Building the Capacity of Nonprofits to Support High-Quality Youth Programs

Research Brief Based on Evaluation Findings from the New York City Department of Youth and Community Development's *Strengthening Our Core* Initiative

POLICY STUDIES ASSOCIATES, INC.

Policy Studies Associates, Inc. (PSA) conducted an evaluation of the New York City Department of Youth and Community Development's (DYCD) Strengthening Our Core (SOC) pilot initiative, designed to improve the organizational capacity of nonprofits operating Out-of-School Time (OST) programs for youth. This brief summarizes lessons learned about the capacity-building needs of youth-serving nonprofits, strategies for effective implementation of comprehensive capacity-building services, and the short-term and sustained impacts of capacity-building on nonprofits. The brief also presents evaluation-based recommendations for funders of capacity-building initiatives, technical assistance providers, and nonprofit organizations seeking capacity-building assistance.

THE STRENGTHENING OUR CORE INITIATIVE

In 2009, with support from the Wallace Foundation, DYCD launched SOC as a pilot initiative to build the management and operational capacity of nonprofits operating multiple OST contracts and serving large numbers of youth. DYCD contracted with Community Resource Exchange (CRE) and its technical assistance partners—the Nonprofit Finance Fund (NFF), the National Center for Community Schools (NCCS), and Accounting Management Solutions, Inc. (AMS)—to deliver consulting services to five nonprofits in New York City. Key characteristics of these nonprofits are described in Exhibit 1.

The SOC was designed to build capacity by providing consulting services focusing on opportunities for organizational improvement in: (a) leadership and organizational structures; (b) human resources; (c) financial management; and (d) OST program content and quality. Over the course of 18 months, the technical assistance partners provided each of the five participating nonprofits with between $62,000 and $104,000 in consulting services through the following core activities:

- A comprehensive needs assessment, including a financial analysis, an analysis of program performance and management capability, and recommendations for strengthening the nonprofit and its OST programs

Exhibit 1
Characteristics of participating nonprofits (2009)

Type of nonprofit	Number of years in operation	Number of DYCD youth program contracts	Approximate annual organizational budget
Youth-service	10+ years	38	$23 million
Youth-service	30+ years	25	$7.5 million
Multi-service	10+ years	19	$60 million
Multi-service	50+ years	14	$28 million
Multi-service	30+ years	5	$15.5 million

Source: Nonprofit characteristics retrieved from proposals to participate in the SOC pilot.
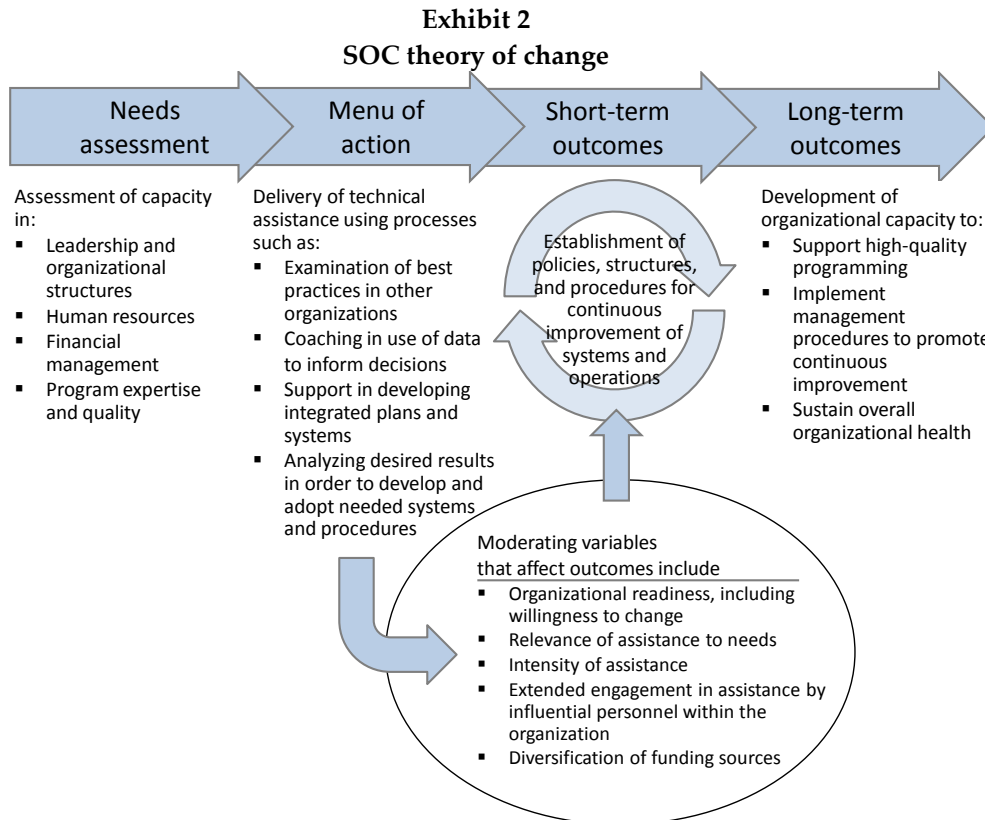Number of contracts retrieved from PSA evaluation records for summer 2009.

