

Ensuring that the Board and C-level lead the process:

Foundational leadership, as well as their boards, are key instigators and champions of impact management. For most foundations interviewed, stronger impact management has been explicitly initiated by the leadership. However, boards have also been 'weak spots' and often resist increasing budgets for impact teams and evaluations.



Spreading an impact mindset in the organization:

New impact management approaches are likely to encounter significant staff resistance. Foundations interviewed share ways of helping staff become more supportive, by including them in the design, keeping jargon to a minimum, and clearly showing how implementation of impact management means greater change in the organizations, and ultimately, the communities that foundations serve.



Moving toward a shared learning approach with grantees:

Pioneering charitable foundations no longer impose their priorities, but work with potential grantees and investees to negotiate priorities that work for all the partners.



Becoming a learning organization:

Beyond supportive leadership and an organizational culture that is aligned with learning, this requires clear structures and processes (for example, staff incentives related to learning goals and the inclusion of learning activities in job descriptions).

Key findings from the impact management learning journey roadmap



Building internal and external capacity to manage impact



Building staff capacity:

There is a significant skills and knowledge gap among foundation staff in terms of impact management, particularly on how to build the capacity of their grantees (which many program managers are responsible for doing). An overall impact manager or team at foundation level can help guide staff responsible for specific impact-related tasks. As the case studies illustrate, foundations have created resources and tools for their programmatic staff and training sessions to support them. However, they acknowledge that there is wide variability among staff in terms of their skills in this area and much more could be done. A key area for reflection is how impact 'experts' within foundations can be leveraged to ensure ownership and accountability for impact at the program level, but with sufficient upskilling of staff so that they can implement approaches.



Building grantee capacity:

The majority of grantees do not currently have the proper financial and non-financial resources to successfully manage their impact.

Foundations interviewed are experimenting with different approaches to help their grantees, either by working with them intensively on their impact, or by offering financial support for evaluations and internal capacity-building around impact management. The venture philanthropy approach and experience can help foundations orientate themselves in this field. Grantee capacity-building must be a key area of focus for the European foundation sector, although prior research suggests that some foundations are moving away from such approaches due to the reaction of their grantees, and/or a feeling that they are not delivering sufficient value.

04



Collaborating, sharing knowledge and being transparent to support impact management



Developing joint initiatives:

There are best practice examples of charitable foundations coming together, for example to reduce the grantee reporting burden, to build grantee capacity around impact management or to create shared measurement approaches, however these are generally exceptions rather than the norm.



Engaging in honest and frequent sectoral exchange:

About programmatic successes and failures, what works and does not work.



Leveraging data and technology:

There is significant expectation that data and technology will be a game changer for impact management, but limited evidence of this currently. At a minimum, platforms for sharing data are encouraging collaboration and knowledge-sharing among foundations.

05

Conclusion and recommendations

In this report, there are some very strong best practice examples from European charitable foundations that are on the impact management learning journey (the **Calouste Gulbenkian Foundation**, the **Esmée Fairbairn Foundation**, **Impetus**, and **Reach for Change**). Each of these foundations has experienced its share of challenges and frustrations, but overall, they have made great strides towards a better understanding of impact.

There is a question as to whether the majority of foundations across Europe are interested and ready to experiment in similar ways with impact management. We believe that it is important that they do so in their own way by learning from the examples here (as well as from other examples). It will be very healthy if European foundations start to take a positive, but critical, look at where they are and where they need to go in terms of managing their impact, and to work together in creative ways to benefit society and learn from their individual and collective efforts. Most importantly, even if charitable foundations are not convinced by a more structured impact management approach, there could be much more dialogue, debate, and exchange on the topic.

To help the European foundation sector become more knowledgeable about impact management, there needs to be significant awareness-raising activity for the sector at a European and at a national level. Organizations, as well as the development of a stronger community of practice. Since awareness is the first step on the road to change, we believe that this research can help **European foundations develop an overview to navigate this complex terrain**. Taking that first step is essential, and then the process unfolds in distinct ways for each foundation. The key is for impact management to be conceived as a learning process, and that the importance of the softer aspects of change are considered and adequately handled (such as culture, processes, and capabilities).



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