

Risk for Program Sustainability Failure Assessment Missouri Foundation for Health

Foundations traditionally hold the niche of the initial funder, providing economic support to new programs or start-up organizations. Always a concern, but of increasing interest in recent years, is the question of sustainability of these organizations and their programs. Funding spent on a program or organization that closes its doors or discontinues a funded program is at best, a loss of dollars. Worse, these programs may create a dependency amongst the community that is unfulfilled when the program terminates. Identifying risks for programmatic or organizational failure enable a funder to either choose not to fund certain organizations and programs at high risk for failure or identify capacity needs that will address those factors putting the organization or program sustainability in question.

Recognizing that the Missouri Foundation for Health (MFH) is interested in organizations and programs that will continue to be the catalyst for positive change after funding from the Foundation terminates, the Evaluation Area set upon learning more about predictors of program and organizational sustainability. Two different methods were used to learn more about organizational and program sustainability.

Funder Methods of Risk Assessment

To understand how other health related foundations assess risk of programmatic and organizational failure, an initial sample of convenience of evaluation leadership was conducted. Included in the sample were representatives of the California Wellness Foundation, California Endowment, Colorado Trust, and the Health Foundation of Greater Cincinnati. Additionally, representatives of Grantmakers in Health and members of the Evaluation and Strategy Work Group of the Gateway Center for Giving were solicited as to their methods of risk assessment. Each foundation that shared information stated that they conducted a form of risk assessment, but the methodology was either not systemic in nature (based upon general opinions of various staff) or consisted of broad categories with no clear underlying factors.

Literature Search for Risk Assessment

A literature search was conducted to discover research around organizational and programmatic sustainability. Few empirical studies were discovered, but trends in ideas and some actual research revealed that there are potentially several factors for “success”. These factors can be broken by four areas of focus:

- **Organizational operations risk**
- **Organizational economic risk**
- **Program support risk**
- **Program economic risk**

Organizational Operations Risk

This form of risk focuses on the probability that an organization will survive due to decisions made by leadership and the organization's relationship with the community. This is the largest category, and many of these factors have been identified as more predictive than economic factors (Mancini and Marek, 2004, Johnson et al., 2004):

- Leadership competence – The skills and abilities of the members of the board and staff of the organization
- Other program maturity – Previous programs implemented by the organization been institutionalized
- Long term planning – Organization has engaged in long term planning and followed that plan
- Evaluation used as a strategic tool – Evaluation informs the decisions of the staff and board
- Linkage of mission with community – Level of match between the mission of the organization and the community
- Collaborative partners – Presence of one or more collaborative partners
- Community understanding – Level of understanding of organization's role in community by community members
- History of flexibility in programming – Evidence of modification of programs to meet changing needs

Organizational Economic Risk

Organizational economic risk is the probability that the organization will continue to exist due to funding or other forms of “economic” support. This support is defined in real dollars as well as social capital and consists of the following factors:

- Funding source alignment – Amount of agreement between philosophy and mission of organization and funding sources
- Funding source stability – Probability of the funding source existing over time
- Funding gap size – Amount of un-met funding needs relative to organization's total expenditures
- Social capital – Non-economic support for the program usually defined as volunteers and donated professional time
- Membership – Size of program participant pool

Program Support Risk

This risk assessment is tied to the support for the program provided by the organization and the community. Factors that influence this risk score include:

- Community need – Evidence that there is a significant need within the community for the services provided by the program
- Organizational capacity for program – Ability for the organization to implement the program in a successful manner
- Other funding support alignment - Amount of agreement between the program and funding sources
- Organizational support – Level of commitment to the program provided by the organization
- Community support – Participation of the community in development and implementation of the program

- Partnerships – Existence of partnerships in the implementation of the program

Program Economic Risk

In the case of MFH's grantee population, the program is automatically considered to be at economic risk as it is a new program without any standing funding. As such, the risk of failure to sustain will be directly tied to finding additional funding at the conclusion of the grant.

