

INSTITUTIONAL SELF-ASSESSMENT

A TOOL FOR STRENGTHENING
NONPROFIT ORGANIZATIONS



Resources for Success Series
Volume 1

This series replaces *Resources for Success. A Manual for Conservation Organizations in Latin America and Caribbean* (1993), edited by Paquita Bath.

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Foreword

Internationally, The Nature Conservancy assists countries, through local partnerships, to build the capability and commitment to conserve biological diversity and the natural systems necessary to sustain life. Since 1988, the Conservancy has worked to strengthen the institutional capacity of our in-country partner organizations to achieve our shared conservation goals.

When in 1993 The Nature Conservancy published its watershed institutional development manual, *Resources for Success*, to share the lessons learned from the first five years of its work with in-country partners, it proved to be a groundbreaking document for literally thousands of conservation and other non-profit organizations. Initially designed as an easy-to-use primer for strengthening Conservancy partners, *Resources* quickly became a classic reference book in countries where local organizations had little access to practical advice and best practices on issues of institutional development. Eight years after its introduction, *Resources for Success* continues to be a standard “go to” document for Conservancy staff and partners, as well as other conservation and organizational development practitioners, around the world.

Given the importance and impact of *Resources for Success*, the thought of improving upon it in some way was at first daunting. But The Nature Conservancy and its partners have learned many important new lessons in organizational development in the intervening years. The Conservancy now works with over 90 in-country partners in Latin America, the Caribbean, Asia, the Pacific, and Canada. These partners run the gamut from small,

fledgling groups to powerful national organizations that have the capacity to provide assistance to others. As we have continued to work with partners, the Conservancy has also learned from them to develop new and better approaches to building strong local organizations with sustainable, lasting capacity to pursue their missions.

We have collected these lessons, best practices, and field-tested tools in what will be a new *Resources for Success* series to replace our old standby. The new series is designed to be even easier to use than its predecessor, with practical, hands-on tips and approaches, clearer text, and more in-depth background information, offered in accessible booklets, each on a different topic of organizational strengthening. As such, the new series will both replace and go beyond what was offered in the earlier manual. We are proud to present the first in the new series: *Institutional Self-assessment*. Other volumes to follow include such topics as:

The Four Pillars of Financial Sustainability
Strategic Financial Planning
Developing Membership Programs
Human Resource Management
Building Coalitions with Others

We think you will find the new *Resources for Success* series a fitting replacement for its predecessor, and hope it will encourage your organization to develop and share its own best practices.

Richard Devine
Director, International Partnership Program
The Nature Conservancy

Introduction

An organization is a dynamic entity in a world of constant change, where it continually struggles to fulfill its mission over time by meeting short, medium and long-term objectives and goals. As the staff and board evolve, so does the organizational structure. Given the continually shifting internal and external environment, an organization's leaders encounter an increasingly important challenge: how to adapt to the constant change without losing sight of fulfilling the organization's mission. The process that allows an organization to successfully adapt is known as the process of Institutional Development.

Organizational assessment processes are nothing new in the field of nonprofit management, also known as institutional development, a process often conducted by an external expert or consultant. What is relatively new is the idea of organizational self-assessment. The Nature Conservancy has developed the following tool to assist organizations determine their current level of development based on eight core institutional areas. Implicit in this notion is that, with a little guidance and the right tools, an NGO is capable of consciously self-reflecting and identifying its own strengths and weaknesses as an organization.

This self-analysis—conducted collectively by the group's senior management and front-line staff—then becomes the starting point for intentional organizational improvement initiatives. The end result should be the identification of an action plan detailing best approaches for meeting improvement targets. This will in turn allow for adequate planning for future growth and development that capi-

talizes on current strengths while supporting current limitations.

In the spirit of organizational learning, The Nature Conservancy welcomes comments and suggestions to this methodology. Such input constitutes important feedback during the phase of field-testing and improving this technical assistance tool.

Why conduct an Institutional Self-assessment

An entity that demonstrates the openness to examine itself and subject itself to constructive self-criticism stands to:

- ❖ Better identify organizational priorities as well as institutional shortcomings;
- ❖ Improve organizational effectiveness in achieving its mission;
- ❖ Revisit and review the effectiveness of the organization's strategic plan;
- ❖ Demonstrate a higher degree of professionalism to donors and external allies;
- ❖ Improve documentation and monitor institutional progress according to benchmarks;
- ❖ Highlight areas for organizational learning and improvement;
- ❖ Increase ability to undertake strategic alliances;
- ❖ Have a more proactive attitude among staff and volunteers.

Who should use the Institutional Self-assessment Tool

The Nature Conservancy partner groups tend to be medium-sized, established non-governmental organizations that operate in the environmental conservation and sustainable development arena. A number of these groups were established during the environmental boom period in the 1980s, though quite a few were founded in the decade of the 1990s.

Many—though by no means all—are located in capital cities and have technically trained staff. Notwithstanding this specific sector orientation, the Conservancy feels this document may well be relevant to civil society organizations in other sectors. Such groups will certainly want to assess which indicators readily apply to their sectors and which ones are extraneous; they will also do well to add additional sector-specific indicators.

Getting Started

An organization must begin the process by determining specific goals in utilizing the assessment tool, and determining both how the process should be facilitated and who should be involved.

Facilitation

It is most effective to use an external facilitator the first time the self-assessment is implemented. The facilitator can assist the organization in designing the most appropriate self-assessment process for its specific situation.

The overall focus is promotion of an organization wide discussion on the current development stage as well as future development direction. The facilitator acts as a resource throughout the process, providing contextual information on specific indicators in the tool, facilitating the exercise itself, documenting the assessment process, and assisting the organization to identify the best approaches for meeting its improvement targets in the form of an action plan. Objective organizational reflection and clear directions to guide strengthening efforts are products of a well-planned and well-facilitated assessment. (See Appendix I for “Facilitator Guidelines” at the end of the Benchmarks section)

The Nature Conservancy, or other such external partners, can be helpful in facilitating an NGO’s initial self-assessment exercise, given its historic commitment to institutional strengthening and its

experience in assessing NGOs in the international conservation context. Ultimately, however, the goal is for the NGO being assessed to internalize the process such that it is capable of taking stock of its own progress on a regular basis.