- Consultations with nonprofit leaders and key stakeholders to identify priorities for an action plan based on the findings in the needs assessment

- Expert consulting services and structured interventions to address the priorities in the action plan, including coaching in the use of data-driven decision making and support in developing and implementing results-oriented systems and procedures

- An assessment of short-term outcomes

The evaluation of the SOC pilot examined the extent to which investments in organizational development can lead to (a) stronger nonprofits; and (b) effective, high quality programs that achieve the desired outcomes for youth. The evaluation focused on the pilot's effectiveness in laying the foundation for sustainable capacity-building practices in the nonprofits. PSA looked for evidence that nonprofits were institutionalizing the plans, knowledge, and skills that they developed through interactions with the technical assistance providers, embedded these into

organizational culture, and initially sustained the changes made in ways that could be expected, over time, to positively shape the quality of program services.

WHY INVEST IN THE CAPACITY OF YOUTH-SERVING NONPROFITS?

Through a portfolio of program and technical assistance initiatives, DYCD funds nonprofits to operate youth programs and supports them in establishing policies, structures, and procedures for the improvement of their systems and operations. While much of DYCD's technical assistance has traditionally focused on direct programmatic assistance, DYCD undertook the SOC pilot with the expectation that improved practices and policies at the organizational level would, over time, contribute to the delivery of high-quality youth programs, as illustrated in the theory of change in Exhibit 2. The lessons learned through the SOC pilot were intended to inform future capacity-building investments at DYCD as well as in the broader field of youth services.

Exhibit 2
SOC theory of change

Needs assessment → Menu of action → Short-term outcomes → Long-term outcomes

Assessment of capacity in:
- Leadership and organizational structures
- Human resources
- Financial management
- Program expertise and quality

Delivery of technical assistance using processes such as:
- Examination of best practices in other organizations
- Coaching in use of data to inform decisions
- Support in developing integrated plans and systems
- Analyzing desired results in order to develop and adopt needed systems and procedures

Establishment of policies, structures, and procedures for continuous improvement of systems and operations

Development of organizational capacity to:
- Support high-quality programming
- Implement management procedures to promote continuous improvement
- Sustain overall organizational health

Moderating variables that affect outcomes include
- Organizational readiness, including willingness to change
- Relevance of assistance to needs
- Intensity of assistance
- Extended engagement in assistance by influential personnel within the organization
- Diversification of funding sources

Evaluation Methods

PSA collected data at both the executive leadership and youth-program levels. PSA interviewed executive directors, financial officers, and other key senior-level executives of the nonprofit at the end of the organizational needs assessment phase in the fall of 2009 and again at the completion of the technical assistance, in the fall of 2010. PSA interviewed the technical assistance providers in fall of 2010 and reviewed the organizational assessment reports, work plans, and reports produced throughout the SOC. In addition, in the spring of 2010 and again in the spring of 2011, PSA administered online surveys to youth program site coordinators, interviewed youth division directors at each nonprofit, and conducted visits to two program sites operated by each of the five nonprofits to interview site coordinators and staff. The synthesized data from these interviews, document reviews, and surveys provided multiple sources and perspectives from which to gain an understanding of the context and circumstances surrounding the successes and challenges of the SOC pilot in building the capacity of youth-serving nonprofits.