Risk Factor Assessment

If the Foundation were to integrate the 19 factors above into the requirements of a request for applications or involve them in the review of the applications for grants, the process would significantly increase in length. Further, some of the factors might not apply to MFH grantees. To identify more relevant factors, two processes were used to reduce the list to a more manageable number.

Relevant Risk Factor Identification

First, the above factors were presented to a focus group of program, evaluation and strategic planning focused individuals who have many years of experience in awarding and assessing grants. The group was asked to validate the factors and rank order them within each category. The intent of this process was to identify holes in the model or throw out those factors that the group found not useful in decision-making. No factors were eliminated and the rank ordering was similar to relative weights afforded the factors identified in the literature review (Scheirer, 2005, Shediak-Rizkallah & Lee, 1998).

The focus group also provided input as to the applicability of the factors to various organizations. Specifically, they identified potential applicants that do not have a membership. Additionally, there are regions in Missouri where partnerships may not be possible. The group was loath to apply factors that may not apply to the organization.

MFH Alumni Survey

The nineteen factors could be used to describe the majority of MFH's grantees. To look more carefully at the Foundation's grantee population, evaluation staff created a survey that contained questions that applied to each of the factors. The 85-question survey was administered to 200 MFH grantees that had at least one program that was no longer funded by the Foundation. The participants were contacted by email and asked to complete a survey that focused on the specific program that MFH no longer funded. The Foundation was unable to contact 15 individuals (email bounce backs) and they were replaced. Initially, 86 individuals responded to the survey. The remaining 114 were contacted by phone and invited to participate again. Contact was made with each organization that had not responded and the contact person identified by the Foundation's GIFTS database or a replacement from that organization was invited to participate. As a result, an additional 26 responses were collected bringing the total number of participants to 112 (56% response rate).

The participants represented the breadth of MFH funding with exception to Basic Support grantees and Health Policy. Basic Support grants were not included due to the possibility of repeated funding for the same need and a lack of direct connection with a program or project. A sample of Health Policy grants were included but due to the fact that the sampled grants had funding specific activities that terminated with the end of the funding, the few that were asked to participate all declined.

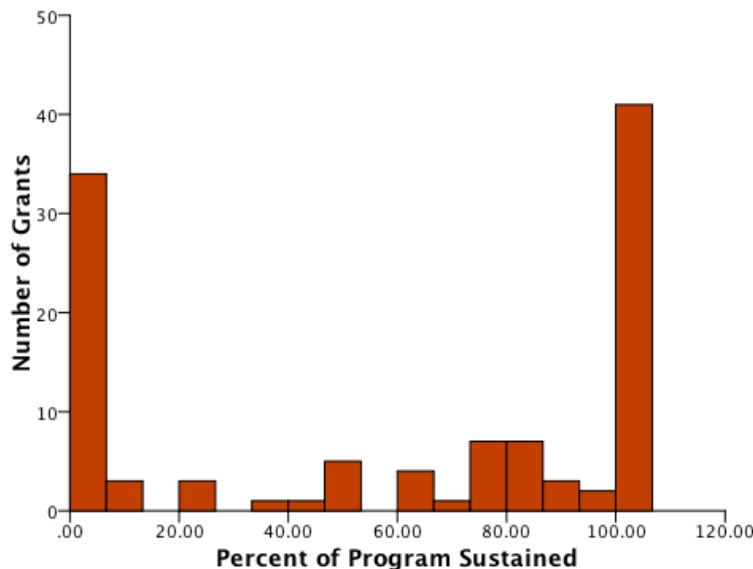
Organizational Sustainability

All 112 participants in the Alumni Survey reported that their organization was still in business. In fact, none of the 200 sampled grantees had closed their doors. Clearly, this rendered the plan to conduct an analysis of the organizational risk factors impossible. As the Foundation has already implemented an economically based risk adjustment that precludes organizations from receiving more than 25% of their operating budget in the form of a grant, it is possible that this risk adjustment is responsible for the dearth of failed organizations in MFH's more recent grantee alumni pool.

