



The Deaconess Foundation Impact Partnership

Lessons from Highly-Engaged, Substantially-Resourced Capacity Building



7/2008

A report prepared by Deaconess Foundation

SECTION ONE: BACKGROUND ON NEW GRANTMAKING APPROACH

New Direction for Deaconess Foundation

When Deaconess Foundation transitioned from a hospital support foundation to a free-standing grant maker in 1997, there was a lot to learn. Until 1997, the Foundation had existed almost entirely as a fundraising entity for the Deaconess Hospital in St. Louis, Missouri. As a conversion Foundation, Deaconess Foundation's new calling was to use its assets to embody the century-old Deaconess mission of promoting the health and well-being of the most vulnerable in St. Louis. As it started this new path, the Deaconess Foundation board and staff decided that the best way to learn about the nonprofit community and the grant seekers would be to adopt a traditional approach to grant making. The Foundation termed this approach "transom grant making." Community service organizations would apply to the Foundation for funding, and the Foundation would decide on grants, but have minimal interaction with the agencies. Over the period of six years, the Foundation became acquainted with at least 300 nonprofits, conducted countless site visits, attended many regional meetings and developed a solid understanding of the landscape. The Foundation distributed more than \$26 million in grants to support a range of health-related social service programs, regional initiatives and a host of other activities.

However, the Foundation felt there was something missing in its grant making. Transom grants did not generally go deep enough or last long enough to make a real difference. Short term grants did not change systems or substantially strengthen the organizations which received them. Occasionally transom grants did more harm than good when they stimulated new programs without a plan for sustainability. More than once, vital organizations in the community came to Deaconess Foundation with emergency needs. They lacked the systems in place to make the right financial decisions, and though their services were critical to families in St. Louis, they were on the precipice of survival. On site visits, the Foundation was often impressed by committed staff and the innovative solutions they used to fight poverty. But too often, stellar programs were held together with scotch tape, the best intentions and a patchwork of donated computers.

The mission of Deaconess Foundation is the improved health of the St. Louis Metropolitan community and its people.

Based on its initial experiences and observations, Foundation staff and board decided to research alternative approaches to grant making. The Foundation considered a range of possibilities for its next chapter. Should the Foundation endow a management support organization for nonprofits? Invest solely in advocacy and try to influence policies that impact children? Pursue long term capacity building? After considerable due diligence, peer visits and more research, the concept of the Deaconess Impact Partnership was approved by the Deaconess Foundation board in 2003. The Deaconess Impact Partnership would be a place-based effort to strengthen the operations and leadership of eight critical child-serving nonprofits in the St. Louis region. These grantees, called Impact Partners, would receive multi-year funding, training and Foundation staff time to move their operations to the next level. Since 2004, Deaconess has made grants to Impact Partners which total approximately \$6.5 million. By the end of the first round of the Impact Partnership, a total investment of \$7.6 million is projected. Following is a description of the Partnership and some mid-course learnings.

What is Capacity Building?

Capacity building has become one of those buzz terms with numerous definitions—and thus much ambiguity. Deaconess Foundation has adopted a fairly straightforward definition: capacity building is a set of the activities and decisions that strengthens an organization and enables it to better achieve its mission. Capacity building is designed to give an organization more muscle, more power to realize its vision.

Why Capacity Building Matters to Nonprofits

Great programs need great organizations behind them. However, nonprofits have been dealt a mixed message. Nonprofits are routinely requested to demonstrate that they are not overspending on administrative costs. How often have executive directors had to answer: “How much of my dollar is going to direct service?” The implicit message from funders is: spend as much as possible on getting program out the door. At the same time, funders want to see that organizations have strategic plans, diverse boards, evaluation systems and trained staff, though they often fail to include that in the funding.

In his book, *Sustaining Nonprofit Capacity: A Case for Capacity Building*, researcher Paul Light explains the predicament: “The challenge is that nonprofits have little discretionary funding and must often choose between computers and kids, training and trees, or salaries and seniors...Nonprofits choose the kids, trees, and seniors nearly all the time.” In St. Louis, nonprofits have voiced this tension between spending on programming and spending on infrastructure. While not the only capacity building funder in the region, Deaconess has taken a lead role in advocating for the need to pay attention to guaranteeing not just short-term services, but also long-term viability.

