



**EVALUATION OF THE MURDOCK CHARITABLE TRUST'S
NONPROFIT SUPPORT ORGANIZATIONS
CAPACITY-BUILDING INITIATIVE**

YEAR 3 REPORT

September 2011

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TABLE OF CONTENTS

Executive Summary	i
A. Background	i
B. Research Methodology	ii
C. Findings.....	iii
<i>C.1. Have participating organizations enhanced their effectiveness as a result of participating in the Murdock Capacity-building initiative?.....</i>	<i>iii</i>
<i>C.2. What was the level and quality of interaction with other grantees?.....</i>	<i>ix</i>
<i>C.3. What is the perception of Murdock’s ability to administer the initiative?.....</i>	<i>ix</i>
D. Conclusion	ix
I. Background	1
II. Research Methodology.....	3
III. Findings	8
III.1. Have participating organizations enhanced their effectiveness as a result of participating in the Murdock Capacity-Building Initiative?	8
A. Leadership Capacity.....	12
B. Adaptive Capacity	15
C. Management Capacity	21
D. Technical Capacity	24
E. Organizational Culture and Lifecycle.....	26
III.2. What was the level and quality of interaction with other grantees?	28
III.3. What is the perception of Murdock’s ability to administer the Initiative?	28
IV. Conclusion.....	35
Case Study 1: The Foraker Group.....	36
Case Study 2: Idaho Nonprofit Center	44
Case Study 3: Montana Nonprofit Association	52
Case Study 4: The Nonprofit Association of Oregon (NAO)	60
Case Study 5: The Nonprofit Center	67

EXECUTIVE SUMMARY

A. Background

For the last three years, the M.J. Murdock Charitable Trust “Building the Capacity of Nonprofit Support Organizations” (NSO) Initiative has worked to enhance the capacity of the five participating organizations and is credited as a key factor in supporting the NSOs’ ability to survive, and in some cases thrive, during difficult economic times. Founded in 2007, the purpose of the initiative was to provide capacity-building support to organizations dedicated to building the capacity and enhancing the effectiveness of other nonprofits. The initiative includes five grantees, one from each state in the Northwest:

- Foraker (Alaska)
- Idaho Nonprofit Center (INC) (Idaho)
- Montana Nonprofit Association (MNA) (Montana)
- Technical Assistance for Community Services (TACS) (Oregon)
- The Nonprofit Center (TNC) (Washington)

Each of the grantees developed a specific capacity-building agenda for funding based on organizational needs. Proposals were completed by December 2007, with awards made in February 2008. Funding varied by organization (See Table 1).

When the Murdock Charitable Trust launched its capacity-building initiative, the U.S. economy appeared much stronger than today. Several months after Murdock grantees received funding in February 2008, the depth of the economic crisis facing the country became much clearer.

For example, a 2010 report from Johns Hopkins University found that nearly 40 percent of nonprofits lacked adequate staff to deliver their programs and a third had made workforce reductions in the previous six months.¹ For Murdock NSO grantees, the crisis has forced all of the grantees to adapt to a rapidly changing environment and reconsider core assumptions in growth and development. For the Murdock nonprofit support organization (NSO) grantees, the economy hit both of their major revenue streams—grants from foundations and earned revenue from nonprofits. For associations, it affected membership renewal rates and the depth of services members were interested in, as well as foundation funding.

While the economy has stabilized, it continues to impact nonprofits in the Northwest. Grantees in several of the states indicated that the effects of the economic recession actually hit their states later than the rest of the country. This meant that the first year of the grant was overshadowed by anxiety about the national economy, while the second and third years were more deeply impacted by the downturn. However, organizations have largely adapted to a “new normal” state that is characterized by tighter budgets, more cautious growth, and a difficult funding environment.