Program Sustainability

As can be seen in Figure 1, there was a significant number of programs that completely failed to be sustained after Foundation funding terminated (33 grants or 35%). However, a larger percentage of grants were still fully sustained (41 grants or 37%). The remaining quarter or so of the grants were partially sustained. This distribution, while perhaps a concern for a Foundation with an interest in its funded programs being sustained, allows for the analysis of the relationship of factors described above with sustainable programming.

Figure 1: Percent of Program Sustained After MFH Funding Terminated



Risk Analysis

The 63 questions incorporated into the survey were collapsed together into 16 of the factors listed above. Organizational factors were included in the analysis along side the programmatic as they could also influence program sustainability. Due to the complexity of three of the factors, they were not included in this survey:

- Membership – this measure is tied to the size of the current number of members of the organization (individuals who are already receiving services from the organization or are affiliated in some way) who would be interested in the program (or at minimum fit the target program participant demographic) and as such is difficult to estimate if no assessment has been made.
- Funding gap size – since all organizations were covered by the 25% rule, all organizations had by definition smaller gap sizes in overall funding.
- History of flexibility in programming – this measure requires many questions that would require significant time on the part of the grantee to answer.

Correlation analyses were conducted between each factor and the percentage of program sustained as well as correlations were calculated amongst the factors.

Organizational Factors that Correlate with Program Sustainability

Four organizational factors linked with program sustainability. The sophistication of the organization around long term planning correlated significantly with level of sustainability ($r = .338, p < .01$). This factor is made up of basic variables such as whether the organization has a mission statement, vision statement, published values, and bylaws. It also includes more complex measures such as engaging more often in strategic planning, and at the very high end, conducting of needs assessments.

The actions of leadership were echoed in the second significant relationship found to be with the level of program sustainability, Board activity ($r = .276, p < .01$), which is a subset of leadership competence. Measures included the level of participation of the Board by donating funds to the organization, performing fund-raising activities, obtaining contracts and grants, providing professional or technical experience, and lobbying or advocating on behalf of the organization.

The third relationship identified was a strong linkage with the community ($r = .354, p < .01$). Measures included in this factor included lower level involvement such as participating in meetings and events and volunteering for the organization. More involved measures included communicating on behalf of the organization with policy makers, providing input into the organization's planning and implementation of programs, and providing input into development of the organization's goals.

The fourth relationship was that of social capital. The number volunteer hours correlated significantly with the level of sustainability ($r = .347, p < .01$).

Program Support Factors that Correlate with Program Sustainability

Two factors demonstrated relationships with program sustainability. The strongest relationship of all identified was with other funding support. The original factor focused more on the alignment or level of agreement in mission and goals between the nonprofit and its funders. No relationship was found. Nor was simply the presence of multiple funders related to higher levels of program sustainability. Rather, the number of funders strongly correlated with program sustainability ($r = .475, p < .01$).

The second factor that correlated significantly with the level of program sustainability was the amount of support from the organization ($r = .213, p < .05$). Evidence of program support included popularity of the program amongst members of the Board, management, staff, and volunteers. This measure in turn correlated strongly with the level of staff's commitment towards the program's success ($r = .502, p < .01$). Interestingly, staff commitment did not correlate with program sustainability.

Observations

Of the 112 grants reviewed, 33 or nearly 30% of the grants were not sustained at any level. Another way of considering this is that 63% of all the grants were operating at least 50% sustained relative to when they were funded by MFH. And approximately 37% of the grants were fully sustained after funding from the Foundation terminated. Compared to the Health Foundation of Greater Cincinnati's September 2009 report, *Are Projects Sustained When Our Funding Ends?*, in which 86% of their projects were sustained at the end of their grant period, the rate of sustained programs is a bit low.