SECTION TWO: THE DEACONESS IMPACT PARTNERSHIP

SELECTION OF THE FIRST ROUND OF IMPACT PARTNERS

In August 2003, Deaconess Foundation formally announced its move to its multi-year capacity building initiative. The Foundation held a series of “town hall” meetings at which staff outlined the Deaconess Impact Partnership. Simultaneously, Deaconess’ board designed a multi-part application process, including: a two-part application, an organizational assessment, a site visit with staff and a development consultant, and a final site visit by a Deaconess Foundation board member and the Foundation’s President and CEO, Rev. Jerry W. Paul.

The Foundation then invited 55 organizations to submit a short “part one” application for the Impact Partnership. Fifty-one nonprofits completed the application, including having every board member complete an on-line organizational assessment called the “Capacity Quotient Index” (CQI).

The “part two” application consisted of a set of 18 documents for each of the finalists to submit. These ranged from board minutes to past audits to strategic plans and program descriptions. Armed with both applications and a host of questions, Deaconess staff and a consultant visited each agencies. The consultants were selected based on their backgrounds in organizational development, strategic planning, finance, or other administrative functions. Few specialized in not-for-profits, though all of them had had some experience in the social sector. These site visits lasted between three and seven hours, depending on the size of the organization and the breadth of questions. The

consultants and staff then collaborated on a narrative report. These were given to Rev. Paul and a board member for a second site visit. This one-hour visit was designed to give each finalist organization an opportunity to provide any additional information they wanted the Foundation board to have before making its selection

In early February 2004, the Deaconess Foundation board met for a retreat to select the nonprofits that Deaconess would work with for the next four to five years. Over the course of the two days, the board wrestled with the criteria, often raising additional questions, such as 'Should the cohort be geographically disbursed?' or 'Should there be a United Church of Christ organization?' Two straw votes were taken before, in the end, the board reached consensus on eight agencies to comprise the first cohort of Deaconess Impact Partners. It was clear to all that this first round would be a "learning round" and thus agencies at very different stages of development were chosen. Questions such as: 'Does capacity building work with small agencies?' 'Can capacity building help organizations find new leaders?' 'How healthy does an organization need to be to benefit from capacity building?' would be answered in this initial round.

Deaconess Impact Partners include the following agencies:

- ❖ Annie Malone Children and Family Service Center, located in North St. Louis, provides a range of support services to families and children including day care, a day school for students with special needs and teen programs.
- ❖ Christian Activity Center, a community-based youth center in East St. Louis.
- ❖ Citizens for Missouri's Children, a statewide agency advocating for children's wellness.
- ❖ Foster and Adoptive Care Coalition, an initiative designed to strengthen and support foster and adoptive families.
- ❖ Neighborhood Houses, a multi-service, multi-site agency that provides critical resources to families in need in the City.
- ❖ Nurses for Newborns Foundation, a nurse-home visitation organization dedicated to providing medical care and parent education to medically fragile newborns and their moms.
- ❖ Saint Louis Crisis Nursery, a child abuse prevention agency that offers parents in crisis a respite and a safe haven for children.
- ❖ Voices for Children, an initiative that provides social and legal advocacy for City children and youth in the foster care system.

DEACONESS IMPACT PARTNERSHIP PROGRAM DESIGN

In March 2004, Deaconess Foundation began the implementation of the Deaconess Impact Partnership. From the onset, the Foundation welcomed the first Impact Partners as "pioneers" who would serve as critical partners in helping to forge the right approach to meaningful capacity building. They have been willing and vocal partners in the shared endeavor. While the basic activities which the Foundation envisioned for capacity building have remained the same, the reality of on-the-ground experience has served as a sharpening force in the continual evolution of the program model. Described below are the core components of the Impact Partnership, along with observations on how the Foundation might adapt the model for the next round of the Impact Partnership, which will begin in October 2008.

