

FOUNDATION RESEARCH

RESEARCH REPORT

Informing Grantmaking

The Foundation Center estimates that independent foundations granted \$25.2 billion in 2005, and that community foundations granted a further \$3.2 billion. These substantial sums reveal the potential of foundation grantmaking. Whether the full potential is reached, will depend partly on how foundations inform their decisions. Integrating rigorous, empirical research has enabled medicine, psychology, economics, and society to make great progress over the past century. A number of foundations have adopted this approach and aim to incorporate empirical research, as well as essential due diligence, into their programming decisions. We have also observed foundations following a different path. Some grants, including some grants at the Argosy Foundation, are influenced by the personal preferences of program officers and trustees (i.e., choose an organization because you like what it is doing). Other grants are based on familiarity, an ideology, precedent, or personal recommendations. These admittedly unsystematic observations led us to examine how regularly foundations incorporate empirical work into the grantmaking process.

Argosy aims to approach issues by seeking answers to several basic questions: What is the need to be served? How is it currently being addressed? What can be learned from how others are performing? Are there opportunities for collaboration beyond what is already in place? Are there opportunities for improving effectiveness? An initial review of foundation research practices found few answers to these questions. Argosy decided to survey all American foundations that granted more than \$10 million annually, hoping that the results would inform the broader philanthropic community and improve Argosy's research practices. These survey findings

provide a basic, first understanding of how foundations have chosen to satisfy their information needs and how the resulting research is distributed.

The Survey Process

The survey population was all grantmaking, non-corporate U.S. foundations that awarded \$10 million or more in grants in either 2005 or 2006. We chose to focus on larger foundations because we believed they would be the population with the resources to conduct research and also most interested in learning more about foundation research. The sample frame was the *FC Search* (Foundation Center) listing of all non-company-sponsored, non-operating, non-corporate, non-public-charity foundations with more than \$10 million in annual grants. The search was conducted in October 2007, and the grant amounts are from either 2005 or 2006. The search found 333 foundations. Representatives from two foundations notified us that their foundations had been dissolved, resulting in a final contact sample of 331 foundations. Roughly 95 percent of the contact information was obtained from IRS Form 990s available on GuideStar. These forms provide a foundation address and the names and titles of officers. When there were multiple officers, we selected the title that seemed most relevant. When the information was not available on GuideStar, internet search engines were used.

The survey process utilized a three-contact procedure that is an abridged version of the five-contact Tailored Design Method (TDM).¹ In early January 2008, each foundation was sent a cover letter on Argosy stationary, a survey, and an addressed, stamped return envelope. The cover letter closely followed the TDM style, and described the purpose of the survey, explained how the foundation was chosen, and emphasized that all responses would remain confidential.

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The letter also provided contact information if respondents had any questions. Roughly two weeks later, a postcard reminder was sent to the foundations that had not responded. The postcard described the purpose of the survey and the importance of every response in ensuring a representative survey. Finally, about four weeks after the initial contact, all foundations that had not responded were sent a new package containing a cover letter, a survey, and an addressed, stamped return envelope. The new cover letter described the range of responses we had received and reiterated the importance of obtaining responses from as many foundations as possible.

Of the 331 contacted foundations, 151 completed and returned the survey, for a response rate of roughly 46 percent. We were unable to obtain contact information for five foundations, eight surveys were returned as undeliverable by the postal service, and a further seven foundations either sent back a blank survey or notified us that they do not complete surveys (all these foundation were classified as nonresponses). The fractional response rate means, of course, that our survey results may not accurately represent the research practices of all foundations that granted over \$10 million in 2005-06, and our findings are limited to foundations that responded.

To examine potential differences by foundation size, we assigned labels to foundations by the amount of money they granted in the most recent reported year. Foundations that granted \$50 million or more are labeled “very large” foundations, foundations that granted \$20 million or more and less than \$50 million are labeled “large” foundations, and foundations that granted less than \$20 million are labeled “medium” foundations (we did not survey smaller foundations that granted less than \$10 million). The foundations that responded were relatively similar in size to the contacted foundations. About 17 percent of the contacted foundations were very large foundations, and about 16 percent of our respondents were very large. Slightly less than 34

percent of the contacted foundations were large foundations, and large foundations were 36 percent of our respondents. Finally, almost 49 percent of the contacted foundations were medium foundations, and medium foundations were 48 percent of our respondents.

