Grantmakers for Effective Organizations

Inaugural
Conference Report

Monterey, California
October 1998

GEO
GRANTMAKERS FOR EFFECTIVE ORGANIZATIONS

GEO Steering Committee
1998-1999

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Dear Colleague,

I take great pleasure in introducing you to this digest of the inaugural conference of Grantmakers for Effective Organizations (GEO). The conference itself was a testimony to the fact that effectiveness is every funder's issue. Issues of organizational effectiveness transcend programmatic and geographic bounds. They engage every program officer or foundation executive who cares about the impact of their grants. And the 1998 Monterey conference engaged and involved grantmakers from private and family foundations, corporate and community foundations, government and business.

In the following pages, the reader will be introduced — or re-introduced — to the range of issues raised and discussed by this very diverse group of grantmakers. But don't expect to find easy answers or a "how to" manual. Our concerns about and approaches to organizational effectiveness are as diverse as the nonprofit sector itself.

At the conference, our discussion focused on questions: the why, the how, the when, and the what of organizational effectiveness grantmaking. As you confront those questions in reading this digest, you will see that they are at the same time ethical and practical. They are about context and about style. In fact, the one thing we can be sure about is that there is no "right" way to support the organizational effectiveness of our grantees - or to approach our own effectiveness as grantmakers.

If you find the digest provocative, we have done the job we set out to do. If you find that it tells an incomplete tale, take up the discussion. In fact, we sincerely hope that you — the reader — will see this digest as an invitation to join in ongoing discussion, experimentation, learning, and sharing of lessons as GEO continues the journey toward greater understanding and support of organizational effectiveness for our grantees, ourselves and the nonprofit sector as a whole.

For the GEO Steering Committee,
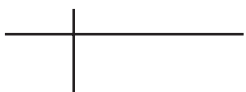Barbara Kibbe
The David and Lucile Packard Foundation

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Monterey, California
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INTRODUCTION

In October 1998, some 120 participants representing funders throughout the country, gathered in Monterey, California, as part of a joint GEO Conference with the Communications Network and the Technology Affinity Group to discuss, deliberate, caucus, instruct, debate, and otherwise plan how to best advance the cause of organizational effectiveness within the nonprofit sector—and among our own organizations.

Our ranks reflected a broad spectrum of the funding community. GEO participants included seasoned executives heading the nation's largest foundations, as well as lone staff members from fledgling family foundations juggling a smaller porfolio of annual grants. Yet while our experience, mission, and resources varied enormously, we found ourselves united by the opportunity to share our visions, methods, successes and lingering difficulties—and to learn from one another.

GEO's long-term goal is to help individual grantmakers in increasing their effectiveness, to strengthen the overall practice of organizational effectiveness grantmaking, and to focus attention on organizational effectiveness within the broader foundation and nonprofit communities. In striving to reach these ends, we expect to substantially strengthen the nonprofit sector and extend its grasp towards its most important goals. Given recent developments surrounding the nonprofit sector, our work seems particularly timely.

After years of disinterest and neglect, the cream of America's business management advisors now opine regularly on the state of the nation's nonprofit organizations, while the Harvard Business Review and other professional journals focus attention on our

sector's performance. Formal study to bolster nonprofit professionalism has also expanded rapidly. At the beginning of this decade, only 17 American universities offered concentrations in nonprofit studies. By 1997, the number had grown to 76 degree programs, with another 43 institutions offering courses aimed to improve nonprofit performance. And as the traditional boundaries continue to blur between the public, private, and independent sectors, we now see a healthy correspondence of allied interests — with emphasis placed on sound management, best practices, continuous improvements, benchmarking, and accountability.

In short, the moment to rally around the cause of organizational effectiveness is now.

How Did We All Get Here?

As befits many movements poised to wrest significant change, GEO was born of modest origins. In the summer of 1997, the David and Lucile Packard Foundation joined forces with The James Irvine and Ewing Marion Kauffman Foundations to sponsor an affinity group application within the Council on Foundations (COF) for funders aiming to promote organizational effectiveness. By spring of the following year, GEO had conducted its inaugural meeting, with 80 funders in attendance. A GEO-sponsored workshop at the annual COF conference drew 100-plus participants. By the time the planning stages were underway for the conference in Monterey, GEO's steering committee had expanded to benefit from the skills of Jim Canales (James Irvine Foundation), Frances Hansford (W.K. Kellogg Foundation), Mary Ann Holohean (Eugene and Agnes E. Meyer Foundation), Barbara Kibbe (Packard Foundation), Janine Lee (Ewing Marion Kauffman Foundation), Bob Long (W.K. Kellogg Foundation), Glenn McRae (Vermont Community Foundation), Sylvia deHass-Phillips (Hartford Foundation for Public Giving), and Rob Stuart (Rockefeller Technology Project).

But What Is Organizational Effectiveness, Anyway?

Most of us think we know it when we see it — that admirable thing: the effective organization. Then why is organizational effectiveness so difficult to precisely define?

