general operating support / **vol.2**

assessing the impact

GEO **CRITICAL ISSUES** SERIES





GRANTMAKERS FOR
EFFECTIVE ORGANIZATIONS

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Grantmakers for Effective Organizations is a coalition of more than 350 grantmaking organizations committed to building strong and effective nonprofit organizations. GEO promotes grantmaking practices that improve nonprofit results.

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assessing the impact

introduction

Grantmakers increasingly are turning to general operating support to ensure that nonprofits have the resources they need to achieve their goals. Grantmakers for Effective Organizations documented this trend in an Action Guide published in 2007.[1] However, many grantmakers still have reservations about shifting more of their support for grantees into the "unrestricted" column.

Even though they may share GEO's belief that these flexible dollars can boost effectiveness and impact for nonprofits, many grantmakers struggle to answer a question that has become a significant barrier to the wider use of general operating support in philanthropy:

How are we going to measure its impact?

This supplement to GEO's *General Operating Support* Action Guide was created to demonstrate how some grantmakers are assessing the impact of general operating support. While preparing this publication, GEO was reminded repeatedly of the many schools of thought on this topic. Some in the field feel that rigorous assessment of these grants is counterproductive and antithetical to the nature of general operating support; the idea, they say, is to give this money to organizations that are doing good work and then "get out of the way."

Others argue that the jury is still out on whether, and in what circumstances, general operating support can contribute to grantee effectiveness. While the decision to provide these flexible funds can be supported by common sense and

[1] *General Operating Support: GEO Action Guide.* Grantmakers for Effective Organizations. 2007. www.geofunders.org.

positive experience, clear-cut evidence of concrete benefits is lacking. As a result, some say that grantmakers should adopt a more rigorous, evidence-based approach to assessment. At the very least, the field of philanthropy needs to be candid about the limitations of the prevailing forms of assessment.

GEO comes down somewhere in the middle of this debate. GEO is a strong proponent of general operating support, based on our belief that grantmakers are effective only to the extent that their grantees achieve meaningful results. While GEO agrees that grantmakers should do everything they can to "get out of the way" and ensure that they are not placing added burdens on grantees, we also understand the desire for more information about the impact nonprofits can achieve as a result of general operating support. For this support to gain wider acceptance, grantmakers need to be able to talk about how it affects organizations, what it allows them to do differently, and in what instances it delivers the best results for organizations and communities alike. And that requires some level of assessment.

To evaluate general operating support, grantmakers should have a clear strategy behind what they expect it to accomplish. For example, if a grantmaker gives general operating support to build nonprofit capacity, that's what evaluators will assess. If the goal is to broaden grantees' impact, then that assessment will require a different set of questions.

This document is not a step-by-step guide to assessment of these grants, although it offers various strategies and actions to consider. Rather, GEO has identified a number of common themes that emerge in conversations with grantmakers about this topic. We also have identified two prevailing approaches to assessment: one that emphasizes pre-grant assessment and one that relies more on assessment during and after the time the grant is made. We have divided our discussion into four parts:

1 **Getting Started:** Thinking Differently About Assessment

2 **Before the Grant:** Vetting Grantees and Clarifying Expectations

3 **During and After the Grant:** Impact Measures and Reporting

4 **Eyes on the Prize:** Keeping Things in Perspective

general operating support defined :

GEO has defined general operating support as funding in support of a nonprofit organization's mission rather than specific projects or programs.[2] Organizations can use these funds at their discretion to cover an array of expenses, from program costs and salaries to administration, office expenses, technology, training, fundraising and marketing, and more.

[2] *General Operating Support: GEO Action Guide.* Grantmakers for Effective Organizations. 2007. www.geofunders.org.

PART

I

Getting Started

Thinking Differently About Assessment

Compared with grants for specific programs or projects, general operating support requires grantmakers to give up some control over where the money goes. This does not mean, however, that grantmakers have to give up on the expectation that their investments will yield demonstrable results. Rather, grantmakers need to think about assessment in a different way.

This means changing the focus from program-level outcomes to the social impact of the organization as a whole. The guiding questions become: How is the organization delivering on its mission? How does the organization set goals to track its progress? And to what extent is general operating support contributing to its success?

Taking a Humble Approach

Grantmakers should keep in mind that the impact of any individual grant — for program or operations — ultimately depends on the size of the grant in relation to organization and program budgets. One grant may account for a relatively small portion of the organization's overall budget. For example, if the grantmaker is providing $25,000 to an organization with a budget of $1 million, it's hard to pinpoint exactly the result of that support.

Bottom line: "Claiming credit" is never an open-and-shut case for grantmakers. After all, it is the nonprofit, not the grantmaker, that actually is doing the work. Recognizing this, many grantmakers that have set out to track the impact of their general operating support acknowledge that a little bit of humility is in order.

"It is the nature of this type of support that you are buying into the organization's goals, as defined by the organization itself."

PAUL BREST
The William and Flora Hewlett Foundation

"We are in the process of looking at what we can definitively say in terms of evaluating the grants we are providing, but we understand the limitations," said Shawn Mooring, program officer with The Philadelphia Foundation.

