

Measuring NGO Capacity Development through Organizational Assessments

Measuring NGO development over time requires establishing a starting point. As with any development initiative, you can only measure progress if you know where you started. The best place to begin is with an assessment of the organization's current status, identifying its major strengths and weaknesses. The results of an organizational capacity assessment (OCA) produce a baseline against which future performance may be tracked. An OCA helps identify areas for improvement against recognized management standards. Moreover, based on its analysis, the organization can develop an action plan to plot the way forward and identify areas where outside technical assistance (TA) may be needed.

This *NGO Tips* paper presents illustrative capacity building diagnostic tools and processes that can help make a non-governmental organization (NGO) more accountable and responsive to constituent needs. Another paper (*Fostering Effective NGO Governance*) in this series introduces capacity building key concepts.

Setting the Agenda

When selecting a measurement instrument, one should first clearly identify what needs to be measured. While NGOs vary widely in purpose, type, location, external context and other factors, the component parts of most organizations may be grouped into four major categories:

- **Administrative and Support Functions**—the administration and management of financial, human and other resources;
- **Technical and Program Functions**—program planning, implementation and management, monitoring and evaluation, service delivery systems, technical knowledge and skills;
- **Structure and Culture**—vision, purpose and values, leadership capacity and governance approach, internal communication and external relations; and
- **Resources**—human, financial and other.

With these categories in mind, there are essentially three levels at which the capacity of an NGO may be measured:

1. *The actual services or products the organization provides.* This approach measures the organization's outputs, rather than its internal processes. Clearly, in such cases, capacity building is merely a means to an end, rather than the purpose of the OCA.
2. *Selected components of the NGO.* Depending on the objective of the OCA, program managers may choose this approach. The goal is to strengthen an organization in one or more specific areas, such as financial management, leadership development or program planning.
3. *The overall functioning of the organization.* This is the approach used by managers of institutional strengthening programs. While they may monitor outputs, such as the quality

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and quantity of the services or products provided, they focus principally on all organizational operations and processes and the NGO's internal capacity to achieve better, more sustainable results.

Choosing an Assessment Tool

When selecting a measurement instrument, it is important to choose one that will allow for the collection of the information relevant to the intervention. Here are factors managers should consider when choosing the most appropriate instrument for measuring NGO capacity:

- *Comparability over time*—To track changes over time, the assessment tool should be applied the same way each time. Otherwise, any shifts noted may reflect a change in the measurement technique rather than an actual change in the organization.
- *Data Collection Method*—A number of approaches exist for the collection of data. These run the gamut from document reviews to questionnaires, focus groups, key informant interviews and observation. Some approaches are highly participatory, involving customers, partners and other stakeholders, while others rely solely on the opinions of one or more expert specialists. In most cases, it is best to use more than one data collection method.
- *Objectivity*—It is clear that measurements of organizational capacity are subjective, since they rely heavily on individual perception, judgment and interpretation. Some tools are less subjective than others, as they balance perceptions with more empirical observations.
- *Quantification*—Some tools use numbers to represent levels of capacity. This can be helpful when it is recognized that these are relative

measures. Values are often ranked from “high to low” or “more to less,” but this can be misleading, since there is no indication of how far apart one score is from another. Qualitative descriptions of an organization's capacity are a good complement to quantitative measures.

- *Internal vs. External Assessments*—Some tools require the use of external facilitators, while others are based on processes that the organization itself can undertake. Both can be useful, and neither is necessarily better than the other. Assessments done with external facilitators may make use of external expertise and be more objective than those done internally. Internal assessments may produce a better understanding of the resultant findings, since it is conducted by members of the organization.
- *Practicality*—When choosing an assessment tool, managers need to consider the level of effort and resources that will be required to use it. The best measurement systems are not too time-consuming or costly. They tend to be simple, yet able to provide managers with enough information to meet their needs.

Getting the Best Results

1. What can we learn from the literature on how to maximize the chances that NGO *capacity building* efforts will be successful? The following suggest that organizational capacity assessment yields the best results when:¹
- *The purpose is clear.*² Whether the intervention's objective is to strengthen the entire organization or only a specific function or component of the organization, determine your priorities, set achievable goals, and do the simple things first. With capacity building, it is important to separate

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the work you can do from what you must do. Set goals that focus on what must be done and make sure those goals are achievable. If getting started becomes a challenge, take on a few simple tasks first. The momentum from a small amount of progress can help energize the organization to take on bigger challenges.