Four of the 13 factors that were expected to focus primarily on organizational sustainability demonstrated an impact on programmatic sustainability. The two strongest correlations of the four were related to the ability of the organization to engage the community (community member involvement and volunteerism). While the two concepts seem similar, there is little correlation between the two. Community involvement focuses on higher level, operational engagement (e.g. input into programming, advocacy on behalf of the organization), while volunteerism is more tied to day-to-day operations of the organization. However, the linkage is clear, organizations that engage the community in multiple ways are more likely to have sustainable programs. This is not to say that community focused programming is in itself more sustainable. Bacon et al (2009) found that programs that targeted the "community level to be less likely to be sustainable (38% vs. 64% sustainable, $p < .005$)."

The remaining two organizational sustainability factors are more tied to the activities of the senior management and Board. The more engaged the Board is in the organization, the more likely the organization has sustainable programming. The more introspective the organization is (e.g. presence of strategic planning and needs assessments), the more likely the programs supported by the organization will remain beyond the first few years.

The two factors predicted to correlate with program sustainability both deal with different forms of support capital, social capital in the form of volunteerism and the number of funders supporting the program. While not connection can be made with sustainability of an organization, independently (there was no significant correlation between the two factors) higher levels of social and economic capital are linked to higher levels of program sustainability. This is supported by the final report of the University of Missouri in their evaluation of the Healthy & Active Communities initiative (Bacon et al., 2009). They found that in situations in which the “total annualized MFH award as a percentage of grantee’s organizational operating budget was negatively correlated with sustainability ($r = -.51, p < .05$).” While total organizational budget was not found to correlate with program sustainability in the alumni survey, the concept of supportive capital appears important.

Beyond the factors shown to relate to program sustainability, there were the remaining nine factors that did not demonstrate any correlation.

- Evaluation utilization – While expected to support organizational sustainability, it is a bit surprising that this was not a predictor of higher levels of sustainability – until its role in course correction and program assessment comes into play. It is impossible to determine if evaluation played a role in reduction of percentage of the program sustained, as the question was not imbedded in the study.
- Community need – This was assessed through discovering if the organization actually assessed community need prior to the program. No specific relationship was found between engaging in a needs assessment and a sustainable program. Only when combined with other activities (e.g. more frequent strategic planning) did this appear to have any relationship.
- Organizational capacity for the program – Measured by a combination of the fiscal budget of the organization for the duration of the grant and full time equivalent staffing (paid and volunteer), no significant correlation was found with level of program sustainability. The only factor within this grouping that appeared to have a relationship was the volunteer full time equivalent.
- Other program maturity – The number of other programs being conducted around the time of the grant and the number of years they were operated had no correlation with the sustainability of the MFH funded program.
- Partnerships – Literature speculates and in many cases supports the idea that the larger the support network, the higher the probability of a sustained organization and program. This appears counter to some of the findings of the evaluation of the Health Interventions in Non-traditional Settings (HINTS) program. HINTS grantees rely upon their networks to support and sustain their programming. However, their form of partnerships tend to be fluid and based on informal levels of communication and understanding versus how partnerships were considered in the survey, using MFH’s more traditional measures (e.g. presence of memorandums of understanding, number of collaborative partners, number of meetings with partners). It may be that naturally developed partnerships may be more effective than formalized, required partnerships.
- Funding alignment – As stated above, the alignment in philosophy, mission, and subsequent goals of the nonprofit and its funders were expected to correlate with organizational and programmatic sustainability. In the end, no relationship was found for programmatic sustainability. The theory behind this measure was that buy-in on the part

of the nonprofit is necessary for a sustained program and on the assumption that the funder made the determination as to what type of program to fund prior to the nonprofit applying for the funding. Since the majority of the programs in the alumni survey are applicant defined, the funding alignment measures may have been rendered irrelevant.