Even the Blue Shield of California Foundation, one of the few grantmakers that has conducted in-depth evaluations of how its general operating support is impacting grantees, acknowledges the limitations. "I haven't come across any way to evaluate the impact of this work that gives you black-and-white data," said Brenda Solórzano, director of health care and coverage with the foundation.

This doesn't mean grantmakers shouldn't try to assess the impact of these funds, only that they should keep in mind the difference between "attribution" and "contribution." The evaluation question should then become: "How did these flexible dollars contribute to this organization's success?"

Buying Into Grantee Goals

Grantmakers also should keep in mind that the primary purpose of providing general operating support is to give grantees flexibility to pursue their goals as they see fit. Therefore, imposing conditions on precisely how these funds will be spent — or on precise outcomes that grantees will achieve with this support — is antithetical to the true intent of general operating support.

As noted in the GEO Action Guide, grantmakers usually opt for general operating support when their own goals are substantially aligned with those of the grantee,

and when the grantmaker's own due diligence affirms that the grantee has the capacity to achieve its goals. It follows, then, that grantmakers let grantees determine how those goals will be achieved.

"It is the nature of this type of support that you are buying into the organization's goals, as defined by the organization itself," said The William and Flora Hewlett Foundation CEO Paul Brest in an interview. "You may press them on indicators and how they will know when they have achieved their goals, but the spirit is that you start where they are."

PART

2

Before the Grant

Vetting Grantees and Clarifying Expectations

When a grant is made in support of a specific program or project, the results usually can be tracked in clients served, units of affordable housing built, or similar measures. With general operating support, the goal is to support the broader mission of the organization. This can change how a grantmaker does due diligence and up-front assessment. The focus on organizational as opposed to program outcomes has prompted many grantmakers to take a more comprehensive up-front look at the operations and mission of prospective grantees.

case study

The Women's Opportunities Resource Center in Philadelphia has been working in recent years to diversify its funding, with the goal of securing more general operating support. "These flexible funds are so valuable to us," said Lynne Cutler, founder and president of the nationally recognized nonprofit, which works to help low-income individuals build their income and assets.

Among the grantmakers that have delivered flexible funds to WORC is The Philadelphia Foundation. In 2007, the grantmaker awarded a one-year general operating grant of $50,000 to WORC after the nonprofit completed a detailed application. The online questionnaire asked WORC leaders to consider where the organization stood in relation to "high performance standards" in leadership, management and other areas, based on the organization's lifecycle stage (e.g., startup or adolescent).[3]

"It was a thorough process, and these questions really made us think about where we are going as an organization," said Cutler. The online assessment was followed by a site visit by The Philadelphia Foundation staff with the staff and board of the nonprofit.

Cutler doesn't think the up-front work involved in securing the general operating support was an unreasonable amount. "It's just a different focus where they're taking a more in-depth look at the organization as a whole, and not just a particular program," she said.

[3] To learn more about The Philadelphia Foundation's eligibility requirements and to see its assessment tool, visit http://www.philafound.org/page22339.cfm.

Performing Critical Due Diligence

Gary Yates, president and CEO of The California Wellness Foundation, said that his organization's Responsive Grantmaking program, which provides general operating support to nonprofits working to improve the health of underserved populations, is founded on a rigorous up-front assessment of potential grantees. "We do a lot of hard due diligence and site visits," he said, noting that the foundation "steps out of the way" once the grant is made, keeping post-grant reporting requirements to a minimum.

The Philadelphia Foundation, intent on building a high-performing nonprofit sector, uses a rigorous due diligence process. The process includes a "lifecycle" analysis, plus site visits with the board and staff. As described in GEO's publication, *Imagine, Involve, Implement: Transforming Grantmaker Practices for Improved Nonprofit Results*, the lifecycle analysis looks at four dimensions of organizational capacity: leadership, adaptive capacity, management and operations (See sidebar page 14).

Nancy Burd, formerly vice president for grantmaking services with the foundation, said the self-assessment responses are intended as a self-reflective, diagnostic and learning tool for nonprofits. By identifying capacity strengths and challenges, the assessments also can guide the development of a successful applicant's organizational effectiveness goals.

Using the lifecycle reference as a guide, the nonprofit selects a stage in which they best fit and completes an application that asks specific questions about their organizational practices aligned with the lifecycle. Then, the foundation conducts in-depth site visits before making a final decision. The Philadelphia Foundation provides general operating support grants of up to $50,000 — with individual grants maxing out at 10 percent of an organization's operating budget.

At the time the decision is made, according to Burd, The Philadelphia Foundation feels confident enough to step back and let the grantee do its work as it sees fit.

"When we make a general operating support grant, we are supporting high-performing nonprofits at a particular 'age and stage' that have proven themselves

"When we make a general operating support grant, we are supporting high-performing nonprofits at a particular 'age and stage' that have proven themselves to be learning institutions."

NANCY BURD
Formerly with The Philadelphia Foundation

to be learning institutions," Burd said. "We are investing in strong businesses and have every reason to believe they will continue to address the ordinary and extraordinary challenges that may arise."