Perhaps it's because organizational effectiveness is more of a moving target than a discrete, static condition. (Indeed, change may be its most enduring characteristic.) Organizational effectiveness is the mark of character — or perhaps the continuous mode of operations — that enables groups to hitch their vision to goals, their goals to plans, their plans to actions, their actions to results.

Organizational effectiveness is dynamic, fluctuating, and very often resides in the eye of the beholder. (Research informs us that clients, staff, and board view organizational effectiveness in different ways.) That means that organizational effectiveness must be characterized by a heightened degree of commitment and communication among a nonprofit's various parts, coupled with steadily improving and widespread skills in the management of people, finances, planning, operations, technology, feedback systems, outreach and communications.

Or we might say that organizational effectiveness is the Mobius strip of increasing self-awareness and internal development that keeps an organization's vision in focus.

Ultimately, organizational effectiveness is about reaping results. Advancing the cause. Changing the world with incremental efficacy and burgeoning prowess. (It's distinctly not about management for its own sake, with nonprofits operating like perfect, heartless spinning tops — the cult of efficiency.)

We know it when we see it, and we see it in a great many places. We find organizational effectiveness within small start-up organizations and large, esteemed institutions. We find it inside nonprofits of every shape and cause — and among our peers in the foundation world.

Yet we do not see organizational effectiveness standing center-stage as a primary area of concern among funders and their grantees. We do not yet see organizational effectiveness setting the agenda for philanthropy in the coming century. And we certainly do not see all the ways in which we can promote organizational effectiveness among our grantees, our peers, and ourselves.

Which is why we gathered together to learn from one another.

RAISING THE CENTRAL QUESTION
Why Invest in Organizational Effectiveness?

During the conference's plenary session, discussion focused on the fundamental question animating all of our efforts: Why should we bother about organizational effectiveness?

Cole Wilbur, Executive Director of the Packard Foundation, offered an immediate reply. "Dollar for dollar," he told the audience, money directed at organizational effectiveness is our "best investment. Why give money to a program if it's not being run well?"

Unfortunately, he noted, the need for advancing organizational effectiveness is not always recognized due to the nonprofit sector's frequently misundertood complexity.

"Business people often think they can step in and solve all of a nonprofit's problems in a few days," Wilbur said. But distressed organizations more often need assistance from professionals well-versed in the odd wrinkles and exigencies of the nonprofit sector. Indeed, in coming years, we should expect and work to implement comprehensive training to emerge as the norm for top nonprofit leaders in every large and even medium sized organization. Lacking able managers in key posts, foundations are nothing more than "one hand clapping"; we need partners with capacity to create the sound of change.

Edward Skloot, Executive Director of the Surdna Foundation, recalled an old saying among private sector investment bankers: It's better to fund a quality B idea with A management than a quality A idea with B management — a principle too often honored in the breach within the nonprofit sector.

Yet we have long passed the point where good intentions can substitute for good management. Today American society leans heavily upon nonprofits, expecting them to compensate for the failures and omissions of both the public and private sector. In parallel demand, the American people also insist that their tax dollars (and tax-deferred wealth housed in foundations) be well-spent. And all this takes place in a social environment pervaded by cynicism about our society's biggest problems — homelessness, public education, environmental blight — and the ability of any public entity to solve them.

Indeed, we live in the era of the triumphant marketplace. As government devolution proceeds apace, we can expect to see competition on the up-swing within the nonprofit sector — with a shake-out of less-resilient organizations occurring soon. Nonprofits will more frequently need to prove their ability to "get the job done." Moreover, individual nonprofits must decide for themselves if they are the right ones to tackle social problems that have been dropped at their doorsteps as "doers of last resort." Attention to organizational effectiveness can discipline nonprofits as they negotiate with government and business regarding their proper participation in solving society's problems.

So how can we make organizational effectiveness a primary concern within the foundation world?

First, as pointed out by Mary McCormick, President of the Fund for the City of New York, we need a passionate exchange of ideas. For most foundations, the prospect of organizational effectiveness as key to achieving their mission is a new, even exotic notion. We have to keep talking about the meaning, value, and various means of promoting organizational effectiveness among our peers. Second, we must cultivate board commitment within our own foundations and among the funding community as a whole. This requires more than the acquiescence of foundation trustees; trustees must assume a leadership role. Third, we might consider ways to make our own

G AZING INTO THE MIRROR
Organizational Effectiveness Within the Foundation World

As we continued to talk about the nonprofit sector's need for organizational effectiveness, participants at the GEO conference could not help raising a related question. What about our own capacities? How well does the funding community fare in terms of its organizational effectiveness?

While few conclusions were drawn about how to immediately improve effectiveness within the foundation world, the conversation did highlight the impediments we face.

● Foundation work is closer to a trade than a profession—bereft of credentialing, formal training, and an orderly career path.

● Foundation staff arrive at their positions from a variety of program areas. Their keenest knowledge is drawn from their fields — youth, healthcare, the environment. They're not usually recruited for their management skills.

