

Introduction

This theory of change was prepared using the suggested format on the Evaluation Services intranet site.

Problem Statement – extent and causes

Organizational Effectiveness (OE) grantmaking at the Packard Foundation is based on the belief that organizations that are well-managed and well-governed are more likely to achieve their programmatic goals, and so we invest in projects aimed at developing grantee management skills and organizational capacity.

Strategies outlined in subprogram logic models have outputs and outcomes that depend on the capacity of organizations in the field. OE grants are a tactic to support implementation of subprogram strategies.

In some cases capacity in the field in which our programs work is thin, so program strategies require building a foundation of new organizations to carry out the work. In contrast, there are other fields where organizations have become stale.

Some grantees are under pressures such as a change in leadership, rapid growth or downsizing, or shifts in funding streams. Clara Miller CEO, Nonprofit Finance Fund says that for nonprofits, “our capital supply side is fragmented and expensive to access.”¹ In addition, she points out that “it actually costs you money –sometimes lots of it--when a donor shows up with a check that has restrictions on its use.” With respect to leadership changes, seventy-five percent of the two 2000 executive directors completing the “Daring to Lead 2006” survey, conducted by Compasspoint and the Meyer Foundation, stated that they do not plan to be in their jobs five years from now.² Bridgespan’s Tom Tierney predicts that the looming leadership deficit is the greatest challenge facing nonprofits over the next ten years.³

Such conditions increase the implementation risk to program outputs and outcomes.

What is our OE Work?

In part, we are building on the vision of our founder David Packard, well known as a savvy and innovative manager. We have also developed a body of experience that indicates that these grants may operate as a kind of insurance, reducing risk and extending the impact of our investments on the program side.

OE grants are made to current and recent Packard Foundation grantees to enable them to undertake well-defined projects to develop or refine skills, strategies, organizational systems, or structures. Grants support a variety of projects, ranging from planning and board development to restructuring and executive transitions. Since beginning this work in 1983, we have made over 1,400 of these types of grants totaling over \$55 million.

The term “capacity building” sometimes gets applied to this work. That’s accurate in the sense that OE projects, as their central purpose, build organizational capacity. However, not all capacity building projects or expenditures are funded by OE.

Problem Statement – extent and causes (continued)

The **defining characteristics** of an OE project in our approach are the following:

- The end result is improved management, governance, and/or systems for learning and improvement.
- Improvement occurs at the level of the organization as a whole, rather than in a specific program, division, team, or campaign.
- The organization makes fundamental, positive changes in the way it operates as a result of learning from the project.
- The organization is prepared to invest its own human and other resources in working with consultants during the planning or learning phase, and in implementing the recommended actions or changes after the planning or learning phase is over. OE funds support only the extraordinary costs associated with bringing outside expertise to the planning/learning phase (usually consultant fees and occasionally, costs associated with special planning meetings or conference calls).

Some projects that do not meet OE funding criteria are valid projects for the organization, and might even be funded by the Foundation through the primary program. Requests that go beyond the *development* of strategies to their actual *implementation* are not generally eligible for OE support.

We sometimes uses other approaches to building nonprofit capacity, including peer learning groups, grants to intermediary service providers, and Foundation-sponsored training. These are discussed below in the alternative strategies attachment.

Community Needs/Assets – what strengthens or challenges the work?

Scoping the Need

There is growing research on the challenges and needs of nonprofit organizations, much of it funded by the OE program 1998-2002. The attached timeline lists some of this work.

The OE program engaged in several studies of the needs of our grantees and the impact of OE grants. Guidelines and grantmaking processes were refined as a result. These events also are noted on the attached timeline.

OE grantmaking operates at the individual organizational level. So the needs assessment takes place organization by organization.

The best answer to the question, “How do you know when an organization can benefit from an OE grant?” is usually “Wait for them to come to you with a project.” We think that OE projects work best when done on the organization’s own initiative. The role of the program officer (both the OE program officer and the primary program officer) is mainly to inform grantees that OE grants are available, instruct them how to apply, and provide information about other organizations that have engaged in OE projects, so grantees can consult with

peers.

Community Needs/Assets – what strengthens or challenges the work? (continued)

The “four questions” grantees are asked to answer in the application process usually provide enough information to make an initial judgment on need and assets. The questions are:

1. Why do you want to undertake your project at this time?

What special circumstances, challenges, or changes have caused your organization to focus on management and organizational issues?

2. What do you expect to accomplish?

What are the specific objectives of the project? How do you propose to use Foundation funds? What do you hope to learn from this work?

3. In the long term, how do you see this project enhancing the effectiveness of your organization?

What do you expect will be the impact of the investment of time and resources in addressing the management/organizational challenges you describe? What changes do you hope for as a result of the proposed project?

4. Who from among your organization's staff and board will provide leadership for the project?

Who are the champions of this effort? Who has made the commitment to lead the organizational effectiveness project if funding is secured?

