

## Measures of Success for Community Foundations Serving Families

A Thought Paper from the "Excellence in Family Philanthropy Initiative"  
April 2006

### Introduction

This is the first thought paper to be produced through the Excellence in Family Philanthropy Initiative, a collaborative learning experience for 19 community foundations (hereafter referred to as Founders) who are committed to and have significant experience in working with philanthropic families. The Philanthropic Initiative (TPI) is the convener and secretariat for the Initiative and the author of this thought paper. Throughout the course of the project we expect to produce approximately 4-6 thought papers on key issues of interest to the community foundation field, the contents of which will reflect the Founders' current thinking and behavior as well as what is known in the literature and through TPI's experience about best practices. The substance for the paper is drawn from several sources<sup>i</sup>, primary among which are an online survey and a conference call among Founders that took place on March 14<sup>th</sup>.

*Measures and Goals* – The decision to launch the Excellence in Family Philanthropy Initiative with a discussion on measuring success was based on two rationales. First, in two previous major meetings on family philanthropy, community foundation CEOs and donor services staff identified the topic as central to the initiative. Importantly, the topic is directly linked to the question of goals, the appropriate place to start the analysis. What is the community foundation trying to accomplish by working with philanthropic families? Only once this question is answered and the goals are established can a foundation develop the benchmarks for measuring success.

Goals and success measures can help the community foundation staff:

1. Ensure that its family philanthropy services support the foundation mission;
2. Develop a shared understanding of and agreement on what it is trying to accomplish by providing family philanthropy services;
3. Define the range of services it will make available to families, and at what price;
4. Make the case to management to enhance services;
5. Prioritize and allocate resources appropriately, including making decisions about where to position family philanthropy services organizationally;
6. Assess progress relative to goals and determine whether and how the foundation may need to adjust its course with regard to family philanthropy services; and
7. Communicate effectively with family clients about mutual expectations for services and outcomes.

***Separate or Integrated*** – Not all the Founders configure their family philanthropy programs in the same way. Some have formally structured family philanthropy programs; others integrate their services to families into their donor services work. Most of the Founders use an integrated model; only a few have branded their services into something with a formal name such as The Family Philanthropy Center. Common to all of the Founders is the recognition that effectively serving families requires an additional layer of services and staff capacity. Throughout this paper we will refer to the practice of working with families as “providing family philanthropy services.”

That said, one of the Founders made the excellent point that the organizational position of family philanthropy services in a community foundation – i.e. within donor services, development, or in a separate department reporting to the President – may be determined by and will influence the measures of success chosen by the foundation. (Survey)

***The Beneficiary Framework*** – This paper is organized around a simple framework that recognizes there are three major beneficiaries of a community foundation’s family philanthropy services: **donors**, the **community foundation** itself and the **community at large**. We used this framework to collect information from Founders in an online survey conducted prior to the March 14<sup>th</sup> conference call and used it to frame the discussion during the call.

The Founders concluded that this framework was very useful and that it simplified a complex topic. It is TPI’s view that the beneficiary focus provides a practical way to categorize goals. The Founders and TPI recognize that every foundation is interested, to some degree, in all three beneficiaries and has varying goals aimed at benefiting all three. However, we also recognize that for many foundations, the emphasis may be primarily or exclusively on a single beneficiary. It may be that those foundations that have clearly identified and prioritized their beneficiaries will have greater clarity about their goals.

***This Paper: Organizational Structure*** - In the pages that follow we will discuss the range and diversity of yardsticks that Founders use to measure impact, beneficiary by beneficiary. Throughout, we distinguish between short-term and long-term measures of success, reflecting the reality that the impact of working with families – especially on the foundation and the community – can take generations. (The reader will note that the short- and long-term distinction can be blurry, reflecting the varying experiences of the Founders.) To make all of this concrete and accessible, we provide illustrations of how participating foundations have used several of the measures. At the conclusion, we raise issues for foundations to consider and identify some questions for the field.

## Principal Goal for Providing Family Philanthropy Services

Participants in the survey did not name a primary beneficiary of family philanthropy; they were clearly interested in having an impact on all three. Because a number of respondents either could not or did not identify a primary goal, we were unable to accurately tally the frequency of responses. That said, our assessment was that the order of importance of beneficiaries was the following: (1) **community foundation**, (2) the **donor**, and (3) the **community at large**.