Key Actors

The organization will need to determine who should be involved in the process, and determine the role of potential external actors. Broad participation throughout the organization provides rich information and discussion. Participation of both programmatic and administrative staff, as well as both senior management and frontline staff is crucial in understanding the organization’s true capacity. Depending on the NGO’s size, internal participants may include all staff and board members, or could be limited to a number of key individuals representing the categories outlined above. External participants will vary by organization—some will include several strong partners, while others may include only one or two external participants.

Methodology

The assessment can be conducted using a variety of different approaches, which might include individual interviews, work in small groups, or an organizational wide workshop. The overall focus is promotion of an organization-wide discussion on the current development stage as well as future development direction.

For reasons of internal consistency, this tool employs a commonly used five-point scale. The scale is designed to depict a certain spectrum along which a typical NGO may well evolve over time, although experience teaches us that many groups will likely not travel along a perfectly logical, linear progression as it acquires capacity in the different organizational areas. Please note that to reach the next benchmark category within an indicator, an organization must also comply with all the lower benchmarks within the indicator. Note, too, that the scale is not intended to pass judgement on the organization assessing itself.

An organization that scores a five on a particular indicator is not inherently better than a group that scores a two. It is the responsibility of each organization to use the tool to identify key areas of capacity that it feels are critical to improve on in order to progress as an entity. Similarly, only the organization itself can set its own benchmarks for progress.

For some groups progress may entail moving from a two to a three rating while another may challenge itself to advance from one to four. Lastly, space for an explanation has been included after each indicator to enable the facilitator (whether internal or external) to capture more qualitative observations of the assessment process, and assist organizations in subsequent progress evaluation.

While the assessment indicators that follow represent norms that most NGOs can use to gauge their own progress, they are by no means the only assessment criteria. In addition to these eight core indicators—which can be useful for comparing with assessments of other kindred organizations—an NGO that is serious about taking stock of itself as part of its institutional culture may well choose to develop additional indicators which it feels more fully depicts its capacities. As long as the group is

committed to self-assessment for the long haul and demonstrates the willingness to learn and change, the specific indicators used become secondary. The eight established assessment indicator categories are:

- ❖ Strategic Vision and Planning
- ❖ Leadership
- ❖ Organizational Management
- ❖ Human Resources
- ❖ Resource Development
- ❖ Financial Management
- ❖ Constituency Building/Outreach
- ❖ Programmatic Capacity

Institutional Capacity Indicators

A: Strategic Vision and Planning

Clarity of purpose and direction is generally regarded as a hallmark of effective organizations. An organization also benefits from clarity on its niche in relation to other similar groups. Once the group's mission has been clearly identified, ideally with the active participation of staff and key volunteers, it needs to be internalized and reinforced so that staff and board member alike can readily articulate it with-in and without the organization. Once a culture of planning has been established in an NGO, the group is capable of translating long-term strategic directions into annual plans linked to the resources available to help those plans come to fruition.

A 1: Organizational Mission

Benchmarks

- | | |
|-------------------------|--|
| <input type="radio"/> 5 | A specific, focused mission is readily articulated by staff and board, directs activities of the organization, is widely recognized by the public, and is reviewed periodically. |
| <input type="radio"/> 4 | A specific, focused mission is readily articulated by staff and board and directs activities of the organization. |
| <input type="radio"/> 3 | A specific, focused mission is readily articulated by staff. |
| <input type="radio"/> 2 | A specific, focused mission clearly expresses the central purpose of the organization. |
| <input type="radio"/> 1 | An imprecise or broad mission does not provide clear direction for the organization. |

Explain how this benchmark was determined. _____

A 2: Strategic Planning

Benchmarks

- | | |
|-------------------------|--|
| <input type="radio"/> 5 | The strategic plan, including long-term institutional financial plan (3-5 years) is updated periodically as the result of a participatory process involving staff, board and outside advisors. |
| <input type="radio"/> 4 | The staff uses the current strategic plan, which incorporates long-term institutional financial plan, to guide all major program decisions, including submission of grant proposals. |
| <input type="radio"/> 3 | Current strategic plan exists. Staff is somewhat familiar with strategic plan. |
| <input type="radio"/> 2 | Strategic plan outdated or being prepared. |
| <input type="radio"/> 1 | No strategic plan exists. |

Explain how this benchmark was determined. _____

A 3: Operational Planning

Benchmarks

- | | |
|-------------------------|---|
| <input type="radio"/> 5 | Based on strategic planning, annual operating plans, including annual cost and income projections, completed for each program and for the organization as a whole for at least two consecutive years. |
| <input type="radio"/> 4 | Based on strategic planning, annual operating plan, including cost and income projections, completed for each program and for the organization as a whole in the past year. |
| <input type="radio"/> 3 | Annual operating plans, including cost and income projections, completed for most programs in the past year. |
| <input type="radio"/> 2 | Incomplete annual operating plans completed for most programs. |
| <input type="radio"/> 1 | No annual operating plans completed for programs. |

Explain how this benchmark was determined. _____

A 4: Impact Assessment (Achievement of Mission)

Benchmarks

- | | |
|-------------------------|---|
| <input type="radio"/> 5 | Staff and board members periodically assess progress toward achieving the mission as measured against the group's strategic plan, making use of outside evaluators where appropriate. |
| <input type="radio"/> 4 | Staff and board members periodically assess progress toward achieving the mission as measured against the group's strategic plan. |
| <input type="radio"/> 3 | Staff occasionally assesses progress toward achieving the mission. |
| <input type="radio"/> 2 | Staff sporadically assesses the impact of certain programs and projects. |
| <input type="radio"/> 1 | Staff never assesses progress toward achieving the mission. |

Explain how this benchmark was determined. _____

B: Leadership

No one type of leadership fits all organizations. Leadership as a concept is often a situational quality rather than a uniform one. In many organizations, one of the most underutilized leadership resources is the board of directors. The potential of unpaid, volunteer leaders from the broader community to help guide the direction of an NGO, to contribute pro bono professional expertise, and to lend credibility to the organization cannot be overestimated. Many of the most effective NGOs have been able to forge a working partnership between the executive director and senior staff and the board. In its maximum expression, this partnership tends to lead to collective leadership that is capable of continually renewing itself, facing organizational change in a proactive way, and holding the organization to high standards of conduct.

