Assessing Organizational Performance - Level 1

International Development Research Centre

March 2007
Facilitators

Charles Lusthaus is a Senior Consultant with over 30 years of experience in international. Dr. Lusthaus’ primary work interests are focused on evaluation and institutional development and holds considerable experience in evaluating international agencies, government ministries and not-for-profit organisations. He is recognized for his expertise in the areas of organisational theory, development, assessment and change management.

Within the last 15 years, Dr. Lusthaus has conducted over 30 organisational and institutional reviews. He is co-author of three books on organizational assessment and has conducted over 50 workshops on the methodological approach identified in his work. His latest text “Organizational Assessment: An approach to improving organizational performance” (2002) is jointly published by IDRC and IDB. Dr. Lusthaus has published more than 40 articles on topics related to evaluation methodologies, management, policy development and capacity building. He is an active presenter at conferences and seminars. He holds an academic appointment at McGill University in Educational Leadership.

Katrina Rojas is a Senior Project Manager at Universalia Management Group, a Canadian consulting firm specializing in evaluation and project management. Before joining Universalia, Katrina worked at the Fundación Acceso in Costa Rica, one of IDRC’s partners. At Acceso, she coordinated training and technical assistance programs in strategic planning and governance for civil society organizations in Central America. Katrina has 10 years of experience in evaluation, organizational capacity development, and training, both in Canada and internationally. She has carried out strategic planning, program evaluation, and/or organizational assessment assignments with NGOs, organizations in the UN system, the World Bank, Canadian Government agencies, networks and other types organizations. Her professional interests include building evaluation capacities for individuals, organizations, and on a nationwide basis, with emphasis on civil society’s role in monitoring and evaluation.
# Agenda

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<td>9:00-9:15</td>
<td>Introductions and objectives</td>
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<td>9:15-10:30</td>
<td>Module 1 – Why Organizational Assessment (OA)?</td>
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<td>• What is your experience?</td>
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<td>• Challenges and Opportunities of the organizational context for IDRC projects</td>
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<td>• Why the focus on Organizational Assessment (OA)?</td>
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<td>• What is OA?</td>
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<td>• Introduction to the framework</td>
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<td>10:30-10:45</td>
<td>BREAK</td>
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<td>10:45-12:30</td>
<td>Module 2 – OA and the project cycle (part I)</td>
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<td>• When / how has the framework been used?</td>
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<td>• Work in Small groups –IDRC tools and OA</td>
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<td>12:30-1:30</td>
<td>Lunch</td>
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<td>Module 2 – Linking OA to the project cycle (part II)</td>
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<td>• Debrief groups</td>
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<td>• Plenary session: Reflecting on IDRC tools and institutional practice – how could these support OA?</td>
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<td>2:45-3:00</td>
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<td>• Our experience with IDRC-supported partners and other organizations</td>
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<td>• Factors affecting OA</td>
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<td>Module 4 – OA tools and resources</td>
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<td>• E-resources, self-help kit</td>
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<td>• Future developments – Network Assessment?</td>
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<td>Wrap-up and evaluation</td>
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A New Approach to Organizational Assessment (OA)

Background

Several years ago the International Development Research Centre (IDRC) and Universalia Management Group began to explore the issues surrounding ways and means to better understand how to assess institutional/organizational performance. Given the lack of theory on institutional assessment, we eventually developed our own framework and a process that could be used in evaluating organizations. This resulted in the publication of Institutional Assessment: A Framework for Strengthening Organizational Capacity for IDRC's Research Partners (Lusthaus, Anderson and Murphy, 1995) and Évaluation Institutionelle: Cadre pour le renforcement des organisations partenaires du CRDI (Lusthaus, Anderson and Adrien, 1996). Although the intended audience for the book was research institutions, the framework of assessment it describes is generic and has been applied in a range of organizations and institutions.

A range of organizations in the developing world who were interested in self-assessment tested this framework with IDRC and Universalia. This field experience led to the development of our latest publication, Enhancing Organizational Performance: A Toolbox for Self-Assessment (IDRC 1999).