While a number of Founders highlighted marketing and new donor development as the primary purpose, others spoke to the desire to enhance relationships with current clients, and still others to the opportunity to inspire a new generation of philanthropists. In both the survey and discussion, several participants highlighted the overarching importance of supporting the mission of the foundation, which depending on the foundation, might focus primarily on the donor, foundation or community.

*"It is difficult to identify a primary goal since it must support overall foundation goals – the question is building a business model that enables others to get involved in the foundation; "it colors everything we do."*

*"Many of us see family philanthropy as an extension of donor services work that we already do. We recognize the need to be informed, have goals and a structured program around family philanthropy, but view it as an additional service. In this case, an important measure of success is how much the donor's philanthropy is aligned with the foundation's mission and priorities."*

The following chart clusters and correlates the survey responses according to their level of impact. Sometimes achieving goals will have impacts at multiple levels – e.g. when a foundation helps a donor connect with community needs it presumably helps both the donor and the community.

### Primary Goal

### Level of impact

	Donor	CF	Community
Respond to/meet <i>current</i> donor needs	Primary		
Help donors engage younger generations in giving/pass on philanthropic values	Primary	Secondary	Secondary
Support the mission of the foundation		Primary	
Deepen relationships with donors	Secondary	Primary	
Respond to & meet <i>new</i> donor needs	Secondary	Primary	
Provide donor families with an alternative to private foundations/create services for FF	Secondary	Primary	
Enhance outreach/marketing to attract new donors		Primary	

Broaden influence in the community		Primary	Secondary
Connect donors to community needs	Secondary	Secondary	Primary
Inspire and engage a new generation of philanthropists		Secondary	Primary
Increase giving to the community generally		Secondary	Primary

**Goals Can Change** –Several Founders made the point that their institutions’ goals can and often do change over time. The first step that a community foundation takes in providing family philanthropy services is typically in response to donor requests/needs and only later does the community foundation look at its services more strategically and intentionally.

*“When starting out, we wanted to meet the needs of current donors (to ‘meet people where they are’); then we looked at new donors, and then the needs in the broader private foundation community. The program evolved organically out of a current donor need, and then we started to look at it more holistically. Donors wanted more structure to it.”*

*“We’re interested in finding out what we can put out there for donors that would be helpful, but that they are not necessarily asking for.”*

*“I appreciate having a long and rich list of potential indicators – since our family philanthropy program may change over time as it evolves or as the foundation’s priorities change; this helps us draw from a rich list.”*

## Measuring the Benefits to Your Donors

Clearly, important goals of providing family philanthropy services include better serving existing donors and making their giving more satisfying and effective. We asked the Founders to look more deeply at these goals and identify the range of indicators – short- and long-term – which they could or did use to measure success. The substance of their survey responses and subsequent discussion of short term indicators are reflected in the list below. We have clustered the indicators by goal.

### Goals for Benefiting the Donor and Short-Term Indicators

#### *Enhanced satisfaction with the CF*

- Positive feedback from family donors
- Evidence that donors value the service

#### *Greater use of CF services*

- Additional requests for help around family philanthropy
- Requests for continued engagement
- Popularity of events and activities associated with the program

*Greater family participation in the philanthropy*

- Increased number of family members listed on advised funds
- More donor advisor meetings with children present
- Family participation on site visits

*More sophisticated, educated and fulfilled donors*

- Families indicate that their philanthropy is more satisfying
- Donor, next generation participate in training programs – e.g. grant review
- Increased number of mission clarification meetings
- Creation of a family giving plan
- Donors network and engage with other family fund donors

One stumbling block to defining success for the donor was the question of “from whose perspective?” As one Founder said in the survey,

*“Measuring success with families is hard. How we define success and a family defines success could be very different. I suggest discussing how to involve a family (if appropriate) in developing benchmarks to use in working with them; i.e. where do they want to go, what do they want to be, etc.”*

**Goals for Benefiting the Donor and Longer Term Indicators**

In our analysis of the longer-term indicators of benefit to donors, we tried to categorize the responses according to the goals inferred from the short-term indicators. We discovered that “enhanced satisfaction with the Community Foundation” was no longer relevant as a goal; and that longer term goals increasingly related to greater family participation in philanthropy and increased sophistication of donors. One participant said that a donor’s decision to make an endowment gift to the foundation was an indicator of a positive impact on the donor, suggesting that over the longer term, the benefits to donor and community foundation could begin to converge.

