Managing Non-Profits In Workforce Development

A Roadmap To Success

By Rebecca Klein-Collins

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EXECUTIVE SUMMARY

More than ever before, workforce development non-profit organizations are needed to provide post-placement support, assist with employee retention, and help entry-level workers advance to higher levels. The Levi Strauss Foundation, with its strong interest in fostering the survival and success of workforce development non-profits, recently sponsored a study of its own grantees by the Council for Adult and Experiential Learning (CAEL), in which sixteen workforce development and microenterprise grantees of the Foundation's Community Transition Fund (CTF) were asked about their experiences and their views of what has contributed to their organization's success.

As a starting point for this study, CAEL drew on the findings of two related reports. The first was "Labor Market Leverage: Sectoral Employment Field Report," a 1999 report by Mark Elliott and Elisabeth King of Public/Private Ventures (P/PV). The second was a 2001 Jobs for the Future report, "Responding to a Changing Labor Market: The Challenges for Community-Based Organizations," by Peter Plastrik and Judith Combes Taylor.

In the Levi Strauss Foundation study, phone interviews were conducted with sixteen non-profit organizations, nine of which were focused on workforce development and eight on micro-enterprise programs (one organization offered both kinds of services). Most, but not all, of the organizations served small geographic areas (and were, in fact, community-based), but a few were focused on larger regions or entire states. In addition, site visits were made to five organizations which had recently undergone significant changes, experienced dramatic growth, or had introduced new and innovative initiatives:

- ACCION Texas - San Antonio, TX
- Tennessee Network for Community Economic Development (TNCED) - Nashville, TN
- Knoxville Area Urban League (KAUL) - Knoxville, TN
- North Carolina REAL Enterprises (NC REAL) - Durham, NC
- La Mujer Obrera (LMO) - El Paso, TX

The interview responses confirmed many of the success criteria that were identified in the P/PV and JFF studies, while identifying some additional criteria as being important to the effectiveness of the Levi Strauss grantees. Combined, these ten success criteria make up a new roadmap for organizational effectiveness that can serve as a framework for other workforce development organizations for the purposes of self-evaluation and strategic planning, or that can be used as a way to be evaluated by others (See Table 1, next page).

The ten criteria in the roadmap can be organized in three main categories. The first involves following through on the purpose of the organization through a focused service delivery strategy.

The second category is external relationships - how other players view an organization and how well the organization works with others. Finally, the third category is internal management - being able to manage the organization like a well-running business, valuing and cultivating the expertise and contributions of one's staff, and learning from the organization's own performance.

In sharing this research with a wider audience, the Levi Strauss Foundation hopes that the list of success criteria put forth in this report can be used as a flexible tool by both grant-makers and workforce development organizations.

We are indebted to organizations like the Annie E. Casey Foundation and the Charles Stewart Mott Foundation who sponsored the P/PV and JFF studies that presented a starting point for this study, and we encourage other grant-makers and interested parties to join in this ongoing dialogue on organizational effectiveness factors.

Table 1.
Roadmap for Organizational Effectiveness

Service Delivery Strategy

1. Keeping a Sharp Focus on the Needs of the Individual Client
2. Ensuring Positive Outcomes by Focusing on the "End User"

External Relationships

3. Displaying Cultural Competency
4. Engaging in Strategic Collaboration
5. Cultivating Relationships with the Public Sector
6. Maintaining a Solid Reputation in the Community

Internal Management

7. Applying Performance Data to Enhance Organizational Effectiveness
8. Committing to Organizational Change and Adaptation
9. Valuing the Expertise and Contributions of Staff
10. Exercising Financial Acumen

INTRODUCTION

Varying Roadmaps, Varying Results: The Tale of Two CBOs

A short time ago, there were two small non-profit training organizations that provided services to the unemployed in the same mid-sized city in the Southeastern United States. These organizations survived for many years on government job training contracts, but when the Workforce Investment Act and Empowerment Zone funding made it possible for a local community college to establish a one-stop career center, both organizations found themselves faced with intense local competition for public dollars and clients.

In such a new environment, the different ways in which these two organizations operated ultimately made a difference for the organizations' survival. One organization is still operating, while the other is not. The surviving organization had a roadmap to success - key factors that have contributed to its ability to weather change. Its roadmap included a strong organizational identity and reputation in the community, solid partnerships with other organizations, and a unique approach to ensuring the success of its clients.

The Challenging Landscape for Non-Profit Workforce Development Organizations

Non-profit organizations have long played a role in workforce development, helping the unemployed and disadvantaged make transitions to new employers through general job readiness training as well as through job-specific skill training. The many changing demands of the labor market - the need for workers with higher skills and the ability to continually learn new skills - have created a new set of challenges for these organizations. The need for their intermediary role is greater than ever before to provide post-placement support, assist with employee retention, and help entry-level workers advance to higher levels. Yet non-profit providers face dwindling government resources as well as a shrinking pool of philanthropic funding due to the recent stock market bust.

The Levi Strauss Foundation has a strong interest in fostering the survival and success of these workforce development non-profits, particularly community-based organizations (CBOs) who have strong ties to localities and who have a clear self-interest in the success of the local economy and the local workforce. The Foundation recently sponsored a study of its own grantees by the Council for Adult and Experiential Learning (CAEL), in which sixteen workforce development and microenterprise grantees of the Foundation's Community Transition Fund (CTF) (see sidebar) were asked about their experiences and their views of what has contributed to their own organization's success.

A result of this study is a list of ten criteria for organizational effectiveness, which the Levi Strauss Foundation is sharing through this report. The Foundation hopes that this information will help provide a roadmap for workforce development CBOs to adapt to new challenges and succeed as effective organizations, while helping philanthropic organizations find ways to assist these CBOs reach their potential as workforce development practitioners.

WHAT MAKES AN ORGANIZATION EFFECTIVE?

