SCANNING THE ENVIRONMENT

for Philanthropic Best Practice Systems

oundations are growing in number and in wealth. Yet the flush times have not eased program pressures. The nation's politics and policies require more of the private sector. At the same time, the expectations of stakeholders push foundations toward increased accountability.

In this climate, the volume of grantmaking is growing faster than philanthropy's ability to learn about innovative practices. That's why there's a greater need than ever for foundations to learn about and exchange examples of the innovative grantmaking that hold promise for the field.

Of course, that's much easier said than done.

The Scanning Technique

One proven approach a foundation can use to learn about the latest efforts of other organizations is the "environmental scan." Such studies offer most of the advantages of a systematic review of current practices in philanthropy without the time, the cost and the inevitable voluminous reports that often make full-blown scholarly research unappealing for foundations that want to move nimbly in a changing world.

Emphasizing brief descriptions of many innovations, environmental scans tell readers a little about a lot (see "Related Reports," page 28, for examples of recent scans commissioned by foundations). Such scans can help foundations creatively blend strategic planning, staff training, efforts to promote accountability and efforts to share news of philanthropy with the public.

As part its of ongoing planning, the John S. and James L. Knight Foundation of Miami used an environmental scan to gather information on three strategic practices foundations have adopted to increase the impact of their grantmaking: evaluation, collaboration and best practices—the latter defined as systems for identifying, formatting and sharing information about a foundation's most promising or proven grantmaking efforts.

The nonprofit Human Interaction Research Institute conducted the scan between November 1998 and March 1999. It involved a series of interviews with foundation leaders and other key informants and a review of written materials about these new approaches.

Best Practice Systems

Best practice systems involve an organized set of methods for identifying and reviewing effective innovations as well as storing and sharing information about those innovations. As Elizabeth Howard and Thomas Backer wrote in a 1998 paper, *Private Sector Best Practice Systems: An Overview*, the term "best practice" now increasingly is used both in the public and private sectors. In the search for improvement in organizations and markets that are increasingly governed by constant external change, tight resources and intense competition, best practices offer a valuable strategic advantage.

What's worked? That's what everyone wants to know. Here's what one study found when it looked at the ways foundations capture and communicate this kind of information.

BY THOMAS E. BACKER AND JOHN BARE

ILLUSTRATIONS BY STEVE DININNO

The Larger Context

Foundations working to improve their philanthropic practice are most likely to succeed if they first focus on the big picture: What is the foundation's specific mission? What steps—and with what partners—are needed to accomplish it? How will we recognize success? Once foundation leaders answer those questions, they can determine which innovations they must adopt to reach the ultimate objective.

Those interviewed for the Knight Foundation's environmental scan suggested activities that will help foundations through this process. They are:

Foundation Self-Assessment. Using methods such as board retreats to increase self-awareness about what the foundation is doing and why.

Selecting a Theory of Change. Linking foundation decisions with an overall theory of how change occurs in organizations and communities.

Selecting Grantmaking Methods. Choosing approaches that fit with the foundation's mission.

Balancing. Reconciling the trade-offs that limit a foundation's efforts.

Strategic Planning. Folding all of the above elements into a well-defined strategic plan that foundation board members, staff and stakeholders have helped to shape.

—T.B. and J.B.

Almost any conceivable topic is covered in some best practice system, from mental health services to niche marketing of high-technology products.

In the private sector, multinational corporations such as Chevron, Hewlett-Packard and Texas Instruments have developed highly sophisticated, computer-driven best practice systems. These provide corporate employees worldwide with a huge database of innovative problem-solving strategies, along with the ability to interact (typically via an Internet-based system) with other employees working on related issues. In the government sector, the U.S. Department of Education has created a fairly complex infrastructure for reviewing best practices in education, rating the quality of evidence supporting their classification as "best," and then sharing the information with teachers, schools and school districts nationwide.

Now the notion of best practice is entering into philanthropic thought and practice as well. Leaders interviewed for this study noted that "best practice" is a slippery term that can mean virtually anything—from someone's subjective individual opinion to an intensive peer review process for judging the scientific evidence of the worth of innovations.

Many foundations, interviewees noted, are reluctant to "get into the best practice business." The reasons include (1) concerns about promoting as "best" innovations that may not really be able to meet a high standard for excellence, (2) the costs involved in setting up and operating a best practices system, and (3) a reluctance to be seen as "singing their own praises" by designating a project they funded as a best practice. The costs can be intimidating; in the private sector, the accounting conglomerate Arthur Andersen spends $8 million a year just on research for its best practice system.