B 1: Governing Board Composition

Benchmarks

- | | |
|-------------------------|--|
| <input type="radio"/> 5 | Active recruitment of prominent representatives of important sectors of local society with appropriate skill sets to replace existing or departing board members. |
| <input type="radio"/> 4 | Organization's board members serve for specified terms, represent diverse sectors of local society and address skill sets needed for governance of the organization. |
| <input type="radio"/> 3 | Organization's board members represent a few important sectors of local society and address some skill sets needed for governance of the organization. |
| <input type="radio"/> 2 | Majority of organization's board members represent a single important sector (academia, business, press/media, other NGOs, etc.) of local society and are not selected to adequately fulfill the skill sets needed for governance of the organization. |
| <input type="radio"/> 1 | Organization has no clear distinction between volunteer and staff functions; board members selected without regard to organization's needs or representation of key sectors of local society. |

Explain how this benchmark was determined. _____

B 2: Board Effectiveness

Benchmarks

- | | |
|-------------------------|---|
| <input type="radio"/> 5 | Board members govern actively and effectively to guide the future of the organization and ensure its long-term institutional and financial stability. Committees have been formed to address specific issues such as investments, financial sustainability, fundraising, etc. |
| <input type="radio"/> 4 | Most board members regularly provide leadership, financial oversight, set policies, participate in planning, give or obtain funds and provide continuity for leadership transitions. |
| <input type="radio"/> 3 | Some board members occasionally assume leadership and oversight, and give or obtain funds for the organization. |
| <input type="radio"/> 2 | Only a few board members contribute time, effort or money to organization's governance. |
| <input type="radio"/> 1 | Board members are inactive, do not provide guidance and/or funding. |

Explain how this benchmark was determined. _____

**B 3: Role of Executive Director
and Senior Management (If Applicable) in Board Development**

Benchmarks

- | | |
|-------------------------|--|
| <input type="radio"/> 5 | Executive Director and senior managers have highly constructive working relations with their counterparts on the board of directors and/or its committees. |
| <input type="radio"/> 4 | Executive Director and senior managers have reasonably constructive working relations with their counterparts on the board and/or its committees. |
| <input type="radio"/> 3 | Executive Director and senior managers have working relations with their counterparts on the board and/or its committees. |
| <input type="radio"/> 2 | Executive Director and senior managers have poor working relations with the board and/or its committees. |
| <input type="radio"/> 1 | Executive Director and senior managers have either hostile relations or no working relations with their counterparts on the board and/or its committees. |

Explain how this benchmark was determined. _____

B 4: Decision Making Processes

Benchmarks

- | | |
|-------------------------|--|
| <input type="radio"/> 5 | Senior managers actively value teamwork and seek to delegate authority and responsibility for decision making to the most appropriate level of the organization to assure well-informed, timely decision making. |
| <input type="radio"/> 4 | Senior managers develop plans, strategies or structures that permit delegation of authority and responsibility to appropriate levels of the organization and to stimulate teamwork. |
| <input type="radio"/> 3 | Senior managers develop greater awareness about the importance of delegation of decision making authority and teamwork. |
| <input type="radio"/> 2 | Senior managers occasionally delegate responsibility to other levels of the organization and promote teamwork. |
| <input type="radio"/> 1 | Senior management not open to delegating management authority to other levels of the organization or promote teamwork. |

Explain how this benchmark was determined. _____

B 5: Management of Organizational Change

Benchmarks

- | | |
|-------------------------|---|
| <input type="radio"/> 5 | Senior leadership of the NGO encourages organizational change and innovation, and routinely reviews and updates its strategies, structure and procedures accordingly. |
| <input type="radio"/> 4 | Senior leadership proactive in leading organizational change, and periodically reviews and updates its strategic plan. |
| <input type="radio"/> 3 | Senior leadership acknowledges the need for organizational change and routinely engages in strategic planning. |
| <input type="radio"/> 2 | Senior leadership tends to favor organizational inertia and engages in strategic planning when absolutely necessary. |
| <input type="radio"/> 1 | Senior leadership openly prefers the status quo and resists internal and external ideas related to organizational change. |

Explain how this benchmark was determined. _____

B 6: Organizational Values and Ethics

Benchmarks

- | | |
|-------------------------|--|
| <input type="radio"/> 5 | The NGO has a statement of values or code of ethics that all staff and board members are familiar with and utilize. |
| <input type="radio"/> 4 | The NGO has a statement of values or code of ethics and is in the process of disseminating it among staff and board members. |
| <input type="radio"/> 3 | The NGO is beginning to develop a statement of values or code of ethics with the participation of staff and board members. |
| <input type="radio"/> 2 | The NGO has a general notion of its institutional values, but has not formalized them. |
| <input type="radio"/> 1 | The NGO has not addressed the issue of institutional values or ethics. |

Explain how this benchmark was determined. _____

C: Organizational Management

As organizations grow and evolve, they are constantly challenged with balancing the need for greater organizational effectiveness with the responsiveness characteristic of a smaller entity. Organizational growth normally implies a greater need for managerial systems and procedures to assure donors and the general public that the NGO is well managed. Internal demands, such as clearer human resource policies and better filing systems, may also help drive the process of improving managerial capacity. Yet staff members may be reluctant to submit to more complex and sophisticated policies and procedures, which they may see as overly bureaucratic. The correct balance of internal controls and operational responsiveness will vary from group to group.