Component One: Capacity Building Plan and Funds to Implement Activities

In March 2004, each of the Impact Partners was paired with a consultant to create a capacity building plan that would guide the nonprofit's work for the next four to five years. The planning process lasted approximately four months and involved an Impact Partner's board, executive director and staff, as well as Deaconess Foundation staff. Consultants, all of whom were specialists in some component of organizational management, worked closely with the Impact Partner to identify capacity building activities that would advance the organization's ability to achieve mission. Broadly speaking, categories which the Impact Partners identified for capacity building were as follows:

- ❖ Board Development
- ❖ Program Evaluation
- ❖ Executive Coaching
- ❖ Fiscal Systems and Planning
- ❖ Human Resources
- ❖ Staff Training and Development
- ❖ Information Technology
- ❖ Leadership Development
- ❖ Resource Development
- ❖ Marketing and Communications Planning
- ❖ Succession Planning
- ❖ Facilities Planning

Each plan was also accompanied by a four-to five-year funding request. It was understood that Deaconess would fund the capacity building activities included in the plan. Deaconess' board approved the plans in July 2004 and distribution of grants to implement the plans began.

After a year of implementation, each organization was given the opportunity to adjust and finalize the plan, updating the timing and cost of activities based on what they had learned in their first year. In addition, all Impact Partners participated in financial modeling training. During the group training and customized follow up, each organization built a budget forecast that extended beyond the Deaconess Foundation funding period. The process

Evaluation of the Impact Partnership: Work with TCC Group

The Impact Partnership represents a critical shift in approach for Deaconess Foundation. In order to determine the impact of this new approach, Deaconess Foundation hired an external evaluator, TCC Group. TCC is conducting its evaluation through a mix of both quantitative and qualitative data collection methods. They are:

1. Development of capacity building logic models for each of the Impact Partners, as well as for the whole initiative.
2. Administration of an online organizational assessment tool, TCC's Core Capacity Assessment Tool (twice a year with all Impact Partners). This assessment gauges progress an Impact Partner has made in four core capacities: leadership, adaptive, management and technical.¹ According to TCC's substantial research these are the four critical capacities an organization must improve in order to become more effective.
3. Site visits and follow up interviews (two-three times a year)
4. Interviews with Deaconess Foundation (two-three times a year)
5. Additional data collection and analysis (including both quantitative data such as budget size and program outcomes data)

Ultimately, the question that TCC is helping Deaconess Foundation to answer is: have the organizations become more effective in achieving their mission as a result of engaging in long-term capacity building?

References to TCC findings are included throughout this report.

¹ For more information on the CCAT and TCC's theory of organizational effectiveness, go to www.tccgrp.com.

helped organizations begin to plan how they would sustain growth beyond Deaconess' support.

Organizations were at very different stages of development, so the funding requests varied significantly. Final plans ranged in request size from \$550,000 to \$1.6 million for the duration of the Impact Partnership. There was not a direct correlation between the cost of the plan and the size of an organization's budget. Rather, the most influential variable in the plans was whether or not an agency used Deaconess' support to hire new staff.

Success Elements of the Initial Design

- ❖ Customized approach for each plan.
- ❖ Inclusion of salary increases for those who would be implementing capacity building.
- ❖ Collective development of plans by staff and board.
- ❖ Inclusion of budget forecasts.
- ❖ Foundation's willingness to respond to changes at an organization and adjust plans accordingly.
- ❖ Required ramping down of fixed costs (i.e., salaries) within the plan.

Capacity building is similar to house renovation. Take down some drywall, and you find other areas of need.

– Impact Partner executive director

Possible Adaptations for Round Two

- ❖ Choose and train a pool of capacity building plan writers, but let agencies select consultants with which to work. Deaconess assigned consultants to the first round of Impact Partners and sometimes the matches were incompatible.
- ❖ Invest significant time at the beginning in ensuring that the whole staff and board understand how capacity building will help the agency better achieve its mission. With some of the current Impact Partners, there was early resentment that such a large infusion of funds did not go directly to program.¹
- ❖ Spend more time at the onset of the Impact Partnership on planning and less focus on getting money out the door.
- ❖ Assess the organization to determine where it is in its organizational lifecycle. By determining what stage an organization is in, the Foundation can identify the most appropriate capacity building activities.
- ❖ Include measurable objectives in plans and allocate funding according to progress.
- ❖ Formally update plans on a yearly basis.
- ❖ Establish some "must do" capacity building categories: i.e., leadership development, program evaluation and succession planning.
- ❖ Reserve a pool of funding for executive coaches.
- ❖ Include an emphasis on and funding for change management. Large scale capacity building investment means large scale changes for the entire organization.

¹ Deaconess Foundation created a DVD which includes current Impact Partner leaders talking about the initiative. Deaconess urged all Round Two applicants to share DVD with whole staff and board before applying. For copies of the DVD, contact: janed@deaconess.org.