Among the other providers that emphasize up-front assessment over post-grant reporting is The Whitman Institute. "We view this as 100 percent unrestricted money," said John Esterle, The Whitman Institute's executive director, noting that the grantmaker is not interested in detailed reporting on how the money was spent.

"As a proactive funder, we do a lot of homework before we meet with prospective grantees. Mission alignment and leadership are key factors for us. We also ask grantees to talk about what success will look like for them over the next year and how they'll know they achieved it," said Esterle.

Setting Goals to Clarify Expectations

While many grantmakers are content with affirming that general operating support grantees share their goals and have the capacity to achieve them, others have grantees spell out some of the specific goals and objectives that the support will help them achieve, as well as the metrics they will use to assess their impact. This is the "negotiated general operating support" model advocated by The William and Flora Hewlett Foundation and detailed in the GEO Action Guide.

The California Wellness Foundation, for example, links all grants to three objectives identified by the grantee. "We ask them, 'What do you want to achieve with this funding?'" explained Fatima Angeles, director of evaluation and organizational learning with the foundation.

Similarly, nonprofits requesting community grants from the Saint Luke's Foundation in Cleveland, whether for program or general operating support, have to complete a logic model spelling out short-term and long-term objectives.

"We return their model at the end of the grant with instructions to report on what they were able to accomplish or learn with our support," said Saint Luke's Foundation President and CEO Denise San Antonio Zeman. "It is great when they meet their objectives, but it is equally valuable when they learn something in the process that will improve their work going forward,"

Another proponent of the negotiated support model is the New York-based F.B. Heron Foundation, whose grantmaking consists primarily of general operating support for organizations seeking to build wealth among low-income populations. With $318 million in assets and a staff of 14, Heron reaches an agreement with general operating support grantees on a specific set of measurable objectives.

John Weiler, senior program officer with the foundation, said that all grant objectives are based on the grantee's own planning documents. The grantmaker is not imposing its own expectations on the organization as a pre-condition for awarding general operating support.

For The Edna McConnell Clark Foundation, general operating support is based on detailed business plans developed by grantees. The plans include a set of performance metrics (that the grantee chooses and the grantee's board approves) that both the grantmaker and the grantee can look at over time to assess how things are going. Here's an excerpt from one of the grantees' plans:

> By 2012, Youth Villages plans to expand its capacity 50 percent, increasing the number of youth served each year from 9,500 to 15,000. In addition to deepening its operations in North Carolina, Mississippi, Massachusetts, and Alabama, Youth Villages plans to expand into two or three new states.[4]

In most cases, the foundation will connect the grantee with a third-party consultant who can help the organization map out its future goals and then develop and refine its plans to reach them. Foundation President Nancy Roob emphasized that the business plans are not imposed on the organizations from on high. "We are clear from the start that while we have a stake in the plans of their organizations, they are the client. It is their plan," Roob said.

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[4] For more information on The Edna McConnell Clark Foundation's grantees and their business plans, go to www.emcf.org/portfolio/grantees/index.htm.

Considering Lifecycle Stages

Susan Kenny Stevens, a consultant to Denver's Rose Community Foundation, advocates that grantmakers and grantees take a "lifecycles" approach to assessment, and, depending on the nonprofit's self-described stage, adopt capacity improvement measures that are appropriate to that stage. According to Stevens, author of *Nonprofit Lifecycles: Stage-based Wisdom for Nonprofit Capacity*, nonprofits can be found at any one of seven lifecycle development stages, from "idea" and "start-up" through "growth" and "terminal." Peter York of the TCC Group, which provides evaluation and other consulting services to nonprofits and foundations, pointed out that organizations at different lifecycle phases might use general operating support in different ways. For example, smaller start-up organizations might tend to put more of these funds directly into programs, while more mature nonprofits might devote more of the funds to infrastructure and "organizational needs."

The key is to understand where grantees are developmentally, York explained, and not to apply a one-size-fits-all model to screening potential grantees and tracking their progress. TCC Group developed the Core Capacity Assessment Tool, an online self-assessment for nonprofits that looks at four dimensions of capacity as well as organizational culture. Every organization using CCAT receives a "lifecycle score," along with a capacity-building plan based in part on the organization's place in a five-stage lifecycle continuum.[5]

BEFORE THE GRANT:

What Grantmakers Can Do

Make sure you are picking the right partners for general operating support by conducting thorough due diligence.[6]

Encourage nonprofits to develop business plans with clear goals. Offer consulting and other support as needed so they can create these plans.

Make sure grantees "own" their goals and plans. Don't impose your own vision or goals on them.

[5] For more information, see www.tccccat.com

[6] For more information on due diligence, see Liza Culick, Kristen Godard and Natasha Terk. *The Due Diligence Tool: For Use in Pre-Grant Assessment.* Grantmakers for Effective Organizations. 2004. Available at www.geofunders.org.

