



Princeton Area

COMMUNITY FOUNDATION

**Path to Impact Project
Final Report
July 1, 2014**



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Path to Impact Project

Executive Summary

In 2013, the Community Foundation engaged Quidoo Consulting and the TCC Group to help us understand greater Mercer County's nonprofit capacity which we define as the governance, business, and mission-focused functioning of nonprofits, and their ability to achieve their missions efficiently and effectively. Building capacity has long been important to the Community Foundation as we see a high-functioning sector as critical to our support of the people of the region. We have long been committed to helping nonprofits do their best work. Our earlier research project conducted by Angelworks in 2011 showed that our grantees value the education, networking, and non-financial resource access we provide and they want us to do more. In order to allocate resources for capacity building, it is important to begin with a baseline assessment of the strengths and challenges of the sector.

John Brothers of Quidoo Consulting helped us design an assessment based on work being done in several other communities around the world. We have learned from others, but our work was the first designed to give an overview understanding of the sector's needs, not to look into individual organizations. Participation was open to any nonprofit that serves Mercer County residents. Participating organizations' budgets range in size from under \$100,000 to over \$12 million, and they represent the arts, social services, environmental, economic and community development, education, health care and more. Many, but not all are Greater Mercer Grants recipients, as our interest is in the sector as a whole, not just Community Foundation grantees.

In late 2013 and early 2014, 48 organizations, including the Community Foundation, took the TCC Group's Core Competency Assessment Tool (CCAT), an in-depth, online, board and staff self-assessment. Each organization received help completing the assessment and interpreting its results. The Community Foundation received aggregated scores for the entire cohort (not individual organizations), in order to pinpoint common strengths and challenges.



Data in the tables below show the highest and lowest scores across all participants.

- 250 and above are “best practice” indicators
- 230 to 250 are considered to be “Strong”
- 190 to 229 are “Satisfactory”
- 175 to 190 are viewed as indicative of “Moderate challenges”
- Under 175 identify “Critical challenges”

Areas of greatest strength: see definitions below

Competency	Average score	% between 230 & 250 (Strong)	% over 250 (Best practice)
Leader Vision	255	30%	70%
Environmental Learning	237.7	43%	27%
Internal Leadership	238.4	43%	26%
Managing Program Staff	240.4	36%	43%
Mgr-Staff Communications	237.3	53%	16%
Empowering	235.8	47%	49%

Competency definitions:

1. **Leader Vision** = the capacity of organizational leaders to formulate a clear vision and to motivate others to pursue it.
2. **Environmental Learning** = The capacity to learn about what's going on in the community and stay current with what is going on in the field by collaborating and networking with community leaders and funders.
3. **Internal Leadership** = The ability of organizational leaders to apply a mission-centered, focused, and inclusive approach to making decisions, and to motivate people to act on those decisions.
4. **Managing Program Staff** = The capability to ensure that program staff have the knowledge, skills, and cultural sensitivity to effectively deliver programs and services.
5. **Manager-to-Staff Communications** = The capacity to establish and maintain open channels of communication between managers and staff, including managers' willingness to receive constructive feedback.
6. **Empowering** = This indicator assesses a group's ability to promote proactivity, learning, and the belief in the value and ability of staff and clients.



Areas of greatest challenge: see definitions below

Competency	Average score	% under 175	% between 175 & 190
Fundraising skills	153.2	70%	12%
Leadership sustainability	158.5	89%	11%
Marketing skills	168.2	75%	16%
Program resource adaptability	168.4	56%	25%
Outreach skills	171.2	68%	19%
Technology skills	182.9	17%	64%
Program evaluation skills	184.4	17%	55%
Technical capacity	188.6	27%	51%
Facilities	189	21%	47%

Competency definitions:

1. **Fundraising Skills** = The ability to procure the financial and in-kind resources necessary for efficient operations.
2. **Leadership Sustainability** = The organization's ability to cultivate organizational leaders, avoid over-relying on one leader, and plan for leadership transition.
3. **Marketing Skills** = The capacity to communicate effectively with both internal and external stakeholders.
4. **Program Resource Adaptability** = The capability to readily adapt to changes in program resources, including funding and staff.
5. **Outreach Skills** = The ability to conduct outreach, organizing, and advocacy.
6. **Technology Skills** = The ability to run efficient operations, as opposed to having the equipment and resources necessary.
7. **Program Evaluation Skills** = The capability to design and implement an effective evaluation.
8. **Technical Capacity** = Having the necessary resources (equipment, systems, software, etc.) to efficiently operate the organization.
9. **Facilities** = Having proper facilities (space, equipment, amenities, etc.) to efficiently operate the organization.