How do you know when you have a successful operation? In the business world, we know that this is a difficult question to answer. High volume sales and large customer bases do not always ensure stellar financial ratings of organizations, as watchers of Amazon.com can attest. And even financial ratings themselves can become questionable, as we know from the recent scandals involving Enron, Global Crossing, and Worldcom. Financial statements - whether fabricated or true - do not always tell the full story and often can hide important measures of a company's health or financial integrity. It is equally important to understand how companies are viewed by their customers, how they are managed, and what they do to ensure continuous improvement and adaptation to the changing market. Evaluation based solely on a company's quarterly reports and projections would be a short-sighted and simplistic view of a company's financial health.

But similar short-cuts are often taken in assessing the effectiveness of community-based organizations and other non-profits who provide workforce development services to the unemployed or the underemployed. The temptation is to evaluate the organization on outcome measures alone - how many people were served, how many completed training, how many were placed in jobs, the total cost per placement, etc. This is the kind of performance evaluation approach used most often by public sector funding sources. It is essentially a "bottom line" approach to assessing an organization's effectiveness.

The "bottom line" approach may be necessary for meeting the requirements of public funding sources, for helping the organization understand whether it may need to improve its services, and for helping pinpoint what changes need to be made. However, outcome data alone cannot give the organization a roadmap for maximizing its effectiveness.

The philanthropic community has an interest in helping provide such roadmaps to workforce development organizations. Most forward-thinking foundations routinely ask their grantees to address lessons learned in grant-funded projects. Others convene organizations to share lessons with each other. Published reports of these lessons help organizations learn from each other and establish an ongoing dialogue to move the field forward.

For example, in 1999, Mark Elliott and Elisabeth King of Public/Private Ventures (P/PV) produced a report, "Labor Market Leverage: Sectoral Employment Field Report," on workforce development organizations, some of which were participating in the

Charles Stewart Mott Foundation's Sectoral Employment Initiative. The report intended to shed light on how sectoral employment programs can effect systemic change in a given sector, noting that the most successful of these organizations shared five characteristics: expertise, leverage, allies, adaptability, and perseverance.

Overall organizational effectiveness was the focus of a 2001 report by Jobs for the Future (JFF), which documented a conference sponsored by the Annie E. Casey Foundation of Jobs Initiative sites, CBO partners of the sites, and other interested community-based organizations. In the report, "Responding to a Changing Labor Market: The Challenges for Community-Based Organizations," Peter Plastrik and Judith Combes Taylor put forth nine ways in which workforce development CBOs can address the challenges facing them and improve their performance in order to become competitive and successful at workforce development. They are:

1. Commit to organizational change
2. Collaborate to learn and gain strength in the marketplace
3. Adopt a "dual customer" approach
4. Find out what employers are looking for-and respond to it
5. Learn what it takes to be an effective workforce provider
6. Develop strong ties with human service providers
7. Develop the organization's "cultural competency"
8. Start using data to improve the organization's performance
9. Initiate a dialogue with government officials and other potential partners about ways to help CBOs build capacity to improve their performance

Using these two sets of criteria as a starting point, CAEL conducted phone interviews of sixteen non-profit organizations that had received Economic Empowerment grants from the Levi Strauss Foundation's Community Transition Fund. Nine of the organizations were focused on workforce development, and eight were involved in micro-enterprise programs (one organization offered both kinds of services). Most, but not all, of the organizations served small geographic areas (and were, in fact, community-based), but a few were focused on larger regions or entire states. In addition, site visits were made to five organizations which had recently undergone significant changes, experienced dramatic growth, or had introduced new and innovative initiatives:

- **ACCION Texas -** a San Antonio-based micro-enterprise organization with satellite offices throughout Texas, which has grown dramatically and is seeking to become self-sufficient

The Levi Strauss Foundation's Community Transition Fund

In 1997, the Levi Strauss Foundation (LSF) announced a major grant-making initiative in conjunction with the first of what would be several rounds of plant closings by Levi Strauss & Company (LS&CO). The Community Transition Fund (CTF) was established to assist local communities in the United States and Canada through the economic and social transitions resulting from plant closures announced between 1997 and 1999.

Community Transition Fund grants were intended to:

- Help communities respond to the economic impact of plant closures
- Support services in high demand by laid off workers during the transition period
- Enable communities and nonprofit agencies to maintain services while making plans to replace LSF funds

By March 2000, a total of $10.4 million in grants had been awarded through the CTF in 19 communities

- **Tennessee Network for Community Economic Development (TNCED)** - an umbrella membership group providing training and technical assistance to micro-enterprise organizations throughout Tennessee, and which has taken on a financial intermediary role to help members access new sources of funding
- **Knoxville Area Urban League (KAUL)** - one of more than a hundred Urban League organizations in the country, KAUL provides workforce education and job preparation for the Knoxville, Tennessee area
- **North Carolina REAL Enterprises (NC REAL)** - an organization that provides training and technical assistance for micro-enterprise education throughout rural North Carolina
- **La Mujer Obrera (LMO)** - an organization advocating for dislocated workers in El Paso, primarily immigrant women who had worked in the garment industry, which has evolved from providing job training to establishing self-sustaining business incubators that help people make transitions to new jobs using a more hands-on approach

The interview responses confirmed many of the success criteria that were identified in the P/PV and JFF previous studies, while identifying some additional criteria as being important to the effectiveness of the grantees in this study. Combined, these success criteria make up a new roadmap for organizational effectiveness that can serve as a framework for workforce development organizations for the purposes of self-evaluation and strategic planning, or that can be used as criteria by which such organizations could be evaluated by others (See Table 1).

The Inclusion of Micro-enterprise Organizations

The Levi Strauss Foundation requested that micro-enterprise organizations be included in this study of organizational effectiveness because they play an important and growing role in addressing employment and reemployment.