The application process for OE grants is intended to provide an opportunity for applicants to reflect upon and clarify organizational challenges, needs and assets. Also included in this packet is a logic model for learning that can take place in the application process.

OE program officers do not want to presume to know enough about the grantee’s situation to make prescriptions about whom they should hire or what they should do. Rather, we hope to act as coaches and sources of information as the organization embarks on its own learning or improvement process—and ultimately, to make a judgment as to whether the proposed consulting project is sufficiently consistent with guidelines and has a sufficient likelihood of success to justify recommending funding.

Assumptions

The following are assumptions that reflect our thinking about assets and deficits that can enhance, or present challenges for, OE project implementation:

- *Management challenges are normal and ongoing for all organizations.* Management challenges emerge, not necessarily because an organization is weak or poorly run, but often as a result of healthy growth, risk taking, and adaptation to a rapidly changing environment. A commitment to addressing these challenges is a sign of strength, not

weakness.

Community Needs/Assets – what strengthens or challenges the work? (continued)

- *Coaching is more productive than directing because grantees will frequently, though not always, know what area of their organization needs improvement.* Grantees know their competency and capacity needs better than we ever will. The more decisions grantees make, the more committed they will be to the process and the project. An organizational assessment is an excellent first step. According to Carol Lukas and Sandra Jacobsen in *A Funders Guide to Organizational Assessment*,⁴ “Assessment can be the launching point for a planned change effort—whether it is strategic planning, restructuring, program development service delivery enhancements, or targeted organizational improvement. Assessment can motivate a sluggish board...” We may introduce the idea of starting with an assessment, but we do not impose it on organizations that have identified a different need.
- *Consultants are best chosen by the grantee.* Corollary: there is a relationship between the skills/experience/quality of the consultant or other technical assistance provider and the outcomes for the organization. This makes the consultant search and selection process a critical step for the organization attempting to enhance its organizational effectiveness. Grantees may want (and need) support in making the selection, but there remains a benefit to the organization in making the choice of expert for themselves.
- *There is no quick fix and there is no permanent fix either.* Effectiveness requires ongoing attention because change is the constant. Since the context for the work is always changing, the organization must change as well.
- *An internal champion for the capacity-building work is a critical asset for the success of the project.* Grantees have important, often urgent, work to do. Without a champion for the capacity-building work, it can easily be left on the back burner in the face of other more immediate program-related priorities. Depending on the type of change that is being attempted, there may be a need for a champion at the board level.
- *Organization-building takes longer and is harder than anyone thinks.* We hear this over and over again from our grantees as they reflect back on their OE work. A recent study of 26 strategic planning grants found that the average length of the projects was 14 months. Holding an OE grantee to a tight timeline can actually inhibit learning and lead to lack of candor in reporting. We reassure our grantees that we will extend a grant period if progress is being made and more time is needed.
- *Capacity-building work is less effective in times of crisis but is imperative once a crisis is*

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resolved. A grant for planning, training, or assessment will not help an organization in crisis. A true crisis—the result of earthquake, fire, flood, the unanticipated loss of a previously stable funding stream, or a sudden and complete breakdown in the relationship between the executive director and board—is not the right time for a thoughtful, comprehensive process. An OE grant will not have the desired results when what is needed is a quick infusion of cash or immediate action to deal with an emergency. On the other hand, a crisis caused by poor governance, inadequate organizational systems or structures, misalignment between programs and mission, or any other significant organizational failing, will never be effectively addressed by an infusion of cash.

Community Needs/Assets – what strengthens or challenges the work? (continued)

- *Other factors that contribute to the success of a capacity-building engagement include:*
 - Agreement among key leaders that the capacity-building work will lead to significant improvements in the organization’s effectiveness
 - A vision of how the organization can/should improve/enhance its effectiveness as a result of the capacity-building efforts
 - Clear expectations and workplan established at the beginning of the consulting relationship
 - Flexibility to reorient the workplan as assumptions are tested and lessons are learned
 - Capable consultant(s) who have prior experience in the kind of assignment to be undertaken
- *The results of a capacity-building effort may take time to surface.*

Program Inputs and Resources

Inputs

The OE Logic Model identifies key inputs including:

- (1) Philosophy and Assumptions listed above: e.g. an OE project is best done on a grantee’s own initiative
- (12) Grantees’ existing strengths
- (13) Knowledge about best practices in how to make an organization effective
- (14) Staff:
 - OE staff
 - POs
- (15) Outside consultants
- (16) Funding for
 - Organizational assessment, a process of reviewing and developing recommendations about internal strengths and weaknesses
 - Strategic planning, which takes into account the internal and external environment
 - Business planning, which often focuses on execution and/or revenue streams

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- Fund development planning and feasibility studies for revenue stream, capital campaigns, or endowment building
- Succession planning and executive search services during senior leadership transitions
- Strategic communications planning
- Staff development, including cultural competence to better serve constituents
- Board development
- Mergers or other restructuring efforts
- Executive coaching

Program Inputs and Resources (continued)

Planning

Strategic planning continues to be the most frequently requested and funded type of OE project.