Analysis

Strengths:

The data show us that organizations here collaborate well, and are often led by people with passion for the mission and the ability to bring others along. They learn well, and are generally run well.

Challenges:

The research also shows us that regardless of size, nonprofits in greater Mercer County face challenges in raising money, and in doing the marketing and outreach that are integral to fundraising. Our organizations report that they are under-capacity in their facilities, equipment, and systems; and that they need help with program evaluation.

A corollary of high leader vision is the fear expressed about leadership transition, and building the next level of potential leadership within the sector.

Next steps:

Quidoo has given us a list of potential interventions to address the areas of greatest need for the cohort as a whole. Options to be considered are:

- Small or large group trainings and learning opportunities
- Facilitated peer learning groups
- Grants to individual organizations to support building capacity
- Hiring consultants to help individual organizations address their challenges
- Support for deep collaborations and mergers





Path to Impact Project

Final Report

A major goal of the *Path to Impact* is to create a focused, capacity building initiative that provides nonprofits with information to better understand the forces at play within their organization, what is expected and what are the aberrations, the critical from the intermediate developmental considerations and the financial well-being of their organization. Grantmakers will also benefit by getting a better snapshot of nonprofits' capacity challenges and thereby can direct funding support in a more focused way.

The following are specific areas of innovation that will be accomplished through the *Path to Impact* initiative:

- a) **Enable nonprofit organizations to identify areas of growth, areas where they are struggling and enable boards and organizations to assess organizational viability.**
- b) **Enable the local nonprofit sector to benchmark their performance.**
- c) **Aid the Community Foundation to better assess and understand the position of current and prospective grantees, specifically their organizational capacity needs.**
- d) **Create a common ground for funders and nonprofits to evaluate the capacity of nonprofit organizations.**
- e) **Allow local funders to more strategically focus their grant investments by creating a more meaningful dialogue and relationship with grantees in a shorter time frame.**
- f) **By gathering comparative data, the Community Foundation will understand the broader nonprofit community needs and be able to develop strategy on how to address broad sector needs.**
- g) **Through reporting on the efforts progress and success, serve as a best practice and enhance the dialogue around philanthropy's role in understanding the sector's needs and creating a more aligned and meaningful relationship with its grantees.**

The CCAT measures a nonprofit organization's effectiveness in relation to five core capacities—leadership, adaptability, management, and technical capacities—as well as organizational culture. Additionally, it uses technology to generate self-selected benchmark reports from a national database of 3000+ nonprofits. The CCAT is regarded as one of the most comprehensive, valid, and reliable tools of its kind, and has been used by thousands of funders and nonprofits as a planning, capacity building, research, and evaluation tool.



The findings in this report derive from the TCC Group's (TCC) CCAT tool, which was offered to 47 nonprofit organizations in Central New Jersey. These 47 organizations completed the CCAT in the spring of 2014, collectively represented the input from hundreds of Central New Jersey nonprofit leaders. The organizations were led through the following four steps:

1. A cohort briefing to introduce the initiative and train groups on how to administer the CCAT.
2. View a webinar which trained groups that were unable to attend the in-person session.
3. Complete the CCAT with grantee organization's board and staff.
4. Meet with the Community Foundation and Quidoo Consulting to review the reports produced and discuss the results as well as the process.

Organizations engaged in the project agreed to several criteria to be able to participate in the project including completing the CCAT with a selection of staff, management and board, selecting an agency employee who will act as the CCAT administrator, attending a one on one meeting to interpret the results and agreeing to complete the CCAT 18-months later.

For participating in the project, organizations received a number of benefits: a comprehensive report on their organization capacity, technical assistance in completing the CCAT, an opportunity for confidential feedback from a nonprofit expert, and the potential for future technical assistance specifically targeted toward their capacity needs.