These organizations do differ: workforce development programs provide training on how to be a good employee and/or how to perform in a particular job, with the best programs working closely with existing employers to understand their needs better. Micro-enterprise, on the other hand, is principally concerned with creating successful new businesses, training people to become effective business owners, creating jobs, and fostering self-sufficiency. Micro-enterprise organizations are, however, included in this study because the needs and barriers of their clients and the challenges they face as non-profit organizations are often the same.

The ten criteria in the roadmap can be organized in three main categories. The first, "Service Delivery Strategy," involves following through on the purpose of the organization through a focused service delivery strategy. The second category is "External Relationships" - how other players view an organization and how well the organization works with others. Finally, the third category is "Internal Management" - being able to manage the organization like a well-running business, valuing and cultivating the expertise and contributions of one's staff, and learning from the organization's own performance.

In the following discussion of each of the criteria, we elaborate using the experiences and views of the CTF grantees. Only the five organizations that received site visits were asked permission to share their stories with a larger audience. Short case studies of those organizations are found in the appendix.

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SERVICE DELIVERY

The very first concern of any workforce development organization is that its services and programs are of the highest quality. This means that they meet the needs of the individual clients and that the clients are then able to meet the needs of the "end user." In the case of job training and placement, the end user is the employer. In the case of micro-enterprise, the end user is the market for the small business that is being created.

Criterion #1. Keeping a Sharp Focus on the Needs of the Individual Client

In the early 1990s, the philosophy of Reinventing Government was adopted by the Clinton Administration as its new gospel. Through initiatives like one-stop career centers, the Administration promoted the idea of the workforce development client as "customer." The idea was that organizations should not be in the business of dictating service plans in a paternalistic way but should instead treat clients like businesses treat their customers - finding out what the client needs or wants and then providing those services.

Today, the client-as-customer philosophy is one way that successful organizations define themselves, and it is also the reason why many organizations believe they achieve success in the first place. The grantees in our study, for example, defined part of their success or effectiveness by their impact on the individual clients - helping them reach personal goals, helping them make major life changes, helping them become self-sufficient, or even doing things that are hard to measure, such as fostering self-esteem and self-confidence.

It was also important to the CTF grantees that the way they operate be responsive to client needs. This may involve helping them find other community resources to address social service issues, but it also involves things like tailoring training to client learning styles. For example, NC REAL said that its curriculum was originally designed to be more experiential since, in the organization's experience, clients who were self-starters were more likely to be "hands-on learners." It also changed the venue of its outreach program from community college campuses to local churches in order to provide a less intimidating environment for its clients. ACCION Texas customizes the terms of its loans in response to clients who experience sudden, unexpected life changes. While a bank would simply consider the loan a default, ACCION considers extenuating circumstances such as a death in the family and helps steer the client back on track with restructured loan payments.

Several of the interviewees observed that their planning process is a better one when it involves client representatives, believing that they can be more effective when the voice of the client is heard on the advisory board or on a planning committee. La Mujer Obrera, for example, solicits input and involvement from displaced workers on all of its new projects and planning activities.

Criterion #2. Ensuring Positive Outcomes by Focusing on the "End User"

Another shift in thought created by the Reinventing Government movement was the view that workforce development organizations have more than one customer. Not only do workforce development programs and services need to respond to the needs of the individual job seeker, but they also need to view employers as customers benefiting from their services as well. Similarly, microenterprise organizations must be able to help clients read the market for their products and services, since the market will ultimately have the final say on whether the enterprise is successful or not.

Workforce Development: A Focus on the Employer

Many of the CTF interviewees clearly saw the correlation between business involvement and their own successful performance, particularly in the area of job placement and retention. Having a strong working relationship with an employer means that if there are problems with a placement, the employer can provide feedback on what did not work. Or, as one grantee explained, "The relationship with employers is critical. For example, if there is a problem with placement, employers let us come in and provide coaching and mentoring, and aid in retention." Of course, the goal is to have successful job placements because employers will then consider the organization to be a good source of future labor, perhaps even referring other companies in need of workers.

Those successful placements come about through a number of ways that the organizations work with employers, including:

- Development of a training curriculum
- Discussions about current skill/occupation needs and future employment trends
- Assistance with selecting training candidates
- Making use of a business advisory board or including employers on a board of trustees
- Creation of post-placement support such as coaches or mentors

> "We couldn't do anything without the employers."
> - A workforce development CTF grantee

The workforce development organizations interviewed provided strong evidence of focusing on the needs of local employers to ensure the success of their training and placement activities. Involving employers in the planning process, recruiting them for advisory boards, and cultivating relationships with them are all activities that take persistence and an ability to see employers as a second "customer." This work can be challenging for many non-profits, but is a critical criterion for success.

Successful job placements also come about by making sure that a person is absolutely the right fit for a particular job. La Mujer Obrera, for example, has started business incubators in lieu of traditional classroom-based job training. The incubators employ trainees and give them hands-on training and experience in the very fields that are to employ them. By the end of their training, the clients will know almost without a doubt if the job is the right fit for them.

A more traditional approach to job matching was followed by the Knoxville Area Urban League. Job retention is a major concern for that organization, and so it includes several interventions to make sure that job placements succeed. On the front end, the client goes through a series of assessments, including aptitude and interest assessments. The results of these assessments are then used to make sure that clients do not pursue lines of work for which they are not well suited. On the back end, after job placement, the organization follows up at 30, 60 and 90 days, to make sure that there are no problems that jeopardize an otherwise good match.

The ultimate goal of any workforce development program is the placement of the client in a job with an employer. An effective CBO will have strategies to ensure a good fit between the client and the job - it shows respect to both the client and the employer, and it increases the likelihood that the match will develop into a long-term employment relationship.