- **Grantmakers often treat grantseekers in reaction to the way they were themselves treated when seeking funds as nonprofit program staff. Thus, both good and bad practices are passed down, without the corrective benefit of distance, analysis, or redirection.**

- **Foundation trustees typically receive no training in the execution of their duties. Even worse, they don't believe they need it. Thus the standards for trustee performance remain elusive and ill-defined.**

- **Honest feedback from grantees is a rare commodity, sparing foundations from the bracing, if sometimes painful, experience of seeing ourselves in the mirror of other people's eyes. On the infrequent occasions when honest comment is anonymously elicited from nonprofits, we too often find ourselves perceived as ambiguous, ineffective, arrogant, inconsistent, and a host of other unflattering characterizations.**

In short, we must learn to struggle against a myriad of obstacles to "walk our talk" — and strive to make organizational effectiveness as central to the management of our own foundations as we desire it to be among the nonprofits we support.

performance open to healthy competition. Someday it might even be useful to publish an annual list of the nation's "ten most effective funders" — along the lines of the "best" graduate schools rated annually by US News & World Report — thereby stimulating public recognition of our efforts and the yearning of our peers to be ranked among the top.

Dennis Collins, President of The James Irvine Foundation, urged us to spend time identifying the policies, practices, outcomes, and measures that successfully advance organizational effectiveness. We need to ask ourselves: what will success look like? What is the shape of the improved nonprofit sector we are striving towards? We must ask grant applicants to define their own vision of improved effectiveness.

And what should we do when the impact we seek is not evident? Should we bury the dead quietly? Inject more money? Bring in other funders to share the continuing burden?

In the end, our long-term success will be secured by the acknowledgement of our inevitable, periodic defeats. Indeed, our "roaring failures" will provide some of the best lessons for improving our future efforts. We need to establish a safe place to

discuss why and when our actions run afoul — and thereby dispel the myth of unimpeded progress in favor of the more nuanced and complicated reality.

Finally, funders need to sell nonprofits on the notion that improved organizational effectiveness will result in better programming; that results are inextricably linked to improved analysis, planning, management, and delivery. We know from experience that a nonprofit staff may be able to run a serviceable program without strong financial systems, rigorous planning, and a committed board, but they can't do it forever. And they certainly can't maximize their resources in this fragile condition. Organizational effectiveness enables nonprofits to move steadily towards the realization of their mission, while building the resilience and strength that most worthy aspirations deserve.

ETHICS OF EFFECTIVENESS
The Challenge for Grantmakers

During the plenary session, over breakfast, at the workshops, and in the hotel hallways, one subject emerged among GEO participants as a perennial concern: grantmaking ethics.

Concern about ethics is inevitable. By advancing strategies to achieve organizational effectiveness among our grantees, we head straight to the heart of nonprofit enterprise. As funders, we quite naturally find ourselves in a dilemma as we try to be both helpers and monitors. Potential is high for intimate collaboration (at best) or destructive meddling (at worst). Nonprofits may regard us investors, allies, tinkerers, or intruders — though we'll seldom truly know which.

Many of the ethical problems facing us stem from the unavoidable imbalance of power. Quite often, when we make a suggestion to a grantee — "Have you considered collaborating with Agency X?" — it will be interpreted as a directive. ("Collaborate with Agency X or else!") This problem is compounded by nonprofits' understandable reluctance to speak honestly about their organizational woes when they know they must soon return to us for program grants. No matter how sincerely we declare our desire for an honest, abiding partnership, nonprofits realize that in the end, we still "make the rules."

Of course, healthy nonprofits are aware of their own limitations and weaknesses; self-knowledge is the first step in mitigating them. But we must not underrate the difficulties of cultivating and maintaining open, honest relationships with our grantees — and the time entailed before they are likely to confide in us about their organizational problems. (Foundations, too, are notorious for their failure to talk honestly among themselves. Can we expect any less, at first, from our nonprofit partners?)

 In offering assistance, funders need to remember that nonprofits almost always have their eyes on program money. In order to reach the pot, they may be willing to jump through any number of hoops, including those labeled organizational effectiveness.

Funders also discussed the need to acknowledge the skeptical glance that many nonprofits will cast upon the role of consultants. They may believe that organizational effectiveness simply feeds the consulting profession, while starving their own organizations of crucial program funds. Nonprofits understand, often from experience, that the sector does not overflow with excellent consultants — and fewer still who can handle a wide range of tasks with consistent skill. For this reason, we have a special obligation to help improve the quality of consulting and promote excellence throughout the field.

Other ethical dilemmas face us as funders depending on the approach we take in promoting organizational effectiveness. Throughout the conference, GEO participants raised these dilemmas through a series of provocative questions.

- How should funders work with consultants? What are the pros and cons of funders taking the responsibility to compile a directory of preferred consultants? Must you screen the consultants — perhaps by checking references and asking former clients to rate the consultant's work in terms of timeliness, knowledge, professionalism, outcomes? Does your endorsement aid or discourage healthy competition among consultants or good consumerism among grantees?

