

The Foundation Review

Volume 11
Issue 2 *Collaborative Learning - Free Access*

6-2019

From Idea to Initiative: Real-Time Learning for a Funder Collaborative on Nonprofit Strategic Restructuring

Way-Ting Chen
Blue Garnet

Lynn Alvarez
California Community Foundation

Carrie Harlow
Ahmanson Foundation

Shannon Johnson
Blue Garnet

Jennifer Price-Letscher
The Ralph M. Parsons Foundation

Follow this and additional works at: <https://scholarworks.gvsu.edu/tfr>



Part of the [Nonprofit Administration and Management Commons](#), [Public Administration Commons](#), [Public Affairs Commons](#), and the [Public Policy Commons](#)

Recommended Citation

Chen, W., Alvarez, L., Harlow, C., Johnson, S., & Price-Letscher, J. (2019). From Idea to Initiative: Real-Time Learning for a Funder Collaborative on Nonprofit Strategic Restructuring. *The Foundation Review*, 11(2). <https://doi.org/10.9707/1944-5660.1467>

Copyright © 2019 Dorothy A. Johnson Center for Philanthropy at Grand Valley State University. The Foundation Review is reproduced electronically by ScholarWorks@GVSU. <https://scholarworks.gvsu.edu/tfr>

From Idea to Initiative: Real-Time Learning for a Funder Collaborative on Nonprofit Strategic Restructuring

Way-Ting Chen, I.M.B.A., and Shannon Johnson, M.B.A., *Blue Garnet*; Lynn Alvarez, J.D., *California Community Foundation*; Carrie Harlow, M.P.A., *The Ahmanson Foundation*; and Jennifer Price-Letscher, M.P.O.D., *The Ralph M. Parsons Foundation*

Keywords: *Real-time learning and evaluation, adaptive learning, strategic restructuring, funder collaborative, nonprofit partnerships, nonprofit mergers and acquisitions, funder collaboration, developmental evaluation, Los Angeles*

Introduction and Context

Evaluation and learning can sometimes be seen as at odds with one another. While the purpose and results of traditional evaluation systems help determine whether a particular goal was achieved (or not), a well-designed learning system typically focuses on initiative design and formation — leading to changes that make the job of a traditional evaluation system nearly impossible. This is where developmental evaluation can be most useful.

Developmental evaluation applies to an ongoing process of innovation in which both the path and the destination are evolving. It differs from making improvements along the way to a clearly defined goal. Where more traditional approaches to evaluation try to predict the outcomes of the innovation and focus measurement on those goals, developmental evaluation is intended to support innovation within a context of uncertainty. (Patton, 2010)

The Nonprofit Sustainability Initiative (NSI) is a funding collaborative seeking to transform perceptions and behaviors around nonprofit strategic restructuring in Los Angeles. The NSI adopted a developmental evaluation (DE) approach to spark innovation in how to best support nonprofit strategic restructuring. As defined by Kohm, La Piana, and Gowdy (2000), strategic restructuring occurs when

two or more independent organizations establish an ongoing relationship to increase the

Key Points

- Evaluation and learning is often seen as a high-stakes, formalized process of comparing an effort at its conclusion against some standard or benchmark. More recently, formative and developmental approaches to evaluation have been created to accommodate the need for more adaptability and ambiguity in an effort.
- The Nonprofit Sustainability Initiative, a multiyear collaboration of 17 funders in Los Angeles County, California, supports nonprofit organizations to collaborate and restructure in a variety of forms. As the initiative evolved, its evaluation and learning system had to have the ability to evolve with it. Real-time learning informed initiative design and refinement, aligned funders on the definition of success, spurred exploration of a grantee peer-learning network, and developed a vetted consultant list and key strategic partners.
- This article presents key design aspects of the initiative's evaluation and learning system, describes how it evolved over time, and shares key evaluation insights and learnings. It also explores the nuances of learning and evaluation in a large collaborative, including what the initiative has done to balance learning and accountability, and quickly move from learning to insight to action.

Today, the NSI aims to support nonprofits wanting to explore strategic restructuring to enhance their long-term sustainability. At the same time, it serves as an opportunity for foundations to understand the need for these partnerships and how to best support them.

administrative efficiency and/or further the programmatic mission of one or more of the participating organizations through shared, transferred, or combined services, resources, or programs. Strategic restructuring ranges from jointly managed programs and consolidated administrative functions to full-scale mergers. (p. 1)

When NSI began in 2012, its three founding funders shared a strong desire to set up a system of evaluation and learning that helped them understand the possibilities of funding in strategic restructuring, and determine the most effective and efficient means of doing so. The result was a real-time learning system that itself changed as it helped NSI evolve over a six-year period.

This article will illustrate the continually evolving learning experience of a funder collaborative, and share insights about the learning system that reflect realities of this dynamic collaboration — one that started out informally, requires funders to recommit annually, and continues to evolve. The authors hope this narrative and its resulting insights help inform the design of future systems like this, and further open possibilities of setting up an adaptive DE, or real-time learning system, for themselves and others.

The Nonprofit Sustainability Initiative

The NSI is a funder collaborative enabling nonprofits to pursue long-term, formal strategic partnerships. It was designed in response to several trends in Los Angeles: the significant downturn in the economy and corresponding increase in demand for services; the loss of revenue from private and public funders for these services;¹ and the significant growth of nonprofits in the area — all competing for limited resources. By 2008, the number of nonprofits in Los Angeles had doubled from 1994 levels to 34,674 (Howard & Kil, 2009). Today, the NSI aims to support nonprofits wanting to explore strategic restructuring to enhance their long-term sustainability. At the same time, it serves as an opportunity for foundations to understand the need for these partnerships and how to best support them.