What the Survey Measured

To encourage responses, we limited the number of questions and the entire survey was on one side of a single sheet of paper. The brief introduction informed respondents that the survey was about research at their foundation and explained what research meant for the survey. The first question then asked respondents to list by job title all staff members “who spend more than half of their time conducting research.” We considered various options for distinguishing in-depth research from more programmatic work (i.e. due diligence), and ultimately, in the survey that respondents received, the introduction defined research broadly as information that is “used to better understand an issue or program area.” The survey explicitly excluded “research that: (1) identifies which specific non-profits to fund, (2) evaluates projects that your foundation is already funding, or (3) informs administrative practices.”

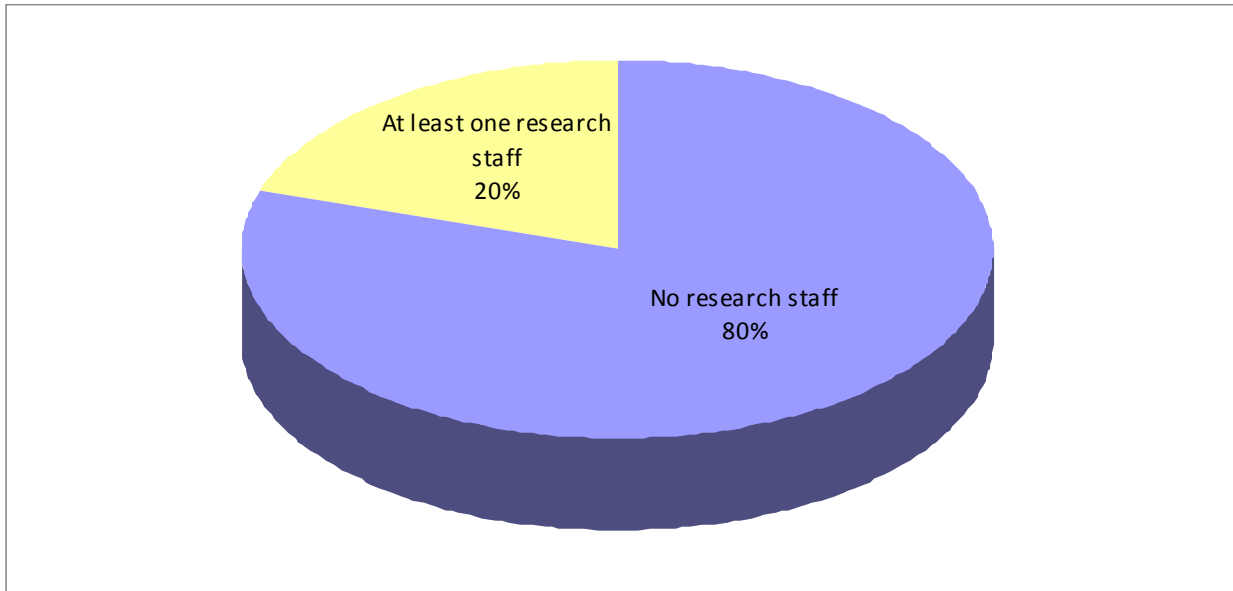
As foundations might prefer to obtain research externally for various reasons (e.g. independent perspective, cost effectiveness, not possible to staff experts in multiple areas, etc.), the second question asked whether the foundation funded “research by outside researchers” and, if so, whether this research was used internally. The third question examined recipients of foundation research by asking respondents whether *internal* research reports are regularly “made public,” “provided to grantees,” or “provided to foundation board members.” To determine whether there was a consensus about foundations that are respected for their research, the fourth question asks

respondents to list “foundations that you believe conduct excellent research.” Identifying well-regarded foundation research programs enables case studies and best practices.