A growing body of research in the OST field and years of anecdotal evidence suggest that there is an important relationship between organizational effectiveness and the quality of the delivery of youth services. When faced with a challenging funding environment, many nonprofits "muddle through" program operations in crisis-management mode rather than invest resources in improving administrative infrastructure.[1] Evaluations of OST initiatives have also found positive associations between certain management practices or allocations of resources and program quality. A comprehensive evaluation of DYCD's OST initiative, for example, demonstrated positive associations between staff participation in professional development activities and measures of program quality.[2] An earlier study of high-performing after-school programs sponsored by The After-School Corporation found that the on-site directors of these programs tended to be strong managers whose nonprofits provided them with adequate resources in the form of administrative and fiscal support to ensure program quality and sustainability.[3]

Other research also points to the importance of good management as key to creating strong youth programs, including policies that give program leaders the ability to hire, retain, and appropriately compensate well-qualified staff members.[4] Consultants with expertise in providing management development services to nonprofit organizations have recommended comprehensive approaches to organizational capacity building. The Bridgespan Group, for example, theorizes that improving organizational effectiveness requires a holistic approach that seeks to strengthen leadership, decision making and structure, people, performance measurement, and culture.[5] A study of effective capacity building in 13 nonprofits, commissioned by Venture Philanthropy Partners, concluded that: (1) the act of resetting aspirations and strategy is often the first step toward a dramatic improvement of an organization's capacity; (2) both leadership and management are important—people in senior positions must be committed to taking on the capacity-building initiative and be willing to "own" it and drive it down through the organization; and (3) capacity building takes time and is, in many cases, an iterative process.[6]

LESSONS LEARNED ABOUT THE CAPACITY BUILDING PROCESS

Organizations benefit from opportunities to collaboratively define their vision for youth programming. In interviews, consultants and nonprofit leaders generally spoke positively about the approach to capacity building used in the SOC initiative. Starting with a comprehensive organizational needs assessment before engaging in customized technical assistance allowed each nonprofit to reflect on where they stood as an

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organization and to set priorities about what they wanted to accomplish and what steps to take to make that happen. The SOC encouraged nonprofit staff to work together across departments and across management tiers as a team. A youth division director stated, "It's kind of nice to feel that everybody is working towards something together. I think that makes a big difference." In three of the nonprofits, the needs assessment process led to clarification of the organizational mission and, in particular, the part of the mission focused on youth programming.

One reported benefit of this process was that it provided an opportunity for staff across the organization to collaboratively define their vision for youth programming. Establishing a clearer mission and more concrete goals allowed senior program managers to reflect on how their youth programs fit into the overarching mission and goals of the nonprofit. They began to consider how to strengthen program quality by aligning activities with specific goals and outcomes for youth served by the nonprofit.

> *What we have now is a common mindset by which to judge what we do in our daily operations. The question will always be, —What do we do in practice that is speaking to our goals? I think that we have agreed upon criteria to say that this fits with our program and that this doesn't. It's ongoing conversations forevermore: do we want to be doing this in our program? Does this activity lead to an outcome?*
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> *-Executive Director*