The NSI's theory of change focuses on removing the stigma around nonprofit strategic partnerships and supporting exploration of collaboration opportunities. Its goal is to normalize the dialogue and activity around long-term partnerships among nonprofits by establishing an environment where providers, funders, and technical assistance (TA) professionals understand and regularly engage in the activity as a strategy for enhancing impact and sustainability. The NSI does this by fostering strategic restructuring conversations among nonprofits. It provides grants for Los Angeles County-based agencies to explore formal partnerships that enhance organizational effectiveness and efficiency. Drawing from a common private-sector practice, strategic restructuring conversations typically culminate in agreements to combine some or all aspects of participating organizations, ranging from jointly managed programs and back-office consolidations to shared ventures or full-scale mergers (Kohm et al., 2000).

¹ A UCLA study, *The Generosity Gap: Donating Less in Post-Recession Los Angeles County* (Parent, Landres, & Byerly, 2016), finds that local giving in Los Angeles declined dramatically since before the Great Recession and high-dollar donations dropped in particular, resulting in \$1 billion less in annual charitable giving in 2013 than in 2006.

FIGURE 1 NSI Support for Grantee Success



FIGURE 2 The NSI Funders

The Nonprofit Sustainability Initiative Contributing Funders (as of 9/15/18)

- The Ahmanson Foundation
- The Annenberg Foundation
- Ballmer Group
- California Community Foundation
- The California Endowment
- Carl & Roberta Deutsch Foundation
- Carol and James Collins Foundation
- Conrad N. Hilton Foundation
- The Durfee Foundation
- First 5 LA
- James Irvine Foundation
- JPMorgan Chase Foundation
- LA84 Foundation
- The Ralph M. Parsons Foundation
- The Rose Hills Foundation
- UniHealth Foundation
- Weingart Foundation

Tools

Two types of grants are provided by the NSI:

- Negotiation grants pay for outside consulting services to assist two or more organizations in exploring, negotiating, and reaching a restructuring agreement. Negotiation grants typically range from \$15,000 to \$40,000.
- Integration grants are available to organizations that complete the negotiation process and reach a formal restructuring agreement. Grants, typically ranging from \$10,000 to \$30,000, support one-time costs associated with implementing the partnership, such as merging information technology or accounting systems, rebranding, etc.

To support a healthy pipeline of quality grant proposals, the NSI also conducts additional activities to create awareness and help build readiness among interested nonprofits. (See Figure 1.)

Initially an informal collaboration of three leading Southern California foundations, the initiative is now comprised of 17 foundations. (See Figure 2). It is managed by a consultant with direction and oversight from three current managing funders (The Ahmanson, California Community, and The Ralph M. Parsons foundations).² The California Community Foundation (CCF) acts as fiscal agent for the initiative and supports it by hosting its website, where nonprofits and others can seek information, review resources, and apply online.³ To date, 190

² One of the three original managing funders was Weingart Foundation, which rotated off and was replaced by Ahmanson in 2016.

³ See <https://www.calfund.org/nsi>.

FIGURE 3 Three Phases of NSI Development

The NSI in...	2012 "StartUp"	2013-16 "Growth & Expansion"	2017-18+ "Maturity"
<i>Description</i>	<ul style="list-style-type: none"> • Informally formed by 3 funders • Focused on funding "negotiation" and supporting "ready" nonprofits 	<ul style="list-style-type: none"> • Rapidly expanded to 12 funders • Created managing funders structure; hired program manager • Expanded support to "integration" funding 	<ul style="list-style-type: none"> • Paced growth to 17 funders • Expanding support to strengthen "ecosystem" (consultants list, nonprofit peer-learning network) • Formally engaging with national movement
<i>Activity</i>	<ul style="list-style-type: none"> • Nonprofit convening • Formation and operational structure 	<ul style="list-style-type: none"> • \$1.9 million in grantmaking • 48 negotiation grants + 12 integration grants • 128 nonprofit organizations 	<ul style="list-style-type: none"> • \$1.1 million in new grantmaking • 18 new negotiation grants + 11 new integration grants • 190 total nonprofits

Tools

nonprofits have received \$2.8 million across 66 negotiations, plus 23 integration grants. Among these nonprofits, which serve every region of Los Angeles County, over 85 percent of negotiations have resulted in signed agreements. Half are mergers or acquisitions; the remainder are formal partnerships involving networks, co-location, joint programming, and consolidated administrative functions.

Since 2012, the NSI has made significant changes to its design based on feedback received from its evaluation and learning system. Its first six years can best be understood via three phases: startup, growth and expansion, and maturity. (See Figure 3.)

The NSI in Startup

The spark for the NSI came through a learning conversation. In an informal partnership in April 1992, CCF, The Ralph M. Parsons Foundation, and the Weingart Foundation set out to share and discuss strategic restructuring as well as research reports by TCC Group (2010) and the UCLA Center for Civil Society (Hasenfeld, Kil, Chen, & Parent, 2012). The focus was on the post-recession "new normal" in Los Angeles, and how strategic restructuring could be used to build greater impact and sustainability. All three foundations invited grantees to send their

executive directors and board chairs to a convening. Over 700 leaders attended, representing over 300 organizations.

With clear interest expressed through this convening, the founding funders began a "readiness assessment" phase, funding La Piana Consulting to administer and review results of its Strategic Restructuring Assessment Tool (SRAT) for 42 nonprofits to determine their readiness for strategic restructuring negotiations. Each saw clear demand for financial support to help nonprofits engage in strategic restructuring, committed to a pooled fund, and became the "managing funders." By December 2012, the NSI began supporting strategic restructuring negotiations, awarding its first grant in January 2013.

The NSI in Growth and Expansion

The next phase of the NSI is characterized by increased grantmaking, and solidifying internal capacity to support the initiative and its learning. The NSI went through substantive changes over three years, refining its design, expanding the nonprofit grantee pool, and increasing the number of funders in the collaborative.

In February 2013, Lynn Alvarez joined the initiative as project manager. Her role has included facilitating funder collaboration, reviewing all

proposals, and providing program officer services for grantmaking, organizing convenings, coordinating with evaluation, managing TA providers, fundraising for the initiative, and overseeing communication and outreach. She also served to “create a more open learning channel between grantees and foundations” (Raynor, Blanchard, & Spence, 2015, p. 107).