Micro-enterprise: A Focus on the Markets for Micro-Business

An equivalent focus for micro-enterprise organizations is helping to ensure the success of the small businesses their clients are creating. When asked what factors contributed to their organizations' success, several of the CTF micro-enterprise organizations mentioned very specific ways they help their clients' businesses, such as:

- Help in developing a business plan
- Follow up - providing technical assistance sometimes years after a client completes the coursework
- Support in client networking; for example, providing a website that helps clients network with existing businesses

Resources published by FIELD (the Microenterprise Fund for Innovation, Effectiveness, Learning and Dissemination, at the Aspen Institute in collaboration with the Association for Enterprise Opportunity) indicate that another focus of leading micro-enterprise is on helping clients access markets for their businesses. When asked about the specific assistance in marketing that they provided, three of the organizations mentioned standard marketing assistance such as curriculum units on marketing, one-on-one technical assistance, special seminars, etc. Two reported that they established peer support groups to help the entrepreneurs help each other, with limited success.

Two organizations, however, were taking steps to help provide marketing opportunities for their client entrepreneurs. La Mujer Obrera, for example, has established the Mercado, an indoor marketplace for entrepreneurs to showcase their merchandise. Another grantee was seeking funding to set up an Internet marketplace for its clients to assist with marketing their businesses. These are both practices that are being used by other microenterprise non-profits as well.

Those organizations dedicated to providing training and technical assistance to would-be entrepreneurs have a strong interest in ensuring that the businesses they are helping to develop actually succeed. Providing marketing opportunities, and not just marketing classes or technical assistance, is indeed a way of ensuring the success of both the businesses and the CBO.

EXTERNAL RELATIONSHIPS

Few non-profit organizations can be independent operations. Most are dependent on external funders for their livelihood. But successful organizations recognize that the key to their overall success lies in a variety of relationships to external parties. How an organization operates in the context of its community is critical for meeting short term goals as well as the long-term organizational mission.

Criterion #3. Displaying Cultural Competency

The Jobs for the Future study discussed the importance of an organization's "cultural competency," or the ability of an organization to address successfully the challenges it faces in terms of race, class and culture. Most of the CTF grantees confirmed that cultural competency was very important to their own effectiveness, and more than half of those interviewed said that they believed that their organization's effectiveness was, in fact, dependent on their ability to deal with issues of race, class or culture. (Some examples of the kinds of "cultural competency" the organizations exhibited are described in the box on the following page).

"The challenges of our clients with respect to age, ethnicity, prior education, language, and prior work experience are why we exist."
- A micro-enterprise grantee

Several of the interviewees explained that they would not have clients if they did not deal with issues of race and ethnicity. They see much of their work - economic development, the creation of training and employment opportunities, technical assistance, and public policy advocacy - as the response to the larger challenges faced by the populations they serve. Recognizing cultural or other personal barriers and doing something to minimize those barriers are ways that effective organizations survive and help their clients thrive.

Examples of Cultural Challenges Faced by the CTF Grantees

Attitudes of Employers - Many job seekers experience employer bias on the basis of race (particularly African American and Latino), age, disability, and/or welfare status. CTF grantees displayed their cultural competency by working closely with employers or by using public speaking opportunities to educate the public and attempt to change attitudes.

Public Opinion on Undocumented Immigrants - Organizations serving immigrants often must deal with the attitudes of donors and employers regarding their client's immigration status. One grantee has worked out a compromise as a solution: it does not require any identification for its meals program, but it does require legal status for participation in job training. The organization also offers citizenship classes to help individuals overcome this barrier.

Bias of Financial Institutions - Micro-enterprise clients have often been denied loans from financial institutions because of their credit history or because they do not dress or act like "typical bank customers." The bank's distrust of the clientele, however, is equaled by the clients' distrust of banks. Effective non-profits address these cultural challenges head on, helping individuals learn to trust banks and working with them one on one, providing credit counseling, resolving outstanding financial issues, and designing loan payments that are both profitable for the organization and realistic for the client's circumstances, even when those circumstances take a sudden downward turn.

African Americans and Job Retention - The Knoxville Area Urban League is paying close attention to the problem of job retention among its African-American clients, pointing out that many of the clients do not understand what to do when they are frustrated in a job situation. They often just walk out rather than find other ways to resolve the problems. The organization places great value on its post-placement follow-up activities to help the clients succeed in sticking with the job.

Women's Multiple Priorities - Micro-enterprise organizations have learned that their female clients often start businesses at a distinct disadvantage. Often women will chose self-employment because of the freedom it gives them to attend to their family responsibilities. The downside is that time away from the shop to take care of a sick child results in smaller business balance sheets, relative to men. This creates challenges for financing the business. Flexible loan terms established by the lender organization can help the women reach their business goals in a way that makes sense for the competing demands on their time.

Criterion #4. Engaging in Strategic Collaboration

Effective non-profit organizations are those that recognize the fact that they cannot do everything themselves. To build capacity, to maximize their influence, and to broaden organizational reach, effective non-profits develop and draw on networks of other organizations to help them accomplish their goals and meet their obligations.

The CTF grantees reported having many different kinds of partnerships - both formal and informal - that they consider valuable to their work. But the numbers and uses of partners was different for every organization. Some organizations had just a few entities that they considered partners, while others depended on large networks consisting of hundreds of organizations. Some partners were organizations that provided similar services, and the partnership served to help the coordination of services to avoid duplication. In other cases, partners provided complementary or sequential services. The Knoxville Area Urban League, for example, used a network of social service organizations to provide internships for its Welfare-to-Work program. Partnerships should not, however, be limited to other non-profit organizations. It is also important to cultivate relationships with public sector service providers in order to collaborate and coordinate services in the community.

Some partnerships were developed in order to subcontract services, and other partnerships were formed to join

"Because conditions are so significant, no one organization can do it alone."
Cindy Arnold, La Mujer Obrera

forces on boards or task forces for community planning or advocacy purposes. TNCED, NCREAL and ACCION Texas utilized partnerships to help expand their client base. ACCION, in particular, valued its partners for their marketing role. Through intake tracking, the organization has determined that 70% of its clients hear about the organization through one of its partners. Using a slightly different strategy, NC REAL reported that partnerships are helping the organization get into new lines of work. In its micro-enterprise activities, the organization is establishing partnerships with other CBOs and community development corporations to help them reach new clients.