The OA Framework

In our efforts to develop an evaluation framework that was relevant to organizations, we moved from the program as a unit of analysis to the organization itself. By and large, the framework reflected a change in focus from how well the organization did its programming work to how its various systems and resources provided it with what we called organizational capacity. As our work evolved, however, we became increasingly concerned with the organization's ability to establish priorities in its own capacity development. This led us to refocus our framework on the organization's performance in carrying out its mission.

In the schematic representation of our framework shown below, performance is defined in terms of effectiveness (mission fulfillment), efficiency, ongoing relevance (the extent to which the organization adapts to changing conditions in its environment), and financial viability. The framework implies that certain contextual forces drive performance: the capacities of an organization, forces in its external environment, and the internal motivation of the organization.
**Performance**

Most organizations view their performance in terms of "effectiveness" in achieving their mission, purpose or goals. Most NGOs, for example, would tend to link the larger notion of organizational performance to the results of their particular programs to improve the lives of a target group (e.g. the poor). At the same time, a majority of organizations also see their performance in terms of their "efficiency" in deploying resources. This relates to the optimal use of resources to obtain the results desired. Finally, in order for an organization to remain viable over time, it must be both "financially viable" and "relevant" to its stakeholders and their changing needs. In the OA framework, these four aspects of performance are the key dimensions to organizational performance.

**External Environment**

Organizations exist within certain external contexts or environments that facilitate or impede their performance. Key factors in the policy or regulatory environment, and in the economic, political, socio-cultural, environmental and technological contexts, affect how the organization does its work, or the work it does.
**Internal Motivation**

Internally, performance is driven by the organization’s motivation to perform, which refers to the organizational culture, history, mission, values and incentive systems. These factors affect the quality of work, the nature of how the organization competes, and the degree of involvement of internal stakeholders in decision-making processes.

**Capacity**

Performance is driven, in part, by organizational capacity, which we now understand as existing in seven basic areas: strategic leadership, human resources, financial resources, infrastructure, programming and process management, and inter-institutional linkages. Each of these seven capacity areas may be described in sub-components, as for example in the organization’s strategic leadership capacity which is understood as its structure, governance, leadership, strategic plans and niche management. Human resources, financial resources and infrastructure are seen as resources as well as the management of these resources. Organizations also have capacities that result from the relations, partnerships and alliances they have established with other organizations—referred to as inter-institutional linkages.
Assessing Organizational Performance - Level 1 -
IDRC, March 2007

Workshop Objectives

- Describe the OA framework and elements of organizational performance
- Discuss how to use the OA framework in your own field of work
- Discuss how OA has been used to assess the performance of different types of organizations around the world
- Provide opportunities to use material and present tools for OA
Structure of the workshop

- Module 1: Why organizational assessment?
- Module 2: Linking OA to IDRC project cycle
- Module 3: Applications of OA
- Module 4: OA tools and resources
Module 1

Why Organizational Assessment (OA)?

Why the push to put more focus on research organizations?

- Building research capacity mostly occurs within organizations and networks
- Poorly performing organizations and networks reduce IDRC’s chances for successful work
- rPCRs often cite poor project results linked to organizational problems
- rPCRs indicate that organizational capacity and performance are important issues to be monitored by IDRC’s staff
- IDRC’s staff and senior management are interested in understanding how IDRC can work more successfully at organizational level.
Sharing experiences

What has been your experience with partner organizations in which organizational issues have positively or negatively affected project results?

OA and OA Frameworks

Where does OA come from?

Emergence of frameworks:
- International interest in understanding how organizations support development effectiveness
- Different ways to assess organizations, capacity and performance; few frameworks put these ideas together

This OA Framework:
- Partnership with IDRC since 1995; IDB supported on-going development since 1998

Utility of the OA Framework

The OA framework provides:
- Common language
- Organizational and unit performance (results) focus—not only project
- Identification of factors that affect performance (positively or negatively)
- Evidence-based dialogue and learning about what works

Other factors that support organizational performance: institutional conditions, readiness, champion, etc.
What is Organizational Assessment (OA)?

- OA is a systematic approach to assess an organization with a view to improving its performance.
- It can be comprehensive or more focused.
- It can be driven externally or conducted through a self-assessment approach.
- Size, scope, and approaches of the exercise vary—and opportunities for application vary.

