

Transformative Organizational Change through Hybrid Capacity- Building: The North Penn Experiment

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“How do we get the most bang for our buck?” That’s one of the first questions nonprofits, their funders and donors ask, especially when it comes to capacity-building – the strengthening of the non-programmatic functions, operations and business of a nonprofit organization.

Traditionally, the answer has been “you get what you pay for.” At the low end, the one-off workshop costs little but doesn’t change the organization. At the high end, extensive consulting can bring the deep organizational transformation required to make a real difference but can be prohibitively expensive.

The North Penn Nonprofit Academy, a unique program for nonprofit health and human services leaders, has come up with a different answer. Founded by the North Penn Community Health Foundation, the Academy has found a way to combine elements from across the spectrum of capacity-building efforts to achieve organizational

behavior change much more cost-effectively than by simply assuming that there is one best way. The Academy's resulting ability to build the capacity of executive directors, board members and management-level staff serving the North Penn region of Eastern Montgomery County, Pennsylvania not only provides an innovative answer to the bang-for-the-buck question but also provides a blueprint for other nonprofit communities.

The Capacity-Building Equation

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Organization-wide capacity-building, including strategic planning, organizational assessments, evaluations of the quality and impact of programs, infrastructure development, individualized training and technical assistance, requires a significant investment of time, in-kind resources and money. The precise financial cost usually depends on three factors:

- How many people or organizations are a capacity-building intervention, program, etc. intending to reach at one time?
- How much can a capacity-building effort realistically alter individual and institutional behavior, from rudimentary changes like new knowledge and improved motivation to the acquisition and use of more sophisticated skills and tools?

- Who are the targets for change of a given capacity-building intervention, along a continuum from individuals to groups to organizations and systems?

Trainings and workshops are relatively inexpensive because they serve many people simultaneously and focus primarily on building individuals' knowledge.

Consulting engagements are expensive because they are attempting to habituate, acculturate and systematize specific skills, tools, behaviors, actions and business practices within one group or organization. Based on these assumptions, common sense and research suggest that the cost of changing individual knowledge, motivations and skills is low, while the cost of changing organizational behaviors is high. The question the North Penn Academy experiment is partly designed to answer is whether the second half of that conclusion has to be true: Can organizational change be achieved more cost-effectively than is traditionally believed to be the case?

What the Research Really Shows

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Formal evaluations of capacity-building strategies typically find that creating lasting improvements in organizational effectiveness requires much deeper interventions than superficial workshops and trainings.

TCC Group, a national consulting firm to the philanthropic and nonprofit sector, has been evaluating funder-

supported capacity-building initiatives for over 10 years. TCC's work confirms the following about the outcomes that can be achieved for specific types of capacity-building:

- **Workshops and trainings lead mostly to individual improvements in awareness and knowledge.**

When hands-on exercises and tools are provided, some improvements in individual skills and confidence can also be achieved. The most typical long-term impact is that individuals access new knowledge, tools and resources once or twice in the course of their day-to-day work.

- **Coaching and one-on-one technical assistance for the purposes of learning about and practicing specific job skills typically translate individual knowledge gains into new behaviors and, ultimately, new and improved habits.**

However, these individual changes of behavior and habits don't always directly result in improved organizational behaviors. An exception may occur when the coaching or technical assistance is provided to high-level or the top leaders individually, and their behavioral changes lead directly to organization-wide changes. This, though, is not the typical result from coaching or one-to-one assistance.

- **Peer exchanges typically result in both individual leadership behavior improvements, as well as**

organization-wide leadership improvements.

When individuals at the same level of leadership and responsibilities formally and regularly meet to brainstorm solutions to unique and commonly shared challenges, as well as provide referrals to resources and offer motivational supports to implement change, they become stronger leaders. The behaviors of the leadership group of their organizations also improve. However, these improved leadership behaviors, individually and organization-wide, do not lead directly to overall improved organizational effectiveness, as measured by lifecycle advancement, sustainability, and adaptability and, very likely, though more research is needed, program impact.

- **High-quality consulting typically results in new or improved organizational resources, systems, technologies or operating structures that lead more directly to stronger organizational behaviors.**

Stronger organizational behaviors in such areas as fundraising strategies and efforts, evaluation and learning processes, human resource management, and others are much more logically linked to overall organizational effectiveness.