The Philadelphia Foundation Uses Self-Assessment for Prospective General Operating Support Grantees

The Philadelphia Foundation's general operating support application serves as a self-administered assessment, based on the TCC group's Core Capabilities Assessment Tool, that helps nonprofit organizations identify capacity strengths and challenges. In completing the full application for general operating support, organizations rate themselves on a variety of organizational capacity elements. In this excerpt, organizations are asked to rate their **adaptive capacity**.

For the complete assessment tool, see www.philafound.org.

THE PHILADELPHIA FOUNDATION EXAMPLE:

Adaptive Capacity Tool

High Performance Standards	Is this an organization practice? (Yes/No) Provide a brief explanation where appropriate.	Detailed Example
Organization develops moderately broad and deep connections with community leaders, funders, and constituents and learns about needs through these relationships.		
Organization undertakes a formal self-assessment process annually (perhaps using an organizational self-assessment instrument), identifies needs for improving the management and governance of the organization, and incorporates this thinking into a strategic planning process.		
Program staff develops simple systems for gathering and using data about programmatic outcomes.		
Staff and board develop simple systems for integrating and using data from needs assessment, organizational assessment, program evaluation, and other sources, and how it relates to organizational improvements.		
Organization develops simple systems for storing, organizing, disseminating, and using its knowledge.		
Organization develops connections with other organizations and forges more formal collaborations with some of them, such as by coordinating program delivery and sharing resources.		

PART

3

During and After the Grant

Impact Measures and Reporting

Most grantmakers that provide general operating support do not require grantees to prepare a detailed accounting of how their dollars were spent. Rather, the focus of their tracking and assessment efforts rests on how well the organization is achieving its goals and, if the grantmaker expects to see capacity improvements as a result of the grant, measures of organizational capacity. According to Paul Brest of The William and Flora Hewlett Foundation, this means looking at indicators that can reveal the extent to which a nonprofit is making progress toward self-identified goals.

"Grantmakers and nonprofits should focus on substantive outcomes," Brest said. "At the heart of this is clear goals, an evidence-based strategic plan for achieving them, and milestones for knowing whether the organization is on course and having impact."

case study

The East Bay Asian Local Development Corporation is a 33-year-old community development corporation that builds affordable housing and community facilities in and around Oakland, Calif., while also providing services to low-income residents.

Using general operating support from the F.B. Heron Foundation, the Evelyn and Walter Haas, Jr. Fund and others, EBALDC has expanded its staff, invested in computer and software upgrades, offered enhanced professional development opportunities for all employees, and launched new pilot programs.

"We are much stronger as an organization because these flexible dollars allow us to build our staff and infrastructure and respond to neighborhood needs so that we can have more of an impact on our community," said EBALDC Executive Director Lynette Lee.

According to Weiler at the F.B. Heron Foundation, the impact of general operating support on EBALDC itself shines through in the organization's enhanced fiscal strength, the increased focus of EBALDC's board and staff on succession planning and other strategic priorities, and its demonstrated leadership on community development issues on a statewide basis, as well as in other measures.

Using Organizational Assessment Tools[7]

General operating support shifts the focus of measurement from specific program or project outcomes to the organization's achievements as a whole. Additionally, it focuses on the organization's capacity to continue to deliver results into the future. At the Endowment for Health in New Hampshire, this means using the CCAT to assess the overall capacity of grantees (and to track changes in capacity over time).

"It's really about asking the right questions and engaging in a continuing conversation with grantees about how this support is impacting their capacity to do their work."

SAMIN DADELAHI
Wyoming Community Foundation

Similarly, the Blue Shield of California Foundation evaluates the impact of its general operating support to community clinics by keeping the focus on what the clinics are doing to make their organizations stronger and more effective. A "baseline survey" in 2006 asked questions about grantee activities and investments in areas such as professional development for staff, board development, strategic planning, technology, advocacy, financial management and more. The grantmaker plans a follow-up survey in 2008 to assess how things have changed.

"We're giving these organizations funds they have a hard time getting anywhere else. And the reason we're doing it is because we want them to build capacity," said Solórzano. "So the evaluation question is whether that is actually happening, whether they're investing in areas like planning and board development, which we know can make these organizations stronger and more stable."

Of course, not all grantmakers have the capacity to conduct such wide-ranging evaluations. But they can take steps to make the connection between their general operating support and changes in grantee capacity. The Wyoming Community Foundation, which awarded grants and scholarships totaling $2.5 million in 2006, started providing general operating support in the past five years. Today, according to Senior Program Officer Samin Dadelahi, more than half the foundation's grants are for general operating support.

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[7] For a comprehensive guide to organizational assessment for grantmakers, see *A Funder's Guide to Organizational Assessment: Tools, Processes and Their Use in Building Capacity.* Grantmakers for Effective Organizations and the Fieldstone Alliance, co-publishers. 2005. Available for purchase at www.geofunders.org.

To assess the impact of this support, Dadelahi said the foundation asks grantees to answer a set of "really simple questions" in their final reports, while providing other information, including approved and actual budgets. Among the questions: Did these funds strengthen the capacity of your organization — and how?

"It's really about asking the right questions and engaging in a continuing conversation with grantees about how this support is impacting their capacity to do their work," Dadelahi said.