The OA Framework

Organizational Performance Variables

\[ P = f(CME) \]
**Performance**

- Effectiveness
- Efficiency
- Relevance
- Financial viability

**Organizational Effectiveness**

Organizations are effective when they successfully meet their purpose, which is often described in the following documents:

- Mandate
- Goals
- Charter
- Mission
- Strategic Objectives

**What is an Efficient Organization?**

- Maximize the use of its resources to reach its purpose
- Indicators such as output per staff, program completion, ratio of overhead/program costs, timeliness of service delivery
A Relevant Organization

- Is an organization that …
  - satisfies stakeholders' ongoing requirements for quality/quantity of goods and services
  - is relevant to its main stakeholders - user, non-user, client, non-client, customer, citizen, consumer, funder, investor, union, government, employee
  - can respond to emerging competition, trends, technologies and other external forces
  - can create/exploit new markets or revenue sources
  - is able to renew itself

Financial Viability

- The ability of an organization to generate and manage adequately its resources in order to ensure its ongoing existence

Capacity

- Strategic leadership
- Structure
- Human resources
- Financial resources
- Infrastructure
- Program and services management
- Process management
- Inter-organizational linkages
Motivation

- History
- Mission
- Culture
- Incentives/rewards

External Environment

- Institutional and organizational
- Administrative/legal
- Political
- Social/cultural
- Technological
- Economic
- Stakeholders
- See p. 124 of ToolBox
When has the framework been used?

- For diagnosis purposes—helping to decide on whether to proceed with a project
- When the organization is experiencing a major change of direction—self assessments are useful
- As part of strategic planning or assessment initiative
- To support reform efforts
- In order to assess potential investments in an organization
- As a tool for reviews and orientations IUCN
- Supervisory visits—quick assessments
- For research ISNAR
When have we used it in the project cycle?

- 22 Ministries in Guyana as part of a Public Sector Reform
- Ministry of Environment and Agriculture (Belize)
- Ministry of Education, Niger
- International Centre for Diarrheal Disease Research (Bangladesh)
- 5 Regional Health Institutes (RHIs) – Caribbean region
- 3 Social and Economic Policy Research Institutes, West Africa
- International Centre for Human Rights and Democratic Development (Canada)

OA and IDRC

Key issues:
- How can our work with individual researchers and research projects better support the organizations in which they work?
- How can IDRC better identify signs of organizational distress and/or opportunities for organizational strengthening?

Linking OA and IDRC tools

Tools and possible sources of data for monitoring organizational performance at:
- Project identification and approval
- Project implementation
- Project wrap-up

(See the handout)
Linking OA and IDRC tools

- 2

• Group Activity A (60 minutes):
  • Volunteer is asked to share a project experience where organizational performance was a concern at that particular phase in the project cycle
  • Discuss the following questions:
    – What are the 3 key areas of organizational performance and capacity you would focus on?
    – What kinds of questions would you ask?
    – How would you gather the information?
    – Who would you talk to?

Linking OA and IDRC tools

- 3

• Group Activity B (30 minutes)
  • Reflect on the tool assigned to the Group
    – How can we diversify and deepen assessment of organizational performance and capacity in the use of this tool?

OA and IDRC

• Plenary discussion:
  • How can IDRC better identify signs of organizational distress and/or opportunities for organizational strengthening?
MODULE 3 - APPLICATIONS OF OA

Module 3
Applications of OA

Conducting an OA process
Case study of the Centre on Integrated Rural Development for Asia and the Pacific (CIRDAP)
Context for the OA

- Financial crunch at CIRDAP and increasing difficulty to obtain funds from donor agencies
- Competition from NGOs to obtain those funds
- Changing perception of donor agencies towards regional organizations like CIRDAP
- The need to find new partnerships or joint collaborations with recognized national and international agencies

Purpose of the OA

- The purpose of the OA was to help CIRDAP find ways to keep the centre relevant and effective in assisting national action of member states and promoting regional cooperation given its existing financial and human resources