In August 2013, Blue Garnet joined the initiative as the evaluation and learning partner. A social impact consultancy based in Southern California, Blue Garnet brought extensive experience working at the intersection of evaluation and strategy formation. It supported the NSI in formalizing and conducting its real-time learning system and drawing insights to inform the NSI process. Blue Garnet also worked with the managing funders to formalize a definition of success for the initiative, including impact on key players in the Los Angeles nonprofit ecosystem.

Based on feedback received from the real-time learning system, the NSI made significant changes to its design to address readiness, grantee experience, support and communications, results, and direct outcomes. Notably, real-time learning led to streamlining the application process and expansion of funding into integration/implementation support. A term of art borrowed from the field of computing, a real-time learning system is described as one that “controls an environment by receiving data, processing them, and returning the results sufficiently quickly to affect the environment at that time” (Martin, 1965, p. 4).

Beyond grantmaking, the NSI reached out to raise awareness and build acceptance of strategic restructuring as an important tool. In September 2014, it held a second convening to provide information on strategic restructuring, lessons from nonprofit leaders and consultants who had participated thus far, and key evaluation findings. Given feedback from real-time learning, the convening focused less on mergers and acquisitions and more on other types of potential partnerships. In May 2016, the NSI also convened 14 consultants who had provided negotiation support to initiative grantees. The NSI funders also began holding semiannual gatherings with

Based on feedback received from the real-time learning system, the NSI made significant changes to its design to address readiness, grantee experience, support and communications, results, and direct outcomes. Notably, real-time learning led streamlining the application process and expansion of funding into integration/implementation support.

interested funder colleagues to discuss learnings and outcomes and consider future opportunities. The October 2015 funder convening was a significant milestone, forming consensus over the NSI’s definition of success: the “L.A. County nonprofit sector, including funders, nonprofit organizations, technical assistance providers, and educational institutions, supports, understands, and regularly engages in strategic restructuring to enhance its impact and sustainability.”

Finally, trust in the three managing funders for day-to-day management and decision-making allowed the initiative to grow seamlessly. This governance structure became key to the initiative’s long-term success, providing continuity and stability during rapid growth. By the end of 2016, the NSI had stabilized its program design and distributed over \$1.9 million to 128 nonprofits across 48 negotiation and 12 integration grants, and nine new funders joined the initiative, bringing the total to 12.

The NSI in Maturity

In 2017, the initiative began focusing more explicitly on other areas of the strategic

Since inception, the NSI has engaged in an adaptive developmental evaluation (DE), integrating evaluation and learning to enhance the initiative’s design and implementation and to evolve the learning system itself. As with the DE employed by Landers, Price, and Minyard, the managing funders’ commitment to evaluation as a learning tool was rooted in an interest in real-time improvement. The NSI calls this its real-time learning system.

restructuring ecosystem, turning its attention to the growing national movement of similar partnership initiatives. Again based on real-time learning feedback, the NSI made an intentional effort to strengthen the supporting ecosystem for nonprofits exploring strategic restructuring. To this end, it launched an RFQ and published a list of consultants with experience in strategic restructuring negotiations. The NSI also asked Blue Garnet to engage initiative grantees and alumni to explore interest in peer support. The team designed a peer-support network, featuring a facilitated “lunch and learn” series and a volunteer mentorship program.

Today, the NSI continues outreach to support learning among nonprofits and fellow funders. The initiative seeks out opportunities to present about strategic restructuring, doing so at nonprofit-sector and subsector conferences in Southern California. Semiannual funder

convenings continue to provide important education opportunities for potential funders. The number of NSI funders now totals 17.

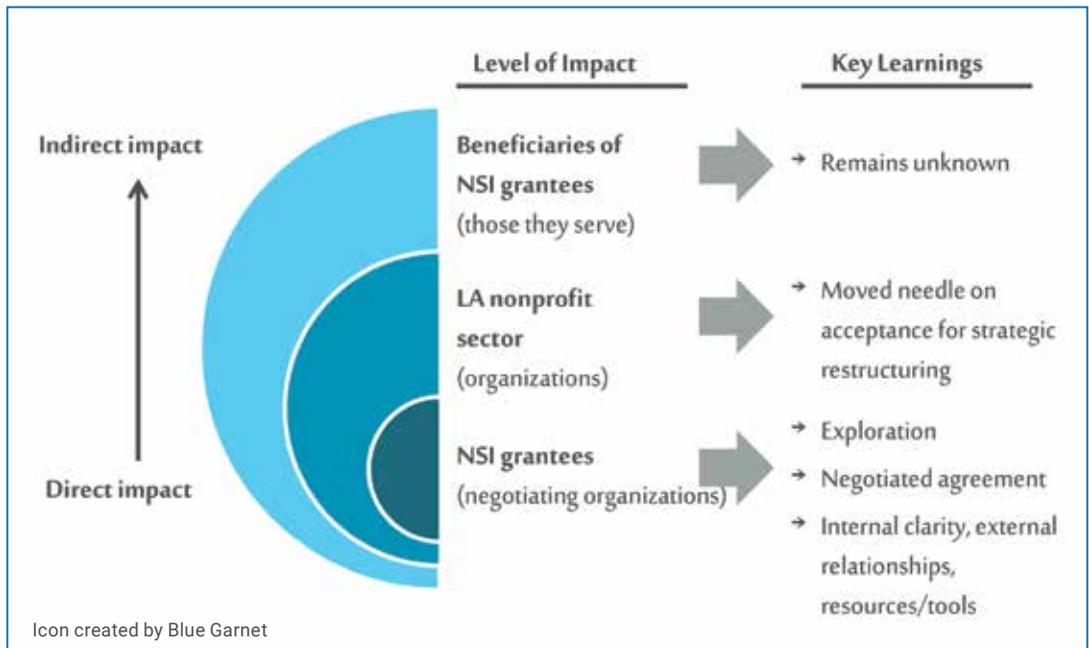
Since its founding, the NSI has been in contact with similar efforts across the country. Having solidified and reached maturity, it now shares its experience and learned expertise with them. Collectively, they are seeding a national movement to promote long-term nonprofit strategic restructuring, collaborations, and partnerships.