Foundation Research Practices

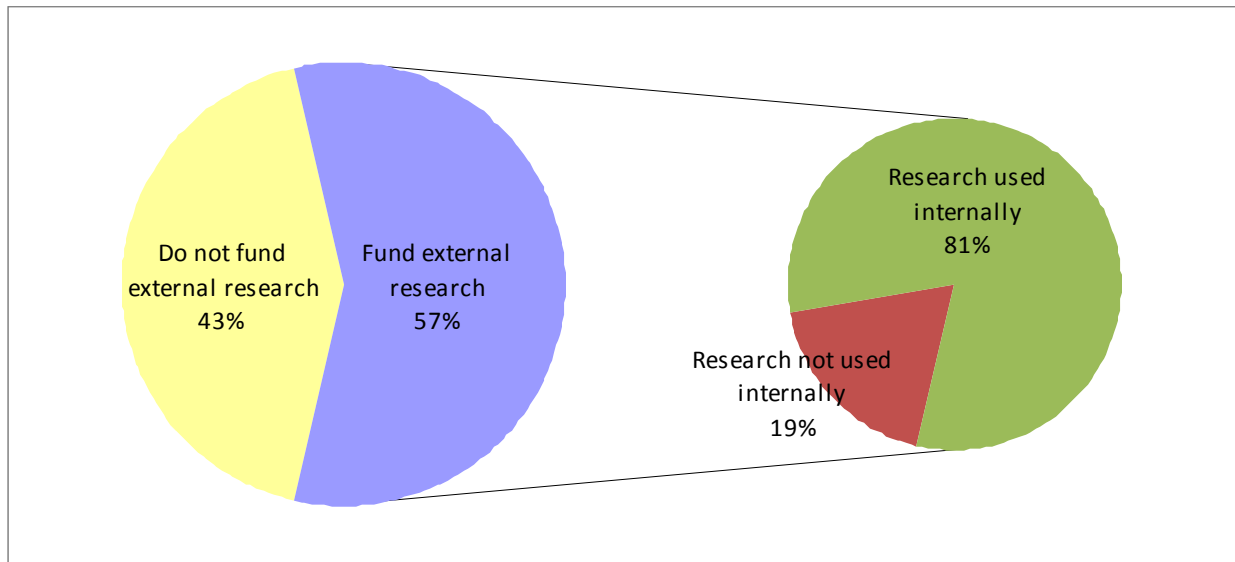
Of the foundations that responded, 30 foundations, or roughly 20 percent, listed at least one research staff member spending more than half his or her time on research, see Figure 1. Of these foundations, roughly 47 percent had one staff member, 37 percent had two staff members, and 17 percent had three or more research staff. Very large foundations were more likely to have at least one staff member than large and medium foundations (38 percent, 13 percent, and 19 percent, respectively). Titles were also classified by field (e.g. research, administrative, program, etc.). Although the survey asked for staff who spent “more than half their time” on research, only 24 of the 55 listed staff have research in their title. The largest field category, at 44 percent, was research staff (includes “research and evaluation”), followed by program staff (22 percent), administrative staff (13 percent), miscellaneous (13 percent), and evaluation staff (9 percent).

Figure 1: Percentage of Foundations Employing Research Staff



Foundations have multiple avenues to gather information, and many apparently choose to supplement or supplant their internal research by using outside researchers. Roughly 57 percent of foundation respondents funded research by outside researchers,² see Figure 2. Very large foundations (83 percent) were the most likely to fund such research, followed by large foundations (65 percent), and medium foundations (43 percent). All very large foundations used the funded research internally, as did roughly three-fourths of the large and medium foundations. The remaining foundations presumably used the research to help grantees or inform the public or policymakers.

Figure 2: Percentage of Foundations Funding and Using External Research



Most foundation research is presumably reviewed by program staff. However, foundations can also use their internal research to inform their boards, grantees, and the general public. By sharing information with a broader audience, foundations can amplify the impact of research. Of the 30 foundations that have at least one research staff, 90 percent provided the research to their boards, 63 percent provided research to grantees, and 57 percent provided the research to the public. The nine very large foundations were more likely to share information (100 percent provided to boards, 89 percent provided to grantees, and 89 percent provided to public) but the small sample size means these initial trends may be unreliable.

Respondents were also asked to list foundations that they believe “conduct excellent research,” and 49 respondents listed at least one other foundation (very large foundation respondents were about twice as likely to list a foundation as non-very large foundations). A total of 41

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foundations were listed. Although no foundation was listed more than eleven times, a number of foundations were listed repeatedly. The following foundations were listed five or more times: Robert Wood Johnson Foundation (eleven times), Annie E. Casey Foundation (ten times), Lumina Foundation (eight times), Kellogg Foundation (eight times), Pew Charitable Trusts (six times), Boston Foundation (five times), and Ford Foundation (five times). Of course, peer recognition depends on awareness as well as quality, and newer foundations or foundations that conduct quality research in uncommon areas are less likely to be recognized.