Grantmakers, however, should be wary of an overemphasis on self-reporting by grantees. Evaluators regularly note that self-reports tend to be positively biased; grantees, understandably, will often want to put the best light on their work. Wherever possible, grantmakers should therefore couple any self-reporting with third-party assessments — while keeping in mind the challenges inherent in attributing specific outcomes to a specific stream of funding.

Encouraging Learning and Improvement

Traditional measures of organizational capacity and outputs (finances, board leadership, clients served, etc.) often do not paint a complete picture of the impact of general operating support. Another measure many grantmakers use can be stated as a question: "What is the organization learning?" One of the crucial ways to assess the impact of general operating support is to look at the extent to which organizations are using data and information from their ongoing work to improve outcomes over time.

David Hunter, former director of evaluation and knowledge development with The Edna McConnell Clark Foundation and now an independent consultant, said that grantmakers providing general operating support should care about two kinds of results. First, they want to see that the organization is getting stronger and developing the capacity to do its work better and more effectively over time. Does it have access to reliable funding streams? Is it tapping into other sources of unrestricted funding? Is there growing depth on the staff so that the chief executive has the necessary support?

Second, grantmakers want to see that the organization is learning important lessons about what does or does not work to achieve progress in its given field, and that it can share that learning with others. Toward that end, Hunter encourages grantmakers to work closely with grantees to build their capacity to track outcomes through qualitative and quantitative measures. "We need to make absolutely certain that these organizations don't keep repeating trial-and-error mistakes," Hunter said.

At the F.B. Heron Foundation, program staff members assess learning among general operating support grantees by asking a standard set of questions about how they are using data and information, and how the staff and board have changed strategies, goals or both based on that information (See sidebar page 21). The foundation's goal, according to Weiler, is to gauge the grantee's commitment to continuous improvement in its work. A grantee's use of data is one of the seven criteria that program staff use to assess grantee progress and to inform decisions on future support.

A similar commitment guides the work of the Icicle Fund, a grantmaker serving a sparsely populated four-county area in north central Washington state. "These are small nonprofits, many of them run on an all-volunteer basis," said Joan Alway, executive director of the fund. "They don't have time to do a whole lot of reporting or analysis."

As a result, the focus of the Icicle Fund's application and reporting requirements is on "learning as opposed to monitoring," Alway said. Grantees are asked at the start what they want to learn in the course of their work. For example, one arts organization might want to test the viability of a new ticketing system, while another nonprofit may be curious about how to get its board more engaged in fundraising. Then, in a midyear and final annual report, as well as in conversations during the course of the grant, the grantee can reflect on what it is learning.

"That is probably the most important thing we can encourage and do in this work: help these organizations develop a culture that is self-reflective and intentional," Alway said.

F.B. Heron Foundation Tool Assesses Organizational Learning Among Grantees

Program officers at the F.B. Heron Foundation use their Impact Spectrum Assessment Tool to help determine the extent to which general operating support grantees are learning from their ongoing work and using that learning to get better results. Using this tool as a guide, program officers assess grantees' current learning practices and place them on a continuum, ranging from "aspiration" to "learning organization/continuous improvement."

Organization Name:

In making a process assessment of a grantee, staff should consider three components, each of which has corresponding text below:

1. Commitment to tracking impact or outcomes;
2. Utilization of information/data; and
3. Changes in how the group does its work.

☐ Aspiration:

1. Management's commitment to tracking impact is unclear.
2. Some basic statistics (e.g., activities, service use) are compiled.
3. Information about impact is anecdotal or inconclusive.

☐ Mindset:

1. There is clear management "buy-in" to the importance of impact, and leadership can articulate the difference between units of service and impact indicators/results.
2. The organization has identified approaches or examples of effective ways to document impact.
3. Leadership articulates issues and problems to be resolved to address impact.

☐ Plan/Initial activities:

1. Leadership has identified the steps, time frame and resources (e.g., financial, internal and external expertise) needed to assess impact.
2. Specific outcomes have been identified, along with the mechanisms to verify them.
3. The organization has taken initial steps to implement the plan (though efforts may be limited to pilot projects, or target specific program areas).

☐ Broader system/strategies implemented:

1. Resources have been mobilized to track impact.
2. Data and information on impact/outcomes have been assembled, analyzed and reported.
3. A system is being implemented that will provide consistent review of program impact.

☐ Learning organization/continuous improvement:

1. Managers use data routinely in decision-making and organizational development.
2. Feedback mechanisms are in place for the ongoing collection, analysis and use of information.
3. The organization cites examples of how it has changed due to impact analysis.

Change Indicators:

ONE GRANTMAKER'S ANALYSIS

Organizations participating in Rose Community Foundation's BOOST program, which combined general operating support with capacity-building support, reported a number of changes and "organizational firsts" that enhanced their capacity to fulfill their missions. Looking across five areas of organizational capacity, the grantees' achievements offer insights on indicators that other grantmakers can use to track the impact of their general operating support.