Grantee	Murdock Funding Amount	Budget at time of Grant
Foraker	\$600,000	\$2,900,000
INC	\$90,000	\$ 277,000
MNA	\$168,000	\$ 506,000
TACS	\$750,000	\$1,966,508
TNC	\$159,525	\$ 373,246

¹ Salamon, Lester and S.Geller and K. Mengel. “Recession Pressures on Nonprofit Jobs”, Communiqué No. 19 by Johns Hopkins University. Available at: http://www.ccss.jhu.edu/pdfs/LP_Communicques/LP_Communique19_jobs.pdf

Despite the changed economy, none of the grantees made significant changes to their capacity-building goals, though some did make minor modifications to adapt to other circumstances in their evolution. On final reflection, at least part of the reason that grantees did not make changes had to do with the timing of when the downturn hit Northwest states. Two of the grantees specifically indicated that it was at least a year into the initiative before the economic implications became clear and thus shifting already started (and still relevant) projects didn't seem prudent. There continued to be no indication that grantees had unrealistic capacity-building goals, even in light of the bad economy. Even TNC, which had little success, did not have totally unrealistic goals, but rather struggled with process. However, it stands to reason that capacity-building efforts in a challenging economic environment are likely to be slower or have their impact somewhat tempered by the pressures of financial sustainability, particularly for organizations that rely heavily on earned-income strategies from similarly strapped nonprofits. The reader is therefore encouraged to keep in mind the economic realities when examining the findings.

This evaluation report represents the final evaluation of the program, summarizing the data collection findings from the entire initiative. The report is intended to be cumulative—meaning that results reflect change since the inception of the Initiative. The purpose of the final Year 3 report is to provide an overall assessment of achievement and lessons learned for the initiative. Similar to previous years, this report is a summary of evaluation findings across the cohort, with a particular emphasis on key learnings, followed by individual case studies for each organization. The evaluation plan and data collection methodology are described in the following section.

B. Research Methodology

The evaluation is designed to help the Trust answer the three overarching evaluation questions about the impact and quality of the initiative which were derived from the logic model:

- Have participating organizations enhanced their effectiveness as a result of participating in the Murdock Capacity-building initiative?
- What was the level and quality of interaction with other grantees?
- What is the perception of Murdock's ability to administer the initiative?

The evaluation assumes that change is intended within each organization, in one or more of the following areas:

- Adaptive Capacity: monitoring, assessing, responding to and creating internal and external changes;
- Leadership Capacity: articulating a vision and procuring the resources needed to achieve it;
- Management Capacity: ensuring efficient and effective use of organizational resources; and
- Technical Capacity: "doing the work," at programmatic and administrative levels.

Over the course of the evaluation, the data collection methods changed slightly from year to year. In Year 1 there was an intense data collection to gather short-term progress as well as try and establish a post-hoc baseline. In Year 2 there was a lighter touch to ensure that the evaluators could understand the evolution of the capacity development and to provide feedback on progress. Year 3 returned to more intensive data collection. This approach reflects TCC's learning about how to maximize the impact of an evaluation by adjusting the methods to meet the ongoing learning needs of evaluation stakeholders. Data for the Year 3 evaluation included the Core Capacity Assessment Tool (CCAT), a comprehensive tool that measures specific aspects of the core capacities; site visits and supplemental telephone interviews with each of the grantees; and a Business Model survey that captures aspects of the business operations of each grantee, as well as perceived progress on capacity building. In total, interviews and/or

focus groups were conducted with 65 people, 19 respondents completed the Business Model survey and 35 respondents completed the CCAT.

C. Findings

Following are findings for each of the three evaluation questions as they pertain to the overall initiative.²

C.1. Have participating organizations enhanced their effectiveness as a result of participating in the Murdock Capacity-building initiative?

At the end of the initiative, four of the organizations (Foraker, INC, MNA and NAO) had made substantial progress on their targeted capacities. Three of the organizations presented evidence that indicated the improvements were deep and likely sustainable. One organization (NAO) made significant gains, though with some ongoing issues to solidify those gains. The final organization (TNC) built some important new capacity, but did not achieve significant aspects of their capacity targets and have questionable sustainability. Overall, organizations were successful in addressing capacities in each of the four core areas: leadership, adaptive, management, and technical capacities. Leadership and technical capacities were built in an ongoing way over the course of the Initiative, while adaptive and management capacities solidified in the third year.

Figure 1 illustrates progress relative to grantees' intentions. An "XX" indicates the intended areas of capacity building for each organization. Because some organizations made minor modifications, we have added "Z" to denote a newly identified capacity area in which the grantee ultimately worked. Dark green shading indicates areas of strong capacity improvement, based on TCC Group's assessment of the data, and the striped green indicates areas of initial progress or moderate capacity improvement. Red striped areas indicate potential concerns for the organization, while dark red shading indicates deficits in capacity. An organization might have shading in boxes without an "XX", representing "spillover effects"—positive or negative developments that have some link, but were not a direct focus of capacity building. No shading indicates no change based on evaluation findings (which, in some instances where there is no "XX" may be a result of not exploring that area in data collection).