More Research is Needed

These results leave many questions unanswered. For example, how do foundations ensure that internal research is rigorous and properly oversee external research? How are internal and external research incorporated into the grantmaking process? Are there differences between the foundations that responded and those that did not? Argosy plans to conduct future surveys and case studies that will include more foundations and provide a more comprehensive and in-depth review of foundation research practices, including whether some foundations regularly collaborate on research. Eventually, we would like to help form a Council on Foundations Research Affinity Group to formalize collaboration and proactively share best practices related to research in philanthropy.

While much remains to be learned, these survey results do provide a helpful, initial look at foundation research practices. The data indicate that only a fifth of responding foundations had staff working more than halftime on research. In some ways this proportion underestimates research capability, as foundations without staff who spend more than half their time conducting

research may still conduct some research internally. Moreover, the survey did not ask about staff who spend more than half their time choosing and overseeing external research that is then used internally. A majority of the responding foundations do fund outside researchers and typically incorporate the resulting information into their decision-making processes. Foundations may have multiple reasons for preferring outside researchers. Contracting with external researchers enables foundations to temporarily and efficiently utilize expertise in specialized areas. External research also allows foundations to obtain an independent perspective and potentially enhance the credibility of the research. Finally, foundations may use external research as a public service as well as to inform their grantmaking decisions.

Although we did not attempt to evaluate research quality, we believe the presence of an internal capability to conduct or oversee research does suggest a foundation's commitment to quality data and thoughtful interpretation. The survey data indicate that most respondent foundations are lacking in this important capability, especially staff with the requisite training to fully evaluate rigorous empirical research. The one-fifth of respondents with internal staff includes program and administrative staff (about one-third of "researchers") and many of the titles classified as research positions (e.g. Archivist Assistant) probably do not require methodological training. Even when funding external research, foundations need to have knowledgeable staff to ensure that experienced researchers and rigorous research designs are chosen.

The lack of internal research capability probably reflects the origins of many independent foundations, laudable endowments by families committed to public service. Founders' and trustees' interests often drive grantmaking, a focus that can be constructive by encouraging social investing and utilizing the energy of funders. Grants of this nature often have positive effects, but

do they consistently maximize return on investment? Grantmaking without research can cause foundations to fund a favored approach that is ineffective or a familiar organization that uses the wrong approach, hindering progress toward the ultimate goal. Considering the biases and limited information that hamper human decision-making, quality empirical research can discipline the grantmaking process. We believe that when foundations make large investments in an area, they should use, to adapt a phrase, evidence-based grantmaking (EBG).

Evidence-based Grantmaking

Unlike effective philanthropy, EBG occurs before funding decisions are made. “Evidence” goes beyond essential due diligence and typically investigates an approach rather than a particular not-for-profit. To qualify, research must fulfill three criteria: publicly available, empirical, and methodologically sound. Making research accessible provides transparency, informs the public, and nudges grant-seeking not-for-profits to use research. It also allows others to evaluate and challenge the research in a manner similar to the journal peer-review process. The second requirement is relying on data, quantitative or qualitative, either by reviewing existing empirical studies or conducting or funding such work. Data about what programs or approaches have succeeded and failed enable foundations to practically assess what is more likely to succeed in the future. Finally, the research should incorporate a design and statistical analysis that allow reasonable inferences about causality and realistic estimates of effect size. Foundations invest in complex social areas and studies using inconclusive methodologies or “advocacy” research do not qualify as evidence.

We suspect that the last criterion, methodological soundness, is currently the least satisfied. Not-for-profits often present foundations with studies that demonstrate program effectiveness, but not all “research” should convince. There are many published studies, including ones in peer-reviewed journals, where methodological weaknesses limit the conclusions that can be drawn from the results. Sifting through the literature to identify rigorous studies requires substantial training and experience. The common finding that “the literature conflicts” frequently results from inappropriately aggregating weak studies with quality studies. Too often research is accepted because it reports that the findings are “statistically significant” or uses fancy statistical terms (e.g., “data imputation utilizing a Markov chain Monte Carlo procedure”). This only provides the veneer of rigor, as the fanciest statistical methods regularly result in biased estimates because the assumptions of the statistical model have been violated. With small samples or complicated models, results may not be robust and only apply to very limited contexts. With very large samples, “statistically significant” results can occur even when an intervention has inconsequential effects. The list goes on, but these possible problems are distributed very unequally across studies. Training and experience teach researchers to recognize problems and appropriately adjust conclusions. Foundations need these skills.