Mission and Programs

- Clarified mission, vision and values
- Eliminated programs that did not fit mission or were not financially viable
- Improved and added programs to better align with mission, financial needs and strategic direction
- Implemented program evaluation
- Expanded partnerships and collaborations

Management

- Added new positions and hired people that were the right fit for the growth stage
- Freed up the executive director's time to focus on strategic issues
- Created new branding and marketing materials
- Implemented new succession plans, job descriptions, employee evaluation and management teams
- Paid more attention to financial management on a regular basis, and shared financial information with managers

Governance

- Implemented new job descriptions, committee structures and officers
- Improved board recruiting processes
- Added new board members
- Conducted board self-assessments
- Increased board engagement in fundraising and financial management

Financial Resources

- Used financial management tools (such as program-based budgets) to better understand financial reality of each program
- Established strong finance committee
- Shared a "dashboard" of key financial information regularly with the board
- Pursued new funding opportunities
- Hired development director for the first time
- Hired in-house financial staff for the first time
- Used multiyear planning and budgeting
- Upgraded accounting software

Administrative Systems

- Implemented new policies and procedures for human resources, financial management and other areas
- Strengthened technology: Web site, computers and database upgrades
- Purchased accounting and fundraising software

DURING AND AFTER THE GRANT:

What Grantmakers Can Do

Work with grantees to identify "organizational indicators" that can point to the impact of general operating support.

Remember the difference between "attribution" and "contribution." Don't expect definitive impact data, especially for relatively small grants.

Consider where organizations are in their development. Benchmarks might be different for start-up vs. mature organizations, for example.

Focus on learning as an impact measure. Consider how general operating support grantees are using data and information to improve results over time.

Be specific with your questions. To elicit useful information, avoid asking vague and generic questions.

If you aren't going to use it, don't ask! If you or your grantee cannot use the data collected in response to your questions, it is common sense not to ask.

PART

4

Eyes on the Prize

Keeping Things in Perspective

In a series of focus groups as part of GEO's Change Agent Project,[8] nonprofit leaders and grantmakers alike identified increased levels of general operating support as one of the key changes grantmakers can make to improve nonprofit results. Other surveys and reports have reached the same conclusion.[9] General operating support helps organizations become more effective.

As grantmakers consider how to assess the impact of general operating support, they should make sure their assessments do not stand in the way of the broader goal of improving the capacity of nonprofits to deliver meaningful results.

This means using assessment as a platform for promoting learning and continuous improvement among grantees. It also means using assessment as a platform for a stronger grantmaker-grantee relationship and ensuring that assessment doesn't become an added burden for grantees.

case study

Christine Smith is president of Over the Moon Child Care in Dubois, Wyo. In 2007, the facility, which serves from 12 to 40 children at a time, was awarded its first general operating support grant from the Wyoming Community Foundation. The $10,000 grant has provided crucial support for the organization.

"Our biggest deficit is in operations," Smith said, explaining that Over the Moon cannot charge "big-city fees for child care" in a small community like Dubois. She uses the unrestricted funds to cover rent, salaries and utilities. When asked to assess the impact of general operating support, she said it shows in the fact that Over the Moon can keep going. "We are still open and still employing people and still providing quality child care," she said.

At the end of the grant, Smith will put together a brief report for the Wyoming Community Foundation showing how the dollars were spent, with the possibility of renewing the grant for another year. But the staff at the foundation doesn't have to wait until then to know what's happening at Over the Moon.

"I am in touch with the foundation a lot. We have a great relationship," Smith said. She noted that program officer Dadelahi has been working closely with her to find other sources of funding for the child care center. One result: the Wyoming Community Foundation recently awarded Over the Moon an additional $10,000 from a donor-advised fund maintained by the grantmaker.

[8] For more information on GEO's Change Agent Project, see GEO's publication *Listen, Learn, Lead: Grantmaker Practices that Support Nonprofit Results,* available for download at www.geofunders.org.

[9] See, for example, Rick Cohen. *A Call to Action: Organizing to Increase the Impact and Effectiveness of Foundation Grantmaking.* National Committee for Responsive Philanthropy. 2007. Available at www.ncrp.org.

Building a Better Grantmaker-Grantee Relationship

Understanding the impact of general operating support is about more than identifying the right indicators and creating an efficient reporting and tracking system. It's also about opening up a more transparent, trusting relationship with grantees. This, in turn, gives the grantmaker a better idea of the challenges these organizations face, how the unrestricted dollars are helping (or not) and what types of additional support grantees may need.

"We put a premium on developing strong working relationships with grantees," said Esterle of The Whitman Institute, which provides general operating grants of $25,000 to $50,000 per year. Esterle argued that general operating support actually can deepen the relationship between the grantmaker and the nonprofits it funds. The reason: The act of giving these grants is founded on trust.

The Whitman Institute does not require formal reports from grantees. "I don't see any need for them to write a special report just for us. That isn't a great use of their time," Esterle said.

Instead, The Whitman Institute is in regular contact with grantees — "an ongoing conversation," Esterle called it — about what they are learning and how they are incorporating that learning going forward. Esterle added that the institute seeks opportunities to convene grantees so they can share what they are learning with each other and make new connections.