- *Top management is committed.* Senior management must be willing to lead by example and exercise authority in ways that allow others' creativity to flourish. True capacity building requires leadership to be willing to recognize its limitations and prepared to address sometimes complex management and structural issues.
- *A capacity-building task force is created.* One person cannot undertake strengthening and growing an organization. Creating a special team to help define goals, carry out the OCA and follow up will improve the NGO's chances of success.
- *The whole organization gets involved.* Decades of research on organizational development practice show that participatory approaches lead to more ambitious goals, a more highly motivated and productive work force, a common mission and shared sense of self-worth, continuous performance improvement and greater creativity and innovation. A core OCA team includes representatives from the organization's management, administration, finance and technical departments, Board members, volunteers as well as beneficiaries.
- *Time for the OCA is set aside.* Designate time to focus on organizational growth. This may mean several days in a week for an intensive meeting, a few hours a week over the course of a month or a day once a month over several months.

- *Patience and perseverance are practiced.* If the goal is immediate knowledge or skill development, it may be tackled quickly and easily. However, effective capacity building is rarely confined to one isolated aspect of the organization. Addressing the organization's longer term strength, viability, relevance and sustainability, is less likely to respond to a quick fix than an ongoing commitment..
- *The NGO stays true to itself.* The process should be locally designed and managed to satisfy the organization's needs rather than any donor's .

A Sample OCA Process

The Organizational Capacity Assessment Tool (OCAT), developed by McKinsey & Company for VPP,³ is one of many available tools to measure operational capacity and identify areas which need improvement.

The OCAT, typical of such tools, is not designed as a scientific instrument since the responses elicit descriptive and subjective judgments as opposed to quantitative measurements. The ratings are intended to offer a snapshot of a particular organization's level of capacity at any given point in time as a mechanism for identifying those areas which require strengthening.

Organizations are scored on each of the elements and their accompanying components by selecting descriptions assigned to four levels of assessed capacity:

1. Clear need for increased capacity.
2. Basic level of capacity in place.
3. Moderate level of capacity in place.
4. High level of capacity in place.

The McKinsey OCAT's Capacity Framework recognizes seven essential elements measured according to four le-

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vels of organizational capacity (low, basic, moderate and high).

1. Aspirations

The mission, vision, purpose and goals that define an NGO. They succinctly spell out what the organization does and does not do. The most successful NGOs are those that are able to clearly articulate these elements.

2. Strategies

The set of specific inter-related activities that embody the means for achieving an NGO's aspirations.

3. Organizational skills

The complete range of organizational capabilities brought to bear on planning, implementing and evaluating an NGOs programs and activities. Identifying and addressing "skill gaps" in these capabilities is an important part of the capacity building process.

4. Human Resources

The combined talents, commitment and drive of the people (Board, management, staff, volunteers, etc.) within an organization. Maximizing human resources starts with attracting talented, highly qualified people. Retaining people and empowering them to fully realize their potential often distinguishes high-performing organizations from their more mediocre counterparts.

5. Internal systems

The gears—processes, procedures and controls—that drive the engine of organizational functioning. These are often complex and a source of frustration for management and staff when work is delayed because they do not work well. They can also undermine relationships with donors when financial or progress reports are late or inaccurate because the systems fail to generate timely and accurate information. Capacity building efforts are often oriented toward strengthening systems that produce financial

management, performance monitoring and evaluation information.

6. Organizational structure

Functions such as reporting relationships, board-management roles and responsibilities, job definition, the interface between organizational departments and components, etc. Organizational restructuring must be part of an approach that fully integrates the other elements of capacity building described in this section.

7. Organizational Culture

NGOs generally attract people motivated by an ideology of making the world a better place. This motivation is often stronger than the attractions of higher salaries and benefits, comfortable working conditions and promises of advancement that may characterize other career paths. As such, the organizational culture of NGOs tends to be driven by ideological considerations, with beliefs, values, behavioral norms and attitudes toward performance quality often expressed in ideological terms. McKinsey refers to organizational culture as the "connective tissue that binds together the organization."