All of the organizations had established some systems for referring their clients for social service assistance. While most CBOs have missions that direct them to help clients in any way possible, it is almost impossible for any one organization to even try to meet every social need internally. Developing relationships with social service organizations for the purpose of referrals is a much more efficient and effective strategy.

The CTF grantees were committed to the use of partnerships to market their services, to coordinate services in the community, to have a stronger voice in the public arena, and to grow their capacity. Through the use of partners, they were able to have a more significant impact.

"We don't see competitors; we see partners."
Joe Fox, NCREAL

Criterion #5. Cultivating Relationships with the Public Sector

The fact that the public sector is the source of so much financial support for these organizations spurs many of them to engage actively with the public sector through either advocacy or simple dialogue. The JFF study recommends this strategy as a way to help CBOs build capacity to improve their performance.

Many of the CTF grantees in this study were, in fact, very engaged with the public sector, beyond merely the coordination of service provision as described earlier. NCREAL, for example, made efforts to collect longitudinal data in order to educate the state's legislature on micro-enterprise and demonstrate the impact that small businesses have on job growth and the state's tax base. The Knoxville Area Urban League, which had at one time received significant business in government contracts, had joined a coalition of Urban League organizations throughout Tennessee to advocate for state job training referrals.

Two other organizations - TNCED and La Mujer Obrera (LMO) - viewed their policy work as a core competency or key strategy in their work. LMO advocates for the rights of workers, particularly low income female immigrants. TNCED is involved in policy work as a way to educate government organizations and help them understand disenfranchised populations; TNCED also advocates on behalf of other non-profits. Its director observed that so much involvement with the public sector can occasionally work at cross purposes to the financial well-being of the organization, which has been awarded numerous government contracts in recent years: "It's hard to do [fundraising] when we are their adversary." Finding a way to do both - successfully - is the sign of a truly effective organization.

Criterion #6. Maintaining a Solid Reputation in the Community

The interviewees repeatedly pointed out how important it was for the organizations to have established strong relationships with the larger community. An organization's effectiveness could be greatly affected by the reputation it has developed based on its background and history of service to the community, its adherence to its mission, and the quality of its services.

A good reputation can serve as an organization's competitive advantage in the marketplace - attracting clients through word of mouth, launching initiatives that grow out of community need, and serving as the voice of the community in the public arena. La Mujer Obrera sees itself first and foremost as a workers' organization that combines the workers' ideas and energies with greater community resources. The organization routinely brings together the people it serves to help determine community needs and how to meet them; its business incubator opportunities, for example, were determined by committees of its clients. An added bonus is that because of its strong reputation in the community, it has little need to do marketing, relying instead on word-of-mouth for client referrals.

NC REAL made a point of establishing "community support teams" for each of its sites to establish a clear link to community resources. Team members usually include individuals such as bank loan officers, real estate agents, accountants, attorneys, and so on. In some cases, the bank officer who comes in to the class as a team member is the same person accepting loan applications later in the process; when this happens, the loan process can feel less threatening to the new entrepreneurs. This team-building approach has worked well for the organization for the past fifteen years.

Yet another example is the Knoxville Area Urban League, which has shown its commitment to the African American community through such activities as its recent "Urban Networking Event."

A word of caution, however: while these ties to the community are valuable to the organizations, they are not sufficient in and of themselves. A good reputation may endure long after the quality of services have actually declined, and so the value of community opinion must always be taken in the context of other success factors.

An organization's ability to establish and cultivate relationships with its customers, partners and other external parties is critical to its long-term success. But simply good relationship-building will not keep the organization running smoothly, nor does it ensure good performance. An organization also needs to have effective internal management by applying lessons learned from the analysis of its own performance data, instituting changes that respond to the world around it, recruiting and retaining high quality staff, and ensuring the financial stability of the organization.

Criterion #7. Applying Performance Data to Enhance Organizational Effectiveness

Objective performance data is sometimes difficult to obtain and such data can rarely convey the full impact of education, training, placement or micro-enterprise development activities. However, hard data can tell a story about an organization's performance and provides an easy way to compare results across multiple organizations.

Most non-profit organizations have always collected data of some sort. But as mentioned earlier, in recent years, public sector agencies and other funders have placed a great deal of weight on performance data to make their funding decisions, and so there is an increased need to document outcomes. It is therefore not surprising that most of the organizations we interviewed mentioned objective data frequently in discussions about their organizations' effectiveness. When the CTF grantees were asked to define their own effectiveness, most of the responses had to do with performance indicators related to client outcomes, such as training completion rate, pre- and post-testing to measure skill gains, job placement rate, employment retention, wages at placement, quality of placement (in terms of livable wage and permanent status), and employer satisfaction.

The micro-enterprise organizations also mentioned a number of objective measures used to define their own effectiveness. Those that provided training and technical assistance were concerned with measures such as the number of businesses that receive funding, the level of commitment and investment from the individual worker to grow the enterprise, learner/customer satisfaction, and the number of graduates who start a business. Organizations that provide lending were concerned with tracking the number of new customers (borrowers), the loan repayment rate, and the lending volume.

When asked how they thought they ought to be evaluated, some of the grantees mentioned less common measures, such as the number of families affected, the geographic reach of the organization, and the degree to which income or assets have increased.

One challenge for non-profits is having the systems in place to track all the data that is needed. Many of the organizations interviewed would like to be able to track more long term data, such as long term outcomes, job retention and job satisfaction over time, but there is little funding available for such studies; one organization had compromised by conducting a longitudinal study once every five years. Long term follow up, therefore, appears to be one of the biggest challenges for all of the organizations in having complete impact data - not only how to do it, but also how to pay for it.

NCREAL measured its effectiveness, in part, through the number of graduates who do not start a business. Their training curriculum is designed to help people understand the risks of self-employment; when clients decide that they do not want to assume that risk, the organization succeeds in identifying a higher percentage of people who are more suited to the risk of business ownership.