Another grantmaker that believes deeply in general operating support as a platform for a stronger relationship with grantees is the Endowment for Health in New Hampshire. According to Vice President and Chief Operating Officer Mary Kaplan, the endowment does not accept unsolicited proposals for general operating support but rather approaches prospective grantees to explore the possibility of providing $25,000 per year in general operating support for three to five years.

The organization has a deliberate strategy aimed at building a relationship with the grantee, starting with the expectation that endowment representatives (the vice president of programs, the president and, ideally, one trustee) will attend a grantee board meeting to discuss the grant and mutual expectations.

To keep tabs on what's happening during the grants, the endowment visits with the grantees' boards of directors every year or two. "We want real feedback on how things are going," said Kaplan. She said the meetings generally produce good, honest information about the impact of this support. Kaplan added that the Endowment for Health is less interested in having "an audit trail" showing how the general operating funds are being used than in developing a clear sense of the funds' impact on the organization's ability to fulfill its mission. Toward that end, the endowment has been working with an evaluation consultant to assess the impact of its pilot general operating grant program, which began in 2005.

Avoiding Information Overload

While they are looking for useful information from grantees about the impact of general operating support, grantmakers should be concerned about not creating a significant amount of added work for grantees.

A recent report from Project Streamline — a collaborative initiative of the Grants Managers Network, GEO and others — documented 10 ways in which grantmakers' current application and reporting requirements create "significant burdens on the time, energy and ultimate effectiveness of nonprofit practitioners." Number six on the list, titled "Reports on the Shelf," is about how grantmakers often ask for information that isn't of any real use to them or their grantees as they strive to improve effectiveness.[10]

Clara Miller, president and CEO of the Nonprofit Finance Fund, questions whether general operating support should (or can) be evaluated at all. "These specialized measures, conversations, convenings, questionnaires and self-assessments all add cost, reducing the 'net grant' for grantees," she observed. "What we can evaluate is the overall result of the grantees' work (output), not the grant itself (input)." She added that assessment of general operating support defeats the purpose of providing these flexible funds.

"I believe general operating support is meant to support the terrific work a trusted grantee is already doing," Miller said. "The minute we ask for anything specific, or

[10] Jessica Bearman. *Drowning in Paperwork, Distracted from Purpose: Challenges and Opportunities in Grant Application and Reporting.* Project Streamline, a collaborative initiative of the Grants Managers Network. 2008. www.projectstreamline.org

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CLARA MILLER
Nonprofit Finance Fund

demand anything more from a grantee than the hard work of maintaining existing, high-quality programs and services, it's not general operating support any more."

Others say grantmakers are justified in trying to understand the impact of their general operating support dollars — but that they should be careful not to impinge on grantee effectiveness in the process. Brest, for example, said there is a tendency among grantmakers to always add to the reporting requirements on grantees without taking anything away. He said the Hewlett Foundation currently is weighing how to "ease the administrative burden" of reporting on grantees and the foundation's own program staff. His ultimate goal is to develop a "dashboard-like" system that would allow a program officer to glean how a grantee is faring by glancing at a condensed set of indicators.

"We need to make sure we only ask for information that is important," Brest said.

Hunter agreed, suggesting that grantees already should be collecting most of the information that would help illuminate the impact of general operating support grants. In fact, the true test of whether grantmakers are asking for too much, he said, is whether they are asking for information that is of no use to the grantee itself as it works to strengthen its capacity and effectiveness.

"If you are doing this well, you should never ask the grantee for data that it doesn't need in order to make good management decisions," Hunter said.

These data can be useful to grantees in other ways as well. For example, good, easy-to-grasp information about the impact of general operating support can help nonprofits make the case for these types of grants from other funders.

Seeking Grantee Feedback

Assessing the impact of general operating support has to be a two-way street. As grantmakers ask questions of their grantees, they also need to allow grantees to ask their own questions and offer candid feedback about what's working and what could improve. As GEO observed in the report *Listen, Learn, Lead: Grantmaker Practices that Support Nonprofit Results*, grantmakers' reluctance to solicit grantee feedback can do real harm to their relationships with grantees — and to overall grantee effectiveness.[11]

Some grantmakers incorporate opportunities for feedback into their assessments of general operating support. For example, the Endowment for Health is planning to bring together all general operating support grantees to reflect on the program and to hear suggestions for improving it.

Social Venture Partners Seattle has shown a similar determination to gather grantee input. In addition to providing general operating support grants that average $45,000 per year over five years, it offers strategic consulting conducted by volunteer donors and paid consultants. It's an intensive process, and SVP Seattle is determined to keep checking in with grantees about how it's going and whether they feel it's worth the effort.

The latest "Investee Satisfaction Report" compiled by the grantmaker showed that the nonprofits were generally pleased with their relationship with SVP Seattle.[12] At the same time,

EYES ON THE PRIZE:
What Grantmakers Can Do

Keep in touch with grantees. Ask what they are learning in the course of their work — how it's going, what challenges they're facing, etc.

