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**BUILDING EFFECTIVE ORGANIZATIONS:
AN EVALUATION OF THE
ORGANIZATIONAL CAPACITY GRANTS INITIATIVE (OCGI)**

EXECUTIVE SUMMARY

Prepared by BTW Consultants – informing change for the nonprofit and philanthropic sectors

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March 2002

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EXECUTIVE SUMMARY: BUILDING EFFECTIVE ORGANIZATIONS

ABSTRACT: This evaluation report tells the story of a capacity-building Initiative that transformed many of the organizations and individuals involved. The report describes the Initiative's design and how it evolved. The report also outlines the outcomes achieved and lessons learned. It concludes with suggestions for future capacity-builders.

INSPIRATION

The challenge faced by both foundations and their nonprofit partners is how to build effective organizations that can deliver high-quality programs and services that achieve measurable outcomes at the client and community levels. Foundations are interested in making better capacity-building grants that lead to more effective organizations; nonprofits are interested in using grant funds more strategically to maximize the organizational benefit of unrestricted financial support. This is the environment and these are the challenges that inspired the creation of the Organizational Capacity Grants Initiative (OCGI).

OCGI was a complex undertaking that evolved over the course of three years, adapting to the needs of the Initiative's partners based upon listening and feedback. In its simplest form, the framework for the Initiative consisted of joint grants from three foundations to sixteen nonprofit agencies, with quarterly meetings designed to engage foundation and agency representatives in conversations about ways to enhance capacity and improve organizational effectiveness. In addition to the foundation and agency partners, the Initiative was supported by a Management Support Organization and an evaluation firm. More than financial support and meetings, though, OCGI represented an agreement among the Executive Directors/CEOs of three very different foundations and 16 nonprofit agencies to participate in research and development to better understand how to build effective organizations.

THE PLAYERS

FOUNDATIONS

Peninsula Community Foundation
The Charles and Helen Schwab Foundation
The Sobrato Family Foundation

AGENCIES

Adolescent Counseling Services
Boys & Girls Club of the Peninsula
Center for Domestic Violence Prevention
Community Gatepath
Community Services Agency of Mountain View & Los Altos
El Concilio of San Mateo County
Family and Children Services
Family Service Agency of San Mateo County
Free At Last
Friends for Youth
Peninsula Conflict Resolution Center
Samaritan House
Shelter Network
The Volunteer Center of San Mateo County
Youth & Family Assistance

MANAGEMENT SUPPORT ORGANIZATION

CompassPoint Nonprofit Services

EVALUATOR

BTW Consultants-*informing change*

THE GOALS

OCGI defined the following three goals for the Initiative:

1. To support the nonprofit partners to build their effectiveness.
2. To improve the ability of the foundation partners to make effective capacity-building grants.
3. To create examples and lessons that could be used and shared with others interested in the pursuit of organizational effectiveness.

THE PRINCIPLES

OCGI adopted a set of operating principles that guided the development of each component of the Initiative:

- ✓ **Trust**
- ✓ **Learning**
- ✓ **Partnership**
- ✓ **Active Reflection**

THE INPUTS

The core components of OCGI included:

- Project Grants
- A Multi-year Investment
- Quarterly Learning Cohort Meetings
- Steering Committee Meetings
- Foundation/Agency Relationships
- Supplemental Training and Technical Assistance Opportunities
- Evaluation and Evaluation Support

UNLIKELY PARTNERS FOR BUILDING EFFECTIVE ORGANIZATIONS

OCGI was sponsored by three very different foundations. None of these foundations had ever worked together before, each was at a different stage of development, and all had a certain (though varied) tolerance for risk and ambiguity. The Sobrato Family Foundation had just been established when it heard about OCGI. The Charles and Helen Schwab Foundation had a few years of experience experimenting with capacity building grants for the first three years of its start-up period and was in the middle of a dramatic growth spurt. The Peninsula Community Foundation was the elder of the group, with experience in capacity building, a well developed infrastructure, and a reputation for excellence in the community.

THE NONPROFIT AGENCIES

Sixteen human service organizations participated in OCGI, representing key providers of health and human services in the counties of San Mateo and Santa Clara, California. The agencies were well-established, with three-quarters in operation for 15 years or more. At the start of OCGI almost half had Executive Directors or CEOs with tenures of six years or more. The agencies varied in size, from eight to 252 full- and part-time staff, with budgets ranging from \$500,000 to \$6.2 million.