The Assessment of the Health of Central New Jersey Nonprofit Organizations

As part of the *Path to Impact* process, the CCAT posed 146 questions to help measure a nonprofit organization's effectiveness in relation to five core nonprofit capacities, which are:

- **Adaptive** - The ability to monitor, assess, respond to, and create internal and external changes.
- **Leadership** - The ability of all organizational leaders to create and sustain the vision, inspire, model, prioritize, make decisions, provide direction, and innovate, all in an effort to achieve the organizational mission.
- **Management** - The ability to ensure the effective and efficient use of organizational resources.
- **Technical** - The ability to implement all of the key organizational and programmatic functions.
- **Organizational Culture** – Organizational culture is the context in which the core capacities operate. Each organization has a unique history, language, organizational structure, and set of values and beliefs that affect staff unity and engagement.



By assessing both an organization's core capacities and sub-capacities, the CCAT provides a detailed and nuanced picture of the organization's strengths and challenges. The sub-capacities are discussed in greater detail later in the report. Within the CCAT, core capacities and sub-capacities are scored on a 300-point scale:

- Scores 230 and higher are considered "strong"
- Scores from 190–229 are considered "satisfactory"
- Scores less than 190 are considered areas that need to be strengthened

When scores fall below 190, Quidoo Consulting views the severity of these areas in two additional criteria, those areas being:

- Scores from 175 – 190 are viewed as "moderate challenges" to the organization that need to be strengthened.
- Scores less than 175 are areas where the areas as "critical challenges" to the organizations that need to be strengthened.

Key Findings Regarding Core Capacities and Sub-Capacities

Along with the five capacity areas, the CCAT also measures a nonprofit organization's performance on a set of important sub-capacities within each of the core capacities in order to provide a more nuanced and accurate assessment. The project's findings with respect to the sub-capacities and their implications for capacity building in Central Jersey are examined in detail below.

Adaptive Capacity

Adaptive Capacity is the ability of a nonprofit organization to monitor, assess and respond to and create internal and external changes. The sub-capacities that comprise this vital capacity include:

- **Decision-Making Tools:** The ability to use important tools, resources, and inputs, such as outside technical assistance, in-house data, staff and client input, and strategic plans, to make decisions;
- **Environmental Learning:** The capacity to learn about what's going on in the community and stay current with what is going on in the field by collaborating and networking with community leaders and funders;
- **Organizational Learning:** The capability to undertake self-assessments, use the findings to carry out strategic planning, and implement and follow through on strategic plans;
- **Organizational Resource Sustainability:** The ability to maintain financial stability in order to adapt to changing environments;
- **Program Resource Adaptability:** The capability to readily adapt to changes in program resources, including funding and staff; and
- **Programmatic Learning:** The capacity to assess the needs of clients and use program evaluation as a learning tool.



The aggregate Adaptive sub-capacity scores are shown in the grid below. The grid highlights the average score among the 47 in each sub-capacity area and the number of organizations that fell below the score of 190, either in the moderate challenge (170-190) or the critical challenge area (below 175) and the sum of groups in both section. The Adaptive sub-capacity data is as follows:

	Adaptive	<u>Adaptive</u> Organizational Learning	<u>Adaptive</u> Decision- Making Tools	<u>Adaptive</u> Organizational Resource Sus- tainability	<u>Adaptive</u> Programmatic Learning	<u>Adaptive</u> Environmental Learning	<u>Adaptive</u> Program Resource Adaptability
Average score	203	194	218	203	195	238	168
Number of organizations that report this issue as a:							
Moderate Challenge	6	3	5	2	9	0	12
Critical Challenge		14	0	11	15	0	27
Total Groups Under 190	11	17	5	13	24	0	39

Leadership Capacity

Leadership Capacity is the ability of all organizational leaders—staff and board alike—to create and sustain the vision for the organization, inspire others around that vision, prioritize, make decisions, and provide direction driven by the vision, all in an effort to achieve the organizational mission. Leadership capacity is a predictor of organizational sustainability and lifecycle advancement among nonprofits in the study, specifically in the area of board leadership. The sub-capacities that make up this core capacity include:

- **Board Leadership:** The capacity of the board to 1) empower by connecting people with the mission and vision of the organization; 2) hold organizational leaders accountable for progress toward achieving the mission and vision; 3) educate the community about the organization's work and garner resources for the organization from the community at large; and 4) meet regularly and provide fiscal oversight;
- **Internal Leadership:** The ability of organizational leaders to apply a mission-centered, focused, and inclusive approach to making decisions, and to motivate people to act on those decisions;
- **Leader Influence:** The capability of organizational leaders to persuade their board, staff, and community leaders/decision-makers to take action;
- **Leader Vision:** The capacity of organizational leaders to formulate a clear vision and to motivate others to pursue it; and
- **Leadership Sustainability:** The organization's ability to cultivate organizational leaders, avoid over-relying on one leader, and plan for leadership transition.



The aggregate Leadership sub-capacity scores are shown in the grid below. The grid highlights the average score among the 47 in each sub-capacity area and the number of organizations that fell below the score of 190, either in the moderate challenge (170-190) or the critical challenge area (below 175) and the sum of groups in both section. The Leadership sub-capacity data is as follows:

	Leadership	Leadership Internal Leadership	Leadership Leader Vision	Leadership Leadership Sustainability	Leadership Board Leadership	Leadership Leader Influence
Average score	214	238	255	158	201	217
Number of organizations that report this issue as a:						
Minor Challenge	4	0	0	5	7	0
Major Challenge	0	0	0	37	9	0
Total Groups Under 190	4	0	0	42	16	0

Management Capacity

Management Capacity is the ability of a nonprofit organization to ensure the effective and efficient use of resources. This organizational capacity plays a decisive role in helping a nonprofit to “go to scale,” that is, to be able to serve more constituents more effectively, as reflected in the achievement of constituent outcomes. As noted above, Management capacity is also a key predictor of organizational sustainability and lifecycle advancement among nonprofits in the study. This capacity is composed of the following sub-capacities:

- **Assessing Staff Performance:** The capability to develop clear job roles and responsibilities and assess staff performance against them;
- **Conveying Unique Value of Staff:** The ability to provide staff members with positive feedback, rewards, and time for reflection;
- **Financial Management:** The competence to manage organizational finances, including staff compensation;
- **Manager-to-Staff Communication:** The capacity to establish and maintain open channels of communication between managers and staff, including managers’ willingness to receive constructive feedback;
- **Managing Performance Expectations:** The ability to facilitate clear and realistic expectations among staff regarding work performance and standards;
- **Managing Program Staff:** The capability to ensure that program staff have the knowledge, skills, and cultural sensitivity to effectively deliver programs and services;
- **Problem Solving:** The competence to have organizational managers effectively resolve human resource problems and interpersonal conflicts, including the ability to engage staff in the problem-solving process;
- **Program Staffing:** The capacity to manage staffing changes as needed to increase and/or improve programs and service delivery;
- **Staff Development:** The ability to coach, mentor, train, and empower staff to improve their skills and innovate;



- **Supporting Staff Resource Needs:** The capability to provide the technical resources, tools, systems, and people needed to carry out the work; and
- **Volunteer Management:** The capacity to recruit, train, retain, and reward volunteers.

The aggregate Management sub-capacity scores are shown in the grid below. The grid highlights the average score among the 47 in each sub-capacity area and the number of organizations that fell below the score of 190, either in the moderate challenge (170-190) or the critical challenge area (below 175) and the sum of groups in both section. The Management sub-capacity data is as follows:

	Management	Management Assessing Staff Performance	Management Managing Performance Expectations	Management Managing Program Staff	Management Volunteer Management	Management Manager-to-Staff Comm.	Management Program Staffing
Average score	219	209	217	240	223	237	223
Number of organizations that report this issue as a:							
Minor Challenge	0	7	4	0	7	0	2
Major Challenge	0	6	0	0	0	0	2
Total Groups Under 190	0	13	4	0	7	0	4

	Management Conveying Unique Value of Staff	Management Problem Solving	Management Staff Development	Management Supporting Staff Resource Needs	Management Financial Management
Average score	206	215	227	196	220
Number of organizations that report this issue as a:					
Minor Challenge	7	2	0	8	4
Major Challenge	2	0	0	10	3
Total Groups Under 190	9	2	0	18	7