OE also supports financial planning and the development of funding strategies, business plans,

planning for leadership transitions, and strategic communications planning (see below). Most types of planning involving the organization as a whole, and resulting in better management or governance, can be supported by OE. Some planning efforts limited to specific projects or programs, rather than the organization as a whole, would be referred to the primary program area. Of course, a strategic planning process in and of itself does not make an organization more effective. Jan Masaoka, who recently left CompassPoint, stated in a Chronicle of Philanthropy interview “..but in some ways the pendulum has swung too far and people now have too much faith in strategic plans and consulting and have neglected the importance of execution.”

Strategic communications planning :

OE supports projects to develop strategic communications plans. For this specific type of grant we have an additional input. During the LOI process we refer grantees to the tool at Smartchart.org. It is a “Tool to Help Nonprofits Make Smart Communication Choices”. Whether a grantee is just starting the communications planning process, checking in on a communications campaign already in progress, or interested in reviewing an effort that they have already executed, the Smart Chart can help grantees assess the strategic decisions and ensure that their communications plan delivers high impact.

OE support does not extend to implementation of the identified strategies (consultants who carry out activities such as designing and printing brochures, sending out press releases, hosting events, publishing annual reports and newsletters, etc.). These latter activities may qualify for support from the primary program area. The question, “What will the organization learn?” is particularly important in evaluating a request that involves consultants who work with organizations on communications projects. If the consultant works with staff in such a

way that the staff are then able to carry out the program on their own after the project is completed, the activity may be eligible. If the consultant completes tasks in such a way that the organization must hire the consultant again, or hire new consultants, to continue the work, the project is probably not eligible.

Evaluation capacity building:

Reflection, assessment, and information-based decision making are essential to nonprofit organizational effectiveness. Therefore, OE can fund evaluation activities focused on developing grantees' capacity to successfully conduct and use evaluation, but this has not been a prevalent practice. Most single organization evaluation activities are program specific and are funded by program. We think this capacity building may best be done with the cluster approach mentioned below.

Results/ Desired Change

The desired change is outlined in the OE Logic Model starting with tangible Outputs that lead to Short-Term, Mid-Term, Long-Term and Ultimate Outcomes. Grantee's actual objectives are outlined in their proposal and work plan. Their results are reported in their final reports. The logic model summarizes these outputs and short term outcomes in simple, general terms.

Outputs

OE Required Outputs

(OP1) Written answers:

- Why undertake project now
- What grantee expects to accomplish
- How project will enhance grantee's effectiveness
- Who will provide project leadership

(OP2) Clearly articulated OE project objectives and a workplan with a budget and timeline
OE helps organizations find and hire a consultant who will be right for them, and evaluates consultant workplans and qualifications.

Grantee Outputs

(OP3) Planning meetings held

(OP4) New processes identified

- data collection,
- communications,
- fundraising
- etc.

(OP5) Reports written and circulated

(OP6) Management information systems built

(OP7) Trainings delivered

Short-Term Outcomes

OE Required Short-Term Outcomes

(SO1) Leadership gains:

- Understanding of org. issues
- Understanding of range of services available to address them

Grantee Short-Term Outcomes

(SO2) Achieve alignment of:

- Vision
- Mission
- Beliefs/values
- Strategy

(SO3) Improve Board governance:

- Clear roles
- Fulfillment of duties

Results/Desired Change (Continued)

- Balanced Board
- etc.

(SO4) Improve executive leadership

- Diverse experience
- Effective leadership
- Good financial judgment
- etc.

(SO5) Increase staff capacity to address specific key issues

- Fund development
- Evaluation
- Communications
- etc.

(SO6) Increase financial sustainability

- Diverse funding streams
- Appropriate balance of streams

Grantee Mid-Term Outcomes

(MO1) Increase organizational capacity and performance

(MO2) Improve organizational sustainability

Grantee Long-Term Outcome

(LO) Improve program outputs

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Ultimate Outcome

(UO) A better world (with respect to conservation, science, population, and children, families & communities)

Resources Mentioned

1. The Looking Glass World of Nonprofit Money: Managing in For-profits Shadow. Clara Miller. The Nonprofit Quarterly, Winter 2005
2. The Nonprofit Sector's Leadership Deficit, Thomas J. Tierney, The Bridgespan Group, Inc. 2006 PDF http://bridgespangroup.org/kno_articles_leadershipdeficit.html
3. Daring to Lead 2006: A National Study of Nonprofit Executive Leadership. PDF <http://www.compasspoint.org/content/index.php?pid=19>
4. A Funders Guide to Organizational Assessment, Tools Processes and Their Use in Building Capacity. Fieldstone Alliance and Grantmakers for Effective Organizations, 2005. This book has a CD that includes assessment tools. (McKinsey, CAPMAP, Unity Foundation's, Babcock's for Grass Roots.)