NSI’s Real-Time Learning System

Since inception, the NSI has engaged in an adaptive developmental evaluation (DE), integrating evaluation and learning to enhance the initiative’s design and implementation and to evolve the learning system itself. As with the DE employed by Landers, Price, and Minyard (2018), the managing funders’ commitment to evaluation as a learning tool was rooted in an interest in real-time improvement. The NSI calls this its real-time learning system.

The general theory of change reflects a set of working hypotheses held by NSI funders from the start:

- Just as mergers and acquisitions are important strategic tools for corporations and businesses in general (Nohria, Joyce, & Roberson, 2003), strategic restructuring can similarly be an important tool for nonprofits. While not a silver bullet, strategic restructuring can be a valuable strategy to enhance nonprofit impact and sustainability (Cortez, Foster, & Milway, 2009).
- Yet, stigma around strategic restructuring exists in our ecosystem. Simply put, the stigma suggests nonprofits use strategic restructuring only during times of financial hardship and organizational difficulty (Fischer, Vadapalli, & Coulton, 2017).
- Thus, while Los Angeles nonprofits may need support for strategic restructuring, funding for it is sparse. This is an unfamiliar area of grantmaking for many foundations,

FIGURE 4 NSI Framework for Levels of Impact

and nonprofits fear requesting support for strategic restructuring would cannibalize opportunities for other types of support.

- The greater the exposure to strategic restructuring in the nonprofit sector, the more it will be normalized and embraced as an important tool for nonprofits, and the stigma will be removed.
- Ultimately, the demand for this type of support will tell funders whether or not strategic restructuring funding is valuable. We will continue to provide strategic restructuring grants as long as nonprofits continue to communicate that they are valuable.

While these core assumptions persist, the relative emphasis the initiative places on learning has shifted. Throughout the NSI learning experience, its real-time learning system has asked a range of learning questions, from formative inquiries about the grantee experience to those that clarify and offer “proof points” of NSI’s varying degrees of impact. (See Figure 4.) Driven

by growing understanding, the relative importance of these questions shifted and, with it, the real-time learning system needed to adapt. The evolution of the NSI’s real-time learning system mirrors the three phases of the initiative’s development. (See Figure 5.)

NSI Real-Time Learning System in Formation

While the NSI was still being formed, its accompanying learning system was informal and highly developmental. From the beginning, the founding funders wanted a way to support the initiative’s learning. They contributed deep grantmaking expertise, past experience with other capacity-building initiatives, and strong working relationships with nonprofit grantees and philanthropic colleagues in Los Angeles. At the same time, the use of strategic restructuring continued to lag in our sector (Milway, Orozco, & Botero, 2014), and this was a relatively new area of investment to the founding funders.

Initially, the three founding funders posed three formative learning questions, and took different approaches to answering them:

FIGURE 5 Summary of the NSI Real-Time Learning System Over Time

NSI Real-Time Learning in...	"Formation"	"Development"	"Broadening"
<i>Why?</i> (Description)	<ul style="list-style-type: none"> Develop and establish NSI learning system. "Process" evaluation, with emphasis on grantee experience. 	<ul style="list-style-type: none"> Formalize and refine system. Refine/redesign grantee experience. Expand focus to include "success" for nonprofits. Define "success" for NSI. 	<ul style="list-style-type: none"> Broaden focus to include "success" in ecosystem. Internalize learning. Contribute to national movement.
<i>What?</i> (Learning questions)	<ol style="list-style-type: none"> What does "real-time learning" mean? Is there need and demand for strategic restructuring support? How do we tell if applicants are "ready" (or not)? 	<ol style="list-style-type: none"> How do we optimize the grantee experience? How do we define grantee "success"? How do we know if NSI is successful? 	<ol style="list-style-type: none"> What does it mean to "normalize" strategic restructuring? How do we bring funders closer to the learning? How do we best share what we have learned?
<i>How?</i> (Methods & tools)	<ul style="list-style-type: none"> At start, La Piana Consulting support; use of SRAT tool to screen for readiness Transition to third-party evaluator (Blue Garnet) to help devise learning system 	<ul style="list-style-type: none"> Continued with third-party evaluator (Blue Garnet) Use of surveys and interviews at start, immediate post- and 6-month-post negotiation Integration questions added to interviews "Batch" reporting to managing funders (2-3 times/year) Reports focused on grantee experience; expanded to start capturing negotiation goals Learning conversations with stakeholders: funders (twice yearly), grantees, TA providers Outreach focused on building nonprofit pipeline 	<ul style="list-style-type: none"> Third-party evaluator support to evolve learning system Transitioned to "in house" data-gathering via surveys at start and immediate post-negotiation and integration grant periods
<i>How?</i> (Communication & decision-making)	<ul style="list-style-type: none"> Monthly (managing) funder calls Reports focused on grantee progress on readiness assessments 	<ul style="list-style-type: none"> Monthly (managing) funder calls Reports focused on grantee experience; expanded to start capturing negotiation goals Learning conversations with stakeholders: funders (twice yearly), grantees, TA providers Outreach focused on building nonprofit pipeline 	<ul style="list-style-type: none"> Monthly managing funder calls Twice yearly learning conversations with funders Peer learning network Outreach to larger nonprofit sector via conferences Engagement with funders on strategic restructuring and how to replicate NSI Collaborate nationally on common evaluation framework

Tools

1. *What is the need and demand for strategic restructuring in Los Angeles?* Oversubscription of the 2012 nonprofit conference, and resulting number of applications to the "readiness assessment" phase (80 applications for 42 grants), demonstrated the need and demand for funding strategic-restructuring explorations. This expression of demand has continued, and is the basis of annual recommitment to this collaboration by all NSI funders.
2. *How do we tell if applicants are "ready" (or not)?* At the start, NSI funders relied on La Piana Consulting to determine readiness of individual nonprofits. La Piana provided readiness assessments: collecting data via the SRAT, conducting pre- and post-negotiation interviews with grantees, and asking them to complete an impact instrument at conclusion of negotiations. In 2012, aggregated findings from the readiness

assessment phase were shared with the NSI regularly. As the NSI formalized its learning system, it transitioned from the SRAT to a customized survey, better aligned with its evolving learning questions, to determine readiness. The resulting findings helped NSI funders better understand nonprofit readiness for strategic restructuring, utilizing DE's notion of real-time feedback to nurture learning (Patton, 2006; Landers et al., 2018). Consequently, the NSI project manager became better equipped to communicate with prospective nonprofits and eventually took on the role of conducting "readiness" due diligence during the application process — for example, by interviewing nonprofit CEOs and, sometimes, board chairs to understand the nonprofits' experience with working together, their level of commitment entering negotiation, availability of time and additional resources during negotiation, etc.