Technical Capacity

Technical capacity is a measure of whether an organization has the resources, skills, tools, and facilities to deliver its programs, manage its operations, and engage as a community partner for the purposes of creating community change. Most nonprofit organizations in the study score poorly in Technical capacity, which is likely a reflection of the lack of significant and sustainable funding for staff positions, facilities, and non-human resources. This capacity consists of the following sub-capacities:

- **Facilities:** Having proper facilities (space, equipment, amenities, etc.) to efficiently operate the organization;
- **Facility Management Skills:** The capacity to effectively operate a facility;
- **Financial Management Skills:** The capability to ensure efficient financial operations;
- **Fundraising Skills:** The ability to procure the financial and in-kind resources necessary for efficient operations;



- **Legal Skills:** The competence to secure proper legal engagement and coverage;
- **Marketing Skills:** The capacity to communicate effectively with both internal and external stakeholders;
- **Outreach Skills:** The ability to conduct outreach, organizing, and advocacy;
- **Program Evaluation Skills:** The capability to design and implement an effective evaluation;
- **Service Delivery Skills:** The capacity to ensure the delivery of efficient and quality services;
- **Technology:** Having the necessary resources (equipment, systems, software, etc.) needed to efficiently operate the organization; and
- **Technology Skills:** The ability to run efficient operations.

The aggregate Technical sub-capacity scores are shown in the grid below. The grid highlights the average score among the 47 in each sub-capacity area and the number of organizations that fell below the score of 190, either in the moderate challenge (170-190) or the critical challenge area (below 175) and the sum of groups in both section. The Technical sub-capacity data is as follows:

	<u>Technical</u>	<u>Technical</u> Technology Skills	<u>Technical</u> Technology	<u>Technical</u> Service Delivery Skills	<u>Technical</u> Program Evaluation Skills	<u>Technical</u> Outreach Skills
Average score	189	183	203	213	184	171
Number of organizations that report this issue as a:						
Minor Challenge	11	8	7	6	8	9
Major Challenge	13	21	7	5	18	22
Total Groups Under 190	24	29	14	11	26	31

	<u>Technical</u> Marketing Skills	<u>Technical</u> Legal Skills	<u>Technical</u> Fundraising Skills	<u>Technical</u> Financial Management Skills	<u>Technical</u> Facility Management Skills	<u>Technical</u> Facilities
Average score	168	207	153	206	196	189
Number of organizations that report this issue as a:						
Minor Challenge	8	1	6	3	10	4
Major Challenge	26	13	31	10	10	17
Total Groups Under 190	34	14	37	13	20	21



Organizational Culture

The TCC CCAT measures Organizational Culture through three sub-capacities:

- **Unifying** - This measure describes an organization's capacity to engender open and honest communication across all levels of the organization, leading to a sense of cohesive "group identity."
- **Empowering** - This indicator assesses a group's ability to promote proactivity, learning, and the belief in the value and ability of staff and clients.
- **Re-Energizing** - This gauge reflects the degree to which an organization encourages and facilitates staff taking the time to reflect on their work, socialize, and reconnect with why they are doing the work.

The aggregate Organizational Culture sub-capacity scores are shown in the grid below. The grid highlights the average score among the 47 in each sub-capacity area and the number of organizations that fell below the score of 190, either in the moderate challenge (170-190) or the critical challenge area (below 175) and the sum of groups in both section. The Organizational Culture sub-capacity data is as follows:

	<u>Organizational Culture</u>	<u>Organizational Culture Unifying</u>	<u>Organizational Culture Empowering</u>	<u>Organizational Culture Re-energizing</u>
Average Score	219	213	236	208
Number of organizations that report this issue as a:				
Minor Challenge	1	5	0	10
Major Challenge	0	3	0	3
Total Groups Under 190	1	8	0	13



I. Summary Analysis

In looking at the above capacity and sub-capacity scores, the following analysis conducts several cross-tabulations and congregated the capacity scores in five different categories:

- Scores 250 and higher are considered “best practice”
- Scores from 230–250 are considered “strong”
- Scores from 190-230 maintains the TCC category of “satisfactory”
- Scores less than 190 maintains the TCC category of “challenging”

Through this lens, the following analysis will look at several different analysis of capacity scores against areas that include organizational type and budget and the size and areas of budget change.