- Funding source stability – Organizations were asked to provide us with the various types of funding they received (e.g. municipal bonds, donations, in kind services, grants) as well as the total amount from the sources. Neither the presence of other funding nor the number of types of funding were found to be related to increased levels of sustainability of the program.

Looking at the activity of the Health Foundation of Greater Cincinnati tied to program sustainability, the list of capacity building activities are similar to MFH with assistance from the senior program officer and evaluation being the top two. The third, which may link to some of the findings above, is business development.

Recommendations

The Foundation needs to assess further the idea of peer level networking and whether it should focus more on helping our nonprofits develop relationships with their communities to support their programs. The HINTS grantees appear to have a hybrid version of peer networking that is more similar to community linkages than the traditional peer networks that the Foundation has supported through requirements for memorandums of understanding and clearer collaborative linkages. More work needs to be done to learn about the development of the HINTS networks and how those lessons might be shared with the rest of the Foundation's portfolio.

The 25% rule appears to have reduced the risk of a failing organization to near zero, but it does not account for the support provided by social capital. If the Foundation should consider relaxing the 25% rule, it is suggested that volunteerism be considered as a possible mitigating factor for a need for more than 25% of total budget funding to support a program.

The Foundation has invested significant amounts of money and effort into building capacity for organizations in various areas such as evaluation. While several reports would indicate that the grantees have improved or adjusted their programming to better fit the needs of their grantees (Bacon et al., 2009, Bronson & O'Toole, 2009, Gasper, 2009), the alumni study would indicate that it has had minimal impact on program sustainability. Clarity around the purposes of various capacity building activities should be pursued aggressively within the Foundation and shared with its portfolio of nonprofits.

For those six factors identified as having significant correlations with program sustainability, a tool is recommended for inclusion in the application evaluation process. The risk assessment tool for sustainability (RATS) can be used to significantly reduce risk of failure of the funded programs to be sustained after funding within the applicant pool. To reduce the majority of the risk, the tool could be used to disqualify organizations and programs that are weak in one more factors. Another strategy that would imply more controlled risk would be to use the tool after the decision to recommend the program for funding was made and use the results to identify targeted

capacity building support from inception of the grant. In the former design, questions that support the factors can be integrated into the current Foundation application for grant form. Using the information for assessment after the decision has been made as to whether to fund or not, the questions can either be gleaned from the answers to the questions in the grant proposal or a separate questionnaire can be submitted to the grantee upon award of the grant.

Methodology for Use of RATS as Part of the Funding Decision Process

Each program and supporting organization will be assessed along each of the six factors. For each factor, one or more no/yes questions will be asked with the score of 1 for no and 2 for yes. The question scores will be multiplied together within each factor and then the resulting value divided by the maximum possible score for final standardization to a 100-point scale. The scores will provide MFH staff with two informational pieces, what capacity building activity needs to be done in support of each grant and what is the overall risk of the program failing to be sustained after termination of funding. Further, RATS can be applied each year of a grant to assess changes in the probability of sustainable programming throughout the course of the grant.

Example of Calculation Methodology

In assessing the level of community involvement, the following questions will be asked:

- Do community members volunteer their time to the organization?
- Do community members volunteer their resources to the organization?
- Do community members participate in meetings?
- Do community members participate in events?
- Do community members speak to policy makers about the organization?
- Do community members provide input regarding the organization's goals?
- Do community members provide advocacy services?

A yes response for each question will be scored a two for a maximum total of 14 points (100 standardized points). An answer of no on each question will result in a total of one point (one standardized point). When the responses to all questions are tabulated and the standardized scores calculated for each factor, the maximum score a proposal or grant can have is 600 points – the minimum, one point. Obviously, a 600 point score would indicate a high probability of sustainability of the program after funding is terminated. A one demonstrates a high-risk program requiring a great amount of capacity building for the organization to bolster the chance of the program being sustained.

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