3. What does “real-time learning” mean?

What type of system supports it? As the NSI developed, funders also formed their perspective on what their real-time learning system would look like. In addition to flexibility with the NSI activities and outcomes, an important element of real-time learning was timely feedback. This input informed decisions on how to improve the grantee experience and, over time, success. This meant the system had to create a space in which grantees could share honest feedback during, and soon after, the grant period, without concern over ramifications. With the NSI itself becoming more structured, formalized, and resourced, the funders decided to hire outside evaluators to minimize any appearance of bias toward a system they created. In late 2012, the managing funders decided to transition support for its real-time learning to a neutral third-party evaluator (i.e., Blue Garnet).

NSI Real-Time Learning in Development

With the NSI launched and Blue Garnet in place, the funders started formalizing a real-time learning system. Starting in 2013, Blue Garnet worked with the managing funders and project manager to design a methodology for evaluation and intentional learning, develop the supporting tools, collect and analyze data from nonprofit grantees and consultants, and report on insights and implications to the NSI.

In general, the NSI learning fell under one of six categories: participant characteristics, NSI experience, grantee readiness, grantee support, NSI impact, and communications. (See Figure 6.) Blue Garnet, confidentially and anonymously, gathered primary and secondary data to support learning in these categories. In addition to the grantee application and funding contract, Blue Garnet used pre-, post-, and six-month post-negotiation surveys by nonprofit grantees, accompanied by one-on-one interviews with grantees and their consultant post-negotiation to collect data. Grantee participation in evaluation and learning activities became mandatory.

FIGURE 6 NSI Real-Time Learning Components



Between 2013 and 2016, Blue Garnet issued five real-time learning reports, sharing findings and recommendations along the six categories. Effort was made to report on “batches” of negotiations concluding around the same time, balancing timely insights with aggregated results to protect anonymity. Real-time learning reports synthesized findings from four to six strategic restructuring groups at a time, were shared with managing funders, and were processed in accompanying learning conversations. Key findings and resulting decisions were then disseminated to the larger funder collaborative during semiannual funder convenings.

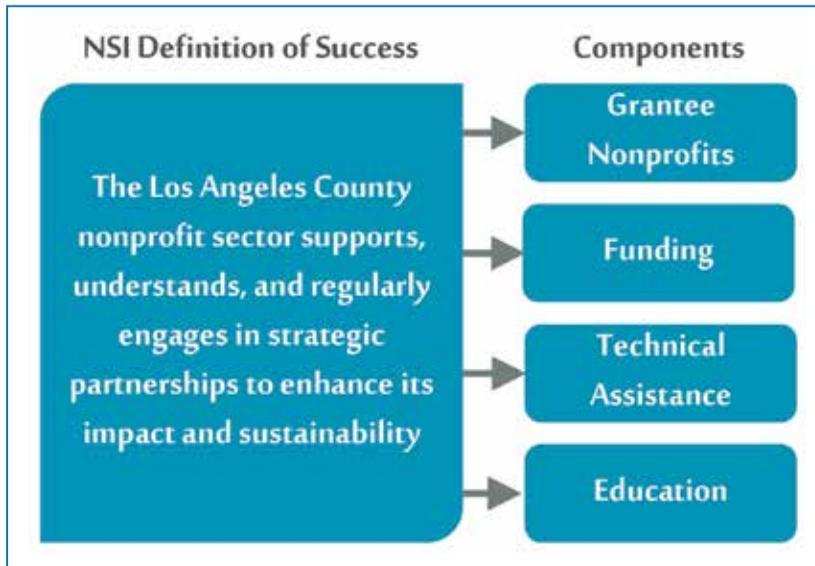
With sufficient answers to the initial questions, the NSI funders considered what was next on the learning agenda. While data collection continued for the first set of questions, funders began focusing on other priorities:

- *How do we optimize the grantee experience?* The NSI funders wanted to create a safe space for strategic restructuring conversations, considering it a powerful

condition for their success. Drawing on their grantmaking philosophies and capacity-building experiences, the funders understood the importance of maintaining a hands-off, nondirective stance toward strategic restructuring outcomes. In essence, the NSI was funding a process, not any specific result; its learning system needed to obtain objective feedback on the process. A safe space was also deemed a necessary condition for understanding grantees' views on the NSI experience and how to improve it. As the first set of NSI grantees concluded their negotiations in 2013, the newly formalized real-time learning system expanded the set of questions posed by the NSI funders, soliciting confidential feedback on the grantee experience. Over time, evaluation findings drove substantive changes to the NSI experience for grantees. Notable changes included a more streamlined and informative application process and clarification about the NSI message. For example, applications could be made via online portal; funding decisions were guaranteed within six weeks of applying; and earlier requirements were removed, changing language to address a perceived bias toward mergers and reiterating the NSI's openness to grantees hiring any qualified consultant.