Component Two: A Community of Peers

“Our get togethers are the best prevention for burnout.”
– Impact Partner executive director

Once a month, over turkey sandwiches and chef salads, the eight Impact Partner executive directors come together. When the executive director meetings began in May 2004, the agendas were dominated with business of the day and exchanges stayed in the formal, courteous zone. However, with time and the shared adventure of capacity building, roots have grown. Today, the monthly meetings—as well as annual two-day retreats—have become a place for sharing experiences, providing moral support and networking. The peer exchanges are a mix of training, Foundation-related business and facilitated conversation. The meetings rotate to different partner locations so that all agencies can better understand the work of their Partners and meet other agency staff. Topics for conversation or training are derived from surveying the executive directors and respond to their requests. Many of the Impact Partner executive directors report that they feel very isolated in their day-to-day work. If they have difficulties with staff management they cannot relay that concern to staff. If they have a problem with board relations, they cannot talk to board. If funders are taxing them, they cannot object to other funders. The executive director meetings have become a place of support and comfort. As one executive director relates, they are a place to exhale. Executive directors will brainstorm with each other on solutions to management problems. Likewise, they cheer each other's accomplishments and push each other to take risks. The camaraderie that has developed amongst the executive directors has been very strong and is characterized by a deep sense of caring. That the chemistry between the partners is so strong is partly luck, partly by design. This group of Impact Partners is not in direct competition with each other. No two agencies are targeting the same population with the same services. Instead, most of the Impact Partners' missions complement each other.

In its first-year evaluation, TCC Group determined that the peer learning opportunities are vital. As explained by TCC: “the opportunity for peer learning and exchanges has been a critical facilitator of success and means of cultivating leadership skills in the Impact Partnership.”

As a result of the success of the executive director meetings, Deaconess Foundation began to bring together the development directors. They have participated in communal training on topics such as annual development plans and cultivating major donors. In addition, the Foundation has convened the Impact Partner volunteer coordinators as well as finance staff.

Capacity building has been an iterative process for us. There have been many changes to the plan along the way, both in content and in timing of our objectives. Deaconess has been very supportive in helping us move ahead with changes when they were needed and has been very open to having us insure that our plan is moving in the direction it needs to go.

– Impact Partner
executive director

Success Elements of the Initial Design

- ❖ Creation of trust built between participants.
- ❖ Executive directors meet regularly, with meetings scheduled out for a year.
- ❖ Flexible format for meetings.
- ❖ Facilitated conversations.
- ❖ Shared experience of capacity building to frame conversations.
- ❖ Impact Partners not in direct competition with each other.
- ❖ Foundation takes the lead on planning the meeting and setting the agenda. Executive directors value coming to a meeting which they neither have to lead nor plan. "That's a rarity in our lives," explains one executive director.

Possible Adaptations for Round Two

- ❖ Assess learning styles of participants and customize peer exchanges to accommodate the group's styles.
- ❖ Group together executive directors from organizations in similar lifecycles in order to maximize potential learnings.
- ❖ Start convening other senior leadership (i.e. development directors, volunteer coordinators, program directors) from the onset of the Partnership.
- ❖ Provide structure/format for peer visits between organizations in similar fields.
- ❖ Make time to discuss possible strategic alliances between Impact Partners.
- ❖ Occasionally engage an outside facilitator.

Component Three: Formal Training Opportunities

A key component of the Impact Partnership has been to provide high-quality professional development to the Impact Partners. The reasoning behind this activity is based on the experience that nonprofit leaders don't often think of spending funds on their own professional development. Somehow, they are expected to be good leaders without much of the formal and ongoing training that their for-profit counterparts often receive. Initially, the Foundation developed training focused primarily on the executive directors. However, over time, the training has expanded to include sessions/topics for board members, as well as different levels of staff within the agencies. Overall, these trainings have had a positive response and impact on the agencies. Training has taken place in several formats which include:

1. An annual two-day retreat for executive directors. Speakers/topics for these retreats have featured local experts as well as nationally known leaders such as Cynthia Parker from the Interaction Institute for Social Change and author Peter Brinckerhoff from Corporate Alternatives.
2. Special sessions for board members of agencies. These have included legal, media, board governance and fundraising trainings.
3. Once or twice yearly multi-day training for Impact Partner agency staff. This has included management training from Interaction Institute for Social Change, as well as program evaluation sessions led by Public/Private Ventures.