In looking at the 36 sub-capacity indicators, the strongest capacity indicator exhibited by those surveyed was *Leader Vision*, which averaged 255 amongst the cohort. 70% of the cohort had a score of over 250. There were several other areas where the cohort scored high, as follows:

- **Environmental Learning** (Average: 237.7) - 42.6% of organizations fell into the strong category (Score 230-250) on this indicator and 27.7% fell into the best practice category (Score 250+)
- **Internal Leadership** (238.4) - 42.6% of organizations fell into the strong group on this indicator and 25.5% of organizations fell into the best practice group on this indicator
- **Managing Program Staff** (240.4) - 36.2% of organizations fell into the strong group on this indicator and 42.6% of organizations fell into the best practice group on this indicator
- **Manager-to-Staff Communications** (237.3) - 53.2% of organizations fell into the strong group on this indicator
- **Empowering** (235.8) - 48.9% of organizations fell into the best practice group on this indicator

The following scores were the lowest among the 36 indicators, all below the 190 threshold for the “challenging” criteria. From lowest average score first, they are as follows:

1. **Fundraising Skills** (153.2) - 78.7% of organizations fell into the challenging group on this indicator
2. **Leadership Sustainability** (158.5) - 89.4% of organizations fell into the challenging group on this indicator
3. **Marketing Skills** (168.2) - 74.5% of organizations fell into the challenging group on this indicator
4. **Program Resource Adaptability** (168.4) - 85.1% of organizations fell into the challenging group on this indicator



5. **Outreach Skills** (171.2) - 68.1% of organizations fell into the challenging group on this indicator
6. **Technology Skills** (182.9) - 63.8% of organizations fell into the challenging group on this indicator
7. **Program Evaluation Skills** (184.4) - 55.3% of organizations fell into the challenging group on this indicator
8. **Technical Capacity** (188.6) - 51.1% of organizations fell into the challenging group on this indicator
9. **Facilities** (189.0) - 46.8% of organizations fell into the challenging group on this indicator

**Conclusion:**

Path to Impact has been a unique learning experience for the Community Foundation and the other nonprofits who participated. By going through this exercise together, we have gained insight into not only each of our individual organizations' strengths and challenges, but in to how they overlap. By seeking out and supporting learning opportunities that address some of our common needs, our sector can grow together.

As shown by the data in this report, there are some areas of significant opportunity. One of the most interesting is the challenge of leadership sustainability, coupled with the strong average scores in the area of leader vision. Our community seems to be expressing satisfaction with current nonprofit leadership, while having a corresponding high degree of anxiety about how to prepare to transition to the next leader, and whether enough is being done to develop leadership from within. In addition, there are opportunities for technical skill building in the areas of fundraising, governance, program evaluation and others. These weaknesses reflect the lack of opportunity for accessible, affordable professional development, and will be one focus of our capacity building program.

The Community Foundation has been studying the capacity building work of other community foundations around the country. We have looked at the structure of other foundation's programs, as well as at how those programs have grown and matured over time. We have learned lessons from our research that include:

- Start with what works, building on existing strengths and lessons learned.
- Begin with data, and continue to build evaluation into every step, defining measurable goals for both the participating organizations and the program.
- All participants should have the opportunity to provide feedback on the program's impact and effectiveness, leading to continuous improvement over time. Feedback will be gathered anonymously.

Now that we know what others have done, it is important that the Community Foundation's work be informed by the needs and characteristics of this community. We plan to put together the beginnings of a capacity-building program, to launch in Fall 2014, that will build on this report's findings, take advantage of what we already do well, and be a pilot for our future work. We hope that the entire Community Foundation community, including our donors, grantees, volunteers and partners, will work with us as we seek to help our nonprofit sector – a vital source of support and energy for our future - grow to meet our community's needs now and in the future. We are encouraged by the opportunity to take advantage of our considerable collective strength and expertise, as we collaborate to meet our collective challenges.