Three of the five organizations look significantly different at the conclusion of the initiative than they did at the beginning—TACS is now NAO, INC is a fully operational state association and TNC is struggling considerably. Three of the organizations have or are currently experiencing executive turnover (NAO, MNA and TNC).

Four of the five organizations have made strong capacity improvements, with the fifth having made some minor improvements, but experienced significant challenges. All of the organizations continued to report operating differently now than prior to their Murdock funding, with 93 percent of business model survey respondents agreeing that the organization is more successful at achieving mission. It is TCC's assessment that at the conclusion of the three year initiative, based on initial and added capacity targets, the initiative has about a 65 percent accomplishment rate, which does not include any of the "unintended" and/or "spillover" effects.³ These "spillover effects", depicted in the chart as shaded areas without "XX" and

² Additionally, the evaluation looked at individual detailed capacities and also utilized a case study approach to evaluate progress of each of the individual grantees, neither of which are included in this Executive Summary.

³ TCC calculated this based on the number of original and added intended outcomes (denoted with an "XX" or a "Z") that have been achieved. Capacity areas that are in progress, but not yet complete (denoted with the hashed green), are weighted at 75 percent. As seen in Figure 1, 34 areas of capacity

indicate that the amount of impact of the capacity-building funding extends beyond initial stated intent in many areas. If the numbers are adjusted to remove TNC, the level of achievement goes to 93 percent. TCC is confident that at least 75 percent of the fully or partially built capacity is sustainable. Eighty-six percent of the Business Model Survey respondents agreed that their organization would be able to sustain the changes made through capacity building to date, with TNC as the only organization that was not in the agree range. Qualitative data collection strongly supports this in all four cases (Foraker, INC, MNA, and NAO).

evidenced strong capacity development, 28 evidenced starting/mild capacity development and 21 stayed the same or decreased slightly.

**Figure 1:
Capacity Outcomes by Grantee in Logic Model Format**

	AK	ID	MT	OR	WA
Core Program and Infrastructure Leadership:					
.Clarity of Vision		Z	XX		XX
.Internal Leadership				XX	XX
.Board resource generation				XX	
.Board expansion				XX	
.Leadership sustainability				XX	XX
.Data driven decision-making	XX	Z		XX	XX
.Advocacy leadership capacity (Associations)			XX		
.Improved targeting of services	XX			XX	
Core Program and Infrastructure Adaptive:					
.Program Evaluation systems	XX	XX	XX	XX	XX
.Org. Assessment systems		XX	XX		XX
.Knowledge sharing					
.Funding stability (earned income, individual donations, institutional donations)	XX			XX	XX
.Strategic/Business Plan			XX	XX	XX
.Marketing/Fundraising plans					XX
.Succession plans			XX	XX	XX

	AK	ID	MT	OR	WA
Impact Expansion Leadership:					
.Relationship building			XX	XX	XX
.Board outreach				XX	XX
.Visibility, reputation and knowledge leadership		Z	XX	XX	

	AK	ID	MT	OR	WA
Management:					
.Performance systems and staff oversight				XX	XX
.Staff professional development	XX			XX	
.Manageable workload (including staff efficiency)				XX	XX
.Staff retention and morale (including compensation)	XX			XX	XX
.Information Management			XX	XX	
.Financial management				XX	XX

Key	
Initial Focus of Murdock Funding	XX
Added Capacity Building Focus	Z
Strong capacity development	
Starting/mild-capacity development	
Area of concern	
Area of weakness/decrease in capacity	
No change identified	

MSO Technical:	AK	ID	MT	OR	WA
.Website/Technology	Z			XX	XX
.Web service technology	XX			XX	
.Tracking/finance technology				XX	
.Facilities				XX	
.Number of staff and knowledge of field best practices	XX	XX		XX	XX
.Marketing/outreach (print materials, media, etc.)	XX	XX		XX	XX
.Fundraising				XX	XX
.Training curriculum		--*			

