



A FIO PARTNERS PERSPECTIVE:

## Funders of the Nonprofit Sector as Learning Organizations

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I have worked with government funders, private and public foundations, and United Ways for many years. I have also spent a great deal of time thinking about non-profit organizations as learning organizations and, in FIO Partners' model for strategic management, insist that our clients assess themselves relative to key characteristics that encourage organizational learning. Thinking about how to apply the concepts to a funder of nonprofit organizations is more of a challenge but, from my perspective, is equally important. The material included in this article follows from work I did on how funding decision-makers can frame their choices about whether to sustain a strategic stream of investment. (See article *The Question of Sustainability* also available on this website.) One of my goals in pursuing the learning organization model stemmed from my desire to provide a clearer sense of how the support of decision making about sustainability fit within one particular foundation's overall activities. Like the work around questions of sustainability, I believe that this thinking can be generalized to any organization that makes investments in the nonprofit sector.

First, I looked at the relevance of various characteristics, organizational habits if you will, to the work of funders. (For the complete list, see our *Survey on Organizational Learning* available on our website.) While all apply to some degree, I have chosen those that have highest relevance to the work of making these investments.

### **Environmental Scanning**

One of these attributes is the ability and will of an organization to scan the environment for changes in relevant fields of service, shifts in demographics among consumers, actions of collaborative partners, key referral sources, competitors and potential competitors. For funders that translates to what I call zone assessment: a process that is based on data that accurately identifies the extent of community problems in a particular area of interest for a specific funding organization, the degree to which these problems are being addressed in the region of interest, and by what means. Zone assessment should also examine the dynamics of community

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problems, their causes and effects, the power structure that controls resources to address the community problem, and the community's readiness to deal with the issue.

### **Permeable Boundaries**

A second critical characteristic is the ability and will of an organization to maintain a permeable boundary that allows information to flow freely into the organization from all levels. This characteristic is captured only in part by formal systems. It also stems from organizational culture and the willingness of management to encourage staff to listen and to bring back a perpetual flow of relevant information from their encounters with consumers, grantees, and colleagues. The formal means to bring information from outside to inside includes the insistence that grantees expose the base of information on which their grant requests are based, the use of third party evaluators, continuous education in the field of service and the process of zone assessment as described above.