CRITICAL SUPPORT

The success of the relationship building that defined OCGI was in part due to the support and direction provided by an independent nonprofit technical assistance organization, CompassPoint Nonprofit Services, and an evaluation firm, BTW Consultants-*informing change*. Retained for its expertise in capacity building and consulting to nonprofits, CompassPoint facilitated the design discussions that culminated in OCGI, collected examples of other capacity-building initiatives to inform that design, and was instrumental in managing the relationships that emerged between the foundations, between the foundations and nonprofit organizations, and between the nonprofits themselves. BTW Consultants was retained to evaluate the Initiative and contributed information gathered from the evaluation to the ongoing discussions about Initiative design and implementation.

WHAT IT TAKES TO BUILD AN EFFECTIVE ORGANIZATION

OCGI concluded that effective organizations are not born, but nurtured through a combination of **supportive engagement, capacity building grants, leadership development**, and **active reflection**:

- **Supportive Engagement:** The coming together of foundations and nonprofits in a Learning Cohort as peer knowledge partners in a spirit of cooperation and full disclosure. The power dynamic between foundations and agencies is intentionally acknowledged and minimized, and the learning is supported by a Management Support Organization and an evaluator. Supportive Engagement is about sharing lessons, challenges, and successes in order to advance one another's capacity, knowledge, and effectiveness.
- **Capacity-Building Funds:** Funding for organizations to address the most important operational or systems-level problems they identify, in exchange for setting out measurable process and outcome objectives and agreeing to track progress, share experiences, and make corrections along the way.
- **Active Reflection:** Time that is intentionally set aside for thinking and talking in order to increase learning and knowledge exchange about managing change and building capacity.
- **Leadership Development:** Attention and resources provided to the Executive Directors/CEOs of nonprofit agencies as a way of appreciating their efforts and supporting their continuous growth.

THE RESULTS AT THE INITIATIVE LEVEL

OCGI yielded significant results. On the Initiative-level, Supportive Engagement led to stronger partnerships, Active Reflection led to seeing a bigger picture, and Leadership Development led to strategic management and governance. Across the Initiative, foundations and agencies reported the following "value added" from their OCGI experience.



"We experienced a number of unanticipated outcomes as a result of OCGI, far beyond our specific capacity-building work in Marketing and Fund Development...While OCGI isn't solely responsible for all of these changes, OCGI did give us the encouragement and support we required to undertake the reflection that was needed to make these changes happen."

OCGI Agency Representative

"The most important lesson we learned is that stepping back and attending to those issues which relate to effectiveness of the organization—its structure and its processes—is one of the most crucial steps in providing higher quality service to our target populations."

OCGI Agency Representative

PARTNERSHIP...

"OCGI successfully leveled the playing field. OCGI provided me with a sense of empowerment and equality."

OCGI Agency Representative

REFLECTION...

The organization "has made a major shift in how it defines success. There is less emphasis on numbers and more focus on qualitative outcomes and effectiveness for clients and the community."

OCGI Agency Representative

CLIENT SERVICES...

"The number of new mentor/client matches increased by 114%."

OCGI Agency Representative

STAFF EFFECTIVENESS...

"Scores on a management effectiveness survey yielded an increase of 25% over baseline in Year 1, and an additional 23% from Year 1 to Year 2."

OCGI Agency Representative

FUNDRAISING...

"Funding from individual donors increased 41%."

OCGI Agency Representative

STAFF MORALE...

"Our new [Marketing] materials communicate that we are more professional and more of 'a player'. Even staff seem to have a renewed sense of agency."

OCGI Agency Representative

Partnership

- ✓ Increased **trust** and **openness** between the foundations and the nonprofits.
- ✓ New professional **networks** and a strategic realignment (merger).
- ✓ More **knowledge** and **risk-tolerance** among the foundations.

Reflection

- ✓ Better **use of information** to think and plan.
- ✓ Developing services in a broader community context—**seeing the big picture**.

Leadership

- ✓ More **strategic** use of time—taking the time to attend to organizational effectiveness.
- ✓ Improved leadership and management **skills**.
- ✓ Increased **board engagement** and involvement in governance.

THE RESULTS AT THE ORGANIZATION LEVEL

Over the course of three years, OCGI resulted in positive—and at times dramatic—improvements within agencies in terms of improved operations and mission accomplishment; and within foundations in terms of their understanding of capacity-building grantmaking.