*Greater use of CF services*

- Need for additional staff to support family philanthropy
- Next generation feels comfortable seeking out staff independently

*Greater family participation in the philanthropy*

- Parents let go and succeeding generations come into their own
- Successful transition of the philanthropy to the next generation
- Successor generations add to funds
- Successors create their own funds
- Successor advisors encourage their own families to learn about philanthropy

*More sophisticated, educated and fulfilled donors*

- Indications that family donors are making progress toward their self-identified goals
- More sophisticated grantmaking on the part of families – e.g. pooling, matching
- Greater donor involvement in the community; e.g. serving on nonprofit boards

*More referrals by current clients*

- Family donors recommend family funds to other families

*More endowments to the CF*

- Families create endowed funds

One participant made the point that ebbs and flow are evident as energy, interests and families change over the years. Thus it can be difficult to clearly demarcate the difference between short and long term indicators, and while families may appear to make great progress in one year, they can drift backwards in the next.

One Founder described how goals and the success indicators changed over time. Initially, the foundation needed to prove to the family that it could provide value. Over time, the goal was to engage more family members and contribute to the growth and development of current and next generation donors.

*“Some of the families come to us with very little experience and they are testing the foundation’s staff to see if we have the expertise to help them define their goals and their values. It’s wonderful to watch these families grow in confidence, begin to actually understand the non-profit sector and actually have the confidence to take their children out on site visits and ask good questions. We’ve trained some of our families to review grant applications, including how to read non-profit financials.”*

Another Founder cited a client relationship where greater family involvement – and the willingness of the parents to let go – was the key indicator of success:

*“We’re working with a family right now that we’ve worked with for years – a blended family – and the parents finally decided to create a fund for their combined five children and have nothing to do with the fund at all. We’ve been working with this group of kids – age 14-23 – for a little over a year and it’s interesting to watch them begin to grow. Their parents have simply put the money on the table for the kids.”*

## **Measuring the Benefit to Your Foundation**

For a majority of the Founders, the primary goal is to generate a positive effect for the community foundation. What can a family philanthropy program do for the community foundation, and how does one know when it’s happening? Once again the method here was to match indicators with goals.

## Goals for Benefiting the Foundation and Short-Term Indicators

### *Positive impact on the reputation and brand of the CF*

- More visibility and branding for the Center for Family Philanthropy
- Press coverage of community foundation and family giving
- Donors talk up the program and talk up the foundation as a partner
- Donors and their advisors perceive that the family philanthropy package is a benefit, something special “whether they use it or not”
- Professional advisors perceive that the community foundation offers a breadth of services to their clients
- Professional advisors promote the foundation as a source for FP help

### *New business/funds for the CF*

- More funds opened as a result of the family philanthropy hook
- Increased number of private foundation conversions
- Private and family foundations sign on for family philanthropy services/contract revenue

### *Higher quality new funds for the CF*

- Engagement of new donors with significant financial capacity
- Increased number of break-even family funds

### *Deeper engagement of donors/families with the CF*

- Next generation are increasingly on mailing lists
- One-on-one relationships between staff and next generation
- Participation by family members on foundation’s advisory committees and groups
- More donor engagement and audience development

### *More sophisticated, educated and fulfilled donors*

- Increased giving by existing foundation donor families
- Positive feedback from grantees about their experience with family philanthropists

Here is how one funder described foundation efforts at measuring the impact of providing family philanthropy services on the foundation’s marketing goals:

*“We’ve been focused over the past couple of years on reaching out to new donors and doing lots of different things to get in front of them. We see family philanthropy as kind of a hook to get prospects to know us better and to think about working with us. We’d like to get known as a resource and expert on family philanthropy .... So we are focusing on measures such as receiving new funds, discussions on how we can work with them around family giving; growth of current funds, referrals from advisors because of the family philanthropy focus and things like attendance at events that have any kind of family philanthropy theme.”*

In an interview with the National Center for Family Philanthropy, Bryan Clontz described The Atlanta Community Foundation’s expectations for how their family philanthropy services would benefit the foundation.