Institutionalizing change requires a long term investment of time and executive leadership. Through the SOC pilot, each nonprofit gained knowledge and tools to make improvements in leadership, financial management, and human resources that can have a direct impact on youth programs. Nonprofits developed efficient processes and procedures for managing day-to-day operations, yet not all nonprofits had the means to transcend crisis management mode by the end of the pilot. Maintaining short-term organizational changes to yield longer-term results requires sustained focus on building

capacity. Interviews with program-level staff following the end of the SOC technical assistance period suggest that it will be challenging for the nonprofits to institutionalize the short-term changes made during the pilot. For example, immediate concerns related to staff turnover and continuing decreases in government and private revenue tend to preclude nonprofits from spending time and resources in building their organizational infrastructures. The ability of each nonprofit to continue to institutionalize capacity-building efforts will depend on their ability to keep the SOC capacity-building recommendations a priority, regardless of the financial climate in which they operate. The leadership and commitment of senior nonprofit managers will be critical in keeping the long-term outcomes at the forefront of planning, even while addressing short-term crises and concerns.

Engaging middle managers is a promising and achievable strategy. As part of DYCD's intent that the technical assistance offered through the SOC would strengthen each nonprofit's ability to plan strategically, nonprofits were asked to commit to engaging in the SOC pilot at the leadership level, which proved to be an important strategy. At the end of the SOC pilot, one senior nonprofit leader said, for capacity-building changes to be sustained, all personnel across departments and tiers of management needed to "really get together, start to know one another, start to trust one another, start to feel that they would be of assistance and can be of assistance to the other members of their group within the organization. [...] So it's a cultural change. It's a change that requires leadership on our part in order to facilitate that thought process. [...] I think we're starting on that path, but it's not an easy one."

The SOC pilot was most effective at changing organizational processes in nonprofits in which management teams worked closely together and cohesively and senior leadership took a strong role in the initiative. However, the evaluation also revealed that engaging busy nonprofit executives across divisions was challenging. In one nonprofit, for instance, the SOC work

focused almost exclusively on the youth division, rather than the agency as a whole. According to the technical assistance consultants, this priority was clear from the start of the initiative. "[The nonprofit] basically said, —Look, the initiative sounds great. We know that you have this rounded assessment and these [other] kinds of resources you can bring, but we really want you to come and do things for our program."

In general, youth managers, including youth division directors, multi-site program directors, and site coordinators, exhibited a strong level of readiness and willingness to participate in the technical assistance offered through the SOC. Engaging these middle managers in the goal-setting, planning, and decision-making processes for the nonprofit as a whole can increase their performance management capacity and contribute to a more cohesive organization. Middle-managers praised the assistance received, noting that they were able to implement best practices right away.

> *The executive coaching. . .it was phenomenal. {. . .] Specifically, they taught you how to manage your direct reports, how to manage up. They shed light on how to initiate teamwork and team spirit within an organization. They covered all angles, angles that I didn't even know existed or were important. […] I think the long-term impact is that we're better managers because of the training, as well as more resourceful in our approach to the challenges. And we're a better team, and we're stronger as a team because of it.*
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> *–Nonprofit Youth Director*

LESSONS LEARNED ABOUT IMPACTS OF CAPACITY-BUILDING

Strengthening data-driven decision making is a priority for nonprofits, but significant investments in external technology and expertise are needed to implement new systems. Prior to the SOC, participating nonprofits collected and reported on data required by their funders.

Because data collection largely focused on meeting contracting agencies' reporting requirements, the nonprofits struggled to use data to inform management decisions and programming. Further, they tended to lack expertise to conduct data collection and analysis in-house and lacked effective tools and systems for measuring progress. Through the SOC, consultants worked with nonprofit staff to plan for more unified and integrated systems that would enable them to more effectively track and use data in decision-making. For example, one nonprofit worked with an SOC consultant to design a new data system to track program information, engaging an internal subcommittee to review the reporting template and ensure that it included relevant information. A consultant worked with another nonprofit's IT staff to find ways for staff to more efficiently download and capture program operation data into a dashboard management reporting system. These systems allow nonprofit leaders to develop a better understanding of what is happening in youth programs and hence to make better, more informed decisions about program content and design.