C 1: Organizational Structure

Benchmarks

- | | |
|-------------------------|--|
| <input type="radio"/> 5 | All staff familiar with organizational chart, which reflects actual communication, delegation and reporting flows; chart is updated on a regular basis, as needed. |
| <input type="radio"/> 4 | All staff familiar with organizational chart, which reflects actual communication, delegation and reporting flows. |
| <input type="radio"/> 3 | Some staff familiar with organizational chart, but actual communication, delegation and reporting flows occasionally follow different pattern. |
| <input type="radio"/> 2 | Most staff unfamiliar with organizational chart; actual communication, delegation and reporting flows often follow different pattern. |
| <input type="radio"/> 1 | No clear organizational structure exists to facilitate correct communication, delegation and reporting flows. |

Explain how this benchmark was determined. _____

C 2: Internal Communications

Benchmarks

- | | |
|-------------------------|--|
| <input type="radio"/> 5 | Formal communications channels facilitate long range vision by integrating a variety of verbal and written communications mechanisms on a continual basis, in addition to daily communication. |
| <input type="radio"/> 4 | A variety of formal communications channels exist, such as regular staff and program meetings, periodic retreats, and field visits; all pertinent information documented and distributed on a routine basis. |
| <input type="radio"/> 3 | Established formal communications channels include regular staff and program meetings; organization documents and distributes most pertinent information in writing. |
| <input type="radio"/> 2 | Some formal communications channels exist, such as occasional staff or scheduled program meetings; organization documents most pertinent information in writing. |
| <input type="radio"/> 1 | No formal communication channels exist, such as regularly scheduled staff or program meetings; only informal internal communications among staff. |

Explain how this benchmark was determined. _____

C 3: Policies and Procedures

Benchmarks

<input type="radio"/> 5	A policies and procedures manual is published, widely used and referenced; individual policies and procedures are regularly revised to reflect legal, structural and organizational changes.
<input type="radio"/> 4	A standard operating manual is used and consulted in the majority of decision making situations, and contains a variety of policies and procedures; staff are familiar with manual and how to use it.
<input type="radio"/> 3	A policies and procedures manual exists, which the organization usually follows; the policies and procedures manual is not revised or updated and contains some irrelevant or outdated information.
<input type="radio"/> 2	Informal procedures and standard decision-making practices are agreed upon by the organization; however, they are not documented or regularly followed.
<input type="radio"/> 1	No standard policies and operating procedures exist; ad hoc and informal approaches used for decision making.

Explain how this benchmark was determined. _____

D: Human Resources

It is often stated that an organization's most important resource is its employees. Unfortunately, too few NGOs place sufficient importance and effort into effectively managing and developing human resources. In fact, for many groups, human resources represent a veritable Achilles Heal. For example, human resources needs are often neglected in the strategic planning process, calling into question the ability of the organization to successfully implement its plan. Effective human resource management can be reflected in low turnover, since a worker who feels valued and rewarded has less incentive to change employers. In addition to the tangible rewards of paid employment, many employees thrive on less tangible factors, such as contributing to a worthwhile cause, the possibility of career advancement, and professional development opportunities.

D 1: Recruitment Process

Benchmarks

<input type="radio"/> 5	Staffing needs projections based on NGO's strategic plan; job descriptions (based on needs projections) exist for all staff, are used systematically in recruitment and are updated regularly.
<input type="radio"/> 4	Positions usually developed based on NGO's strategic needs; job descriptions exist for all posted positions and are used systematically in recruitment.
<input type="radio"/> 3	Some positions developed based on NGO's strategic needs, job descriptions exist for most posted positions and for all staff; recruitment reaches beyond existing contacts.
<input type="radio"/> 2	Few positions developed based on NGO's strategic plan; job descriptions exist for some positions but rarely developed before recruitment begins; recruitment reaches beyond existing contacts.
<input type="radio"/> 1	Positions are developed arbitrarily; no job descriptions developed; recruitment does reach beyond existing contacts.

Explain how this benchmark was determined. _____

D 2: Staff Orientation and Development

Benchmarks

- | | |
|-------------------------|---|
| <input type="radio"/> 5 | Organization plans for, budgets resources and provides orientation and relevant skills training (including management) to all staff; organization obtains funds to carry out its training strategy and continually trains staff in accordance with their written annual objectives. |
| <input type="radio"/> 4 | Organization budgets resources and provides most staff adequate orientation and training in skills relevant to their job responsibilities (including management). |
| <input type="radio"/> 3 | Organization provides some staff orientation and training in skills relevant to their job responsibilities and occasionally seeks funding for training. |
| <input type="radio"/> 2 | Organization provides access to orientation and training on an opportunistic and random basis to a few staff. |
| <input type="radio"/> 1 | Organization provides little access to orientation and training. |

Explain how this benchmark was determined. _____

D 3: Performance Management

Benchmarks

- | | |
|-------------------------|---|
| <input type="radio"/> 5 | Institutionalized, systematic process of supervision and evaluation linked to setting personal performance objectives, remuneration, job placement and promotion decisions; updated on a regular basis. |
| <input type="radio"/> 4 | Widespread use of a systematic process of supervision and evaluation linked to setting personal performance objectives, remuneration, job placement and promotion decisions. |
| <input type="radio"/> 3 | Organization provides some guidelines to managers for supervision, evaluation and annual performance reviews of supervised staff. |
| <input type="radio"/> 2 | Managers provide supervision and evaluation on a sporadic basis and/or conduct informal, irregular performance reviews of staff. |
| <input type="radio"/> 1 | Managers provide little or no systematic supervision or evaluation; no performance-review system in place. |

Explain how this benchmark was determined. _____

D 4: Competitive and Equitable Compensation and Benefits

Benchmarks

- | | |
|-------------------------|---|
| <input type="radio"/> 5 | Salaries and benefits are competitive to those of kindred organizations and based on a scale that reflects equity across job classifications and job level. |
| <input type="radio"/> 4 | Salaries and benefits are generally comparable to those of kindred organizations and the salary scale is reasonably equitable. |
| <input type="radio"/> 3 | Salaries and benefits are sometimes comparable to those of kindred organizations and the salary scale is moderately equitable. |
| <input type="radio"/> 2 | Salaries and benefits are generally not comparable to those of kindred organizations and inequities exist in the salary scale. |
| <input type="radio"/> 1 | Salaries and benefits lag far behind those of kindred organizations and no salary scale exists. |

Explain how this benchmark was determined. _____

E: Resource Development

A cornerstone to an organization's long-term financial viability is development of a comprehensive and integrated strategic, financial and development plan. The process should begin by analyzing the organization's proposed financial needs, based on the goals and activities detailed in the NGO's strategic plan. Once the strategic plan has been quantified in monetary terms, a group can identify its long-term funding needs, design a development and fundraising plan corresponding to those needs, and create a strategy to broaden its funding source base. Likewise, an organization can then begin to plan for activities that will allow it to generate a percentage of its own resources, giving it increased autonomy from donor preferences and grant conditions. In addition, for organizations with endowment funds or other financial assets, sound financial planning ensures adequate provisions have been established and a structure is in place for the long-term stability of institutional assets.