To view the McKinsey Capacity Assessment Grid visit

http://vppartners.org/learning/reports/capacity/full_rpt.pdf. Another tool is the [Institutional Development Framework](#) (IDF) used by the USAID-funded Capable Partners Program (CAP).

A Sample OCA Process

NGOs may wish to engage the services of a skilled facilitator who can "coach" the organization through the OCA and resultant improvement planning and implementation. Alternatively, the OCA can be an opportunity for current staff to expand their horizons, to step briefly out of day-to-day roles and learn new facilitation skills.⁴

Successful NGOs are "learning organizations," where creativity is encouraged, information and new ideas widely disseminated, and workers are empowered to take decisions within their authority and responsibility.

Step 1

The core OCA team reviews the standards of practice in the seven elements of the OCAT Capacity Framework. Using the Capacity Assessment Grid, the team ranks the organization along a continuum of 1 (low), 2 (basic), 3 (moderate) and 4 (high) capacity in each area. This approach allows the participants to discuss and justify their reasons for the selected scores and brainstorm follow-up actions needed. The information is documented for later review. This step can be conducted in small groups or plenary sessions.

Step 2

Participants review and discuss the documented scores and rationale, come to a consensus, propose changes or clarifications, and identify priorities. This step aims to build organization-wide understanding of the issues and suggested strategies. Respondents should come from as wide a cross-section of the organization's personnel (management, staff, volunteers, etc.) as possible to offer the most representative sample.

Step 3

The organization uses the findings of Steps 1 and 2 to develop a plan detailing actions, responsibilities and a timeline as well as areas in which the organization may want assistance. An individual from the organization is assigned to monitor the progress of the action plan.

Step 4

The OCA process results in a concrete action plan or road map for the organization to improve those areas deemed priori-

priorities. Examples include: revising the organization's mission or vision statements, strengthening personnel policies, enhancing procurement procedures or refining monitoring and evaluation plans.

Conclusions

An OCA should be repeated periodically to monitor the effectiveness of previous actions, evaluate progress and identify persistent problems, new gaps and strategies to continue to improve the efficiency and effectiveness of the organization

Lessons learned from capacity building experience indicate that the design of capacity building tools must recognize the extraordinary complexities inherent in NGOs and the task of helping them to function better. Such tools require maximizing participation of personnel and other stakeholders, an orientation toward improved service delivery to constituents and beneficiaries as opposed to donors, top-level management commitment, a holistic approach encompassing vision and strategy as well as human resource and systems development, attention to organizational culture as the glue that binds and motivates people, and an emphasis on higher-level analytical and adaptive capacity as well as development of more traditional technical skills.

An ideal capacity building tool will contribute to enhanced performance and increased organizational cohesiveness while, at the same time, encourage individual initiative and provide opportunities for professional and personal growth.

Resources

Bakewell, O. (2003) *Sharpening the Development Process: A Practical Guide to Monitoring and Evaluation*, Oxford: INTRAC.

Praxis Note 15: 'Quick and Dirty' Evaluation of Capacity Building: Using Participatory Exercises By Rick James. Available at <http://www.intrac.org/data/files/resources/183/Praxis-Note-15-Quick-and-Dirty-Evaluation-of-Capacity-Building.pdf>. Accessed March 22, 2011.

Praxis Paper 2 Rising to the Challenge: Assessing the Impacts of Organisational Capacity Building By John Hailey, Rick James and Rebecca Wrigley. Available at

<http://www.intrac.org/data/files/resources/341/Praxis-Paper-2-Rising-to-the-Challenges.pdf> 1. Accessed March 22, 2011.

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¹ Renzi, Mark. *An Integrated Toolkit for Institutional Development*. Public Administration and Development, Vol. 16, 1996.

² Moore, M. *Capacity Building and the Humanitarian Enterprise*. International Development Research Centre, undated.

³ McKinsey and Company. *Effective Capacity Building in Nonprofit Organizations*. Venture Philanthropy Partners, 2001. Pp 33-34.

⁴ Ibid. Moore, M.

For more information:

This NGO Tips brief is available online at www.NGOConnect.NET. This dynamic and interactive site is dedicated to connecting and strengthening non-governmental organizations (NGOs), networks, and support organizations worldwide.

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