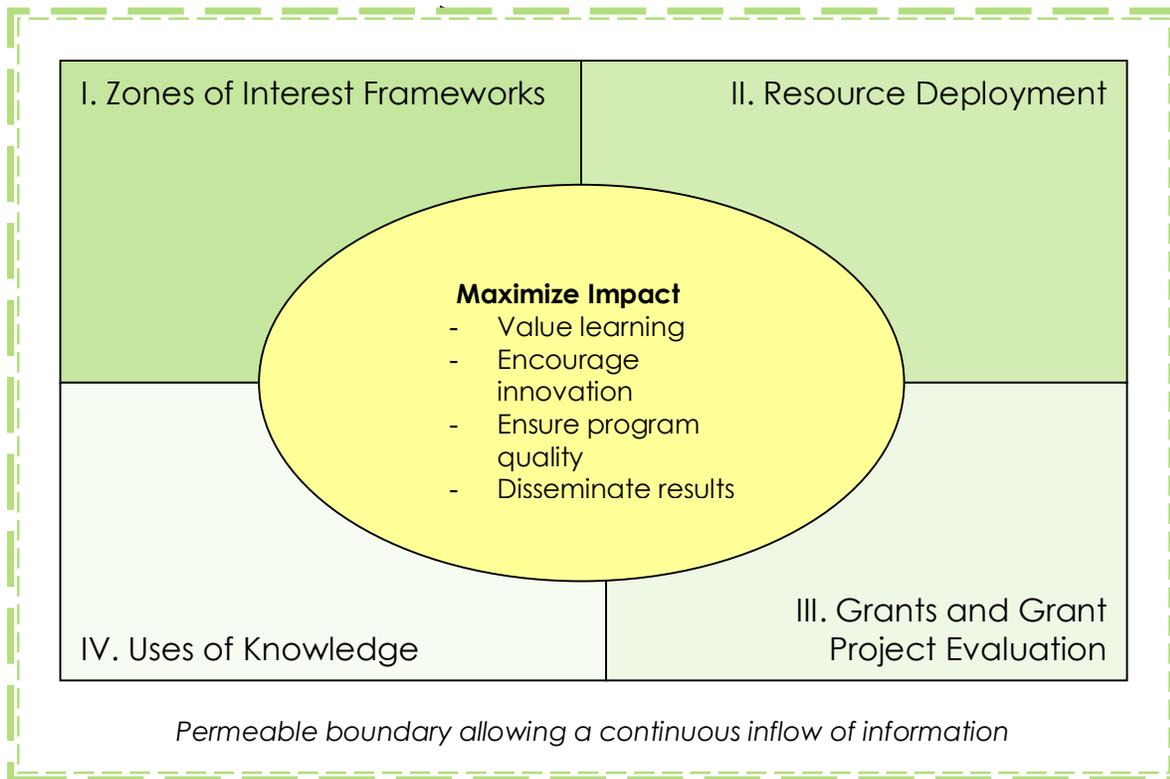
### **Devotion to measurement**

Management that insists on the importance of measurement and the implementation of ways to measure performance is another attribute. A funder has several opportunities to measure performance, including:

- Auditing grantee compliance with intended level of effort and uses of funds;
- Outcome assessment for individual grants;
- Cross grant assessment for impact on the community;
- Foundation self study to determine whether the foundation is having the influence it wants to have.

By means of measurement, funders have the ability to recognize performance gaps that guide areas for improvement and/or set specific objectives that require the organization to improve its performance. This characteristic, I believe, is the same responsibility for both non-profit managers and funders alike, that is, the responsibility to learn from their own practice, including consciously and purposefully looking for what has been learned, capturing it, discussing it broadly with other practitioners in the field, and determining how learning should be applied to future practice.

By tying together these three learning organization attributes and knowledge of funder activities, the visual that follows emerged. It captures in four interacting quadrants the essential points of integration of these activities. These are: I. Zones of interest frameworks; II. Resource deployment; III. Grants and grant project evaluation; and, IV. Uses of knowledge. Together, they create a model of a funder as a dynamic learning organization.



Let's look at each quadrant separately. Driven by the funder's mission and values, the first quadrant captures all of the processes that enable decision-makers to determine zones of interest and what they want to accomplish in each zone. In this quadrant they determine the theory of change they will employ in each zone and, in time, assess the impact of their choices and determine the duration of their investment.

**Quadrant I: Zones of Interest Framework**

Mission and values drive:

<p>A. Zone assessment:</p> <ul style="list-style-type: none"> <li>- Extent of community problems</li> <li>- Effectiveness of existing systems</li> <li>- Knowledge of problem dynamics</li> <li>- Power structure controlling resources</li> <li>- Community readiness</li> </ul>	<p>B. Articulation of clear theories of change</p> <ul style="list-style-type: none"> <li>- Embedded in knowledge of the field</li> </ul>
<p>C. Foundation self study</p> <ul style="list-style-type: none"> <li>- Assess the degree to which foundation intervention has had an impact</li> </ul>	<p>D. Questions of duration addressed</p>

## Quadrant II. Resource Deployment

Theories of change from Quadrant I drive:

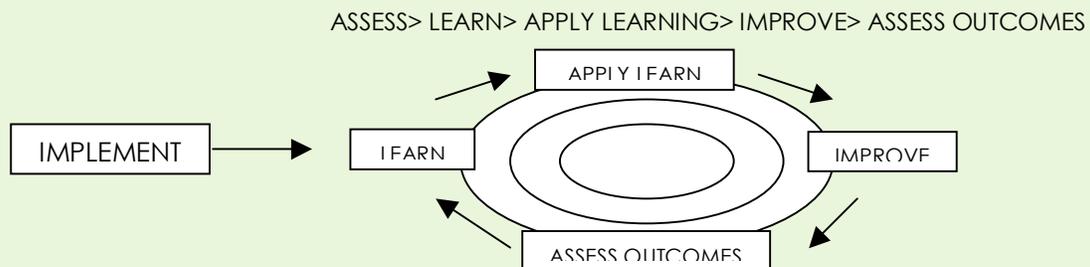
- A. Allocation of resources among zones of interest
- B. Choice of mix of grant strategies for each zone
  - Closing service gaps
  - Experiments
  - Systems issues
  - Centers of initiative
- C. Assessment of grantee capability prior to granting
- D. Grant awards per project
- E. Technical assistance to boost functioning of grantees
- F. Auditing of grant compliance
- G. Viability of individual grants determined

The second quadrant speaks to the strategic allocation of resources. Driven by the funder's understanding of its own theory of change, this arena includes the assignment of specific amounts to each zone but it also includes choices about the grant strategies to be employed and the level of funding for each. It is the theory of change that has evolved from the zone assessment that should tell a funder whether to invest in closing service gaps with programs that have proven effective, or experiments that seek innovative approaches, or systems change initiatives that get at the root causes of problems, or centers of initiative that work at solving an intractable issue for the long term.

Grant awards for each project are determined here as well as the assessment of each grantee's capability to carry out the proposed program or project. To further protect investments, a foundation may choose to provide technical assistance to grantees to boost effectiveness and will undoubtedly put in place processes to audit grantees to ensure that grant activities have been carried out. It is in this context that the sustainability questions concerning the viability (can the grantee carry out the intended project?) of individual grants are answered.

## Quadrant III. Grants and Grant Project Evaluation

- A. Grants shaped as partnerships for mutual learning
- B. Evaluation: Match of assessment strategy to program
- C. Continuous learning cycle within each grant
- D. Does the project yield intended outcomes?



The third quadrant shows the learning that is abstracted from the processes of grant-making. This requires defining the relationship between the grantee and the funder as a partnership for mutual learning, with the full understanding that evaluating for outcomes is central to the agreement. The agreement comes with the expectation that the funder will assess what is happening in the program, that the grantee will use the knowledge gained through evaluation to improve continuously what they are doing, and that the funder will use the knowledge gained to inform its decisions about the sustainability (from the perspective of effectiveness) of each project.

#### **Quadrant IV. Uses of Knowledge**

- A. Outcome evaluation results analyzed/shared
- B. Lessons learned applied to appropriate arena of foundation decision-making
- C. New knowledge disseminated to most influential potential users
- D. Knowledge used to support convening, advocacy, and/or leadership development

The fourth quadrant seeks to capture the uses of knowledge gained through all of the assessment processes. This is where the analysis of what has happened in a particular grant is applied. Lessons learned from one grant are applied in the consideration of others or are used to determine the worth of continued effort in the area. Here too are the funder's opportunities to disseminate to others in the field what it has learned and/or to use its knowledge to influence public policy or systems change, on its own or in partnership with grantees, advocates, and/or other funding partners.

The visual that ties these quadrants together also shows how they interact, each affecting the other and all coming together to maximize the funder's impact, enabling the funder to value learning, encourage innovation, and ensure the quality of what it funds. What is learned through the decision processes about zones of interest and theories of change is applied in the decision processes about the worth of individual proposals. The knowledge gained through monitoring and evaluation of program implementation informs the decision process about the worthiness of investment of further resources. These three quadrants together drive the use of knowledge in the entire learning system. And clearly, the knowledge gained throughout informs the reconsideration of whether commitment to the funder's chosen zones of interest should continue.

It is this interdependent dynamic that is most important to understand since the issues of funder decision making are best understood in this wider context of systems thinking. There is a richness to the consideration of funder activity that is lost when it is seen simply as, "Should we give this organization any money?" It is the ways in which the parts of the system of learning reinforce one another as they interact over time that builds the momentum of funder effectiveness.

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