An unexpected benefit of the Impact Partnership is the group of peers that I have met. I have learned so much from how they lead their organizations. It is powerful to know that I have a place to bring my problems, my joys or my crazy ideas and know that I can get thoughtful, realistic feedback.

— Impact Partner
executive director

4. Distribution of and conversation on “best practice” books such as Good to Great, Forces for Good, and Servant Leadership.
5. Training during executive director meetings or other peer exchanges

Success Elements of the Initial Design

- ❖ Investment in top-quality and timely speakers.
- ❖ Regular surveying of participants for training topic needs/ideas.
- ❖ Making professional development a priority.
- ❖ Blending expert advice with real-life experiences of Impact Partners.
- ❖ Foundation staff-led follow up with Impact Partners to help agencies act on lessons learned.

Possible Adaptations for Round Two

- ❖ Establish expectation that Impact Partner boards and staff will participate in the training offered by Deaconess (this is in response to occasional difficulty in building attendance at training events).
- ❖ Develop a track of learning for senior leadership (in addition to executive directors); for example, a “learning from program results” series for program staff.
- ❖ Collaborate with other local intermediaries to co-sponsor trainings.
- ❖ Engage Impact Partnership “alumni” in next round of training.

Component Four: A Partnership with Deaconess Foundation Staff

Deaconess Foundation staff has become meaningfully involved with the Impact Partners. Deaconess Foundation Vice Presidents Jane Donahue and Elizabeth George each work with a “portfolio” of Impact Partners, and serve as the lead liaison between the Foundation and the Impact Partners. Additionally, Foundation President and CEO Rev. Jerry Paul and Vice President Nesa Joseph have active roles in specific elements of the Partnership.

At the onset of the Impact Partnership, the role of liaison was purposefully vague. At the very least, Foundation staff were to ensure that Impact Partners were pursuing the objectives in their capacity building plans. However, the level of involvement has become much deeper. While there was some initial trepidation from agencies about being honest and open with the Foundation, time and the Foundation’s flexibility have diminished that inevitable hesitation. In most cases, a real sense of trust has evolved.

On average, Foundation staff meet twice a month with organizations. However, if working on a specific project, that frequency can be much greater. Foundation staff have taken on myriad of roles. They serve as critical friends, coaches, advocates and content experts with the Impact Partners. Foundation staff have been invited to do a variety of activities

At first I thought our relationship with the Foundation would be like having Big Brother telling us what to do. However, I quickly realized that the relationship with Deaconess Foundation is unlike any that we have ever had with a Foundation. A real trust has taken root.

- Impact Partner
executive director

for their agencies including strategic planning, evaluation / program development consultation, resource development advising, coaching, board development and even serve on search committees.

In its evaluation, TCC determined that: “the unusually supportive relationship between Deaconess staff and the executive directors continues to play a key role in supporting leadership development for the Impact Partner CEOs. By continuing to strengthen relationships characterized by trust, increasing openness and commitment to mission, Deaconess staff have played an important role in helping many of the executive directors build their leadership capacity.”

My leadership style was top down prior to the Impact Partnership. In our first Deaconess retreat, I learned about participatory management and began trying to develop leadership and transparency throughout the organization. – Impact Partner executive director

Success Elements of the Initial Design

- ❖ Trust built between Foundation and Impact Partners.
- ❖ The modeling of a new, more transparent means of communication between funder and nonprofit.
- ❖ Steadfastness of Deaconess Foundation. The Foundation staff sticks with nonprofits through challenges and provides constructive advice.
- ❖ Foundation staff share their own expertise and networks with Impact Partners.

Possible Adaptations for Round Two

- ❖ Establish or formalize relationship with the Impact Partners’ boards as well as staff.
- ❖ Invest time and resources in formal training for Deaconess Foundation staff (i.e., in regards to executive coaching).
- ❖ Be more directive with agencies, when warranted.
- ❖ Engage in external means of soliciting feedback from Impact Partners (i.e., a grantee perception survey).