Michelle Flynn, the Director of TNCED, expressed caution regarding some of the typical measures in evaluating lending organizations, explaining that "The poorest entrepreneurs are the most reluctant to take on a loan. […] Also, federal funders measure micro-enterprise success by the number of full-time jobs that are created by a business. This measure is inadequate since it might take five years before someone is able to create one full time job. The more barriers you have (such as a disability or low income), the longer it can take. In addition, it does not count the many people who are doing this on the side to increase family income or assets, or someone who makes a choice to be employed because of public or private benefits they receive. Also, a person may be able to earn more money from an employer as a result of our training - they have learned something or have decided to get more education to get a higher income that way, not just by starting a business.".

A bigger issue, however, is what effective organizations do with the data they do collect. The interviewees reported several different ways that performance data was applied to help in the management of the organization.

- Strategic Planning - Interviewees mentioned using data for planning purposes related to developing new programs, developing organizational policy, etc.
- Continuous Improvement - Several grantees use data to make program adjustments, improve services, or revise curriculum or program activities.
- Reporting to Funders and the Public - CTF grantees said that data is used to report to funders and other interested parties, in order to show what the organization is doing and the impact it is having on the population served. In one interesting example, NC REAL uses long term data to show its state legislature - a funder of the organization - how much its clients' businesses contribute to the state tax base in terms of total sales revenue and job creation.
- **Public Education** - One organization in the study had its own "research institute" that disseminates data to other organizations in its geographic region.
- **Labor Market Analysis** - Two grantees noted that their organizations analyze data to learn about local hiring and employment trends. One of those organizations makes comparisons of trends across employment type, geographic location within the town, and industries, in order to learn why there may be differences in placement and/or retention. Another organization uses wage information to determine if wages in a certain sector or area are falling below market threshold. On the basis of this information, the organization may decide to cease training for occupations that pay below the threshold.
- Staff Motivation - The Knoxville Area Urban League uses its performance indicators as a staff motivational tool, showing staff the real impact of their work.

"Data gives credibility, particularly to funding sources. You can't say you provide effective training unless you can provide the data - outcomes and performance measures to prove it."
Phyllis Nichols, Knoxville Area Urban League

The use of performance data goes far beyond demonstrating that the organization is able to meet a set of pre-defined service standards. Effective organizations will use and apply the data in new and innovative ways to promote the organization or key issues, to learn about local industry trends, and to help with internal management.

Criterion #8. Committing to Organizational Change and Adaptation

An effectively managed workforce development organization is one that is responsive to market changes, particularly changes in the economy, new entrants to the field, and changes in public policy. One of the CTF grantees described this criterion as being "entrepreneurial," while another said that his organization "changed with the times; we did what we had to do to remain in the community."

For the CTF grantees, organizational change was experienced through changes in mission, service delivery, capacity, and organizational structure. Some organizations responded to environmental influences by changing their target population - this prompted additional organizational changes in terms of outreach strategies, loan structures, training programs, and staff development. While some organizations proactively change their target populations, other organizations experience a change in client population to which they need to respond. NC REAL, for example, found that its new client base was lacking in fundamental skills such as basic computer literacy. Its training programs have since been expanded to include training to address the new need.

Other organizations developed and offered new programs in order to offer a wider array of potential paths for economic improvement. Examples include a workforce development organization offering micro-enterprise activities, or a micro-enterprise organization starting an Individual Development Account (IDA) program. Introducing new programs has resulted in dramatic changes in organizational structure for two of the grantees - La Mujer Obrera and TNCED - who have developed (or are developing) subsidiary organizations to manage the different program focuses.

"We help people to think about how to rebound from change, particularly employees who have just been laid off after 25 years on a job. We teach them that change is not about what's happened or what will happen, but rather how they react to the change. We help participants to see that changes are imminent and continuous, and to view change as an opportunity, rather than as an obstacle. You can't teach that, and be credible and believable in your approach, when you don't practice that yourself day-to-day."
Phyllis Nichols
Knoxville Area Urban

Sometimes what drives change is staying on top of new advances in the field, whether workforce development or microenterprise. Learning about new models, different approaches and key occupational sectors, for example, can be gained at conferences, through networking, or from print or Web materials. While non-profits rarely have the time or the money to engage in this kind of professional development, it is critical to do in order to stay competitive and to remain attractive to funders.

Making significant changes can be very challenging for a non-profit organization, but sometimes change is critical for the organization's long-term survival. One of the CTF grantees we interviewed no longer existed, and the former director reported that in its final year, the organization was in the process of changing its mission. The change process was started too late and the organization ultimately failed. In some cases, a willingness to make changes may need to occur not in response to changes in the environment, but in anticipation of them.

Criterion #9. Valuing the Expertise and Contributions of Staff

Many of the interviewees had learned that an organization's staff can make the difference between mediocrity and success. A staff's dedication will help the organization survive lean times, and the staff's quality will help the organization achieve financial health and long-term stability. Without good people, an organization will not survive long on its reputation. The staff makes it all happen: service delivery, partnerships with other organizations, involvement of employers and clients in the process, and successful adaptation. NC REAL, for example, credits some of its success to the fact that its staff makes frequent on-site visits to its many different sites located throughout the state.

The flip side of this organizational effectiveness criterion is that staffing issues can also serve as real barriers to organizational success. Particular problems mentioned by the CTF grantees were staff turnover and serving non-white clients with an all white staff.

An additional challenge is when the people who work for the organization are such great leaders that the organization's success is too closely linked to those personalities. Two of the CTF grantees provide interesting case studies on this issue. TNCED, for example, is concerned that the organization's reputation is so closely linked with that of its director and is therefore actively engaged in succession planning and the development of a larger staff. ACCION Texas, on the other hand, is hoping to grow the organization, but to do so must find a way to free up its president from overseeing daily operations.