- Should participation in management or technical assistance services be voluntary or mandated? Does coerced participation get results? What are the repercussions for funders? Is a trauma-

tized organization likely to seek needed services without a strong nudge from the funder? Who is the customer for the consulting services — the nonprofit or the funder?

- Should you provide management assistance to nonprofits with your own foundation's staff? If you do, how can you make certain that the nonprofit's candor about organizational problems doesn't jeopardize its program funding? Should grants for organizational effectiveness and programming be handled by different staff members? How much information should you share within your foundation about the nonprofit's managerial problems? Should funding for managment consultants be regularly included in program grants?

- What is appropriate confidentiality? When, if ever, should funders discuss among themselves the organizational effectiveness of their grantees? Should you maintain written policies on confidentiality?

Most of these questions resist easy answers. But it's imperative that we approach them with discipline and courage, and then struggle to resolve the issues they raise as honestly as possible. As grantmakers in pursuit of organizational effectiveness, we must always strive to maintain the highest ethical standards.

VARIETIES OF ORGANIZATIONAL EFFECTIVENESS
The Many Ways Funders Support Organizational Effectiveness

If we can draw one overarching lesson from the GEO conference, it is this: There is no single right way to enhance organizational effectiveness. No panacea. No endlessly adaptable model that should be applied by all funders in the service of every nonprofit.

Instead, there are innumerable models, approaches, degrees of involvement, and philosophical underpinnings. No one of us is acquainted with them all. The following pages briefly outline several current approaches.

In-House Expertise
The Robin Hood Foundation — Management Assistance Initiative

The Robin Hood Foundation takes a different approach to organizational effectiveness grantmaking through its Management Assistance Initiative by using its own staff, as well as volunteer corporate partners, to provide direct consulting services to its grantees. This combination of staff and local professional expertise enables the foundation to assist with legal work, accounting, real estate financing and renovation, program evaluation, and fundraising. Management and administrative needs are identified by staff and grant recipients through a strengths-and-needs survey and periodic inventories focusing on essential skills, such as accounting. Grants are awarded exclusively to organizations operating in New York City.

Unlike some funders who erect walls between program staff and the people promoting organizational effectiveness, the Robin Hood Foundation stresses a high degree of internal collaboration. This approach reflects the foundation's long-term commitment to improving the grantees' organizational effectiveness through enduring partnerships characterized by frankness and flexibility. To make such a demanding relationship feasible, the foundation employs an extremely high degree of due diligence prior to awarding its grants. The foundation aspires over time to emerge as a one-stop shop for addressing all of its grant recipients' management, administrative, and technical needs.

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Comprehensive Management Support Services
The Hartford Foundation for Public Giving — Nonprofit Management Program

The Hartford Foundation for Public Giving is a community foundation serving thirty towns surrounding Hartford, Connecticut. To build nonprofit capacity within this region, the foundation has established its comprehensive Nonprofit Management Program.

Organizations typically enlist voluntarily in the program for assistance with planning. Following this initial stage, technical assistance advances incrementally as nonprofits work with consultants to improve organizational structure, board/staff relations, finances, fundraising, marketing, and related concerns.

In addition to direct technical assistance, the foundation offers the following services: a series of luncheons for nonprofit managers and trustees to learn more about their roles and responsibilities; a loan fund set at four percent interest to support cash-flow and capital needs; short-term financial management consultations to resolve problems with internal controls, financial statements, and the annual budget process; a two-session organizational self-assessment aimed to help key staff and board members identify management problems and goals and clarify technical assistance needs; and assistance to meet agencies' technological needs, including computer and communications systems, and related training.

For more information, contact:
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Community Alliances
The East Bay Community Foundation — Management Assistance Partnership Project

The East Bay Community Foundation furthers organizational effectiveness in a large urban, suburban, and rural part of the San Francisco Bay Area through a complex array of local partnerships. In cooperation with the National Economic Development & Law Center, the foundation has established the East Bay Management Assistance Partnership Project (MAPP) — a multifaceted approach to building long-term support for regional technical assistance. Following a formal assessment of nonprofit technical assistance needs with over 200 local organizations, MAPP constructed its five-year plan to increase regional coordination and accessibility, improve the quality of local services, and encourage collaboration among nonprofits as a tool for advancing their effectiveness.

Key to MAPP's efforts are the four "strategic local partners" who gather information about technical assistance resources and provide nonprofits with the appropriate referrals. These partners also conduct on-going conversation among consultants and management assistance organizations about the coordination of existing services, particularly in underserved communities. In stressing the values of regional capacity building, MAPP also assists nonprofits to merge, collaborate, and even go out of business when this step is deemed most efficacious.