Approach/Scope

- Creation of a self-assessment core team headed by the training Division Chief and consisting of representatives of the 4 programme divisions of CIRDAP
- Creation of a SAM (self-assessment matrix) with assessment questions & performance indicators
- Obtaining quantitative data from published documents and project reports
**Approach/Scope - 2**

- Obtaining qualitative data from:
  1. Survey questionnaires from CIRDAP staff, link institutions/contact ministries, donors and partner institutions or individuals to obtain information on key stakeholders
  2. Interviews and focus group discussions of select groups to obtain more in-depth information and perception on the centre’s performance
  3. Mini-workshops with staff primarily to analyze the Centre’s strength, weaknesses, opportunities and threats from their perspective.

**Tools**

- Self-assessment matrix (SAM)
- Survey questionnaires
- Strategic planning workshop (SPW)
- Mini-workshops with CIRDAP staff
- Interviews with selected groups
- Focus groups with CIRDAP staff
- Review of project reports and published documents

**Who were the stakeholders?**

- CIRDAP Secretariat, Director General, executive committee (EC), technical committee (TC) and staff
- Donor agencies
- Member states
- CIRDAP contact ministries (CCMs)
- CIRDAP link institutions (CLIs)
Factors affecting the Process

Positive factors:
- A dedicated staff member
- Interest of General Director because of IDRC
- Staff willingness to engage in interviews
- Resources

Factors affecting the Process – 2

Limiting factors:
- A change of General Director at the Centre
- Core team unsure of methodology – made exercise time consuming
- Certain data needed for the performance indicators was not being monitored by CIRDAP – no benchmark provided
- Written survey response was poor
- SPW was too short (3 days)

Lessons Learned from this experience

The self assessment process introduced a broader perspective of assessing organizational performance by going beyond issues of programmes/project performance

A well-functioning data management and information system would be helpful to facilitate data collection and analysis so that a more meaningful assessment could be undertaken

The OSA provided a very deep diagnosis—perhaps too much data before action started—thus learned about the need to balance diagnosis and action
Lessons Learned from this experience – 2

- Data collection tools need to match culture
- Partnership with AIM needed to be worked out before project began
- Leadership changes affect the use of OSA
- All staff, even lower level staff, are curious about their organization and have something to say about it.

Using OA framework and tools on an ongoing basis
Case study of IUCN

Context for the OA

- IUCN – The World Conservation Union
- A decentralized, regionalized, not-for-profit organization – 9 regions, 62 offices, 1100 staff members
- Membership-based organization with over 1000 NGO and state government member organizations world-wide
- Headquarters – Switzerland
**Uses of OA in IUCN**

1. Internal peer review of large organizational units (i.e. global thematic programmes, regional programme offices) commissioned by Senior Management Team

**1. Internal Peer Reviews**

- Internal Strategic Reviews of large regional or country offices and their programmes, networks of experts, consortium of partners (15 in total)
- Commissioned by senior management – questions of relevance, strategic vision, financial viability
- OA framework used for both diagnostic and evaluative purposes and renewal
- Cycle of reviews – to build an ongoing picture of organizational performance over time

**Approach and Scope**

- Internal – using senior peers and consultant support
- Capacity building a major objective
- Focus
  - regional and global units – multiple countries, members, partners (e.g. West Africa, Southern Africa, European Office)
  - networks of experts, partners
- 4 – 6 week process
- Modest budget of CHF 30,000 – 50,000 plus staff time (2 people – 4 weeks)
**Stakeholders**

Inside and outside stakeholders
- IUCN staff of the regional and country offices, networks, professional and support staff
- Senior management from HQ and regions
- Governing Council
- Member organizations in the region – often up to 300 organizations
- Implementing partners – NGOs, community organizations, governments
- Donor agencies

**Tools used**

- Situation analysis – issues and trends in external environment
- Review of evaluation reports, work plans, budgets
- Staff self assessment questionnaires – annual staff survey
- Staff focus groups
- Member, partner and donor questionnaires – their perceptions of the relevance, effectiveness, efficiency and impact of IUCN – annual donor survey
- Selective interviews
- Follow-up interviews on use of results – one year later
- Corporate reporting at governance level – management responses

**Issues**

- Peer review – reality of taking peers away from ongoing business – difficult to do if no backup
- Time is a problem more than resources
- Coaching required for senior peers in review techniques, dealing with ‘experts’
- Dealing with human resources issues – inappropriate use of OA process to deal with HR issues of poor management
- Understanding the performance of one unit in the context of the overall performance of the organization.
What does IUCN mean by performance?