Association Technical:	AK	ID	MT	OR	WA
.Outreach techn. (website, online newsletters, etc.)		XX	XX	XX	
.Research and dissemination on best practices				--**	
.Training tech. (e-learning)					
.Constituent database		XX	XX		
.Staff technology			XX		
.Marketing/outreach (print materials, media, etc.)		XX	XX	XX	
.Advocacy knowledge/skills for sector (media, legal, grassroots, lobbying, etc.)			XX	XX	
.Service purchasing knowledge		--*	XX		

*De-emphasized
**Focusing on content, not research and dissemination

Since the organizations had different capacity-building goals, a more contextual analysis provides better insight into actual outcomes findings. As a result, following is a short description of evaluation findings for each organization, derived from the more extensive case studies.

The **Foraker** capacity-building projects have been well-implemented and strong capacity is clearly evident in both areas of focus: integration of shared financial services (SFS) and creation of an evaluation framework. Exceeding most expectations, the SFS program is at break-even financially, is expanding the number of clients and is seen as providing high quality services. The program has increased efficiencies and has largely been integrated culturally to Foraker. The evaluation framework and system have been established, including the development of a robust dashboard that has the buy-in of the board. Data are being collected in a more systematic way and seem positioned to provide solid information to inform future decision-making. CCAT scores show strengths in nearly every sub-capacity area and interviewees consistently indicated that Foraker adheres to its own advice and meets or exceeds their own organizational capacity framework.

In short, the **Idaho Nonprofit Center's (INC)** development over the course of the grant has been substantial and the Murdock-funded capacity objectives achieved. INC has successfully transitioned to a statewide association and has a suite of services that are well-regarded in the community. They are increasingly a visible and credible source of information on the nonprofit sector. As described in INC's Murdock progress report, "The grant award propelled us into a growth phase that has been exhilarating, exhausting and very rewarding." The Murdock funding served as seed funding for INC to make the transition and they demonstrated the capacity to absorb and leverage that funding. TCC's assessment is that INC is positioned to grow from its now adolescent stage into maturity and will need to expand its infrastructure to keep pace with its reputational and service demand growth. Over the last three years, INC has developed a clear identity and a program framework that they can now develop and expand into more sophisticated services throughout the state.

The **Montana Nonprofit Association (MNA)** evidenced exceptional growth in all four capacity building areas: development of a business plan, upgrading technology capacity, enhancing marketing and communications capacity, and further building its public policy program. The addition of a new communications staff member has significantly enhanced the quality and strategic quantity of communications emerging from MNA. The business plan is being actively used, both internally to make decisions as well as externally to enhance support from members and donors. The technology upgrades anticipated for this project are fully functioning, leading to increased efficiencies and greater quality of content on the MNA website. Finally, MNA's policy work has continued to grow in scale and effectiveness, operating at both the national and state level. The capacity seems largely built into MNA's infrastructure, indicating a high likelihood of sustainability. The area of greatest concern pertaining to sustainability is the policy work, which may be impacted by the departure of the current executive director, Mr. Brian Magee. Notwithstanding, even in this area there appears to be a large amount of infrastructure in place that should facilitate a relatively smooth transition, assuming the new executive director has relevant skills and personality.

The Nonprofit Association of Oregon (NAO)—formerly TACS—continues its significant transition from a management support organization to a state association with management support services. The organization has overcome many initial challenges with the transition, particularly: hiring and integrating a new executive leader; resolving a three-stage process of

moving from a traditional nonprofit board to a member-led board; acquiring transitional as well as sustainable grant funding for the new organization and value proposition as a state association; and getting credibility from policymakers and other leaders as an advocacy organization working on behalf of nonprofits. During the transition they have been able to play an important role in state policy debates and are working to increase their visibility statewide. NAO is experiencing some challenges as it continues its transition, likely as a natural result of the cited leadership, brand, value proposition, governance and public perception gains.

Over the course of the capacity-building initiative, **The Nonprofit Center's (TNC)** progress was stymied by the looming issue of executive transition. Following the termination of their founder and executive director, TNC is now an organization at a crossroads as the Board determines their ideal role in the community and makes the case to funders and the nonprofit community for their ongoing existence. TNC was unable to make extensive progress in their efforts in strengthening evaluation/organizational learning or in marketing/fund develop, as originally planned as part of their grant as issues of financial sustainability and executive transition consumed much of their time. However, the hire of Mr. Strand, the current interim executive director, did come as part of the Murdock funding, and, though not originally intended as such, has ultimately served the purpose of facilitating leadership transition and increasing internal marketing capacity. At the time of this writing, TNC's ongoing sustainability remains in question.