Criterion #10. Exercising Financial Acumen

The financial health of an organization is one sign of the organization's effectiveness, but many of the CTF grantees believed that financial matters were also factors in the organization's success. In particular, they believed that an organization's effectiveness was closely tied to its financial stability, its ability to raise or leverage funds, its savvy in handling existing funds, and its ability to operate like a business. When asked to provide evidence of their organization's effectiveness, for example, ACCION Texas offered its goal of self-sufficiency, La Mujer Obrera described its self-sustaining business incubators, and TNCED mentioned its securing of major state funding for its financial intermediary activities.

Financial stability seems like a redundant way to measure the success of an organization. After all, if the organization does not have financial stability, it will soon cease to exist. However, there is some value in assessing an organization's effectiveness by its ability to leverage funds, creative uses and good stewardship of the funds it has, and creative ways to generate new revenue streams.

The vast majority of the interviewees had successfully used the CTF grant funding to leverage additional dollars. Some of the organizations leveraged other foundation funding, others leveraged local banks and other organizations to make in-kind contributions such as the free use of space for community outreach sessions. In addition, most of the interviewees had used the CTF grant to leverage significant funds from federal, state and local government agencies.

CONCLUSION

In the Tale of Two CBOs that introduced this report, one organization - the Knoxville Area Urban League - drew strength and endurance from its relationship to the community and its commitment to high quality service delivery. Meanwhile, the organization that folded recognized too late that it needed to revamp its mission and create a stronger identity in the community. The difference between the two organizations resulted in completely different outcomes. With a roadmap like the one presented here, the failed organization might have found a way to survive and even thrive.

The example of La Mujer Obrera shows just how far organizations can go with the right roadmap for success. It, too, was offering training funded through government contracts. But with a capacity-building grant from the Levi Strauss Foundation, this organization experimented with the creation of a subsidiary organization using a different approach to serving the needs of dislocated workers. The success of that operation led to the creation of three subsidiary business incubator operations that are creating new jobs while providing hands-on job training experience to their workers. Today, two of the three subsidiaries are self-sustaining, freeing the organization from some of its dependence on outside funding. The once-small CBO has grown - in both size and budget - and it is a strong player in the local workforce development arena.

In sharing this research with a wider audience, the Levi Strauss Foundation hopes that the list of success criteria put forth in this report can be used as a flexible tool by both grant-makers and workforce development organizations. It can help grant-makers assess the strengths and needs of potential grantees, and it can help guide the workforce development organizations in continuous improvement activities.

This framework will surely continue to evolve. Over time, CBOs will face different kinds of challenges or be charged with different kinds of responsibilities. New research will reveal additional evidence that supports the removal, addition, or amendment of the various criteria. The list of criteria is therefore not intended as a rigid, static checklist, but rather a more organic, flexible tool to guide the work of grant-makers and grantees alike.

We are indebted to organizations like the Charles Stewart Mott Foundation and the Annie E. Casey Foundation who sponsored the P/PV and JFF studies that presented a starting point for this study, and we encourage other grant-makers and interested parties to join in this ongoing dialogue on organizational effectiveness factors.

ACCION Texas, San Antonio, Texas

ACCION Texas is an organization with ambitions to become the first self-sustaining non-profit micro-lender in the country and prides itself on the many ways in which it operates like a business. It is an organization that is experienced at change and has instituted new organizational structures to expand its reach throughout Texas, but it is also a non-profit with a mission to serve low income individuals. It readjusts loan terms in response to changing life circumstances, it helps its clients minimize cultural barriers to success, and it has streamlined the loan process to work better for its clients. The organization wants to wear both of these "hats" - the business and the non-profit - with success.

The organization was started in 1994 with a $50,000 grant for operations and a $125,000 loan pool from four banks at 0% interest. Based in San Antonio, the organization began to expand in 1998. By 2001, the organization's asset base was $10 million with an outstanding portfolio of $5.6 million. The organization has also grown from 3 employees at its start to 35 employees in 2001.

Service Delivery

Through loans and services, ACCION helps micro-entrepreneurs strengthen their businesses, stabilize incomes, create additional employment, and contribute to the economic revitalization of their communities. Typical borrowers include small family-operated store fronts and home-based businesses. One-third of ACCION borrowers are women.

Micro-lending to low-income populations can be a relatively risky business. Organizations like ACCION Texas, however, have found ways to minimize the risk, reporting loan loss rates of 4-5% or even lower. Through credit counseling and other interventions, ACCION Texas turns people with poor credit histories into borrowers who do indeed pay back their loans. Individual attention to life circumstances is key in ACCION's approach. Credit counselors work one-on-one with the individual to resolve past credit problems, and when unexpected events occur and threaten a person's ability to pay back the loan, ACCION helps by restructuring payment schedules to adjust for such unexpected events.

External Relationships

ACCION finds that its partnerships with other organizations are very important, particularly for marketing purposes. Referrals from partner organizations provide a significant portion of ACCION's total referrals, as much as 65-70%. In addition, partners have helped the organization expand its reach to rural communities.

To solidify the relationship with its partners, ACCION has started Memorandums of Agreement with other non-profits throughout Texas, in which the partner organizations agree to refer clients to one another. ACCION currently has agreements with about a dozen state organizations that, combined, have 40 local chapters. In many of ACCION's partnerships, one of the biggest challenges is helping the other organizations understand that ACCION is not just a non-profit, but it is also a financial institution with obligations to follow appropriate lending standards.

Internal Management

Organizational Growth

Since 1998, ACCION Texas has been expanding its reach throughout the state through satellite operations which communicate with the San Antonio headquarters through real-time technology. Today, the organization has satellite locations in Houston, Dallas, Austin, El Paso, McAllen, Fort Worth, and Brownsville. The satellites are run by loan officers, who are independent consultants accountable to the San Antonio office of ACCION. The organization is attempting to manage this arrangement, in part, through an incentive structure. Staff development is another challenge. With two training sessions in San Antonio per year, there is a need for more in-depth training.