- *How do we define grantee "success"?* As the first group of nonprofits concluded their negotiations, the NSI funders wanted to understand the results. The real-time learning surfaced four key findings:
 1. What grantees wanted: The NSI was initially unable to systematically determine whether or not grantees achieved their strategic restructuring goals, because grantees were not asked about their goals at the outset. Recognizing this, a question was added to the baseline survey to collect this information.
 2. Benefits: Evaluation findings indicated that, regardless of outcomes, nonprofits saw the experience of strategic restructuring negotiation as educational and valuable, bringing unexpected benefits such as relationship development, knowledge sharing, and organizational clarity.
 3. NSI's emerging role: Initially, nonprofits repeatedly saw availability of strategic restructuring funding as a catalyst for entering into negotiations, as the large numbers of applications received in the NSI's first year may have reflected pent-up demand. Today, nonprofits generally credit the NSI as an accelerator to entering strategic restructuring negotiations. Access to a facilitator, which would have been unaffordable but for NSI funding, led nonprofits to more effectively and efficiently agree to exploration with each other.
 4. Short-term impact: With the extensive time frame between negotiation and implementation and even longer time frame to organizational performance, the NSI evaluation sought directional insight on its impact over the short term. For nonprofits that completed a negotiated strategic restructuring agreement, 100 percent believed it would improve organization impact and improve or maintain sustainability.
- *How do we know if the NSI is successful?* Through 2015, real-time learning was largely focused on insights into and recommendations for process rather than impact. At the same time, funders and grantees were more frequently expressing interest in learning more about the NSI's success. Blue Garnet encouraged and supported the funders to advance thinking on their definition of success for NSI. In October 2015, all 17 funders convened to discuss outcomes of the NSI, and consensus was built around the Initiative's definition of success. (See Figure 7.) With this, Blue Garnet started translating the definition of success into action for the real-time learning system.

FIGURE 7 NSI Definition of Success



Broadening NSI's Real-Time Learning

After 2017, the NSI funders were ready to once again shift their focus. Blue Garnet worked with the project manager and fiscal agent CCF to devise an integrated system that embedded real-time learning in the NSI's direct activities. While Blue Garnet played a formal role facilitating funder learning conversations, the NSI recently moved data gathering in house. Via CCF, it now administers a revised application form and new pre- and post-negotiation surveys to be completed by each grantee organization, not the consultant. Quantitative survey results are summarized and shared with funders at semiannual convenings, along with qualitative information on restructuring activities.

As confidence around understanding direct impact grows, NSI funders have begun to prioritize new learning questions about indirect impact:

- *What does it mean to “normalize” strategic restructuring?* The NSI defines success as “normalization” of strategic restructuring. It also recognizes that normalization cannot happen among nonprofits alone; it requires the support of an ecosystem that

also involves funders, TA professionals, and educational institutions. The next step, then, involves determining how to measure normalization in the rest of the ecosystem. It was considered cost-prohibitive for the NSI funders to measure this directly; instead, the NSI learning system uses proxies to gauge indicators (e.g., asking grantees, funders, and consultants how they see normalization taking place in the sector) and has embedded questions into data-gathering tools. The NSI is also exploring with others nationally a shared system that addresses “proof points” for normalization. To further promote grantee learning, share knowledge and resources, and build grantee relationships, the NSI has expanded support from a funder-focused learning system to one that facilitates grantee learnings. The grantee/alumni peer-learning network is in direct response to grantee feedback. A strong ecosystem also requires experienced TA providers who can support nonprofits in this exploration. The pool of local consultants able to do so has not increased significantly since early days of the initiative, and is an area where growth is particularly important to providing services to a large

What drives the evolution of the NSI's real-time learning system ultimately boils down to who is at the table and an open and continuous spirit of learning. Landers et al. state that DE can foster co-learning between the evaluators and those implementing the change.

and diverse nonprofit community such as Los Angeles. From the NSI's perspective, work continues to normalize strategic restructuring among funders. While those directly involved in NSI are far more confident in their understanding of strategic restructuring as a nonprofit tool, informal discussions with fellow foundations suggest negative assumptions and stigma still exist. Whereas funders often expect strategic planning of their grantees, anecdotal data show strategic restructuring is not regularly raised in funder-funder or funder-grantee conversations.

- *How do we bring funders closer to the learning?* As the Initiative progressed, the NSI funders and project manager desired a closer and more direct relationship with grantees. Funders sought stories and details about specific negotiation experiences to help make the case for strategic restructuring, and to share as examples for the field in general. The belief was that these should, in turn, help increase awareness, understanding — and, hopefully, normalization — among funders and nonprofits. The NSI funders also brought in a marketing firm to highlight nonprofit experiences, to help potential nonprofit grantees and funders understand the diversity of strategic restructuring experiences and further normalize strategic restructuring in the broader sector.

- *How do we best share what we have learned?* The primary purpose of the real-time learning system had been to answer NSI funders' learning questions internally, with targeted platforms for sharing publicly. As the initiative amassed a robust body of knowledge and data (on process, outcomes, impact, and operations), it found ways to share stories of the NSI and its grantees. Now, it is positioned to build the field of strategic restructuring, providing insights to help shape others' efforts at replication and scale. As the NSI enters into this latest phase of its learning, it has reinvigorated the issue of "proof points" for strategic restructuring as a valuable tool for our field. And while the NSI has a strong understanding of its direct impact on grantee nonprofits, its long-term indirect impact on the sector remains unclear. From a time and financial standpoint, the NSI considers this question cost-prohibitive to answer alone, and has seized the opportunity to combine efforts with similar initiatives across the country. With this, it can leverage what others have experienced and learned to help answer shared questions about longer-term impact, and how to best support strategic partnerships among nonprofits moving forward. Because of this, the NSI has taken an active role engaging with funders who are pursuing similar efforts outside of Los Angeles.

Adaptation Across Phases: What Made the System Adapt?

What drives the evolution of the NSI's real-time learning system ultimately boils down to who is at the table and an open and continuous spirit of learning. Landers et al. (2018) state that DE can foster co-learning between the evaluators and those implementing the change. For the NSI, this is reflected in several specific factors:

- *The collaborative nature of NSI:* One of the largest pooled funder collaboratives ever in Los Angeles, NSI funders represent varying bases of strategic restructuring knowledge, experience, and agendas. Each year funders are each asked to recommit. To inform this

decision, the system needed to meet the information needs of each funder even as it pursued answers for shared learning (e.g., shifting learning priorities, balance of short-term results vs. long-term outcomes.).