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Building the Infrastructure while Aiding Grantees

The David and Lucile Packard Foundation — Program on Organizational Effectiveness

The Packard Foundation in Los Altos, California, awards grants in support of organizational effectiveness in two distinct ways. First, it aims to advance the field of nonprofit management on a broad level, by developing and enhancing access to high quality education, training, support, and services and by promoting the importance of capable managment and good governance in ensuring overall organizational effectiveness. Second, the foundation makes grants to underwrite the costs of consulting or other outside expertise in connection with managment improvement projects of Packard grantees locally, nationally and internationally.

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While the Packard Foundation's organizational effectiveness program ranks as one of the nation's largest and most ambitious, it nevertheless strives to operate with a light touch. The foundation offers no direct consulting by its own staff and does not refer grantees to consultants. Instead, it helps nonprofits learn to be good consumers of consulting services so that they can identify their own needs and make the proper fit with the right professional.

General Operating Support and Organizational Effectiveness

The William and Flora Hewlett Foundation
& Grants for the Arts

Organizational Effectiveness for Social Entrepreneurs

As the boundaries blur between the private, public, and independent sectors — with business people striving to reap social benefits, while nonprofit managers aim for marketplace efficiency — there has emerged on the philanthropic scene a new player: the social entrepreneur.

Scholar J. Gregory Dees characterizes social entrepreneurs as playing "the role of change agents in the social sector" by "relentlessly pursuing opportunities to create and sustain social value, by applying innovative approaches in their work and their funding, by acting boldly without being constrained by the resources currently in hand, and by exhibiting a heightened sense of accountability to the various constituencies they serve (communities and investors) and for the outcomes they create."

Instead of providing traditional relief services, such as subsidized food and shelter, the social entrepreneur aims for

Another means of strengthening organizational effectiveness is the judicious use of general operating support — the kind of money nonprofits report they need the most and yet receive the least.

Nonprofits and critical observers within the funding world have long complained about the necessity of reframing efforts in terms of "new" programs in order to attract the latest round of foundation grants. They point to the unrealistic assumption that useful programs will be adopted by business or government — a proposition that today ranges from the dubious to the unthinkable. Finally, they note how the system of grants directed

at solving organizational problems may paradoxically "reward" pathology instead of health.

General operating support, on the other hand, can shift the funding paradigm — an avowed aim of the William and Flora Hewlett Foundation, one of the few funders that has offered this kind of aid in substantial measure over the years. By requiring nonprofits to demonstrate skills in planning and financial management in order to qualify for consideration of long-term support, explained Melanie Beene, program officer with the Hewlett Foundation, funders supplant the emphasis on neediness in favor of sound practices and long-term demonstrable results. Extended collaborations between nonprofits and funders can also build organizational memory about what works and what does not. (Over the course of a decade, the funder may end up informing the newest nonprofit staff about efforts their predecessors have tried in

more sustainable and systemic approaches to alleviating poverty — efforts consciously tailored to empower participants. Social entrepreneurs eschew the terminology of funders, speaking not of grants, but "investments" that comprise a "portfolio." Much of the activity takes place in the middle spectrum between commercial and volunteer enterprise, embodied by organizations such as Habitat for Humanity which helps people in poor communities build their own homes.

In numerous ways, this model challenges foundations' most basic self-concept, while raising issues related to organizational effectiveness grantmaking. Indeed, foundations attempting to engage in social entrepreneurship must ask themselves:

- Is our staff versed in the right blend of issue content and business skills to deliver organizational effectiveness services to social entrepreneurs?

- Can we make the extremely large time commitment required by the social entrepreneurship model to promote organizational effectiveness over the long-run?

- Can our board and staff maintain stamina over the 5-7 years required to make our long-term social investments pay off?

- Are we willing to make the necessary commitment to develop both the organization and the person running it — a central value of social entrepreneurship?

- Can we integrate organizational effectiveness efforts among social entrepreneurs with our more conventional grants?

- What new tools and methods will we need to develop in support of organizational effectiveness with social entrepreneurs?

● **If our staff is simultaneously promoting organizational effectiveness and launching several social entrepreneurship efforts, who will handle our remaining portfolio of grants?**

● **Are we willing to closely monitor and finally accept a success rate that may be roughly parsed in equal proportions of bounding achievement, status quo maintenance, and abject failure?**

Recommended Reading:

"**The U.S. Nonprofit Capital Market: An Introductory Overview of Developmental Stages, Investors and Funding Instruments**" by Jed Emerson, published by the Roberts Enterprise Development Fund.

"**The Meaning of 'Social Entrepreneurship'**" by J. Gregory Dees

Documents can be downloaded at:
http://www.redf.org/public/resources/publications.html

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the past.) Most important, general operating support identifies, legitimizes, and sustains the proven, the effective, the necessary.

If the radical simplicity of general operating support offers so many opportunities for enhancing organizational effectiveness, then why do most funders resist its appeal? Typically, funders fear that long-term support will:

● lock them into sponsoring the same groups in perpetuity (though by staggering multi-year grants, you can maintain enough flexibility to adjust for new funding opportunities).

● diminish grantee accountability (though over time accountability should actually increase as mutual trust grows stronger).