Although all of capacity-building cannot be put into these four categories, they do represent, for purposes of research, the typical range and type of experiences. The

apparent conclusion is that the cost of these exercises goes up as you move from providing workshops/trainings, to coaching/technical assistance and peer exchanges, to consulting. A simplistic conclusion might then follow: depending on the desired outcome and degree of change sought, choose from the above solutions, with price range as the overarching guiding factor.

But there's the rub. Organizational behavioral change is a common goal and extremely valuable if done right and at the right time, but not all organizations can afford high-priced consultants and intensive leadership interventions. And, of additional fundamental importance, what would happen if we didn't factor in the knowledge needs and behavior of individuals? Skipping right to global development at the expense of individual staff investment can lead to trouble down the road. When funders, donors and nonprofit leaders consider what types of capacity-building they need and want they ask all of these questions. Yet, to date, what they usually hear in reply is, "pick one type, and manage your expectations accordingly."

However, if we resolve to view these types of capacity-building not as discrete offerings, but as a set of program design elements or ingredients that can help individuals and organizations become smarter and improve their behaviors, we can create greater impact from capacity-building and do it cost-effectively. This is where innovation lies – not in thinking about the value and worth

of programs like workshops, consulting, or peer exchanges, which are often viewed as mutually exclusive in practice, but rather in identifying the component parts that achieve the desired outcomes, and mixing, matching and combining these ingredients into an experience that maximizes the chances of achieving lasting positive institutional and individual behavior change.

Identifying the Challenges

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The North Penn Community Health Foundation established the Nonprofit Academy in 2003 to assist the Foundation in carrying out its mission of identifying, selecting and investing in programs and agencies that will improve the health, welfare and quality of life of the community. Formed to operate in perpetuity within a very small geographic footprint, the Foundation recognized that it would likely be partnering with many of the same grantee organizations for decades. During the past 10 years, the Foundation's strategy has been evolving, guided by the basic tenet that grants should support today's community needs while preparing nonprofits for the challenges of tomorrow. With approximately \$35 million in assets and an average yearly grants budget of approximately \$1.5 million, that is a very tall order.

The Foundation developed its strategy for change by first carefully considering the challenges and needs of the

health-related nonprofits in its community. They found that, in addition to the challenges of securing adequate revenues to support their budgets, nonprofit leaders struggled with operational decisions related to program design, human and technology resources, quality assurance and outcomes reporting. Many nonprofit leaders had educational backgrounds in human services, case or clinical management or as health professionals, but few had formal business training. Almost none used strategic plans or formal evaluations to guide their decisions.

Most of the nonprofit organizations surveyed by the Foundation's staff noted that professional development programs were too expensive and often located too far away. Further, professional development was often viewed as a luxury. Even when budgets included training funds, these were the first to be reallocated when budgetary challenges arose. Respondents also expressed a feeling of disconnection from peers who had an orientation to working with the City of Philadelphia, which has its unique organizational bureaucracies and language.

Based on those observations, the Foundation established the Academy as a local training program targeting leadership and managerial staff and board members. It was structured to be tuition-free and without significant travel costs in terms of both time and cash outlay for participants. In addition, the Foundation believed that collaboration is essential for communities to support high-

quality health and human services and for clients to achieve maximum benefit from services provided. By creating a learning environment that enticed repeat attendance at educational sessions that were closely aligned and integrated, the Foundation could foster trust among nonprofit leaders, enabling them to explore how their organizational core competencies could be combined to address organizational challenges and the community's unmet needs. In addition, because programs to assist nonprofit organizations in running efficiently and effectively are neither widely available nor affordable for many nonprofits, the Foundation decided to introduce strategic and business planning to nonprofits in the program – a key strategy for “marrying the mission of the heart with sound business principles of the mind.”

Designing the Learning Experience

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The Academy established an advisory committee comprised of faculty, foundation staff and organizational representatives. The committee assisted in identifying topics of interest for sessions and also offered constructive suggestions to strengthen the learning experience. The curriculum was designed to focus on the business aspects of operating a nonprofit, including topics such as financial management and reporting, technology planning and management, communications

and marketing, human resource management and board/leadership development. Faculty members, drawn from all over the country, were selected for their nonprofit expertise, business acumen and ability to inspire organizational change and leadership.