This capability will help foundations identify useful studies in methodologically diverse literatures. Without selectivity, foundations may draw erroneous conclusions from the many studies purporting to find positive program impacts. For example, consider the What Works Clearinghouse (WWC) sponsored by the U.S. Department of Education. WWC researchers identify every evaluation study in an education area (e.g., dropout prevention), and then trained and certified researchers conduct a thorough methodological review of the study to examine

factors such as: research design, attrition rates, appropriate statistical analysis, etc. Given that policymakers and educators rely heavily on these evaluations, the WWC only includes studies when reviewers are reasonably confident that the program caused, and was not just associated with, good outcomes. Few studies pass the WWC's methodological requirements. For example, in dropout prevention only 16 of the 59 identified studies met evidence standards, and other topic areas have even lower acceptance rates. The premise behind this involved and expensive process is that decisions should not be based on misleading results or be made with false confidence, a state only possible once certain methodological requirements are fulfilled

Meeting those requirements, of course, does not guarantee effective grantmaking. The social sciences examine human beings, and are not as precise and reliable as the natural sciences. Research results are contingent on the place, situation, and participants, and extrapolation should be done with care. Moreover, studies can be subtly influenced by researchers' biases, and there may be selective reporting to achieve publication. Many additional problems may also not be caught by the trained researcher. These problems do not preclude EBG from being a considerable improvement over the status quo, it is, but clearly EBG is not a panacea.

EBG should not be conflated with caution, as foundations are in some ways uniquely qualified to fund innovative approaches and should continue to fund untested approaches. Often, though, this work can still be informed by research such as pilot programs in the general area or insight about the mechanisms through which the program will work. Research can also inform grantmaking in subjective fields like the arts.. For example, organizations often approach Argosy to fund their marketing, encouraging larger audiences and sustainability. Marketing plans typically assume a certain audience, and Argosy trustees worried that some audience assumptions were little more

than stereotypes. Realizing that audience characteristics were an empirical question, Argosy funded a professional, representative survey of arts participation in Milwaukee. The overall survey results were made publicly available, and Argosy analyzed the data specifically for some organizations, identifying individuals interested in their programming. This process enabled Argosy to ensure that grantees were targeting actual, rather than supposed audiences. Individual not-for-profits had found such research too expensive, distracting from their mission, and difficult due to conflicts-of-interest between organizations. Argosy had the resources, the independence to obtain objective information, and could create incentives for implementation.

Many voices within philanthropy have called for relying on quality research,³ and evidence-based decision making has become common in other sectors like health care, social policy, and education (e.g. Cochrane Reviews, Campbell Collaboration, and What Works Clearinghouse). Quality research can be expensive, but the potential improvements in programming are more than commensurate when foundations invest heavily in an area. For small grants where it is not cost-effective for a foundation to conduct research individually, collaborating with other foundations may provide opportunities. Research also provides foundations with a transparent and justifiable grantmaking process as the philanthropic community faces more scrutiny from the media and from Senator Charles Grassley and others in Washington. The public supports foundation grantmaking with tax exemptions and can rightfully expect foundations to maximize their charitable impact. Whether foundations are pushed by outside pressure or pulled by increasing professionalism, EBG is a proven approach that other fields have used to make large advances over the past century.

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¹ Don Dillman. *Mail and Internet Surveys: The Tailored Design Method* (2000).

² An earlier survey on effectiveness by the Urban Institute asked foundations how often they funded research in the previous two fiscal years. In this survey, foundations were classified by asset size rather than giving. Of foundation respondents with assets more than \$100 million, 16 percent never funded research, 41 percent rarely funded research, 28 percent sometimes funded research, and 14 percent often funded research. Francie Ostrower. 2004. "Attitudes and Practices Concerning Effective Philanthropy."

³ Joel Fleishman is the most recent from a long list. Joel Fleishman. *The Foundation: A Great American Secret* (2007).