E 1: Strategic Financial Planning

Benchmarks

- | | |
|-------------------------|---|
| <input type="radio"/> 5 | Organization's financial sustainability plan implemented and monitored; goals are being met and adjustments made. |
| <input type="radio"/> 4 | Organization has tested and analyzed various income generation/fundraising approaches, integrated strategies into a financial plan to achieve financial goals and begun to achieve goals. |
| <input type="radio"/> 3 | Organization has begun to develop fund-raising and other income-generation strategies to respond to quantified financial needs and has begun testing those approaches. |
| <input type="radio"/> 2 | Organization has quantified financial need to accomplish programmatic and administrative objectives for the next 3-5 years. |
| <input type="radio"/> 1 | Organization has not identified minimum financial need to accomplish programmatic and administrative objectives for the next 3-5 years. |

Explain how this benchmark was determined. _____

E 2: Fundraising and Development Plan

Benchmarks

- | | |
|-------------------------|--|
| <input type="radio"/> 5 | The fundraising process is integrated with financial administrative systems, and monitored and adjusted on an ongoing basis. |
| <input type="radio"/> 4 | Clearly defined fundraising goals and plan developed based on the organization's financial/strategic plans; responsibilities shared among several individuals as part of a systematic process. |
| <input type="radio"/> 3 | Organization has begun to systematize resource generation activities; delegation of donor contacts and fund-raising efforts. |
| <input type="radio"/> 2 | One individual responsible for almost all resource-generation. |
| <input type="radio"/> 1 | No systematic resource-generation activities under way. |

Explain how this benchmark was determined. _____

E 3: Diversification and Funding Sources

Benchmarks

- | | |
|-------------------------|---|
| <input type="radio"/> 5 | Organization has a broad funding base consisting of at least eight sources (donors); no one source contributes more than 25% of the total annual revenues. |
| <input type="radio"/> 4 | At least five funding sources (donors) account for 60% of the organization's overall budget; no one source accounts for more than 25% of the organization's revenues. |
| <input type="radio"/> 3 | One funding source (donor) accounts for more than 40% of organization's revenues; at least four other sources account for remaining 60%. |
| <input type="radio"/> 2 | One funding source (donor) accounts for more than 60% of organization's revenues. |
| <input type="radio"/> 1 | One funding source (donor) accounts for more than 80% of organization's revenues. |

Explain how this benchmark was determined. _____

E 4: Generation of Unrestricted Income

Note: This indicator refers to funding that may be spent at the organization's discretion. This funding may have been earned (sale of products or services, income from a trust fund) or provided by donors without specific instructions on how the funds are to be spent. In order to answer this question, an organization must have previously determined its operations costs (also known as overhead or indirect costs), or determine that more than 20% of total income is derived from unrestricted sources.

Benchmarks

- | | |
|-------------------------|---|
| <input type="radio"/> 5 | Unrestricted income accounts for more than 40% of the organization's total annual budget. |
| <input type="radio"/> 4 | Unrestricted income accounts for more than 20% of the organization's total annual budget. |
| <input type="radio"/> 3 | Unrestricted income accounts for more than 50% of annual operations costs. |
| <input type="radio"/> 2 | Unrestricted income accounts for less than 50% of annual operations costs. |
| <input type="radio"/> 1 | Organization generates no unrestricted income. |

Explain how this benchmark was determined. _____

E 5: Long-term Investments (If Applicable)

Benchmarks

- | | |
|-------------------------|---|
| <input type="radio"/> 5 | Board of directors has established and implemented a strategy to guide creation and management of long-term financing mechanisms (endowment fund, real estate, business venture, etc.). |
| <input type="radio"/> 4 | Board of directors is providing guidance on creation and management of a long-term financing strategy. |
| <input type="radio"/> 3 | NGO Board of directors is in the process of developing a long-term financing strategy. |
| <input type="radio"/> 2 | NGO is in the process of establishing a long-term financial sustainability mechanism. |
| <input type="radio"/> 1 | NGO has not begun to establish any long-term financial sustainability mechanisms. |

Explain how this benchmark was determined. _____

F: Financial Management

While successful resource generation is often viewed as the key element in an institution's financial development, it is equally important for an NGO to establish a corresponding financial management system to administer those funds. An organization's accounting procedures must be computerized. The degree of complexity of the accounting program should directly correspond to the NGO's institutional development stage—organizations managing several projects from several funding sources require a more sophisticated accounting system. The system should enable the group to generate financial reports in a timely fashion and adapt reporting formats to respond to varying donor preferences in format and frequency. Cash flow projections enable the group to predict and plan for occasional shortfalls in liquidity. The organization should accurately calculate the cost of doing business to ensure these costs are being charged to donors whenever possible, referred to here as the internal cost recovery rate, also commonly referred to as overhead or administration costs. Internal financial controls should facilitate successful external annual audits to ensure donors and the general public are confident their funds are being properly handled. Comprehensive and up-to-date recordkeeping facilitates the aforementioned processes and assures institutional memory despite inevitable staffing changes over time.

F 1: Accounting Systems

Benchmarks

- | | |
|-------------------------|--|
| <input type="radio"/> 5 | Accounting information utilized in decision-making process. |
| <input type="radio"/> 4 | Organization-wide chart of accounts permits cross-project financial analysis. |
| <input type="radio"/> 3 | Accounting done by project, all projects included in an organization-wide statement. |
| <input type="radio"/> 2 | Accounting done by project or donor only, no organization-wide statements conducted. |
| <input type="radio"/> 1 | Accounting done by disbursement. |

Explain how this benchmark was determined. _____

F 2: Internal Financial Reporting

Benchmarks

- | | |
|-------------------------|--|
| <input type="radio"/> 5 | Organization-wide and program-specific financial statements showing cumulative actual income and expenditures versus budgets are produced and circulated quarterly for at least two consecutive years. |
| <input type="radio"/> 4 | Organization-wide and program-specific financial statements, showing cumulative actual income and expenditures versus budgets provided at least quarterly to program managers and board. |
| <input type="radio"/> 3 | Organization-wide and program-specific financial statements, showing cumulative actual income and expenditures versus budgets, produced but not circulated to program managers and/or board. |
| <input type="radio"/> 2 | Some program-specific financial statements, showing cumulative actual income and expenditures versus budgets, produced but not circulated to program managers and/or board. |
| <input type="radio"/> 1 | No financial statements produced showing cumulative actual income and expenditures versus budgets. |