● discourage a funder from shifting emphasis or introducing new ideas (though a good place to look for new ideas is within the organizations whose effectiveness in orchestrating them is guaranteed).

Recommended Reading:

"No Slow Fix, Either" by Melanie Beene,

Grantmakers in the Arts, Spring 1996.

For more information, contact:

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- dilute a funder's reputation for high-profile projects (though public and peer recognition is hardly the main point of funding any project — and in any case, general operating support really should qualify as one of the funding world's more daring ideas).

- require a greater depth of analysis than your staff can manage (though equally uninformed grants more widely dispersed throughout the sector is hardly a preferred alternative) .

In addition to the William and Flora Hewlett Foundation, funders seeking a model for general operating support might turn profitably to San Francisco's Grants for the Arts which has used the strategy to great effect for nearly 40 years.

In 1998, Grants for the Arts provided $10 million in support to 196 organizations ranging from San Francisco's renowned opera and symphony to small community theatres and dance troupes. Although the municipal funding agency does not give grants exceeding 10% of any organization's annual budget — thus avoiding unwanted ownership of an effort and belaying prospects of destabilizing it should funding be retracted — its baseline support has contributed to the growth and resilience of San Francisco's rich arts scene. Indeed, the city's arts economy has doubled over the past 10 years, and San Francisco now boasts the nation's largest arts community per capita. Moreover, San Francisco's large arts groups, unlike those in many other urban centers, are not poised on the brink of financial ruin or plagued by highly-publicized management crises. San Francisco's enviable (and unusual) state is no accident. Rather, it is the result of clear funding aims, unflagging support in the face of changing economic and political winds, and enduring collaboration among funders and nonprofits.

In order to initiate a general support program, seasoned veterans suggest that funders rely on:

- a clear mission that rationalizes general support in terms of your overall funding aims.

- increasing assets and resources that allow for both consistency and flexibility in funding — or sparing that, the prioritization of funding goals.

- the willingness to subsume your creativity as grantmakers to the creativity of the organizations you fund.

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Using Technology to Advance Organizational Effectiveness

Innovation Network, Inc.
The Learning Institute for Nonprofit Organizations
The Rockefeller Technology Project

For most nonprofits and funders, organizational effectiveness has long been synonymous with technical assistance — a system balanced upon the shoulders of consultants.

Yet in recent years, technology has revealed the limitations of this definition. A host of affordable, adaptable, and easy-to-use electronic devices are now available that offer an alternative to the traditional consultant model in favor of peer consultations, group learning, and informational exchanges otherwise prohibited by time, distance, and expense.

- Hand-held video-conferencing cameras costing under $100 can bring people together from anywhere in the world, saving both time and money.

- Efficient use of e-mail can handle scheduling on a "best time" basis, substituting the disruption of telephone calls with the convenience of more thoughtful and orderly communications.

● Web sites can introduce organizations to a world far beyond the reach of print communications — while listserves stimulate the exchange of ideas between organizations and individuals united by mission and philosophy, if not geography.

Other less familiar innovations have commensurate power to advance organizational effectiveness.

Innovation Network, Inc. (InnoNet) has recently placed on-line an array of diagnostic tools to assist nonprofits in planning, program delivery, fundraising, and evaluation. This internet tool box can be down-loaded from the company's web site without charge. For a fee, its staff will work on-line with nonprofits to refine their plans, with multiple participants from the nonprofit able to log-in from different sites. In the future, InnoNet will be providing additional free tools on the internet, as well as data collection instruments so groups don't have to become experts to create their own.

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The **Learning Institute for Nonprofit Organizations** (LINO) has assumed the lead in video satellite programing to promote education for nonprofit managers. Broadcasting to 150 downlink sites nation-wide at United Way offices, colleges, businesses, and other community locations, LINO targets middle management and board members with a curriculum covering the basic skills of nonprofit management. Courses are conducted on a team-teaching model, with live-broadcast instructors working with a local facilitator at each downlink site. For LINO's first program, 3,500 learners linked up

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to sites across the country. And with 18,000 possible downlink sites scattered throughout the nation, the potential for this form of education, peer learning, and consultation appears limitless.

Of course, the crucial task with all these new technologies resides in helping nonprofits (and funders) to integrate them into their organizational mission and daily operations. A recent study conducted by the Kauffman Foundation indicated that 70% of the nonprofits surveyed believe that they now possess the technology they need — although 71% report that their staffs have not yet been trained to use it. This profound disconnect between technology's potential and its present application has significant implications in the pursuit of organizational effectiveness. Yet experience shows that once nonprofits and funders do acquire familiarity with new technologies, they rapidly value these tools and skills — and once valued, they are retained.