However, the development of effective data systems is a resource- and time-intensive process. SOC consulting services focused primarily on the development of systems for program data management, rather than on how to use available data to strengthen practices. For the systems to be sustained and used to inform management decisions, nonprofits will need appropriate technology, expertise from an external provider on how to implement data-driven decisions, or additional staff time and training to develop and implement these data systems.

Improving financial management systems requires intensive time and attention to achieve a culture change and sustain new practices. The needs assessment process found that all five nonprofits had significant challenges with cash flow and financial management. Through SOC, all of the nonprofits received technical assistance to improve fiscal management practices and procedures. Consultants worked with fiscal staff to develop customized tools and more efficient

procedures, including better use of financial software.

However, financial staff in all nonprofits were consistently described as overburdened during the SOC pilot, particularly because they were dealing with funding cuts and responding to the informational needs of multiple funders. In addition, nonprofits received technical assistance from three different consulting groups involved in the SOC financial management work, which led to some confusion and duplication of effort for finance staff. Consequently, although most nonprofit financial departments were able to make some fiscal procedural improvements, few were able to dedicate the time and resources necessary to make big changes to their systems or to re-think long-term financial goals. In retrospect, they may have been able to benefit more from the assistance had the effort been more focused or extended over a longer period of time.

Strengthening human resource practices is a promising strategy for improving program quality. Through the SOC pilot, consultants worked with youth division leaders, multi-site program managers and site coordinators from all five nonprofits on such skills as conducting evaluative observations of staff and programs, providing constructive feedback, and developing staff training plans. Three nonprofits also worked with consultants to develop or refine existing observation tools developed internally by the nonprofits to facilitate staff supervision and feedback. The refined tools increased the transparency of expectations for staff and for program quality. A manager noted the changes in quality observed in programs: "I saw a lot of tightening up of the kinds of activities that we were doing. I saw change in the way they engaged the students." The manager also noted that although staff turnover may present a challenge for the institutionalization of these new supervisory practices, the tool "gave us a common language to use around certain things."

RECOMMENDATIONS FOR INVESTORS AND FUNDERS

Educate nonprofits about the preconditions and resources required for comprehensive capacity building, as well as potential benefits. Capacity-building efforts differ from other technical assistance efforts in their scope and intensity and many youth-serving organizations lack experience with the capacity-building process. To ensure the readiness of nonprofits to undertake a comprehensive capacity-building initiative, funders should provide nonprofits with information about the time commitment, resources needed, and potential benefits of a major capacity building effort. Funders should target nonprofits that demonstrate the capacity to fully participate in an intensive site-based, long-term consulting project, possibly by developing criteria to evaluate the readiness of nonprofits before funding capacity building.

In the SOC pilot, with broad goals and limited resources and time, nonprofits tended to prioritize youth program-related technical assistance, such as improving program supervisory practices, rather than focusing efforts on organizational infrastructure in ways aligned with best practices of nonprofit management. Technical assistance for the youth division was more consistent with previous professional development interventions and required less organization-wide time and effort. However, this choice also became a distraction from focusing on the bigger picture of improving organizational structures and processes as a primary goal. Increased education about the long-term benefits of a more comprehensive capacity-building process may help nonprofits embrace broader organizational change.

Commit to long-term investments and ongoing support beyond the period of intervention. The level of needed ongoing support after intervention will vary, but funders should be prepared to follow up with support to help nonprofits maintain and continue capacity-building momentum. Technical assistance

providers and nonprofit leaders agreed that practices developed during the SOC pilot were more likely to be sustained with funds to help get new or revised management systems off the ground. For example, DYCD allocated some unused project funds to support specific technology and database needs that emerged from the SOC, enabling the nonprofits to take further action steps. If the goal of capacity-building is transformational change rather than transactional change, the intensive and sustained nature of the process needs to be clearly laid out. Nonprofits need time to absorb the lessons learned through the capacity-building assistance, implement them, and reflect on and refine the new practices and systems as they develop. A consultant commented, "When they hear the recommendations, the first thing they think about is, —How are we going to do it? We don't have the staff or we need them to be trained or we need this database or we need this equipment or we need more space." Funding a capacity-building initiative to include a long-term follow-up process would contribute to sustainability.