Grantees achieved 68 percent of anticipated leadership outcomes.⁴ As depicted in Figure 1, a third of the anticipated leadership outcomes for both Core Program/Infrastructure Leadership and Impact Expansion Leadership were realized, with almost half partly realized. Data-driven decision making and improved targeting of services, two areas that accounted for many of the partially realized outcomes, were limited primarily because not enough time has elapsed to see these specific gains. The "data" aspect needed for both data-driven and improved targeting is just starting to materialize, though there are preliminary indications that what data are available are being used. NAO went through a major board transition and is now starting to be positioned for their Board to achieve outreach and resource development.

Grantees achieved 60 percent of their anticipated adaptive capacity outcomes.⁵ As depicted in Figure 2, all of the organizations had anticipated making progress in evaluation systems, though only two showed systematic improvements. Four of the five organizations showed at least some improvement in the areas of organizational assessment systems (are they keeping track of capacity needs and performance), knowledge sharing (a by-product of other types of capacity building, rather than a direct focus area), and strategic/business plans. Organizations had increased their level of planning, particularly at a high level, though more concrete operational plans were still largely in their infancy. Despite the economy, three of the organizations evidenced improvements in funding stability resulting from the Murdock projects, including better diversified funding and a more stable funding base.

Management for the cohort was a mixed bag, with grantees achieving only 35 percent of their anticipated management capacity outcomes.⁶ Organizations indicated improving their effectiveness and efficiency, with 87 percent of survey respondents indicating that their organizations were more effective and 73 percent indicating they are more efficient as a result of the capacity building. CCAT scores showed a mix of largely strengths and satisfactory

⁴ This number increases to 78 percent if TNC is removed.

⁵ This number increases to 77 percent if TNC is removed.

⁶ This number increases to 50 percent if TNC is removed.

scores for management capacities. Foraker continued to have the most robust management. The addition of a comptroller in the shared financial services (SFS), as well as the CFO position, also brought in by SFS, improved the overall level of management in the organization. In a remarkable show of efficiency, Foraker is now doing the same amount of work that was previously done with significantly less staff and without overextending the staff. INC's addition of a new staff person has enhanced the systems. MNA's management was also enhanced by the addition of new staff hired with Murdock funding. This is a change from last year when the addition of this person seemed to be taxing the management infrastructure. TACS/NAO is working to revamp their management occurring as a result of the transition, largely due to questions regarding the fit of training and consulting within the organization. TNC's management is struggling with all of the leadership transitions. The relative lack of progress in planned management capacity building is likely due to the difficulty of doing management capacity building as distinct projects. More commonly, advances (or retreats) in management capacity come through the thoughtful implementation of other activities with a careful management lens in place. This was clearly the case for Foraker, INC and MNA.

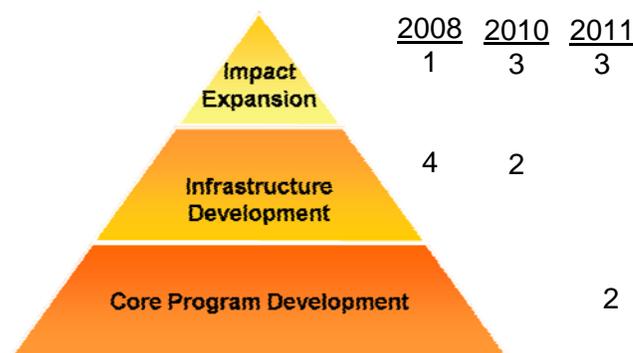
Grantees completed the majority of their capacity-building activities focused on technical capacities, achieving 81 percent of their anticipated technical capacity outcomes.⁷ As reported last year, these capacities, which tend to be more concrete in terms of need and approach, are generally the most straight-forward to implement. Improvements included new staffing, better technology, and more effective programming.