- An organizational is performing well if:
- It is relevant to its external environment and stakeholders
- It is meeting its goals effectively and efficiently
- The environmental footprint (causing no harm)
- It has the capacity and resources to continue to do so.
- Demonstrated ability to generate appropriate levels of resources

What happened?

- Common language – coherent organization
- Systematic reviews
- Focus on performance issues
- Links to staff performance

External evaluation using OA Framework

Case study of UNCDF
**Context for the OA**

- UNCDF created in 1966, member of UNDP group
- 2003 - Executive Board mandated an Independent Impact Assessment
- Low levels of contributions from donors to core resources
- Executive Secretary about to finish his term
- Perceived competition between UNCDF and UNDP in some areas of programming

**Key issues emerging from OA**

- Effective organization and relevant to LDCs and other stakeholders
- Relatively efficient organization
- Questionable financial viability due to:
  - Mismatch between the niche of UNCDF and international donor funding trends
  - UNCDF governing structure
  - UNCDF’s role in the UNDP Group

**What happened?**

- Use of OA findings by Executive Board
- Positive changes in several of the areas of strategic recommendations:
  - Alignment UNDP-UNCDF
- Limited follow-up on operational recommendations
Factors that will affect the OA Process
- How far can you go engaging in OA depends on:
  - Support from senior leaders
  - Clarity of the purpose, trust to engage
  - Existence of a framework to guide the process
  - A skilled people
  - Data-availability and reliability
  - Culture (country and organization)
- You as a supporter of the process

What to do when factors hinder the OA process
- Communicate about the process (before, during, after)
- Use change management techniques to help stakeholders express their concerns
- Be transparent about purpose and expectations
- Identify limitations and adjust the scope of the OA to these limitations – Be creative
- Demonstrate use of results
- Determine when it is worth continuing or stopping

Characteristics of an Effective OA Intervention
- Clear Purpose
- Useful Model
- Ownership of Process
- Appropriate Methodology
- Effective institutional and organizational assessment
What is Reflect & Learn?

http://www.reflectlearn.org/

- Interactive website created by Universalia, IDRC and McGill University
- Designed to improve learning by using Organizational Assessment frameworks, models, and tools for self-reflection
- Tailored for organizations or individuals interested in learning about the role OA plays in improving organizational performance
**OA e-course (IDB)**

- Free online course developed by the Inter-American Development Bank (IDB)
- [http://www.iadb.org/int/rtc/ecourses](http://www.iadb.org/int/rtc/ecourses)
- Scores over 78% can print their own certificate!

**OA websites**

- [http://www.reflectlearn.org](http://www.reflectlearn.org)
- [http://www.edc.org/GLG/CapDev/dosapage.htm](http://www.edc.org/GLG/CapDev/dosapage.htm)
- [http://www.isnar.cgiar.org/ecd/index.htm](http://www.isnar.cgiar.org/ecd/index.htm)
- [http://www.iadb.org/int/rtc/ecourses](http://www.iadb.org/int/rtc/ecourses)

**Future development**

Evaluating networks - some observations
Observations on evaluating networks

- Network members have different capacities, time horizons, interests, understandings, membership levels and so forth making organizing difficult.
- Network effectiveness is normally more complex than organizations.
- Transaction costs are always high in networks – particularly networks formed for a project.
- Network beneficiary is often network members – beneficiaries are downstream.

Observations on evaluating networks - 2

- Network ownership and financial viability is often a problem.
- Capacity building is often mentioned as a reason to participate in a network.
- Networks need a champion when starting – transitions are often tenuous.
- See our paper on http://www.reflectlearn.org/

Conclusion

- Please complete the evaluation sheets that are provided to you in the booklet.

Thank You For Your Collaboration!
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