The **Rockefeller Technology Project** strives to increase nonprofit skills and familiarity with new technologies by dispatching "circuit riders" who directly train staff. These roving technical experts "speak nonprofit"; they comprehend both the needs of nonprofit workers and the personal and organizational barriers to their mastery of new skills. Circuit riders typically lead staff through the process of establishing e-mail communications, constructing web sites, or surfing the web for research and informational needs. The aid also extends well beyond acquaintance with the technical infrastructure. Nonprofit staff are also led through various conceptual processes that can help them identify their own needs, solve problems, and sustain their use of new tools until they are finally integrated into daily operations as personal habits.

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In the future, we can expect technology to further promote organizational effectiveness in ways that may not even be imaginable today. Whatever form these innovations take, they should not merely adorn organizations with the latest bells and whistles. Rather, they must enhance a fundamentally different way of working, making technology central to practice of both nonprofits and funders.

Truly useful technology should:

- solve genuine problems and enhance important strengths.

- prove easy to understand and immediately available to use (and reuse, and reuse).

- save money in the long-run and be affordable from the start.

- offer sustainability for organizations of all shapes and sizes.

- create tools that establish a common platform for information exchange.

- promote peer-to-peer experiences.

- be available anywhere.

- link learners.

- be driven by content rather than technical innovation.

In promoting these values, funders can lead by example. We must adapt our own practices to use the appropriate technology and end our long-standing reluctance to fund technology. In this way, we can truly build the capacity of a well-equipped, thoroughly-trained, modern nonprofit sector.

HOW DO WE GET STARTED?
First Steps in Building an Organizational Effectiveness Program

Of course, none of the successful organizational effectiveness programs operating today sprang immediately to life from the aspirations and imaginations of their funders. Planning, needs surveys, marketing, and the subsequent restructuring of programs to fit a revised understanding of local imperatives have played important roles in all the best efforts.

In some cases, nonprofits themselves have proven instrumental in charting the direction of technical assistance programs. Several funders have benefited from assembling local nonprofit executives who were willing to discuss management problems in peer group settings — thereby allowing funders to observe, listen, and test their own assumptions against the avowed needs of their nonprofit collaborators.

Sponsors of successful organizational effectiveness efforts report further benefits from asking themselves the following questions during the planning stages of their programs:

- What grantmaking practices will achieve our goals for furthering organizational effectiveness?

- What resources already exist within the geographical range of our funding?

- How will we determine who really needs assistance?

- How can we best identify the needs of our nonprofit collaborators?

- Should we integrate organizational effectiveness into program areas or establish a separate program?

- Who will be responsible for managing our efforts?

- How can we infuse our grants for programming or general operating support with the values of organizational effectiveness?

- Can we adapt our support of conventional planning grants to supply a more varied range of technical assistance?

- How can we collaborate with other funders to solidify regional capacity for organizational effectiveness?

- How can we educate our own board and staff about the need for support of organizational effectiveness among our grantees?

- How can we promote the values and best practices leading to organizational effectiveness within our own foundation?

These questions suggest some useful places to begin thinking about how to shape an organizational effectiveness program that complements the diverse goals of funders—and the urgent needs of their nonprofit collaborators.

B UT DOES IT WORK?
Varieties of Evaluation

Evaluation is the necessary tool for gauging the efficacy of our efforts. And while it cannot be deemed a tool that most funders have mastered, its exploration remains fundamental to our ability to advance organizational effectiveness.

As the GEO conference's first workshop on evaluation began, moderator Janine Lee of the Ewing Marion Kauffman Foundation framed the discussion by asking whether funders were willing to hold themselves accountable for success — and in what ways? Moreover, she wondered, whose definition of success would they employ? Would grantees be involved in defining success? What contribution could evaluation make to the funder/grantee relationship? From the start, it was clear that the evaluation process offered complex and important questions to ponder.

Robert Herman of the University of Missouri at Kansas City introduced his approach to evaluation by asking two fundamental questions about organizational effectiveness. First, what is it? Is there some general indicator — something equivalent to the financial bottom line in the for-profit sector? Second, what governance, management, and organizational practices or characteristics lead to greater nonprofit effectiveness?

In fact, research suggests that nonprofit effectiveness is a social construction, rather than an intrinsic organizational characteristic. As evidence, we should consider the fact that various stakeholders and constituencies have differing criteria of effectiveness, different perspectives on the organizational mission and performance, and conflicting interpretations of the available information that describes effectiveness.

One study of effectiveness asked senior management staff, board members, and funders to judge the effectiveness of 64 metropolitan area nonprofits and their boards. The research found that the various constituencies often differed markedly in their judgements. And although focus groups of nonprofit CEOs identified "objective" criteria of organizational effectiveness — such as forging a mission statement, measuring client satisfaction, and following a plan — these criteria turned out to be unrelated to the respondents' judgments of effectiveness. Indeed, only funders gave much weight to adherence to procedural correctness. Yet for all constituencies, organizational effectiveness correlated closely with judgments of board effectiveness.

