

# The Criteria Project: Creating a Meaningful Methodology for Evaluating Core Operating Support and Grants

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One of the distinguishing characteristics of Jewish federations as funders, differentiating them from the majority of traditional private foundations, is that most federations designate some significant portion of their support to affiliation grants of core operating support—dependable, flexible dollars used at the agencies' discretion to further their own missions and that of the federation. The value of these unrestricted affiliation grants has always been understood by their nonprofit recipients, but only more recently has begun to be appreciated by the private grantmaking community. Once viewed with skepticism by funders, as fodder for the “black hole” of fungible agency budgets, these grants are increasingly being redefined as the “oxygen” that allows nonprofits to survive and thrive, thereby providing the platform from which to test innovation grants and foster the health of local communities.

However despite this growing recognition of the critical role that core operating support plays in the health and effectiveness of nonprofits, broad acceptance of this approach by funders is still stymied by the challenges of evaluating its impact. As opposed to project-based grants, for which evaluation parameters are circumscribed and methodologies well established, the assessment of core operating support grants requires the funder to achieve an understanding of how the agency as a whole helps the philanthropy achieve its aims.

Given the more than \$35 million in core operating support funding that it provides to its affiliate agencies and its commitment to mission-based planning, UJA-Federation of New York has grappled with the challenge of evaluation. It developed an extensive organizational review process, which included (1) a self-assessment completed by each agency every three to four years and (2) review panels of federation lay leaders supported by a team of professionals. This review, which has been strengthened over the years to include concrete measurable objectives for agency improvements, has fostered a meaningful dialogue between UJA-Federation and its agencies.

However, what this approach could not accomplish was to compare the value of UJA-Federation's investment in one agency to another. Nor did it capture the extent to which the outcomes of UJA-Federation's investment in an individual agency were aligned to those factors of greatest importance to the federation itself. UJA-Federation recognized that without a meaningful and manageable way of achieving these ends its ability to be strategic in its grant-making and convincing in its message to donors was at risk.

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To build a new approach, UJA-Federation sought guidance from the broader philanthropic sector, convening in 2008 a symposium that attracted nearly 200 private philanthropies, as well as lay and professional leaders from other federations. What became clear was that a significant number of funders were also grappling with a similar dilemma—they were becoming increasingly aware of the importance of core operating support to the success of their nonprofits grantees, but they could not “sell” this approach to their boards without a viable evaluation methodology to back up their decision making.

UJA-Federation realized that federations as funders are well positioned to achieve the level of understanding required to develop a holistic approach to evaluation. In contrast to many of their private foundation counterparts, most federations have built long-term multifaceted relationships with their affiliated agencies through which they actualize their communal response to the diverse needs of the Jewish community. In New York City a network of 100 nonprofit agencies that serve an eight-county area has been a hallmark of UJA-Federation’s 92-year history and the instrumentality through which it carries out its mission.

To develop a viable methodology, however, required that UJA-Federation determine what constitutes the most meaningful criteria according to which a comparative form of organizational assessment should be made. The size, scope, and complexity not only of UJA-Federation’s largest human service agencies but also of its more moderate-sized Jewish Community Centers and camps required careful choices to narrow the scope of evaluation to the most compelling indicators.

Keeping in mind the pitfall—“if you don’t know where you are going, any road will take you there”—UJA-Federation’s first step in redesigning its review of affiliated agencies was to take a step back: to consider the unique nature and needs of federation as a funder and through that understanding selectively shape the contours of a new evaluative approach. Thus began the Criteria Project, an intensive lay and professional process that involved all divisions within UJA-Federation. Its goal was to identify a set of evaluation criteria that would be the most compelling in terms of making funding allocations.

Although there are individual differences in emphasis and orientation, federations are by nature consensus-building organizations with an overarching goal of promoting collective responsibility for strengthening, optimizing, and sustaining their Jewish communities. Federations are stewards of their donors’ dollars. In large part they must raise those dollars anew each year and therefore are challenged each year to prove the relevance of their funding. They must assure their donors that their contributions are being put to work by federation agencies that can demonstrably deliver with excellence and impact against the mission in which the donor has invested, while at the same time leveraging resources in a way that multiplies the value of the donor’s investment.

It is with these philosophical and practical underpinnings as backdrop that UJA-Federation identified the following six criteria around which to develop its new approach to assessment. The first three criteria, though selectively framed, have implications for all funders. Criteria 4–6 are drawn from the issues noted earlier and are unique in large part to the federation system. Excellence in the

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first three criteria is seen as a prerequisite for positive achievement of the final three criteria.

