Ascendant
STRATEGY MANAGEMENT GROUP

Balanced Scorecards for Foundations

The Balanced Scorecard was developed by Drs. Robert Kaplan and David Norton in 1992 to address a simple need: a more complete and balanced view of organizational performance.

The result of their research was a recommendation to shift focus away from strictly backward-looking financial results to a more balanced system that monitors performance in the customer, internal process, and learning perspective as well. The ability to manage an organization's strategy by measuring performance against key strategic objectives and understand the cause and effect linkages among them has revolutionized the way organizations are managed.

Foundations are free from many of the challenges that most nonprofit (and for-profit) organizations face. Nonetheless, making an impact in the area of their target social sector remains an imperative for them. The study, *Beyond the Rhetoric: Foundation Strategy* by the Center for Effective Philanthropy, surveyed CEOs and program officers of foundations and found that while they believe in the importance of strategy, there is a significant gap in their actual reliance upon the strategy to drive decision making[i]. Trustees they surveyed not only valued a strategic plan but clear, quantitative indicators against which progress is tracked.[ii]

While the issues facing foundations vary, the trend is the same: a movement toward strategic measurement to monitor progress toward achieving the mission. The Balanced Scorecard is a management system that has been well proven in the private sector, the public sector, and increasingly in the foundation and nonprofit sector. What differentiates the Balanced Scorecard from other measurement and management systems is that it:

- Uses the organization's strategy as the key organizing principle,
- Focuses on key strategic objectives and their cause and effect relationships, and
- Creates visibility through leading and lagging measures, targets and strategic initiatives.

Using the Balanced Scorecard to Maximize Impact for Foundations

Foundations have a unique role in the nonprofit sector as they strive to address social and environmental problems by providing grants to nonprofit organizations. The ability to focus on strategy and bring to bear the resources of multiple organizations on a shared vision or mission can yield results far greater than what is possible for individuals or non-profits acting on their own. The Balanced Scorecard helps foundations maximize their impact in three ways:

- **Grantee Performance.** The efficacy of grantees operating within the sector can be improved with a disciplined strategy management system.
- **Portfolio Optimization.** A foundation can maximize the impact of its portfolio by defining a set of shared priorities across their network of grantees.
- **Mission Collaboration**. Through using the Balanced Scorecard, foundations can encourage broad-based collaboration on shared priorities and goals.

Grantee Performance

Many mission-driven organizations have implemented the Balanced Scorecard with great results. Foundations can equip their grantees to achieve these levels of performance by encouraging them to use a Balanced Scorecard. This provides two key benefits: 1) The grantee will be able to better manage itself to deliver on its mission, and 2) The foundation will get visibility into the strategic performance of each grantee. This will allow the foundation to answer questions such as, "Are the grantees satisfying the evolving needs of customers?" or "Is our skill base what it needs to be?"

Portfolio Optimization

Foundations that are committed to achieving major social change must focus on funding organizations that can contribute to the solution in a range of different ways. However, a recent Center for Effective Philanthropy study shows that 75% of foundations do not have a clear focus with a defined strategy for accomplishing their mission.[iii]

The Balanced Scorecard can help a foundation focus its grant-making process by aligning the strategic objectives of the grantees. While each of the grantees may have a distinct role to play, there are likely a core set of high-level objectives the foundation would like each organization to focus on as well. High-level objectives suggested by the foundation can knit together a portfolio of grantees focused on providing a single social solution.

The effect is a sense of focus, belonging, community, and the power of being a part of something larger. Coupling a shared agenda with the opportunity for networking and learning from one another significantly increases the value a foundation provides its grantees and accelerates impact for the portfolio as a whole.

Mission Collaboration

At first glance, a foundation can only impact the grantee organizations in its portfolio, and thus no matter how large the foundation, there is a limited impact it can have in the greater community. Kramer and Cooch debunk this theory and show that a foundation can have an impact that stretches beyond the grantee community. In their article "The Power of Strategic Mission Investing," they illustrate this concept by highlighting the power foundations have to achieve real change by making strategic mission investments that complement their grant making and leverage market forces.[iv]

Imagine making the strategic change agenda public for all interested and related parties to see. A common vocabulary, shared objectives, and focus on a core set of outcome measures supported by a broad-based focus on supporting driver measures would result. The impact would now be exponentially greater than even the largest foundation could achieve.

Conclusion

Having a strategy is critical to achieving results. Using the Balanced Scorecard to communicate the strategy to all stakeholders, to invest resources in line with the strategy, and to measure performance against the strategy is where foundations can make a major difference. The Balanced Scorecard can even help foundations make a difference beyond their grantee portfolios by enabling all interested parties to share information, resources, and energy.

To Learn More

The Balanced Scorecard has been the subject of four articles in the *Harvard Business Review (HBR)*; two best-selling business books that have been translated into 19 languages; and numerous case studies and public conferences worldwide. The editors of *HBR* identified the Balanced Scorecard as one of the most significant management ideas of the past 75 years.

Learn more about the Balanced Scorecard and join the global Balanced Scorecard community at www.bscwiki.com and www.bsccommunity.com.

Ascendant Strategy Management Group

Ascendant Strategy Management Group is a professional services firm dedicated to helping associations, foundations, government agencies, and charities drive breakthrough results with the Balanced Scorecard. Founded by professionals with more than 30 years of combined work experience with Drs. Kaplan and Norton, originators of the Balanced Scorecard, Ascendant is uniquely qualified to help organizations manage strategy.

Ascendant offers training, consulting, facilitation, and technology services to clients directly or via a Collaborative Network that encourages group knowledge sharing, learning, and networking. With a singular focus on strategy management, Ascendant's goal is to transfer knowledge and capabilities to improve the management capacity of the not-for-profit sector.

Please visit our website and read Ascendant Strategy Management Group's blog at www.ascendantsmg.com.

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[i] *Beyond the Rhetoric: Foundation Strategy*, The Center for Effective Philanthropy (2007)
[ii] *Beyond Compliance: The Trustee Viewpoint on Effective Foundation Governance*, The Center for Effective Philanthropy (2005)
[iii] *Beyond the Rhetoric: Foundation Strategy*, The Center for Effective Philanthropy (2007)
[iv] Kramer and Cooch, "The Power of Strategic Mission Investing," *Stanford Social Innovation Review*, Fall 2007