Partly as a result of these concerns, relatively few foundations have invested in the development and operation of best practice systems. Instead, foundations have preferred to identify, synthesize and communicate information about promising work they have funded in less expensive ways using more tentative language.

By far the most common approach, mentioned by almost every interviewee, is the "lessons learned" document. This presents both the promising findings and the problems/challenges of a foundation grant or grantmaking initiative.

Lessons learned documents tend to have two distinctive features. First, they deal both with successes and challenges, which is not a common practice in the traditionally failure-averse world of philanthropy, many interviewees said. Second, they use a highly compact, readable "science journalism" style to present their findings.

Current "Best Practices" Practices

Following are some examples of the variety of ways foundations are dealing with best practices information, as identified in our scan.

Using multiple communication channels. Benton Foundation has created a comprehensive Web site, a publication series and learning events including regular conferences to share best practices in communication methods among nonprofit organizations. Benton presents a wide variety of specific tools and more general "lessons learned" in these formats.

The tools explain how to communicate with individual stakeholders (clients or potential service recipients, for instance), communities, funders, government and news media. The Web site is updated regularly, and users are encouraged to become "best practitioners" themselves by filling out an on-line questionnaire that integrates their responses into the system.

Buying space in professional journals. The California Endowment and the California Healthcare Foundation both purchase space in the well-known policy journal *Health Affairs* to publish articles summarizing the results—including best practices—from their grantmaking.

This vehicle, they believe, offers them a credible, more widely accessible venue for sharing best practices than if they issued their own publications. In particular, articles in a journal have a "shelf life" much greater than foundation-issued reports, which are often more difficult to track down a year or more after their publication.

Publishing a synthesis of findings. Charles M. Dana Foundation publishes *Delivering Results: A Progress Report on Brain Research*, an annual report that provides both basic information on the research program of the Dana Alliance for Brain Initiatives and emerging best practices from the research they fund on brain diseases such as Alzheimer's. In synthesizing the work of 175 Dana-sponsored brain researchers, this brief publication provides a context in understanding the entire sweep of brain research

today, as well as Dana's specific involvement in it as a funder.

Robert Wood Johnson Foundation also publishes in book form an annual anthology describing some of its most outstanding grant projects. These tend to highlight emerging best practices from grantee projects. The book is disseminated through an annual mailing to nonprofit organizations, funders, libraries, universities and other key audiences.

Giving awards. Peter F. Drucker Foundation for Nonprofit Innovation and Bruner Foundation offer highly visible annual awards to leaders in nonprofit management and urban excellence, respectively. These awards help identify and disseminate best practices. Both foundations have created systems for recruiting nominees and for publicizing the resulting awards so that the specific best practices they highlight can be shared with a relatively broad audience.

For instance, the Drucker Award for Nonprofit Innovation includes a $25,000 prize and production of a video on the winning program. The award is presented at the Drucker foundation's annual Leadership and Management Conference. (Drucker is now is implementing the Drucker Innovation Discovery Site (www.pfdf.org) which aims to share the lessons contained within all of the 2,500+ nominees for the Drucker Award.)

Organizing information on-line. Robert Wood Johnson Foundation has, through a partnership between its evaluation and communication divisions, created a "Closed Grant Report Project." This is a computerized, on-line system that provides a brief summary report, including evaluation and dissemination findings, for every grant project of the foundation. Designers are developing a coding scheme that will help foundation staff, grantees and others use the system effectively to retrieve summaries of completed projects in subject areas of their interest. The foundation has been working for several years to prepare brief summaries for major grant projects it funded in the past. This way, the system will be useful for retrospective analyses as well. It is a significant effort, budgeted at $2 million a year, with a full-time staff of two and 20 contract writers.

W. K. Kellogg Foundation is developing the master plan for a "Knowledge Loom" best practice system. If fully implemented, this system will provide computerized knowledge manage-

ment for program staff. Information about goals and outcomes of projects will be entered on the system, which will have sophisticated retrieval and synthesis properties so that it can be used to generate knowledge as well. For example, concrete parameters will be developed for classifying "lessons learned" (Is it a hunch or is it evidence-based? If the latter, it is supported by qualitative or quantitative evidence?) that emerge from grant projects. The ultimate aim is to allow a program officer to "point and click" at an area of interest—collaboration, sustainability and so forth—and retrieve a series of project summaries.

Using intermediary organizations. Robert Wood Johnson Foundation funds intermediary organizations such as Join Together, a program based at Boston University that is part of the foundation's substance abuse prevention initiative, to serve as external agents for identifying and communicating best practices to the field. Join Together does this through annual surveys of best practices in the prevention field, publication of the results, sponsorship of conferences and training workshops, and operation of a Web site.