**1. Demonstrates management excellence:** Emphasizes the breadth and depth of strategic and business planning, the findings of outside accreditation, the caliber and effectiveness of professional leadership, the training and retention of agency staff, and the effective use of technology

**2. Assures that the tenets of excellent governance and oversight are met:** Reflects active engagement in setting strategic directions for the agency's vision and mission—ensuring legal, financial, and ethical accountability; guaranteeing adequate resources; and building public trust

**3. Delivers program excellence:** Demonstrates innovative best practice and a consumer orientation with particular emphasis on meeting the needs of the Jewish community

**4. Moves forward UJA-Federation's strategic goals and directions:** Engages proactively in furthering federation's priorities through its programs, messaging, and penetration into the Jewish community

**5. Adds value to UJA-Federation's collective enterprise:** Engages in quality interactions with UJA-Federation, including promoting and providing visibility for UJA-Federation's work through active co-branding, underscoring the value of the Jewish community to the larger community, securing full board and staff engagement in the campaign, and working collaboratively and collegially with other network agencies and Jewish communal institutions

**6. Leverages impact on behalf of the Jewish community:** Enhances and extends the life of UJA-Federation targeted grants through robust fundraising, accesses government contracts and grants to institutionalize federation-funded programs, engages volunteers effectively to extend capacity, and secures "buy in" from the local community to sustain the work of the organization

The first phase of the Criteria Project focused upon developing a baseline score for each agency to provide an external input into future organizational reviews and comparability between agencies. "Framing Statements," developed separately for each service sector within UJA-Federation's network (i.e., human service agencies, Jewish Community Centers, camps, community relations councils), set forth UJA-Federation's aspirations and expectations of its agencies. These Framing Statements were created by a team of federation professionals from its Jewish Communal Network Commission (JCNC), which manages the affiliation process, under the guidance of an organizational management consultant. Then, UJA-Federation's senior professionals drawn from its program, planning, and fundraising divisions; federation lay leaders; and the professional leadership of the network agencies were invited to comment and recommend changes that were incorporated into these documents. The Framing Statements will be used as the preambles to the revised organizational review manuals, also tailored to each sector.

The next step was to develop an electronic survey methodology, which would allow UJA-Federation to draw upon the experience of a broad and diverse range of federation professionals and lay leaders. Each survey was comprised of six sections, one for each of the six criteria. Respondents were asked to assess each agency in comparison to the others in its service sector, but only for those

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agencies with which they were substantially familiar and only on those criteria with which they had actual experience. Respondents selected from five possible ratings for each agency: “Significantly Higher” (than the comparison group), “Somewhat Higher,” “Equivalent,” “Somewhat Lower,” and “Significantly Lower.” A “Do Not Know” option was also available. Respondents also were asked to provide subjective, narrative information.

To help the respondents complete the surveys, they were provided with the following data: a financial health status rating based upon the past year’s audit, a three-year total of UJA-Federation targeted grants; the percentage of agency staff and board members who give to the annual campaign and of those the number who are major donors; the self-reported percentage of the agency’s budget dedicated to Jewish clients; agency accreditations; and, where available, public sector ratings on contract performance. After the surveys were completed for each service sector, a representative group of senior professionals and lay leaders most familiar with those agencies took part in a retreat, one for each sector, to review the findings. The following conclusions were reached:

- The criteria were broadly accepted as viable.
- Survey findings appeared robust and consistent with the fact base, were confirmed by the knowledge of well-informed retreat participants, and were seen as full, thoughtful, and informative.
- Quantitative findings showed important performance differentials among agencies, which qualitative findings helped explain, and these differentials indicated improvement potential.

Given the preliminary success of the Criteria Project, UJA-Federation has redesigned its organizational review manual to institutionalize the evaluation of its affiliation grants against these six criteria, with a focus on agency comparability and communal impact. The findings of this multilevel process, which began in the fall of 2009 with the reviews of UJA-Federation’s seven human service agencies, will inform and support allocation decisions for the 2010/11 funding cycle. It is anticipated that the learning and evaluative approach developed and field tested through this initiative will offer other philanthropies a resource that can encourage greater investment in core operating support grantmaking, thereby strengthening and sustaining the nonprofits that serve as the platform from which their missions can be achieved.