Explain how this benchmark was determined. _____

F 3: Cash Flows

Benchmarks

- | | |
|-------------------------|--|
| <input type="radio"/> 5 | Cash flow, calculated quarterly, guides programmatic decisions for at least two consecutive years. No negative annual cash flow exists for two consecutive years (annual income equal to or exceeds expenses). |
| <input type="radio"/> 4 | Cash flow, calculated quarterly, guides programmatic decisions. No negative annual cash flow exists. |
| <input type="radio"/> 3 | Cash flow calculated annually, used to guide programmatic decisions. |
| <input type="radio"/> 2 | Cash flow calculated occasionally or for specific projects. |
| <input type="radio"/> 1 | No cash flow analyses done. |

Explain how this benchmark was determined. _____

F 4: Indirect Cost Recovery Rate

Benchmarks

- | | |
|-------------------------|--|
| <input type="radio"/> 5 | Indirect cost recovery rate (also called operations costs or overhead) has been calculated by external auditor and is being included in all grants (when donors allow it). |
| <input type="radio"/> 4 | Indirect cost recovery rate has been calculated by an external auditor and is included in most grants. |
| <input type="radio"/> 3 | Indirect cost recovery rate calculated but not verified by external auditor; rate included in most grants. |
| <input type="radio"/> 2 | Some indirect costs included in most grants, but a rate has not been calculated. |
| <input type="radio"/> 1 | No indirect costs charged in project grants. |

Explain how this benchmark was determined. _____

F 5: External Financial Reporting

Benchmarks

- | | |
|-------------------------|---|
| <input type="radio"/> 5 | Financial reports for external review are completed and delivered on time, and utilized regularly for decision making. Financial reports are included in organization's Annual Report and have been published for at least two consecutive years. |
| <input type="radio"/> 4 | Financial reports for external review are completed and delivered on time, and occasionally utilized for decision making. |
| <input type="radio"/> 3 | Financial reports for external review are usually completed and delivered on time. |
| <input type="radio"/> 2 | Financial reports and statements for external review are often incomplete or delivered late, including donor reports, balance sheet, income and expense statement, and cash flow. |
| <input type="radio"/> 1 | Financial reports and statements produced sporadically for internal use only. |

Explain how this benchmark was determined. _____

F 6: External Oversight (Audits)

Benchmarks

- | | |
|-------------------------|--|
| <input type="radio"/> 5 | Internal and external audits conducted on a periodic basis and all recommendations fully implemented. |
| <input type="radio"/> 4 | Internal and external audits conducted on a periodic basis, recommendations partially implemented. |
| <input type="radio"/> 3 | Internal and external audits conducted on a periodic basis. |
| <input type="radio"/> 2 | Only internal audits conducted. |
| <input type="radio"/> 1 | No internal or external audit or formal board review of organization's financial statements conducted. |

Explain how this benchmark was determined. _____

G: Constituency Building/Outreach

No organization can operate effectively in isolation. Organizational effectiveness increasingly depends on the ability of an NGO to establish mutually beneficial relations with external entities, including other NGOs, governmental agencies, international organizations, academic institutions, the media, community-based groups, coalitions and the private sector. An NGO's strategic plan should reflect such alliances in the form of a communication and/or marketing strategy. Investments in information technology will pay dividends in an NGO's efforts to reach out to and coordinate with its strategic partners.

G 1: Press/Media Relations

Benchmarks

- | | |
|-------------------------|---|
| <input type="radio"/> 5 | Organization achieves permanent, regular favorable coverage in local press/media on an ongoing basis. |
| <input type="radio"/> 4 | Organization initiates media strategy to receive favorable coverage in local press/media regularly. |
| <input type="radio"/> 3 | Organization takes active steps to garner favorable coverage in local press/media occasionally. |
| <input type="radio"/> 2 | Organization obtains some favorable coverage in local press/media on a random basis. |
| <input type="radio"/> 1 | Organization has no significant coverage in local press/media. |

Explain how this benchmark was determined. _____

G 2: Working Relations with Other Organizations

Benchmarks

- | | |
|-------------------------|---|
| <input type="radio"/> 5 | Organization has long-standing working relations and/or joint projects with a variety of strategic partner organizations. |
| <input type="radio"/> 4 | Organization has working relations and/or ongoing joint projects with several strategic partner organizations. |
| <input type="radio"/> 3 | Organization has working relations, and at least one ongoing joint project, with partner organizations. |
| <input type="radio"/> 2 | Organization occasionally engages in alliances and projects and with other organizations on an ad-hoc basis. |
| <input type="radio"/> 1 | Organization seldom collaborates with other organizations. |

Explain how this benchmark was determined. _____

G 3: Government Relations

Benchmarks

- | | |
|-------------------------|---|
| <input type="radio"/> 5 | Organization has constructive working relations with relevant governmental agencies at various levels, and regularly participates in official events and on conservation commissions. |
| <input type="radio"/> 4 | Organization has general constructive working relations with relevant governmental agencies, and participates periodically in official events and on conservation commissions. |
| <input type="radio"/> 3 | Organization has working relations with some relevant governmental agencies and occasionally participates in official events and on conservation commissions. |
| <input type="radio"/> 2 | Organization has few working relations with relevant governmental agencies and rarely participates in official events or on conservation commissions. |
| <input type="radio"/> 1 | Organization has no working relations with relevant governmental agencies and does not participate in official events or on conservation commissions. |

Explain how this benchmark was determined. _____

G 4: Legitimacy

Benchmarks

- | | |
|-------------------------|---|
| <input type="radio"/> 5 | Organization is highly-respected by a diverse array of actors in the conservation sector and the events it convenes attract a high degree of attention. |
| <input type="radio"/> 4 | Organization is generally well-respected by various actors in the conservation sector and the events it convenes generally attract attention. |
| <input type="radio"/> 3 | Organization is moderately respected by some actors in the conservation sector and the events it convenes attract some degree of attention. |
| <input type="radio"/> 2 | Organization is respected by few of the actors in the conservation sector and the events it convenes attract relatively little attention. |
| <input type="radio"/> 1 | Organization is not well-respected by actors in the conservation sector and the events it convenes attract little or no attention. |