Doing an annual in-house review. McKnight Foundation brings in a graduate student each year to review all grant project reports submitted to the foundation in that year. The student then prepares a lessons learned document that can be shared with foundation staff, grantees and others as a first-cut review of what is being learned from the foundation's grantmaking.

Publishing a periodical. David and Lucile Packard Foundation publishes a professional journal through its large grantmaking program on the future of children. This journal reports on highly sophisticated reviews of research and is disseminated both through conventional academic channels and through a special distribution.

Creating case studies. Pew Charitable Trusts commissioned the Harvard Business School to write case studies on best practices emerging from its funded projects, using the famed Harvard B-school case format. These cases can then be disseminated by Pew to various audiences and also can be used for internal review purposes to improve their future grantmaking.

Supporting replication of model programs. Virginia Healthcare Foundation developed the "Models That Made It Program," which is now in operation in support of its statewide health

Innovations in Evaluation and Collaboration, Too

The study excerpted here, *Innovation in Context,* also identified 24 foundation innovations in the area of evaluation and 24 innovative approaches to collaboration.

For instance, the Rochester Grantmakers Forum and the Bruner Foundation collaborated on an "Effectiveness Partnership" in Rochester, New York, that brings together funders, evaluators and nonprofit service organizations to design, implement and refine evaluation practice related to philanthropic grantmaking in the region. Their work included developing a "Rochester logic model" for evaluation, which now is part of application forms and review processes used by local grantmakers.

A group of foundations in the San Francisco area collaborated on the funding of the Bay Area Independent Elders program, which included developing and operating 13 grassroots coalitions to improve the quality of services for elderly people. The funders created a technical assistance support organization to help their grantees, and this center now has received federal funding to continue its work with the coalitions.

—*T.B. and J.B.*

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philanthropy in Virginia. This effort identifies best practices from completed grant projects supported by the foundation and publishes information about them in summary formats for dissemination throughout Virginia. The foundation also makes grants to organizations to replicate these best practices in new settings.
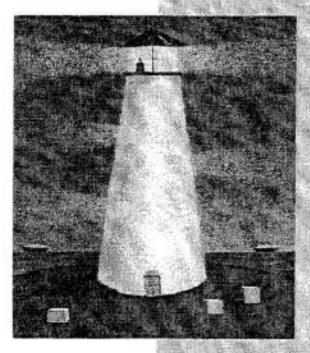
Philanthropic Field-Building

There are several ways in which periodic sweeps of the field for innovations like these could contribute to field-building in philanthropy. For instance, an umbrella organization such as Council on Foundations might create a "think tank" on innovations in philanthropy and commission environmental scans in one or more topical areas. This kind of resource also could serve as a clearinghouse and archive for scan reports foundations produce on a variety of topics.

Environmental scans could be shared with existing educational programs in philanthropy, and could stimulate new training efforts that might be sponsored by the Council or by affinity groups such as Grantmakers for Effective Organizations. They also could be addressed in an annual event at the Council conference, and perhaps through regular columns in professional

publications. Finally, the Council or another philanthropic association could maintain an on-line database of environmental scans in philanthropy and their key results, with links to other on-line or print resources for those interested in knowing more. The primary challenge is to create tools that make existing information easy to access and use. Several existing best practice resources already offer annotated listings of hundreds of notable innovations in philanthropy.

Building the field of philanthropy requires having access to "the best." Environmental scans that identify effective innovations in philanthropy can help foundations develop promising new strategies. ■

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Related Reports

■ The Human Interaction Research Institute is currently is conducting an environmental scan of innovative foundation and nonprofit approaches to nonprofit capacity-building, also funded by the John S. and James L. Knight Foundation. A report will be available in early 2000.

■ *Evaluation in Foundations: The Unrealized Potential*, by Patricia Patrizi and Bernard McMullan, 1998. Describes evaluation goals and activities of 21 major American foundations, highlighting the emerging role of organizational learning as a context for using evaluation to strengthen program effectiveness. Available from W. K. Kellogg Foundation, 616/968-1611.

■ *Raising the Value of Philanthropy*, by Denis J. Prager, 1999. Derives from interviews with leaders of American philanthropy ten key characteristics of an effective foundation, such as a "coherent sense of purpose." Available from Grantmakers in Health, 202/452-8331.

■ *Unleashing New Resources for Entrepreneurship and the Common Good*, by Thomas Reis and Stephanie Clohesy, 1999. Discusses social entrepreneurship, business and social responsibility and philanthropy as social venture capital, based on interviews with philanthropy leaders. Available from W. K. Kellogg Foundation, 616/968-1611.

—T.B. and J.B.