Don't go overboard. Ask for information that grantees can provide with relative ease, and that is useful for them.

Use general operating support as a platform for providing other support. Offer links to capacity-building support and other sources of funding.

Make evaluation a two-way street. Ask for feedback on your grantmaking practices and procedures and how they're helping (or not).

Work with grantees as learning partners. Create a joint grantmaker-grantee working group or advisory group to promote a shared understanding of how to measure the impact of general operating support and articulate its values.

[11] *Listen, Learn, Lead: Grantmaker Practices That Support Nonprofit Results.* Grantmakers for Effective Organizations. 2006. Available at www.geofunders.org.

[12] See www.svpseattle.org/our-impact/advancing-nonprofits/SVP%20Portfolio%20Report%202006-2007.pdf.

the survey turned up concerns and suggestions about how SVP Seattle could do a better job — for example, by being clearer with grantees about what is expected of them during the grant and how to take full advantage of the grantmaker's financial and nonfinancial support.

"General operating support is a critical part of building a relationship of trust with these organizations," said Susan Fairchild, SVP Seattle's grants and advocacy manager.

conclusion

The Blue Shield of California Foundation's 2006 evaluation of its effort to provide general operating support to community clinics yielded important insights. Among these: The foundation's unrestricted grants were having a greater positive impact on the operations of small clinics, which tend to serve a higher percentage of uninsured patients, than on larger ones. Because the foundation places a priority on reaching underserved people, this finding prompted it to change its grantmaking formula. Now it gives larger grants to smaller clinics, which often struggle to cover expenses, so they can continue to provide services to the uninsured.

In describing how grantmakers can go about strengthening grantee results, GEO often asks the question, "Effectiveness for what?" A better question for the purposes of this publication is "Assessment for what?" Why should grantmakers concern themselves with assessing the impact of general operating support on grantees' capacity to fulfill their missions?

As the Blue Shield of California Foundation example shows, the assessment of these grants can produce learning, which in turn can be used to broaden the social impact of grantmakers' work. Assessment also can provide the information, perspective and stories grantmakers need to make the case for the broader use of general operating support as a tool for improving nonprofit results.

GEO looks forward to hearing from other grantmakers about their assessment practices, and to keeping the community informed as our learning continues.

appendix

Assessing General Operating Support

GRANTMAKER STRATEGIES

BEFORE THE GRANT

Grantmakers emphasizing upfront assessment can consider the following strategies.

- Grantmaker conducts rigorous due diligence of prospective general operating support grantees, which may include site visits with board and staff or other in-person meetings to reach clarity on the organizations' goals and plans. — *The California Wellness Foundation, The Philadelphia Foundation, The Whitman Institute*
- Grantee completes online self-assessment evaluating its operations against high performance standards based on its lifecycle stage. — *The Philadelphia Foundation*
- Grantee completes facilitated self-assessment that establishes a "capacity starting point" that can be used as a benchmark to measure progress in the course of the grant. — *Rose Community Foundation*
- Grantmaker and grantee reach agreement on a specific set of self-identified, measurable grant objectives. — *The California Wellness Foundation, F.B. Heron Foundation*
- Grantee submits detailed "business plan" to the grantmaker (often developed with help of third-party consultant). This plan includes performance metrics that the grantee intends to track over time. — *The Edna McConnell Clark Foundation*

DURING AND AFTER THE GRANT

Grantmakers emphasizing post-grant assessment can consider these approaches.

- Grantmaker uses the TCC Group's Core Capacity Assessment Tool to assess the overall capacity of general operating support grantees and track changes over time. — *Endowment for Health*
- Grantmaker conducts "baseline survey" to learn more about grantee activities and investments in areas such as professional development for staff, board development,

strategic planning, technology, advocacy, financial management and more. A follow-up survey two years later assesses how things have changed.
— *Blue Shield of California Foundation*

- Grantmaker requests grantees to orient reporting toward simple questions about the effect of general operating support on organizational capacity.
  — *Wyoming Community Foundation*
- Grantmaker bases benchmarks and evaluation methods on the lifecycle stages of general operating support grantees. — *Rose Community Foundation*
- Grantmaker asks grantees specific questions about the extent to which they are engaged in learning for continuous improvement. — *F.B. Heron Foundation*
- Grantmaker explicitly asks grantees what they want to learn in the course of their work — and then encourages reflection on learning during the grant. — *Icicle Fund*

EYES ON THE PRIZE

Grantmakers can use these approaches to ensure they are not placing unnecessary burdens on grantees.

- Grantmaker eschews formal reporting in favor of "ongoing conversations" with grantees about what they are learning in the course of the grant. — *The Whitman Institute*
- Grantmaker sets out to build strong relationships with grantees through staff and board participation in grantee board meetings before and during the grant.
  — *Endowment for Health*
- Grantmaker convenes grantees to assess the impact of general operating support on their operations and to hear suggestions for improvements. — *Endowment for Health*
- Grantmaker surveys grantees to keep track of their progress and to pinpoint concerns and suggestions. — *SVP Seattle*

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