Component Five: The Covenant

The formal agreement between Deaconess Foundation and the Impact Partners rests in a covenant, signed by both the Foundation’s and Impact Partner’s’ CEOs as well as Board Chairs. In it, the Foundation articulates its expectations it has of the Impact Partners, as well as commitments it is making. A copy of the covenant is included in the attachments.

SECTION THREE: INITIAL SUCCESSES AND CHALLENGES

Deaconess Impact Partnership, First Round Overview

The pioneer round of the Deaconess Impact Partnership has been in operation for approximately four years. Four of the eight partners will complete their work with Deaconess in 2008, while the other “graduate” in 2009. It is a bit premature to declare certainties about the Partnership. And the group of eight Impact Partners isn’t large enough to have statistical significance. However, the observations the Foundation and TCC have made thus far are enlightening. As Deaconess Foundation embarks on choosing a second round of Impact Partners in which it will invest upwards of \$7 million, outlining the “mid-course” learnings is timely.

The bottom line is that: all the agencies have profited from capacity building, but the margin of success has varied widely. In its April 2008 report to the Deaconess Foundation board, TCC categorized the progress into three levels: 1) Agencies That Have Achieved Greater Impact; 2) Agencies That Have Improved Program Capacity Through Improved Infrastructure Development; and 3) Agencies That Have Achieved Minimal Capacity Building Growth. Those agencies that were “ready” with a core program model and strong leadership in place have leveraged the resources to a greater degree than others have. Below is a summary of successes and challenges so far.

Successes

Many of the Impact Partners have demonstrated the following. These successes are documented in TCC’s yearly reports to the Foundation.²

Improved Leadership Capacity. Many of the Impact Partner executive directors have made demonstrable progress in becoming more effective leaders. This progress includes: improving relationships in the external community, cultivating shared leadership within the organization, establishing more productive relationships with boards and taking strategic risks. In addition, nearly all of the Impact Partner executive directors are more focused on succession planning.

Improved Board Leadership. The boards of the Impact Partners have shown growth during the Partnership and are demonstrating a higher level of engagement. Boards have shown progress with respect to offering expertise, attending meetings, participating in fundraising and communicating effectively with the executive directors. Likewise, they have become more conscious of creating an effective structure and diversifying their composition.

Increased Level of Service. When the Impact Partnership first started, Deaconess’ priority was to equip organizations to serve more children. With time, the Foundation has learned that “serving more” is only a success if quality is ensured. “Serving more, serving better” is the current mantra. A total of five Impact Partners have been able to use capacity building resources to responsibly grow their core programs and extend effective strategies to new populations. Others have made thoughtful decisions to maintain current levels of service.

We have added two new centers and nearly doubled the people we reach as a result of this Partnership.

- Impact Partner executive director

² TCC has prepared yearly evaluations of the Deaconess Impact Partnership.

Increased Focus on Becoming Outcomes Driven. All Impact Partners have a growing awareness of the need to measure outcomes and use the data to drive program design. At the onset of the Partnership, some of the organizations simply measured outputs without tracking impact. Others relied on anecdotes and good faith efforts to gauge purposefulness. By the end of the Partnership, all Impact Partners will have systems in place to track data and reflect on results.

Increased Revenue Streams. All Impact Partners have strengthened their ability to build resources. On average, operational budgets increased by 82% between the years 2003 – 2007. Through the hiring of new development staff, strategic fund development plans, donor tracking software, and leveraging board and senior leadership talent, organizations have diversified their funding streams.

Increased Strategic Alliances / Networks. The Impact Partners, especially those in later stages of their development, are forging new strategic alliances and networks. Some have even begun to test the benefits of coordinated/ shared service delivery. According to TCC, “these gains are due in part to Deaconess Foundation staff encouraging collaboration.”

Culture of Learning Cultivated. In organizations where success has taken strongest root, a culture of learning has been fostered. Many executive directors and senior staff have noted that the Impact Partnership has given them the time, space and comfort to reflect on decisions and experiment with new solutions.

Better Management Systems. A few of the Impact Partners have improved management practices and as a result, created more positive organizational cultures. This has been achieved in a myriad of ways that include: hiring or reassigning staff to address agencies’ human resource needs, paying greater attention to workloads, improving internal communication, increasing investment in staff development and increasing salaries.

Better Marketing Tools. Deaconess funding was a great asset to organizations that needed to enhance their capacity to do effective marketing, PR, and development. By providing the capital to hire these types of professionals, and thus investing in their organizations’ ability to garner more funds, agencies further increased their budgets and impact.