In its inaugural year the Academy required the executive director of each of its grantee organizations to attend a total of 6 hours of instruction, conducted twice monthly over 8 months. Each learning module was divided into 2 sections to keep class sizes small and to encourage each participants to closely interact, promoting a quality learning venue and fostering networking skills.

In subsequent years, invitations to attend the Academy's classes and programs were extended to all senior leaders and board members of organizations, with individual and organizational participation entirely voluntary. Attendance was not reported to the Foundation; therefore, grant funding decisions did not consider whether an organization was actively involved with the Academy, although many applicants made note of the value of the Academy's programs in their applications. Over the past 6 years, many of the same executives have attended Academy sessions and most of the Foundation's grantee organizations that have received continuous grant support have maintained a strong presence.

The Academy has been deliberately designed to provide structured learning opportunities for executive leadership

staff and board members in a local venue that is within a half-hour drive from nearly every nonprofit organization that participates. The meeting facility has adequate free parking and light refreshments are available. Occasionally a luncheon or wine and cheese bar has been offered to attract board members or to help to secure full participation when a session runs longer than three hours. While these may seem small details, they can make a real difference in ease and attractiveness of participation.

The Academy's target audience comprises the area's 40-50 health and human service nonprofit organizations. Many have contracts with the local county government, are subject to the same rules and regulations, and speak a common professional language. The Academy's faculty is encouraged to use that common language and provide concrete examples from a local health or human services perspective. This common language and local context accelerates learning and contributes to deeper understanding, application, and retention of information.

To foster interpersonal relationships and a learning culture among regular attendees, the Academy employs a high-touch teaching and learning approach. Each session has a limited number of places. Many sessions are offered twice to accommodate scheduling conflicts and to maintain class sizes of fewer than 30 people. The Academy's Advisory Board has been replaced with a web-based survey tool that invites all participants in the learning community to suggest session topics. Additionally, semi-

annual focus groups of past Academy participants and thought-leaders help define a context for learning and future sessions.

Over and above the regularly scheduled Academy sessions, a master class series is offered each year. Participation in this series is entirely voluntary but restricted exclusively to executive directors and is peer-led. This unique venue offers a safe place where peers can speak frankly without fear of embarrassment in front of subordinates or retaliation from board members or Foundation staff. The master class topic is chosen in advance and the Academy's manager works with a few volunteer executive directors to structure a goal-directed conversation. The master class series has highlighted the work of peers and helped to demonstrate that local organizations can achieve a level of success enjoyed by industry leaders. The series has also helped executives identify specific organizational learning needs and to develop viable strategies to promote meaningful institutional change. Using this knowledge and building on the successful experiences of peers, many of these organizations have received grants from the Foundation to address those organizational needs.