Explain how this benchmark was determined. _____

H: Programmatic Capacity

An organization's programs and projects demonstrate the degree to which it is putting its stated mission into action. It is here where organizations that have created a true culture of planning at all levels—strategic, financial and operational—prove the value they propose to add to civil society in their respective countries. Conversely, organizations that say they focus on a certain mission, yet implement projects in other areas (usually based on available funding opportunities) become all too apparent, sooner or later, to donors, beneficiaries, strategic allies and the general public. Effective organizations also develop the capacity to monitor their projects' progress and can make mid-course corrections as circumstances change. They also acquire the ability to gauge the impact of their work toward achieving their stated mission. This, in turn, assists them in raising funds for their programs. Lastly, many of the most effective organizations programmatically develop mechanisms to involve project beneficiaries (or "clients") into the process, from the design stage through the evaluation phase.

H 1: Project/Program Identification and Planning

Benchmarks

- | | |
|-------------------------|--|
| <input type="radio"/> 5 | Organization has a coherent set of programs that are in line with its mission, which it manages professionally, delivering relevant and concrete project results. |
| <input type="radio"/> 4 | Organization has a reasonably coherent set of programs generally in line with its mission, most of which it manages professionally, delivering largely relevant and concrete project results. |
| <input type="radio"/> 3 | Organization has a set of programs not out of line with its mission, some of which it manages professionally, delivering occasionally relevant and concrete project results. |
| <input type="radio"/> 2 | Organization has a set of programs that often diverge from its mission, many of which it does not manage professionally, rarely delivering relevant and concrete project results. |
| <input type="radio"/> 1 | Organization has a set of programs that are often inconsistent with its mission, most of which it does not manage professionally, rarely if ever delivering relevant and concrete project results. |

Explain how this benchmark was determined. _____

H 2: Program Management

Benchmarks

- | | |
|-------------------------|--|
| <input type="radio"/> 5 | Organization demonstrates consistent quality in project implementation including monitoring of progress toward project objectives and ability to make mid-project adjustments. |
| <input type="radio"/> 4 | Organization demonstrates generally consistent quality in project implementation, frequently including monitoring of progress toward project objectives and ability to make mid-project adjustments. |
| <input type="radio"/> 3 | Organization demonstrates fairly consistent quality in project implementation, sometimes including monitoring of progress toward project objectives and ability to make mid-project adjustments. |
| <input type="radio"/> 2 | Organization demonstrates inconsistent quality in project implementation, occasionally including monitoring of progress toward project objectives and ability to make mid-project adjustments. |
| <input type="radio"/> 1 | Organization demonstrates poor quality in project implementation, rarely including monitoring of progress toward project objectives and ability to make mid-project adjustments. |

Explain how this benchmark was determined. _____

H 3: Monitoring of Progress and Impact

Benchmarks

<input type="radio"/> 5	Organization capable of evaluating impact, relevance and scale of programs and project beneficiaries.
<input type="radio"/> 4	Organization generally capable of evaluating impact, relevance and scale of programs and project beneficiaries.
<input type="radio"/> 3	Organization sometimes capable of evaluating impact, relevance and scale of its programs and project beneficiaries.
<input type="radio"/> 2	Organization has difficulty evaluating impact, relevance and scale of its programs and its project beneficiaries.
<input type="radio"/> 1	Organization incapable of evaluating impact, relevance and scale of its programs and its project beneficiaries.

Explain how this benchmark was determined. _____

H 4: Intermediary Capacity-Building/Service-Providing Role (optional)

Benchmarks

<input type="radio"/> 5	Organization plays a leadership role as a learning and teaching intermediary, systematically identifying and prioritizing its own and fellow stakeholders knowledge gaps, and has institutionalized a strategy and mechanism for ongoing capacity building among stakeholders.
<input type="radio"/> 4	Organization maintains regular contact with other stakeholders, has prioritized its own knowledge gaps and those of key fellow stakeholders, and takes the initiative to promote sharing of best practices for the purpose of capacity building on an ongoing basis.
<input type="radio"/> 3	Organization has recognized the importance of identifying and sharing best practices with other stakeholders, has informally identified some knowledge gaps, and takes action to share this information with others on an ad hoc basis.
<input type="radio"/> 2	Organization has sporadic contact with a few other stakeholders and occasionally shares information with others.
<input type="radio"/> 1	Organization has little or no knowledge of other stakeholders, nor a means for identifying or assessing best practices, and takes no initiative to share information with others.

Explain how this benchmark was determined. _____

I. Other Organizational Factors

NGOs may feel the need to identify other organizational indicators that will help it better gauge its capacity. These could range from more quantitative indicators, such as the state of its management information systems (MIS), to more qualitative indicators, such as the degree of credibility the group has with the general public. To the extent that the NGO adapts and tailors these indicators to its own particular organizational circumstances, the more its board and staff are likely to feel the self-assessment process truly addresses felt needs of the particular organization.

1:

Benchmarks

<input type="radio"/> 5	
<input type="radio"/> 4	
<input type="radio"/> 3	
<input type="radio"/> 2	
<input type="radio"/> 1	

Explain how this benchmark was determined. _____

2:

Benchmarks

<input type="radio"/> 5	
<input type="radio"/> 4	
<input type="radio"/> 3	
<input type="radio"/> 2	
<input type="radio"/> 1	

Explain how this benchmark was determined. _____

3:

Benchmarks

<input type="radio"/> 5	
<input type="radio"/> 4	
<input type="radio"/> 3	
<input type="radio"/> 2	
<input type="radio"/> 1	

Explain how this benchmark was determined. _____

As mentioned in the introduction, the first time an institutional capacity assessment is conducted, it is most effective, and most objective, when facilitated by a professional from outside the organization. The following guidelines are suggestions for the facilitator to ensure optimal organizational learning.

The facilitator assists the organization in designing the most appropriate self-assessment process for its specific situation. Institutional Assessments can be conducted using a variety of different approaches, which might include individual interviews, work in small groups or an organizational workshop.