*“When we started the Family Philanthropy Center, we thought it would be attractive to existing donors, so we told them that we had established the Center and if you have a fund of \$250k or more you are automatically in this little club to get all these great services. None of them took us up on it, which was very interesting. We also didn’t really give them an orientation. Since then, we decided to do a deep orientation for new donors coming in, at the point of sale when the donor was considering whether or not to create a fund. We gave them an orientation, talked about the services available at \$250k, asked them a series of questions that might lead to a Legacy Statement, etc. And we found much larger funds coming in, a clearer expectation of the menu of services and, overall, much more of a robust new donor program.”<sup>ii</sup>*

### **Goals for Benefiting the Foundation and Longer-Term Indicators**

Long-term indicators for impact on the community foundation included, e.g., contributions to permanent funds and continued use of the foundation by succeeding generations. One intriguing addition had to do with how the provision of family philanthropy services could help the foundation make connections to other philanthropic leaders in the region, presumably those with private foundations.

*Retain and grow next generation involvement with the CF*

- Gifts by 2<sup>nd</sup>, 3<sup>rd</sup> generation donors to existing fund
- Successor generations establish new funds
- Retention of large funds

*Add value to marketing and brand of CF*

- “Reputation as first and best resource for charitable advising”
- Increased number of professional advisors referring HNW clients

*Increase alignment between donor and foundation priorities*

- Increased number of donor advised gifts to foundation priorities
- Increased co-investment between donors and foundation

*Obtain more discretionary/permanent funds from family clients*

- Conversions to permanent funds
- Bequests to the foundation in the form of discretionary/partner gifts
- Gifts to discretionary funds

*Increase influence of CF over the community*

- New relationships with philanthropic leaders in region

One Founder commented on the potential tension between short- and long-term needs:

*“The short term approach is to get more gifts aligned with community foundation needs while the long term goal is to get more estate gifts. Be careful not to push the short term at the expense of the long term”*



And another participant described how a positive impact on the donor can also positively affect the community foundation:

*“We have a small family foundation with which we have worked on a contract basis for over 15 years. The staff of the foundation worked with the original donor and now works with the second generation as the principal donor has stepped back. One indicator of success of this relationship is that the family is doing more and more collaborative giving around the community foundation’s priorities.*

## **Measuring a Program’s Benefit to Your Communities**

Finally, there is the big picture beneficiary – the community. For a few of the founders, presumably those whose missions are aimed at promoting and enhancing the impact of philanthropy writ large in the community, this is the primary beneficiary; for others it is secondary. How will the community foundation know whether a family philanthropy program is benefiting the community and in what ways?

### **Goals for Benefiting the Community and Short Term-Indicators of Success**

Peter Lamb of the New Hampshire Charitable Trust suggested a very useful categorization of the benefits according to three goals: increasing resources, connections/strategic alignments and co-learning.

#### *Increase philanthropic **resources** to the community*

- More gifts from DAFs to support local nonprofits (more flow-through of gifts)
- Donors encourage others to become more committed donors
- Media coverage of family giving in the community

#### *Increase **strategic alignments** of donor gifts with community needs*

- More foundation-influenced gifts
- Donor giving that aligns with focus area of CF’s grantmaking
- More strategic investments that line up with community needs
- Increased co-investments (with CF discretionary giving) by donor families

#### *Increase opportunities for **co-learning***

- More requests for family donor learning, family site visits, etc.
- Families volunteer and talk up the NPOs they’re working with
- Donors make gifts to an organization they had not supported in the past - New connections between families and local non-profits

One participant described how the foundation has worked with donor families to encourage more strategic alignment with community needs and the success they have had.

*“We have always, right up front, told new donor families that we can provide them with knowledge of the nonprofit community and part of that means that twice a year we’re going to send lists of our competitive grant proposals that might be of interest to them. We tell them that we hope they will partner with the foundation’s board of directors in supporting those organizations. We’ve probably extended our discretionary grants program by about 2 to 2.5 million dollars a year through advised funds participation (out of \$5 million).”*

Another Founder pointed out the potential synergy of the goals. In this case, the community foundation was looking to increase community impact and found that the process also benefited the relationship between the foundation and the donor families.