Measuring the North Penn Academy Results

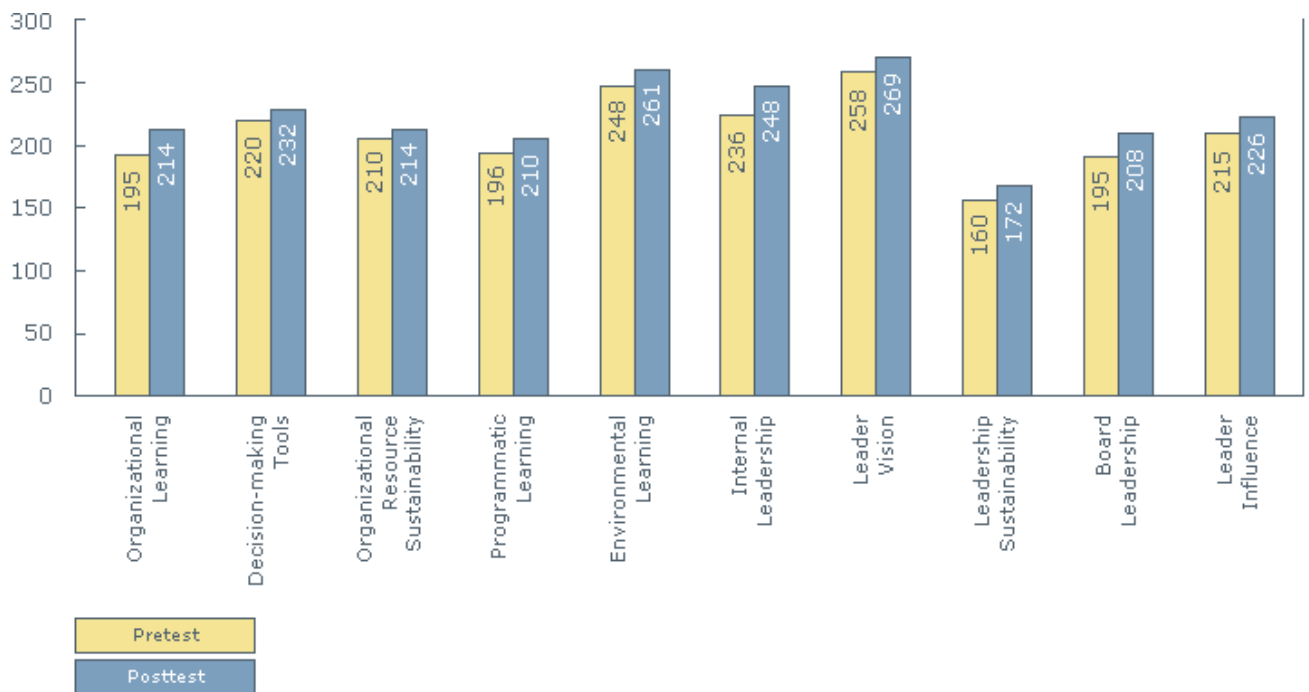
Measuring the North Penn Academy Results

In 2008, the TCC Group was engaged to conduct a longitudinal evaluation of the North Penn Academy to determine if and how much participating individuals and, most importantly, organizations improved their organizational and leadership capacities. TCC conducted a multi-method qualitative and quantitative study to determine the level of change that individuals and organizations – groups of leaders, staff and boards within each organization – achieved with respect to the following four core capacities:

1. Leadership: The ability of all organizational leaders to inspire, prioritize, make decisions, provide direction and innovate, all in an effort to achieve the organizational mission.
2. Adaptive capacity: The ability of a nonprofit organization to monitor, assess, and respond to internal and external changes.
3. Management capacity: The ability of a nonprofit organization to ensure the effective and efficient use of organizational resources.
4. Technical capacity: The ability of a nonprofit organization to implement all of the key organizational and programmatic functions.

The Academy was able to achieve noteworthy organizational behavior changes among participants for all of these 4 core capacities, as determined by the Core Capacity Assessment Tool (CCAT). A statistically reliable and valid organizational assessment tool, the CCAT has

been used with over 2,000 nonprofit organizations in studies and evaluations of capacity-building throughout the United States. It asks all organizational leaders to objectively, confidentially and anonymously assess their organization's leadership, adaptability, management and operational behaviors. For the organizations that regularly participated in North Penn Academy programs, data collected from pre-test and post-test measures improved for almost all of the 36 sub-capacities that serve as underlying measures of the 4 core capacities. For example, the following chart shows the average pre-test/post-test scores of the Academy's participating organizations on the leadership and adaptive sub-capacities measured by the CCAT:



Considering TCC's evaluation experiences with long-term funder-supported capacity-building initiatives over the past decade, it is extremely rare to see a whole group of organizations, on average, increase all of their core

capacities. It is far more typical to see a group pattern of a much smaller set of sub-capacities improving and for the amount of change to be less than 10 points. Not so with North Penn Academy participants, who as a group notably surpassed those typical outcomes.

The Recipe for Success

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The Academy achieved these noteworthy changes within organizational behavior and improvement in core capacities on the part of participants through what on the surface appear to be workshops and seminars, which, as discussed at the outset of this article, are typically presumed to be ineffectual at bringing about large-scale, long-term change. But appearances are deceiving. On closer inspection, it's clear that the Academy succeeded not through a monolithic program, but through the unique overarching principles of the effort and through the multifaceted structure, delivery, format and content of the learning experience.