Enhanced Information Technical Systems. All the Impact Partners have invested in technology enhancements and this has been the area where progress has been most obvious. Agencies have used the partnership as a unique opportunity to institute the tools and technology needed to run more efficiently and effectively.

I think much more about the Center’s long range needs and goals because I want to build an agency that will be able to serve this neighborhood for a long time. I am in a process of growing.

— Impact Partner executive director

Challenges

Leadership Transitions. By the time Deaconess Foundation will conclude its work with the first eight Impact Partners, five will have new executive directors. One agency will have had three executive (or interim -) directors during the Impact Partnership. Deaconess Foundation anticipated some of these transitions from the beginning. In fact, in two cases, the Impact Partners' capacity building plans included work on choosing a new executive director. In two other cases, Deaconess Foundation is playing a key role in helping an organization transition from a retiring founder or long-term CEO. The lesson learned, however, is that long-term capacity building works best when one leader is in place to champion the initiative from beginning to end.

In addition, Deaconess has learned that sometimes capacity building can accelerate a departure of a CEO because it triggers intense focus and analysis of key organizational issues. As TCC noted, "in at least two of the agencies, the change brought about by the infusion of resources as a result of the Impact Partnership grant may have brought to the surface underlying weaknesses in leadership. The executive director's management of the stress and tension that accompanied the capacity building activities created crisis."

Lukewarm Leadership for Capacity Building. Capacity building has been a less successful venture with organizations in which the senior leadership (board and executive director) don't convey the value of the initiative to their whole staff. In these organizations, staff often felt that capacity building and the resources and time it consumed did not have a direct impact on the services the agency provided or clients it helped. Likewise, if board members viewed the capacity building initiative as simply a grant, or "money on the table," they too missed the focus and potential of the Impact Partnership.

Wrong Capacity Building Activities at Wrong Time. With some Impact Partners, it is clear that the proportion and intensity of Deaconess Foundation resources might have been "too much, too soon." As the TCC evaluation reports: "It appears that there may be situations in which some more 'start up' or 'growing' organizations are overwhelmed with their grant size." Occasionally these organizations take on more than they can chew. For example, one agency invested in strategic planning before it had established the kind of board that could support and leverage the opportunity. Another hired fundraising staff before it finalized a core program model, thus creating the climate for "contract chasing." Through lessons learned and analysis led by TCC, Deaconess Foundation has become a firm believer in aligning capacity building activities with the lifecycle stage of an organization (See attachments for more detail on correlation between lifecycle and capacity building activities.)

Before the Impact Partnership, we were more in tune with the output, like the number of meals, the number of kids served, but not digging into the impact the programs have on children and families. Now we have a way to track and learn HOW we are changing lives.

- Impact Partner
program director

Organization Not Ready for Capacity Building. The Foundation has learned that capacity building works best with organizations that are at a level of security and comfort to focus on the potential capacity building promises. Several of the Impact Partners have gone through—or continue to be in—phases that prevent full engagement in capacity building. Reasons include:

- ❖ They may still be establishing the core programs and need to concentrate resources on refining those “mission vehicle” strategies;
- ❖ They may be weathering significant funding cuts from long-term sources;
- ❖ They may have entrenched internal communication problems amongst staff;
- ❖ They may be looking for new leadership;
- ❖ They may be fundamentally guided by a “charitable mindset” which emphasizes the value of service and effort, and is less concerned with impact or long-term feasibility. This type of organization is usually less ready for a more strategic or business-like model that capacity building requires.

In all these cases, introducing the transformative force of the Impact Partnership was not fruitful.

Quality of Consultants is Inconsistent. Prior to Deaconess Foundation’s involvement, many of the Impact Partners had very little experience in hiring and working with consultants. In addition, in St. Louis, there is a scarcity of consultants who have experience with nonprofit organizational development. As a result, some mismatches have occurred. Sometimes consultants have stretched beyond their expertise (i.e., a fundraising consultant doing a strategic plan). Sometimes an Impact Partner did not clearly understand its needs and chose the wrong consultant (i.e., hiring a graphic designer to do a marketing campaign). Sometimes consultants were eager to “please the customer” and avoided pointing out fundamental conflicts or issues in an organization (i.e., board development consultants focusing on developing processes handbooks without training board to make decisions efficiently). Sometimes executives did not appreciate their limited perspective when diagnosing their organization’s needs (i.e., calling for strategic planning to overcome a staffing issue).