- *Trust in NSI's management and governing structure:* Creating a “managing funder” structure allowed the NSI to foster learning at funder convenings while streamlining initiative oversight, decision-making, and management — and with it, evaluation and learning. The CCF, The Ralph M. Parsons and Weingart foundations, and the Ahmanson Foundation (replacing Weingart in 2016) are well-established, leading institutions with extensive track records and distinct approaches to grantmaking. Other grantmakers likely could identify with at least one of the managing funders, and this inherited credibility engendered trust. Ultimately, this trust meant that the managing funders remain accountable for making and implementing key decisions or changes resulting from the learning effort.
- *Flexibility spurred on by a continuous spirit of learning:* A broad range of potential strategic restructuring activities means it can look differently for different sets of nonprofits. Because the NSI funds process and not a defined outcome, uncertain results and amorphous time frames have required more flexibility from funders. Because strategic restructuring is a less common “tool” in the nonprofit sector, funders generally join the NSI with limited experience in this area. Consequently, NSI funders come to the table with a desire to better understand, and maintain an open attitude toward learning and its implications for NSI's work.
- *The relationship among NSI's managing funders, project manager, and learning partner:* The NSI's three managing funders, its project manager, and Blue Garnet, its developmental evaluation partner, have been in discussions or engaged in learning together for over five years. During this time, our strong working relationship has

helped advance thinking on the NSI's design and outcomes, and worked through common challenges via a DE process, such as perceptions of credibility, ambiguity, and uncertainty, and the volume and digestibility of data (Gamble, 2008). Sharing an evolving learning agenda while navigating a complex and changing environment as a triad has been crucial to a healthy real-time learning system, where the NSI can reap benefits of learning while enhancing its primary purpose of grantmaking.

In innovation, both means and ends can be emergent. The tracking provided through developmental evaluation helps provide accountability; by documenting the “forks in the road,” the implications of each decision are considered and a more robust memory of the initiative's creation results. (Gamble, 2008)

This point has been particularly important, as the “who” in the collaborative evolved. The NSI recognizes that it continues to model strategic partnership among funders to the nonprofit sector. With this in mind, the NSI real-time learning system will continue to evolve with the initiative.

Reflections: Insights for Funders and Funder Collaboratives

In reflecting on our work to date, we identified insights we believe other grantmakers and funder collaboratives might take away from the NSI learning system and broader experience. We hope these insights speak to diverse perspectives, and have relevance to readers, in and beyond the world of strategic restructuring.

First, an adaptive model of evaluation is doable! Raynor et al. (2015) highlight two common mistakes funders make in developing their learning model: adopting a particular framework too quickly, and rationalizing that organizational learning is too complex and sticking to existing strategy because of prior investment. Taking a developmental approach toward evaluation and learning makes it possible to ask formative

First, an adaptive model of evaluation is doable! Raynor et al. highlight two common mistakes funders make in developing their learning model: adopting a particular framework too quickly, and rationalizing that organizational learning is too complex and sticking to existing strategy because of prior investment

learning questions, whose answers necessarily affect designs for an early-stage initiative. Intentional efforts to reflect on learnings open the possibility of shifting learning priorities. This, in turn, will require the system that supports this learning to adapt, either strategically (e.g., learning questions, emergent strategies, methodology, evaluator role, exit) or more operationally (e.g., application, data-gathering tools, reporting frequency). It is important to not let the need for perfection prevent initiatives from taking smaller but invaluable steps toward more advanced thinking.

Also, an adaptive learning system is particularly important in the context of an evolving collaborative. In a collaborative setting when “who” is at the table can change, adaptability in the evaluation system helps ensure while learning can satisfy needs of individual funders, the collaborative has a means for accountability and a way to develop initiative “memory” (Gamble, 2008). Milway (2013) examines ways to make organizational learning “stick,” including fostering a culture of learning and collaborating. In this sense, not only is shared learning a benefit to funder collaboratives (Gibson, 2009), we believe

the opportunity for shared learning is a condition for success.

The value of real-time learning is ultimately derived from a greater understanding of your efforts over time. Our experience tells us that the more effective capacity-building efforts are not prescriptive — that they meet the needs of grantees first, not those of the funders. The NSI’s real-time learning system built in the mechanism for soliciting input from our grantees, and helped us understand more deeply and with greater confidence the benefits and challenges of strategic restructuring. As a result, we were able to clearly convey to prospective and eventual grantees what they could expect during and as a result of a strategic restructuring negotiation. What we learned about “readiness” informed the due diligence activities taken on by the NSI project manager. As a collaborative of funders, we were able to make a clearer internal case for (continued) investment in the NSI.

Finally, having an intentional effort to learn and evaluate the work allows you to make objective and substantial contributions to the field and the larger sector. Over time, the NSI real-time learning system allowed us to build on more solid understanding to ask new sets of questions — we were able to “dream a little bigger” for what we wanted to learn. Now completing its sixth year (its fifth since launch of grantmaking), the NSI is working with regional strategic restructuring initiatives to create a common evaluation framework nationwide.

Conclusion

Since inception, the founding funders of the Nonprofit Sustainability Initiative have sought a mechanism for evaluation and learning. The funders wanted to learn about a range of aspects, including readiness, process, results, and direct and indirect outcomes.

With a developmental approach in mind, the NSI created a real-time learning system — an adaptive model of developmental evaluation. Starting with a core set of working assumptions, this system regularly prioritized and revisited its learning agenda, and adapted its design and

methodology to follow. Ultimately, the growing and diverse funder collaborative, the spirit of learning its members brought to the table, and the strong working relationship among managing funders, the project manager, and learning partner helped push the real-time learning system to evolve when needed.

In its startup phase, the informal learning system focused on leveraging existing resources to build understanding of nonprofit readiness for strategic restructuring. As the real-time learning system became formalized, learning needs shifted to formative questions around the NSI process, negotiation results, and direct impact of these experiences on grantees. The need for objective data and input drove the NSI to engage Blue Garnet as a neutral, third-party evaluation and learning partner that also helped the initiative articulate its own definition of success. Finally, in its current learning phase, the NSI has shifted priorities to moving the needle on the broader strategic restructuring ecosystem in Los Angeles, as well as advancing the thinking, design, and execution of other strategic restructuring initiatives, individually and collectively, in the field.