Be flexible. The economic environment created significant challenges to SOC implementation. Nonprofits struggled with immediate crises and had limited ability to prioritize long-term strategic capacity-building efforts during and after the technical assistance period. In such contexts, constant assessment of progress and adaptability to contextual factors should be employed. Technical assistance providers and nonprofits may have more ability to engage in such large-scale initiatives if they can address one major area of capacity building at a time or extend the intervention timeline to allow more time for absorption of change.

This recommendation is especially applicable to efforts to change the financial management structures of nonprofits. In the SOC pilot, directors and financial managers understood the necessity of building capacity to support program quality, but questioned the feasibility of that goal in the budget environment they faced. For example, some leaders expressed frustrations with limitations on how they

can allocate funding toward overhead costs in their government-funded contracts, which they said limited their ability to fund organizational structures to support program and organizational effectiveness. The nonprofit leaders' concerns raise valid questions: Is it feasible to achieve transformational change in how program funds are distributed and used in the current economic environment? If increasing administrative overhead is not an option, are there other ways that government funders can help youth-serving organizations alleviate administrative burden? Funders should address these questions to help nonprofits figure out how they can feasibly employ highly effective financial management practices consistent with best practices.

RECOMMENDATIONS FOR TECHNICAL ASSISTANCE PROVIDERS

Manage capacity-building projects to maximize service delivery. The SOC pilot began with four groups of technical assistance providers, which created the need for more intensive coordination early in the process. Instead, identifying one technical assistance provider with well-rounded expertise in all areas of capacity building and then bringing in more targeted expertise as needed could ease the management of capacity-building efforts and strengthen the establishment of relationships, trust, and buy-in with nonprofits.

In the SOC pilot, nonprofit staff reflected that more ongoing communication to share knowledge and think cohesively about the assistance was needed. According to one nonprofit youth director, "They were two parallel tracks, I think that there could have been more integration between those two strands, as I ended up being the node that connected everything. […] I met with [the consultants] all separately and kept it all coordinated on my own."

When multiple technical assistance providers are involved in the delivery of services, the providers must maintain ongoing communication with

each other and with the nonprofits, preferably through one project manager, to avoid duplication of effort and miscommunication with nonprofit staff. Capacity builders should also strategize ways to balance the sharing of information on progress with funders while maintaining confidentiality and prioritizing the allocation of time and resources to providing services to the nonprofit clients.

Plan time to develop effective relationships and buy-in from nonprofit staff. The competence of the technical assistance providers for the SOC was identified as a strength of the initiative by the participating nonprofits. The SOC technical assistance providers were described as knowledgeable and as experts in the field, and they were respected by the nonprofits with which they worked. Also, several nonprofits had already worked with at least one of the SOC technical assistance providers prior to the SOC, which gave them some familiarity with the people involved and allowed them to build on established relationships. Establishing this level of trust and respect encouraged greater buy-in from the nonprofits and laid the groundwork for a comprehensive capacity-building approach that was relevant to the needs of the nonprofit and encouraged the staff to engage with the SOC initiative, and commit to making important changes that can be difficult to achieve while continuing day-to-day operations.

> *A lot of it is about the person-to-person, about the relationships. All of the technical assistance providers were approachable people—very, very knowledgeable in their area of expertise. Who the partners are that are brought to the table is very important. They had expertise in the field and you could see that—that is really key. The partners need to know more than you do.*
> *—Executive Director*

RECOMMENDATIONS FOR NONPROFITS

Assess the level of readiness throughout the organization prior to engaging in a comprehensive

capacity-building effort. Senior nonprofit leaders should have an understanding of the ability of all departments to engage in the capacity-building effort and secure commitment to the process as a first step. Senior leaders should assess whether they are prepared to engage staff at all levels, motivate staff to value the work, be ready to address tough questions, and be ready to lead staff in adopting new management strategies and approaches. Staff have to be ready to go through that process as a full organization and be ready to make changes.