We are asking “why” much more at our staff meetings. These meetings used to be devoted to reports. Now we take the time to dig into why a new program or a new process is working. The best part is that I am not always the one to bring up the topic! – Impact Partner executive director

Section Four: Learnings that Will Be Applied To Next Round

At the writing of this report (July 2008), Deaconess Foundation is in the midst of selecting a new round of Impact Partners. The Foundation is striving to “learn from results.” Earlier in the report, Impact Partnership program design refinements were outlined. In addition to those, Deaconess has sharpened its selection process and is focusing on the following as it considers the next round of Impact Partners.

Refined Focus on Readiness. As a place-based funder, Deaconess Foundation’s primary objective is to strengthen the safety net of mission-critical organizations that exist in the St. Louis region. Some of those organizations may be large and well-established, others may be innovative and in their early stages. Either type will need to be ready for capacity building. At a minimum, that readiness includes: mission-critical programs that have proven impact; willing senior leaders who share a vision of their organization’s potential; financial health and an organizational culture that can survive or thrive in change. As a means of assessing these qualities, the Foundation’s due diligence in this second round includes: an application, significant core document review, multiple site visits and use of TCC’s Core Capacity Assessment Tool.³

Refined Focus on Leadership. The primary lesson Deaconess Foundation has learned is that investing in an organization’s capacity building is investing in the organization’s leaders. Deaconess Foundation plans to identify executive directors for the next round who have the potential to lead their organizations to new levels. Once the leaders are chosen, the Foundation will invest heavily in their leadership development. Through due diligence, the Foundation intends to determine if organization’s leaders have a track record for: inspiring their staff and community, remaining passionate about the mission, modeling shared leadership, cultivating healthy organizational cultures, learning from results and pursuing the opportunities for course corrections.

Refined Focus on Alignment of Activity and Lifecycle. One of the most enlightening findings from the TCC evaluations has been that capacity building activities should be aligned to a nonprofit’s stage in its organizational lifecycle. Just as a parent should not put a toddler on a ten speed, the Foundation should not provide funding for certain types of capacity building before the organization is ready. As a result, Deaconess Foundation has asked that all finalists being considered for Round Two of the Impact Partnership take an initial assessment (TCC’s Core Capacity Assessment Tool). The Foundation will use the results of this assessment, as well as supplemental conversations and document review, to determine what kind of capacity building will be best to move the organization forward. TCC makes some very specific recommendations for each lifecycle stage and Deaconess Foundation will consider this course of action.

The financial support from Deaconess Foundation has been of utmost importance. But there is another ingredient that is as important to the mix that is more intangible and that acts as a kind of yeast that activates and enlarges the impact that money alone could not create. I am referring to the spirit of collegiality that pervades our relationship with the Foundation.

– Impact Partner
executive director

³ For more information on TCC’s Core Capacity Assessment Tool, go to www.tccgrp.com.

Refined Focus on Culture. As Deaconess Foundation selects new Impact Partners, it is attempting to identify agencies that demonstrate the possibility of making change permeate the entire organization. While Deaconess Foundation considers training individuals (i.e., executives or board members) a success, the most desirable change is for leaders to help their whole organization embrace and act on the change. For example, if capacity building funding has helped an organization invest in new technology and resist the “cheap” solution of taking donated computers, real change is evident if that organization makes further investments in keeping its technology up-to-date. In seeking new Partners, the Foundation will look for organizations that can show that they are able to implement change and ensure that the change “sticks.”

#####

Deaconess Foundation welcomes the opportunity to discuss the Impact Partnership. For more information on the Partnership, please visit our website: www.deaconess.org or contact us at: info@deaconess.org. This report was written by Jane Donahue, with assistance from Elizabeth George, Deaconess Foundation Vice Presidents, and Jerry W. Paul, Deaconess Foundation President and CEO.

This report references evaluations conducted by TCC Group. These include: Year-End Reports as well as presentations to the Deaconess Board. Deaconess is grateful for TCC's cooperation.



Deaconess Foundation
211 North Broadway, Suite 1260
St. Louis, MO 63102
314.436.8001
www.deaconess.org