*“One of the things about inviting donors to help fund particular projects is we often find that it is just the beginning. Once they do that a couple of times, there is trust built and it makes it really easy for us to call and say thank you and by the way, this is also going on. It serves as a relationship tool and helps deepen the relationships.”*

Finally, another founder cautioned that there may not always be synergy among goals and that foundations sometimes run the risk of sacrificing long-term benefit to the community in order to achieve short-term objectives.

*“There is a tension built-in between the money needed to fulfill grant awards vs. the needs of the family to go deeper into strategy or the individual work inherent in each family. Be careful not to miss the boat on what the needs of the individual families are because in the long run that will deepen the relationships, increase the resources available to the community.”*

### **Goals for Benefiting the Community and Longer-Term Indicators of Success**

Long-term indicators of success for meeting the goal of benefiting the community are quite similar to short-term indicators. One interesting addition, however, is increasing the long-term commitment of donor families to community organizations and needs.

#### *Increase philanthropic resources to the community*

- New donors/new money – including illiquid and operating assets from family businesses – go into philanthropy
- More funds established by second generation of donor families
- Successor advisors contribute financially to the family fund
- A wider donor pool for the region

#### *Increase strategic alignments of donor gifts with community needs*

- Donors partner with foundation in large-scale community projects
- Policy changes aimed at sustainable community change in priority areas

#### *Increase long term commitment of donor families to community organization/needs*

- Long term investment by families in a particular organization or issue area
- Donors leave endowments to their favorite organizations

#### *Increase opportunities for co-learning*

- Families/donors get involved in other and deeper ways in the community – volunteering, serving on boards
- Families/donors become more knowledgeable, strategic and sophisticated
- Next generation involvement in addressing pressing community needs
- Shift in nonprofit/donor relationships from one of solicitation to more collaborative and synergistic community investment, planning and co-learning

A foundation described how supporting a donor family increased opportunities for co-learning and increased strategic giving to the community:

*“One family was interested in protecting land and had a pretty large chunk of dough in a fund to purchase land and only do environmental work and nothing else. We helped them to see that supporting arts organizations that were raising awareness around the environment helped to fulfill their primary goal, but in a different way. Several years later, they are really doing some interesting strategy work with organizations that work with some of the environmental issues they care about, including health organizations.”*

### **Tension and Synergy**

There can be a number of inherent tensions and potential conflicts for a community foundation seeking to benefit multiple stakeholders. Examples of situations where such conflict may occur include:

- helping a donor make a grant that undermines a foundation’s programmatic goal;
- helping a donor engage other family members only to find grants leaving the community;
- promoting a foundation priority to a donor who feels like they are being “sold”
- increased family members engagement becomes too costly for the foundation.

However, as a number of founders pointed out, there can also be positive synergy among the beneficiaries. Most important, the community foundation can work purposefully at promoting such alignment. From the survey:

*“It is constructive and important to emphasize that there is a strong alignment of interests among the parties -- donor, community foundation, and the community.”*

*“Strive to avoid having any one of the three beneficiaries dominate activities or services. Each needs to get something out of family philanthropy or it will throw the foundation off-kilter, like having a single longer leg on a three-legged stool.”*

A third funder remarked on the ideal situation in which families, the foundation and the community are all beneficiaries:

*"We would like to see the region become known as a place where issues are identified and addressed by families, and in which the foundation plays a key role in making that happen."*

### **Other Goals, Measures and Issues:**

In addition to asking the founders to comment on indicators of success for the donor, the foundation and the community, they were also asked about several other, specific goals and issues.

***Geographic dispersion:*** We wondered whether addressing the "geographic dispersion" of a family was an important goal in starting a family philanthropy program. While a couple of foundations acknowledged the need to address this down the road, most founders said this was not a goal of their FP program. Some representative comments:

- E-mail and faxes etc. make this less of an issue
- We would love the geographically dispersed next generations to continue to have a relationship with us
- We will have succeeded in engaging the next generation if we can maintain the connection of their hearts and minds (and pocketbooks) to the community

***Defensive Positioning Against Private Foundations:*** Some in the community foundation field have talked about family philanthropy programs as a form of "defensive positioning," e.g., creating an alternative to family foundations. The Founders were asked whether this was a goal of their programs, and while a few said "yes and no," most said it was not. A few representative statements:

- NO! We are positioning our support of family philanthropy as a set of services ... regardless of the vehicle
- We don't see ourselves as in competition with family foundations, but we do want people to understand that we offer this expertise, and that this is ... often a less costly and ... [simpler] option
- We will work with private foundations on a contractual basis

However, it was acknowledged that providing family philanthropy services can be a way of "market-segmenting" donors, that it "increases our competitiveness against other institutions offering DAF services." Similar observations included:

- Increases our profile as a "different vehicle" for family philanthropy
- Conversions of some foundations to DAFs and SOs would be an indicator of success

- Would like to see donors consider a family DAF as an option of equal weight
- Many of our clients use multiple giving vehicles – we’re not judgmental and happy to support them regardless of the direction they go
- Increase in DAFs valued at \$1M+ would be an indicator that we were succeeding in reaching that market

**Staff Capacity:** When we asked if there were other important measures of success not captured in the beneficiary framework, a few respondents expressed an interest in measuring the foundation’s capacity to deliver family philanthropy services. These included the following:

- Increased skills of staff and improved internal capacity
- Development of products and appropriately priced tiered-services for this labor intensive work that we can market and deliver

We anticipate that future thought papers will address a number of related issues, such as staff capacity to work with families, pricing family philanthropy services and organizational deployment for providing family philanthropy services.

## **Conclusion**

Measuring the success of a community foundation’s family philanthropy program is not a simple task, as illustrated by the range of perspectives and experiences described above. However, there are clearly significant benefits to be gained from going through a rigorous process of identifying goals and determining their associated measures of success. Investing in the high-touch services that many philanthropic families expect and need can be costly; in order to make such an investment most foundations will wish to be sure that the costs are warranted. Requests for additional resources to support the program will require justification. And most foundations will want to regularly review whether its strategies are reaching the desired end goals or whether a course change is advisable.

Some of the major challenges inherent in developing benchmarks for success include the following:

- Foundation goals will change, in all likelihood, over time as the institution moves more deeply into the provision of family philanthropy services; typically moving from responding to a major client’s need to developing a structured approach.
- It is tempting to try to benefit all three beneficiaries, but at the same time to have no system for resolving conflicting goals.

Timeframes can be very long and change may be incremental at best. As families change, energy and interest will often ebb and flow

Based on what the founders have said, we believe there is a modest body of wisdom for those who are going through the process of defining and refining these benchmarks. This counsel includes the following:

- Make sure your family philanthropy goals directly connect to the foundation's mission
- Be intentional about what you want to accomplish. If you find yourself offering family philanthropy services simply "in response" to requests, stop, pause and reflect upon what you are getting yourself into. Then develop goals that support the foundation mission (see above).
- Recognize that there can be an inherent tension between serving all three beneficiaries; however also look for synergy and convergence of impact.
- Communicate your goals and success measures directly to clients; take pains to understand their goals and success measures. Make sure there is not a disconnect.

Finally, this analysis suggests a number of critical questions regarding what would help the field of community foundations generally:

1. Aside from measuring the amount of endowed or gifted dollars in a "family philanthropy center," are there any concrete tracking systems that are now being successfully used by other community foundations?
2. Should this project undertake to create tracking systems that can be shared by community foundations with similar goals?
3. How can the information in this paper be used? Should a community foundation review the long list of possible success measures and choose the ones that seem most appropriate and easiest to apply? Or is there a need to develop a rigorous decision-making tool that will enable the foundation to select or create a useful measurement system?

The TPI team looks forward to receiving your counsel.

- 
- <sup>i</sup> *Community Foundations and Family Philanthropy...Stepping into the Future* – A National Summit of Community Foundation CEO's, held at the Pocantico Conference Center June 3-4, 2004, sponsored by TPI and the National Center for Family Philanthropy; *Engaging Families*, a pilot training of 21 community foundation staff, offered by TPI at the Columbus Community Foundation in November, 2005; Excellence in Family Philanthropy Initiative conference call on March 14, 2006, in which 17 Founders participated; NCFP conference call (see footnote iii)
- <sup>ii</sup> *Making the Commitment to Family Philanthropy Services*, an interview with Bryan Clontz, Senior Consultant, Ekstrom & Associates and Dianna Smiley, Program Director, National Center for Family Philanthropy, February 16, 2006.