The NSI collaborative continues to recognize that it serves as a model of strategic partnership among funders and for the Los Angeles nonprofit sector. The complexity of creating and implementing a successful initiative in a multifunder collaborative can be great, and a real-time learning system can help ensure an initiative's efficiency and effectiveness. And from our experience, the opportunities and benefits of well-designed and implemented capacity-building initiatives are enormous — for nonprofits, for funders, and for the broader sector.

References

- CORTEZ, A., FOSTER, W., & MILWAY, K. S. (2009). *Nonprofit M&A: More than a tool for tough times*. Boston, MA: Bridgespan. Retrieved from https://www.bridgespan.org/bridgespan/Images/articles/nonprofit-mergers-and-acquisitions-more-than-a-to/Nonprofit-M-A-More-Than-A-Tool-For-Tough-Times_2011.pdf?ext=.pdf
- FISCHER, R. L., VADAPALLI, D., & COULTON, C. (2017). Merging ahead, increase speed: A pilot of funder-driven nonprofit restructuring. *Journal of Public and Nonprofit Affairs*, 3(1), 40–54.
- GAMBLE, J. A. A. (2008). *Funder collaboratives: Why and how funders work together*. New York, NY: GrantCraft. Retrieved from https://grantcraft.org/wp-content/uploads/sites/2/2018/12/funder_collaboratives_secure.pdf
- GIBSON, CYNTHIA & MACKINNON, ANNE (2009). *A developmental evaluation primer*. Montreal, QC: J. W. McConnell Family Foundation. Retrieved from <https://mcconnellfoundation.ca/report/developmental-evaluation-primer>
- HASENFELD, Z., KIL, H. J., CHEN, M., & PARENT, B. (2012). *Stressed and stretched: The recession, poverty, and human services nonprofits in Los Angeles 2002–2012*. Los Angeles, CA: Center for Civil Society, UCLA. Retrieved from https://www.weingartfnd.org/files/StateNonProfSector_2012_forweb.pdf
- HOWARD, D., & KIL, H. J. (2009). *Resilience and vulnerability: The state of the nonprofit sector in Los Angeles*. Los Angeles, CA: Center for Civil Society, UCLA.
- JACKSON, J. (2014, March). *The Nonprofit Sustainability Initiative: Where are we, how did we get here, and where are we going*. Los Angeles, CA: Weingart Foundation. Retrieved from <https://www.weingartfnd.org/The-Nonprofit-Sustainability-Initiative>
- KOHM, A., LA PIANA, D., & GOWDY, H. (2000). *Strategic restructuring: Findings from a study of integrations and alliances among nonprofit social service and cultural organizations in the United States*. Chicago, IL: Chapin Hall Center for Children, University of Chicago.
- LANDERS, G., PRICE, K., & MINYARD, K. (2018). Developmental evaluation of a collective impact initiative: insights for foundations. *The Foundation Review*, 10(2), 80–92. <https://doi.org/10.9707/1944-5660.1417>
- MARTIN, J. (1965). *Programming real-time computer systems*. Englewood Cliffs, NJ: Prentice-Hall.
- MILWAY, K. S. (2013, February). Making organizational learning stick: How to set your knowledge goals and blend technology and people processes to reach them. *Nonprofit Quarterly*. Retrieved from <https://nonprofitquarterly.org/2013/02/22/making-organizational-learning-stick-how-to-set-your-knowledge-goals-and-blend-technology-and-people-processes-to-reach-them>

MILWAY, K. S., OROZCO, M., & BOTERO, C. (2014, Spring). Why nonprofit mergers continue to lag. *Stanford Social Innovation Review*. Retrieved from https://ssir.org/articles/entry/why_nonprofit_mergers_continue_to_lag

NOHRIA, N., JOYCE, W., & ROBERSON, B. (2003, July). What really works. *Harvard Business Review*, 81(7), 42–52, 116. Retrieved from <https://hbr.org/2003/07/what-really-works>

NONPROFIT SUSTAINABILITY INITIATIVE. (2017). What is the Nonprofit Sustainability Initiative? Retrieved from <https://www.calfund.org/wp-content/uploads/NSI-Description-Document-6.1.17.pdf>

PARENT, B., LANDRES, S., & BYERLY, S. (2016). *The generosity gap: Donating less in post-recession Los Angeles County*. Los Angeles: California Community Foundation. Available online at <https://cnmsocal.org/wp-content/uploads/2016/05/8am-Generosity-Gap-FINAL.pdf>

PATTON, M. Q. (2010). *Developmental evaluation: Applying complexity concepts to enhance innovation and use*. New York, NY: Guilford Press.

PATTON, M. Q. (2006). Evaluation for the way we work. *Nonprofit Quarterly*, 13(1), 28–33.

RAYNOR, J., BLANCHARD, A., & SPENCE, M. (2015). Shine a light: The role of consultants in fostering a learning culture at foundations. *The Foundation Review*, 7(1), 98–112. <https://doi.org/10.9707/1944-5660.1238>

TCC GROUP. (2010). *Fortifying L.A.'s nonprofit organizations: Capacity-building needs and services in Los Angeles County*. New York, NY: Author. Retrieved from <https://www.tccgrp.com/wp-content/uploads/2018/09/Fortifying-LA-Weingart-Foundation-Executive-Summary.pdf>

Way-Ting Chen, I.M.B.A., is co-founder of and senior partner at Blue Garnet. Correspondence concerning this article should be addressed to Way-Ting Chen, Blue Garnet, 8055 West Manchester Avenue, Suite 430, Los Angeles, CA 90293 (email: way-ting@bluegarnet.net).

Lynn Alvarez, J.D., is project manager for the Nonprofit Sustainability Initiative at the California Community Foundation.

Carrie Harlow, M.P.A., is a program officer at the Ahmanson Foundation.

Shannon Johnson, M.B.A., is a partner at Blue Garnet.

Jennifer Price-Letscher, M.P.O.D., is director of programs and special projects at The Ralph M. Parsons Foundation.