Grantees are solidly divided between Impact Expansion and Core Program Development along the organizational life-cycle. Figure 2

shows the change in life cycle as measured by the CCAT from 2008 to 2011. Progress through the life-cycle is generally considered positive, assuming organizations do so within the context of their missions and have a desire to grow. Foraker, INC and MNA remained in the Impact Expansion stage. TACS/NAO and TNC both moved back to a Core Program Development stage. In all cases, the CCAT data match a broader data analysis. TNC's leadership transition and TACS/NAO ongoing efforts to play their new role as a state

association make their place in Core Program Development understandable and appropriate. While initially it might have been expected that by the end of the Murdock Initiative TACS/NAO would have progressed to the Infrastructure Development stage, that expectation was likely unrealistic given a leadership change, branding change, and adding a completely new set of externally facing services. In essence, they turned their organization upside down with the focus as a statewide association and the loss of a key revenue generator (in the old executive director). INC's growth has been more rapid than expected, though they are now faced with difficult scaling issues and they would be well served to balance ongoing Impact Expansion capacity with shoring up more basic infrastructure. Through their business planning process, MNA reaffirmed their commitment to Impact Expansion work and continued to build capacity in that area, though they, too, are facing some basic infrastructure constraints that need to be

Figure 2: Grantee Stage of CCAT Lifecycle Model



⁷ This number increases to 88 percent if TNC is removed.

addressed. Foraker took the formal step to be the statewide association of nonprofits in the final year of the grant, essentially acknowledging the Impact Expansion work that they had previously been doing. However, as they formally take on this role, they may need to reexamine their approach and support structure for doing this work if sector expectations change as a result of the shift. In particular, their current policy work has been limited and fairly light, as compared to other organizations in the cohort, and they have not had visibility as a *policy* organization. Such recognition may bring new challenges as Foraker continues to expand in this area.

C.2. What was the level and quality of interaction with other grantees?

The cohort approach was highly effective at advancing the capacity of the organizations.

All of the senior leaders involved with the cohort continued to indicate it was one of the most positive aspects of the program—at least one grantee reported it as the most valuable part of the program. There is concrete evidence that the cohort provided mutual support and informal consultations among the participants, which led to increased thoughtfulness in their own practice. Further, seeing specific activities materialize and being with other similar organizations impacted decisions in some of the organizations. For example, Foraker reportedly made the decision to become a statewide nonprofit association as a partial result of the prodding of their colleagues and then learned from TACS/NAO transition. INC reportedly benefited from seeing how MNA conducted its policy work, opting not for the exact same model, but informed by it. As reported last year, the cohort provided Foraker with helpful guidance on criteria through discussions of common measurement across the northwest, while Foraker returned the favor by sharing lessons learned on establishing a robust evaluation system.

The approach was supported by three critical aspects. First, the organizations had a common identity in being NSOs that allowed them to relate to each other. Second, they were regularly brought together in-person, which built trust and facilitated more direct exchange. Third, there was a cultivated spirit of openness and willingness to share the good and the bad. This was facilitated both by the approach of the Murdock Program Officer (learning based and transparent, with closely established individual relationships) and the ongoing evaluation, which regularly fed back concrete data for reflection and discussion.

C.3. What is the perception of Murdock's ability to administer the initiative?

Evidence continues to indicate that Murdock has been effective at administering this initiative. Grantees continued to report that Mr. Gillem listens carefully to their needs and makes informed decisions as a partner. For example, interviewees report that he shares resources and research, joins them at convenings, and acts as a peer. Direct data collection focused less on this issue in the last two years of the initiative, though interviewees continued to make reference to it.

D. Conclusion

Based on the above findings and analysis, the Initiative has led to significant capacity gains in three of the five organizations, strong capacity gains in a fourth, and weak capacity gains in the final organization. Capacity developed has ranged from important internal and external leadership capacities to more technical-oriented capacities. Sustainability of capacity gains seems likely for the vast majority of capacities. It is our assessment that the Initiative had a 70 to 80 percent success rate on intended outcomes, with large numbers of additional derivative outcomes accruing as a result of both individual capacity development as well as the cohort

model. The Murdock approach to the Initiative was very appropriate—with strong relationships developed between the Program Officer and grantees, a formative and developmental evaluation approach, and flexibility as needed.

As always, thanks are in order to the grantees and Mr. Gillem at Murdock for assistance in this year's evaluation.