Those overarching principles include:

- **Engage the right people.** In many capacity-building efforts, particularly workshops and training sessions, the right people don't show up. The Academy targeted change agents including executive staff and board leaders to participate regularly and provided

them with content that was immediately useful for management and decision-making. By attracting top leadership and board members, the Academy in effect achieved a degree of organizational change that usually comes only with far more expensive efforts. The key is to attract people who would say: 1) "organizational change is my job"; 2) "someone is holding me accountable for the behavior related to what it is I will learn"; and 3) "I need the learning now."

- **Harness the power of community.** Academy participants not only came from the same geographical community but also from the same sector, health care and human services. The Foundation rightly believed that such coherence and common interests would greatly increase the likelihood that the effort would have tangible results, find wide support, and create synergies among local nonprofits.
- **Provide incentive and direction.** The Foundation's relationships with participating organizations, its investment, and its leadership encouraged participation by local organizations and linked the Academy's efforts to the Foundation's broader mandate. As a result, the Academy was able to create a clear identity, brand and culture for the group and the experience

With those principles as a guide, the Foundation and the

Academy were then able to create a hybrid program that delivered the benefits of the entire spectrum of capacity-building programs without incurring their costs. The elements that combine to create that hybrid include:

- **Uniformity of leadership level.** This is of course related, but is not identical, to engaging the right people. Where engaging the right people speaks to the issue of the ability to take action back at the home organization, ensuring uniformity of leadership level speaks to the issue of the experience at the Academy. Because participants were all drawn from the same high level of leadership, the courses could be designed to specifically address their level of knowledge and need, as opposed to being aimed at some lowest common denominator. Additionally, the North Penn Academy director conducted frequent formal and informal outreach to determine the needs of participants to ensure that content, materials and tools would be immediately useful.
- **Peer acceleration of learning.** Facing similar challenges and serving the same population, participants were able to provide concrete and locally applicable and relevant advice that could be put to work, accelerate each other's learning and set the stage for future collaboration. This is a far cry, both in content and results, from a generic workshop in a distant city conducted for participants from disparate nonprofit sectors.

- **Continuity of participation.** Because the same people repeatedly attend Academy sessions, over time the program achieves the benefits of an extended educational course or consulting engagement. The learning is cumulative, integrated and sophisticated, in sharp contrast to the limited results of a one-off workshop. Leaders participate in sessions, return to their organizations to incorporate what they have learned, and then reconvene at the Academy to share experience and insight on an ongoing basis.
- **Careful design.** The Academy staff designed the program to combine workshops, trainings, master classes, peer exchange, in-class coaching and technical assistance. Content was to be provided by proven thought-leaders and practitioners, and sessions were designed to take place in small groups for maximum impact and depth of engagement on the part of participants.

Together, the principles and the careful design and execution of the program produced the kind of organization-wide change among participating nonprofits that is usually associated with far more expensive and intensive transformation efforts. As the CCAT results show, Academy participants achieved striking improvements along all the dimensions measured – leadership, adaptive capacity, management capacity, and technical capacity – demonstrating the power of this

uniquely hybrid model.

Further, these organizations have gotten a significant head start on any future capacity-building efforts they might undertake with the help of consultants whose fees are typically paid for with grants solicited from the Foundation. Typically, such engagements require the consultants to spend a great deal of time and resources educating the leaders before implementation can begin. But organizations whose leaders have participated in the Academy's programs are already prepared and experienced. As a result, they can use consulting resources more judiciously, efficiently and cost-effectively. Thus the Foundation's capacity-building dollars are better utilized and leveraged, a scenario that is mutually beneficial for the Foundation and grantees.

To return to the question we initially posed: How can you get the most bang for the buck in capacity-building? As North Penn Academy has demonstrated, by bringing together the leaders of a coherent geographical and nonprofit community and providing a program that harnesses their collective knowledge and energy. How much buck? The program costs the Foundation about \$50,000 annually and participants a mere \$1,000 a year. The bang? A larger pool of high-performing, outcomes-oriented nonprofits that can bring even greater benefits to the people they serve in the North Penn community.

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