The overall focus is promotion of an organization-wide discussion on the current stage of development as well as future directions. The facilitator acts as a resource throughout the process, providing contextual information on specific indicators in the tool, facilitating the exercise itself, documenting the assessment process and assisting the organization to identify the best approaches for meeting its improvement targets in the form of an action plan. Objective organizational reflection and clear directions to guide strengthening efforts are products of a well-planned and well-facilitated assessment.

When choosing a facilitator, keep in mind that Institutional Development professionals are well suited to play this role. They have experience in both evaluating an organization's stage of development as well as planning for how an organization can best go about strengthening its core competencies. The Nature Conservancy's Institutional Development staff can potentially provide valuable support as facilitators in the Institutional Assessment process.

Cultivation & Approach

More so than with any other type of intervention, it is important to build trust and confidence within the organization in order to conduct an effective capacity assessment. The issues surrounding organizational performance and perceived strengths and weaknesses are sensitive and often emotional. A high degree of confidentiality is implicit.

- ❖ The facilitator needs to help other staff gauge the organization's readiness for this type of an assessment, and work with the organization to choose the appropriate time to conduct the exercise.
- ❖ Conservancy country level staff education and involvement is essential to conducting an effective capacity assessment of a partner organization. The facilitator should spend time with country staff clarifying the goals, benefits and expected

results of the assessment exercise. Conservancy staff should then play a key role in cultivating the partner and providing the facilitator with contextual information.

- ❖ A capacity assessment should be conducted for the right reasons. Cultivation of partner organizations should emphasize assessment benefits. Every effort should be made to ensure the organization is not conducting an assessment simply to comply with a donor requirement. The Conservancy's interests in the process and in the assessment outcome should be explicit and transparent.

Before the Exercise

It is important to work closely with the NGO to clarify the assessment goals and jointly design an implementation process that fits within the organization's culture. In preparation the facilitator should:

- ❖ Spend time with the organization's key actors to ensure they understand the process, benefits and expected results.
- ❖ Allow the NGO to formally convene the session and determine who should participate in the assessment, including internal and external participants.

Confidentiality

Prior to initiating the Institutional Assessment process, subsequent use of the information generated during the assessment should be discussed with the NGO to determine the degree of confidentiality required to satisfy all parties involved. In the event that the Conservancy wishes to use specific information, such as organizational ratings or progress measured over time, this should be discussed and agreed upon before the exercise is conducted.

Introduction to the Exercise

When initiating the exercise, the facilitator should explain to the participants the background and overall objectives of the assessment and review the process that will be utilized. In addition, the facilitator should cover the following topics in the introduction:

- ❖ Specify the organization's potential benefits from conducting an assessment: identification of gaps and priorities; improved effectiveness in achieving mission; demonstrated professionalism to donors; progress documentation and monitoring; highlight areas of disagreement within the organization that can lead to rich discussion and learning.

- ❖ Specify the Conservancy's interests in the assessment: identification of priority areas to channel limited resources; identification of commonly perceived needs that can be used to develop technical assistance programs; and measurement technical assistance effectiveness over time.
- ❖ Explain why the tool is most effective if the process is externally facilitated the first couple of times it is utilized, but restate the goal of institutionalizing the process within the organization.
- ❖ Emphasize the value of mutual learning and shared vision the assessment can provide internally, even though the assessment is an external evaluation.
- ❖ Explain the assessment tool format and how the benchmarks are used to rate an organization. The benchmarks are predetermined to allow comparison across organizations. Emphasis should be made that benchmarks are not scores; they describe natural phases of organizational development.

Facilitation Methodology

The following are suggestions to the facilitator for maximizing the learning and benefits of the assessment process:

- ❖ Broad participation throughout the organization provides rich information and discussion. Participation of both programmatic and administrative staff, as well as both senior management and frontline staff is crucial in understanding the organization's true capacity.
- ❖ The tool is flexible and can be adapted to the individual needs or preferences of a specific organization. The facilitator can work with the NGO to develop additional indicators the organization feels will help more effectively gauge its capacity.
- ❖ During the exercise, the facilitator is most effective when acting as a resource to the group, not as an evaluator. He or she can often draw on previous assessment experiences with other NGOs to help enrich the discussion. If the organization has invited Conservancy staff or other outsiders to participate, they should offer their opinions, but the facilitator should remain neutral.
- ❖ During the discussion of specific indicators, the facilitator can raise participant awareness by making links to specific conservation examples. Use these links to demonstrate the benefits of conducting the assessment and institutional strengthening to achieving conservation results.
- ❖ The facilitator can use disagreements to raise organizational awareness and reinforce the reason for conducting the assessment. Discussions about lack of consensus on indicators can lead to some of the best organizational learning opportunities. Emphasize the importance of reaching group consensus on the benchmarks.
- ❖ The facilitator can underscore the value of intuition when reflecting on organizational strengths and weaknesses. Everyone can contribute to the discussion, whether or not they have direct knowledge about specific indicators.
- ❖ The facilitator can encourage the group to document its thinking on each indicator. He or she can use the space for notes below each indicator to document the group's discussion and divergence. These notes will be valuable information during progress reviews.
- ❖ The discussion should be focused on the future. The goal is to identify and solve problems, not dwell on past complaints.
- ❖ While it may be most effective to use a facilitator for the first assessment, the facilitator should work with the NGO to institute assessment, monitoring and review mechanisms within the regular activities of the organization.

After the Exercise

The goal of the institutional capacity assessment is to institutionalize a periodic cycle of self-assessment and organizational learning within the organization. Therefore what happens after the assessment is as important or more important than the exercise itself.

- ❖ The first assessment should establish a baseline for measuring organizational progress over time.
- ❖ Based on the results of the assessment, the organization should develop an action plan for improving priority indicators during the next year. In the action plan, the NGO should set the target benchmarks it wishes to achieve within a specified timeframe, as well as establishing the individuals responsible for meeting those benchmarks.
- ❖ The facilitator should work closely with the organization to help it conduct periodic progress checks on the action plan, and an annual review of progress on priority indicators. The annual review should set new priority indicators and target benchmarks for the following year. Conservancy country program staff should also be engaged in following up on action plan progress.
- ❖ Conservancy country programs, divisions and the Institutional Development Department should base their activities and services on the aggregated results of these assessments.