Agency capacity-building projects clustered in four areas: Technology; Marketing/Fund Development; Human Resources; and Leadership/Management and Governance. These projects resulted in improved organizational practice, measured over time, in the following areas:

- Data Tracking and Evaluation
- Client Services
- Communications
- Staff Efficiency and Effectiveness
- Role Clarification and Delegation
- Fundraising and Fund Diversity
- Agency Recognition
- Staff Morale and Satisfaction
- Staff Diversity
- Compliance with Regulations and Laws
- Board Membership and Participation
- Use of Information for Planning

Despite the fact that the foundations came together ostensibly to build the capacity of other organizations, it was clear from the beginning that OCGI was going to build capacity within the foundations themselves. OCGI has, in fact, left a lasting impression with all three foundations; each is incorporating the lessons learned from OCGI that are fitting to the foundation's mission, stage of development, and organizational style.

RECOMMENDATIONS – WHAT WORKED IN OCGI

OCGI yielded significant lessons for others interested in pursuing capacity building as a strategy for creating more effective organizations:

- ✓ **Develop a genuine foundation/agency partnership.** In this partnership, foundations and agencies meet regularly at the same table to share information, experience, and reflections.
- ✓ **Create a Learning Cohort.** It is important to establish a safe environment for participants to talk about what it takes to be effective organizations in the 21st century. This means establishing a process that invites multiple perspectives to the learning table and facilitates full participation from all members of the Learning Cohort.
- ✓ **Collaborate with other funders.** By combining their cultures, experiences, and knowledge base, foundations increase the likelihood that they will develop new and better approaches than if they act independently.
- ✓ **Allow at least three years for investment.** Three years provides enough time for organizations to implement capacity-building projects, begin to see evidence of their impact, and reflect on the meaning and application of project experiences to other efforts.
- ✓ **Emphasize learning to achieve results.** A process that emphasizes learning and truth telling means that sharing a failure is as acceptable and valuable as sharing a success. This model exchanges the proverbial stick for the proverbial carrot.

In part because of OCGI, “we are pursuing high engagement, long-term, one-on-one relationships where we will work as partners with nonprofits... defining organizational challenges and the role the Foundation can plan in addressing or overcoming those challenges.”

Sobrato Family Foundation

“OCGI has transformed the Foundation. Much of our work moving forward is going to be based on the learning of OCGI.”

Charles and Helen Schwab Foundation

“We have to think about capacity building in bigger and deeper ways. We want to help nonprofits improve their effectiveness, and we see that as helping us improve our effectiveness as funders.”

Peninsula Community Foundation

“OCGI was (in part) about learning to play with other funders. We had never done it before. We developed our ability to trust.”

OCGI Foundation Representative

“The group dynamic enabled us to stay the course because it wasn’t just one Executive Director or one foundation making the investment. It was collective action. One person or one foundation might have been tempted to give up at different moments.”

OCGI Foundation Representative

“One way of thinking about knowledge generation is that it is experience plus reflection. The grants provided an opportunity to gain experience. That was the design. Since the goal of the Initiative was learning, we had to have an opportunity to make sense of the experience. That was the reflection.”

OCGI Management Support Organization

- ✓ **Retain a Management Support Organization (MSO).** A third party facilitator of process and content leverages the best of each participating organization and helps to level the playing field between agency and foundation partners.
- ✓ **Integrate evaluation early.** Having an evaluator at the table early in the process allows for better documentation and the use of data to inform the evolution of design.

CONCLUSION

All told, OCGI was a three-year learning experience in building effective organizations, engaged in by three foundations, 16 nonprofit agencies, a Management Support Organization, and an evaluation firm. OCGI participants concluded that effective organizations are not born; they found that their efforts to build effective organizations were nurtured through a combination of supportive engagement, capacity-building funds, leadership development, and active reflection. The process is time consuming, but the value is great.

Building capacity, observed one OCGI participant, requires **“one part readiness, one part resources, and one part reflection.”** OCGI provided resources and a structure for reflection, but “readiness” was up to the participants. Not every participating organization started OCGI at the same level of “readiness,” but they all grew more “ready” over time. The result was that organizations got out of OCGI what they put in; those ready to contribute the greatest effort—participating fully in required and supplemental activities—reaped the greatest benefits.

While OCGI doesn’t offer a definitive prescription for building an effective organization, it does provide insight into what it takes to build trust, cultivate leadership, and manage organizational change. OCGI also demonstrates that organizational effectiveness is a shared pursuit, best undertaken as a partnership between foundations and nonprofit agencies, with an appreciation for the inevitable challenges they will face and a vision for what is possible.

Finally, OCGI confirmed that organizational effectiveness is a goal that may never be fully accomplished. In the words of one OCGI participant: **“Perhaps organizations are never truly ‘effective’. We just get better and better.”**