Pursuing these contradictions, the researchers compared the ten organizations judged most effective with the ten deemed least effective. In this instance, the differing stakeholders were "much more likely to reach

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similar judgments about especially effective organizations." (In short, "effectiveness is more agreed on than lack of effectiveness.") And while there was no linkage between "correct procedures" and effectiveness for the entire sample, there was a significant correlation when looking only at the top and bottom ten organizations. Indeed, the ten most effective organizations more frequently employed best practices for board members — in particular, self-evaluations, written expectations about giving and soliciting funds, and an active role for the CEO in board nominations.

Karen Simmons, of LaSalle University's Nonprofit Management Development Center, talked less strictly about evaluation than the need for capacity-building among nonprofits. To begin, she provided a model linking capacity-building needs with developmental stages of organizational awareness and noted how funders could test their readiness to launch capacity-building programs. In particular, funders should ask themselves three questions:

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● Can technical assistance be paid for by fees, subsidies, or some combination?

● Is the funder willing to provide a subsidy to pay for assistance at a level appropriate to both the nonprofit and capacity-builder?

● Has the funder communicated to the nonprofit that support of capacity-building services won't cannibalize program funds?

Simmons ended with a presentation of five models for funding capacity-building:

- **Informal programs** — with nonprofits depending on board members, volunteers, and grantmakers to provide advice and help with capacity-building issues.

- **Unsubsidized programs** — for nonprofits with the ability to pay for capacity-building services.

- **Selective support** — with decisions to fund capacity-building services made on a case-by-case basis.

- **Subsidized programs**—with grantmakers aiding selected capacity builders so that nonprofits can access them when they are ready.

- **Pooled-funds programs**—with grantmakers earmarking funds annually for nonprofits to tap through a "fast-track" selection process.

John Kreidler of the San Francisco Foundation spoke to the need for consistent evaluation by exploring the unintended consequences of philanthropic and public sector programs. He noted how our nation's failed public housing programs of the 1960s were based on good intentions bolstered by presumptive logic about maintaining urban areas through new high-rise construction. It was simply not foreseen that large-scale public housing would become unlivable domains of crime and violence: concrete failures of policy.

In a similar vein, grantmakers may exaggerate the virtues of their own common practices — most pointedly, strategic grantmaking aimed at organizational effectiveness and grants attempting to leverage additional support through matching funds.

Grantmaking with the intention to change an organization is a decisive break with traditional notions of "charity" that once characterized all philanthropy. Funding in pursuit of organizational change demands clarity about ultimate ends and credible evidence that the visionary improvements of today will not transform themselves into the equivalent of hulking housing project failures of the future. In considering our potential

for precipitating damage as well as good, we might consider the lessons of systems theory which suggest that interventions in complex organizations are likely to produce untoward results unless the system is thoroughly understood. For this reason, we should proceed cautiously with any visionary organizational planning process not grounded in a thorough understanding of the system.

The practice of leveraging funds also suggests some peril. Over the decades, many foundations have attempted to develop new sources of funding for arts organizations, while simultaneously supporting the institutional expansion and decentralization of the cultural sector. In dollar terms, this approach reaped great success — indeed, it has been critical to the rapid growth of nonprofit arts organizations. But in recent years, a number of unintended consequences have surfaced. Most significantly, the leveraged sources of funding have now started to evaporate, leaving many arts institutions to face permanent funding gaps. Some organizations will not survive.

In closing, Kreidler suggested the difficulties of completely avoiding the unintended consequences of philanthropic interventions. But he offered three guidelines to minimize their deleterious effects:

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- Award small grants initially since they have less potential to push nonprofits in dangerous directions.

- Embrace a "do no harm" philosophy by cautiously endorsing any organizational changes that may prove irreversible.

- Remember that the results of your intervention, whether successful or a failure, may take years or even decades to surface.

NTO THE FUTURE
Where GEO Should Go From Here

By the end of the conference, many of us could authoritatively state that we wanted to continue to work together to better understand and increase organizational effectiveness within the nonprofit sector. The precise direction of our efforts, the ultimate role of our organization, our agenda for action — these matters will be clarified over time.

More immediately, we can point to several principles that should govern the spirit of GEO's future development.

Over time, we expect that GEO will continue to:

- **BUILD CONNECTIONS** with other funder affinity groups through coordinated programs and projects.

- **CONDUCT OUTREACH** to agencies and institutions outside the funding world, including universities and other academic centers, nonprofit management groups, technical assistance providers, research institutions, independent scholars, publishers, consultants, corporations, and government.

- **LAUNCH OUR OWN RESEARCH PROJECTS** to uncover the most efficacious and practical means for funders to aid in developing organizational effectiveness.

- **ENCOURAGE EXPERIMENTATION** among funders of all sizes with an imaginative variety of approaches to organizational effectiveness.

- **EVALUATE** our efforts with rigor and consistency.

- **SPREAD THE WORD** throughout GEO and within the larger funding community about everything valuable we learn regarding organizational effectiveness.

- **"WALK OUR TALK"** by modeling effective organizational practices within our own organizations.

- **EMERGE AS A CONSTRUCTIVE FORCE** for promoting organizational effectiveness in philanthropy and the nonprofit sector.

CREDITS
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