In the SOC pilot, one youth-program director believed that this preparedness was critical to the success of the initiative for the organization: "I do think that the organization, and particularly my division, was able to gain a lot because we were ready for it."

In addition, nonprofit leaders reported the most progress with the SOC capacity-building work when it expedited improvement efforts that they had already begun, or that had been in the planning stages. The SOC provided the focused energy and structured time that leadership teams needed to push their change agendas forward. However, transformational changes were more of a challenge in areas where the nonprofits were not already considering adopting new strategies.

> *I feel that so much of what we were able to explore or accomplish in the capacity project was—it's not the culmination, because we're still talking about it—that it allowed us to have this conversation in a structured way about things that we've thought about here for a very long time.*
> *—Executive Director*

Identify a lead liaison and/or leadership team who can hold parties accountable and keep lines of communication open. Engaging staff and instilling the value of sustaining capacity-building efforts during and after an initiative can be challenging. Identifying an internal project manager or leadership team consisting of staff members across departments and tiers of management may help maintain important communication and

momentum, and create a culture in which capacity building becomes routine.

Engage senior leaders but also target capacity-building efforts at middle-managers. Many of the changes that occurred in nonprofits during the SOC pilot were the result of work done directly with middle-management staff, rather than with senior agency leaders. Youth program middle-managers tend to rise in the ranks, beginning their careers as youth workers with little background or training in management. Intensive, personalized management training for these staff can meet a great need and have a direct and immediate effect on improving program quality. In the SOC pilot, the assistance provided to these staff provided immediate tools and practices that could be

adopted and implemented quickly without further infrastructure development and funding. However, how well these changed procedures remain in place and develop will depend on how much senior nonprofit leaders prioritize and advocate for them.

Plan for continuous improvement. Capacity building is an iterative process. Nonprofits should enter into a capacity-building initiative ready to commit to creating a culture of continuous learning and planning, and introducing new strategies and practices acknowledged as priorities.

The DYCD OST Initiative

The DYCD OST initiative provides young people throughout New York City with access to high-quality programming after school, on holidays, and during the summer at no cost to their families. Each OST program is operated by a nonprofit organization and is located in a public school or community facility. In the first year of the initiative (2005-06), approximately 50,000 youth were enrolled in OST programs throughout the city. By the third year of the initiative (2007-08), this number had grown to more than 80,000 youth. This rapid expansion of services meant that nonprofits operating OST programs also grew rapidly, with certain nonprofits operating upwards of 20 OST programs, in addition to the other youth and social services they provided. Many nonprofits were dependent on their OST funding when the economic downturn began and allocations for OST services were cut. By 2009, the starting year of the SOC initiative, OST funding in New York City began to fall at a rate of approximately 8 percent per year, reflecting the impact of the economic downturn. As a result, nonprofits faced critical management and programming decisions, making it a challenging time to plan for the future.

ENDNOTES

[1] Fiscal Management Associates (2008). Administrative management capacity in out-of-school time organizations. New York: The Wallace Foundation.

[2] Russell, C.A., Mielke, M.B., & Reisner, E.R. (2008, January). Evaluation of the New York City Department of Youth and Community Development Out-of-School Time Programs for Youth Initiative: Results of efforts to increase quality and scale in Year 2. Washington, D.C.: Policy Studies Associates.

[3] Birmingham, J., Pechman, E.M., Russell, C.A., & Mielke, M. (2005). Shared features of high-performing after-school programs: A follow-up to the TASC evaluation. Washington, D.C.: Policy Studies Associates.

[4] Bodilly, S. J., & Beckett, M. K. (2005). Making out-of-school time matter: Evidence for an action agenda. Santa Monica, CA: RAND.

[5] Kramer, K. (2008, November). Becoming a highly effective organization. Boston: The Bridgespan Group. Retrieved on July 6, 2008, from http://www.bridgespan.org/LearningCenter/ResourceDetail.aspx?id=2624

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