Streamlining/Process Improvement

ACCION has taken steps to streamline and simplify parts of the micro-lending process. It developed a new application process that helped identify key credit problems early in the process, so that potential clients will know, within 48 hours of processing the two page application, where they stand in the process. The organization has also attempted to improve its data management. The goal is to link all of the various data systems to minimize the need for duplicate data entry.

Staffing/Leadership

As the organization grows and comes closer to becoming self-sufficient, there is a need to hire someone to serve as second-in-command, in charge of all operations. This kind of staffing structure would allow the current director to free up some of her own time for fundraising, relationship-building, and telling the ACCION story to a wider audience.

Financial Management

Only about 7% of ACCION's funding comes from banks, with the rest coming from foundations and corporations. ACCION Texas is run like a business, with an eye toward the bottom line. The organization wants to be the first micro-lender in the U.S. to be self-sufficient. It is about 50% self-sufficient today, using three distinct external sources of revenue: grants for operations, grants for the loan pool, and loans or PRIs for the loan pool.

To reach self-sufficiency, the organization is embarking on a three-year, $15 million capital campaign. ACCION has hired an outside public relations firm, Public Strategies Inc., to build a strategic plan to help ACCION identify large donors. In a big step toward self-sufficiency, ACCION acquired a new space for its offices last October. The location was financially strategic - Southeast San Antonio is considered a key African-American community in the area, and the move here was intended to broaden the organization's scope. In addition, there are significant grants and other resources going into that part of town. All of these strategies are designed to help the organization become self-sufficient and reduce its dependence on outside funders.

Knoxville Area Urban League, Knoxville, Tennessee

The Knoxville Area Urban League is an organization with strong ties to the community and to employers. It has utilized its network of local partners to provide internship opportunities for a welfare-to-work program, and it is currently part of a network of Urban League organizations in the state to engage in public policy advocacy. The organization is a firm believer in assessments to help match individuals to jobs, and it is committed to post-placement support of its trainees.

Despite all these measures of success, the organization is currently facing a drought in public sector job training referrals that has become cause for great concern.

Background

The Knoxville Area Urban League (KAUL) was founded in 1968 in order to advocate and facilitate open and equal employment opportunities for African-Americans. Over time, KAUL's priorities included workforce development, job creation, housing/community development and advocacy for civil rights. KAUL is part of a national network of more than 100 Urban Leagues in 34 states and the District of Columbia. KAUL sees itself today in competition with the community college for job training and placement business, often serving community college students who are referred to the Urban League for job training and placement assistance after their Pell Grant money is exhausted.

Service Delivery

KAUL offers a variety of different services, but the main focus is workforce development, with activities including assessments, job training (mostly in computer applications and general employment preparation), and job placement. The organization assists more African-Americans to find jobs in the greater Knoxville area than any other CBO.

KAUL takes great care to ensure that its clients are good matches for job openings. Prior to training and job placement, KAUL provides a range of assessments, including "social needs" assessments (which identify needs such as housing, childcare, transportation, etc) and assessments of basic reading and math skills. The organization then refers clients to other organizations to address any barriers. Aptitude and interest assessments are also provided by KAUL to help people choose careers and jobs that are best suited to them. Said KAUL President Phyllis Nichols, "We don't want to place someone in a job that's against their nature. We work with people to understand their assessments and discourage people from jumping into the first job available." This process takes a while, sometimes an entire week of daily half-day sessions.

Another way KAUL ensures job success is by providing 30, 60 and 90-day follow-ups after job placement. Says Nichols, "We don't just help people get a job; we want them to keep the job. If there are obstacles that cause someone to want to quit, or prevent them from succeeding and growing on the job, we want to be a support system during that critical time."

External Relationships

Work With Employers

KAUL works closely with employers not only to look at current jobs, but also to look at future trends and new jobs coming to the area. A great source of information has been the organization's Business Services Advisory Council, a monthly meeting of more than thirty human resources representatives from local corporations. The advisory group has helped KAUL introduce itself and its services to the local business community. Nichols believes that developing these relationships pays off for KAUL's job seekers: "Because of these relationships with employers, we can tell our participants that we can't guarantee a job, but we can guarantee that someone will at least talk with them."

Partnerships

In addition to its partnerships with employers and local social service agencies, KAUL works closely with 39 of the 52 United Way agencies in Knoxville.

These partnerships have provided KAUL with on-the-job training opportunities for KAUL participants as well as other opportunities for cooperation among agencies. KAUL is also working closely with other organizations within Knoxville's Empowerment Zone to coordinate services being offered and requests for funding.

Relationship with the Public Sector

KAUL has had a long history of receiving public sector contracts for job training and placement, but changes from the Workforce Investment Act have resulted in tough competition to provide these services. At the time of our interviews, the community colleges were receiving the lion's share of the referrals, creating a financial crisis for many of the smaller job training organizations. KAUL was in the process of joining with other Tennessee Urban Leagues to discuss becoming certified workforce providers monitored by the THED (this effort was ultimately successful.) The organization was also in the process of stepping up its marketing efforts and taking a more strategic approach with the help of a public relations professional.

<u>Internal Management</u>

Nichols says that she encourages a team approach to managing the organization, with an emphasis on continuous improvement and adaptation to change, even though she has found that grant funding rarely provides the kind of resources needed for change management and other capacity-building work. Most funding sources allow for 15% administrative cost, and the rest must be for service delivery. Like most other non-profits, the organization feels the need to expand the marketing, fundraising and staff training efforts, but the focus on service delivery makes it difficult to find the resources or the time.

While KAUL defines its effectiveness through subjective measures - such as helping individuals make life changes and become self-sufficient - the organization does not shy away from collecting hard data. To get satisfaction measures from employers, the organization relies on continuing phone conversations and maintaining close relationships with the employers. KAUL is also in the process of trying to document wage increases for past clients, using Unemployment Insurance data over four quarters. It has been a challenge to get the necessary data from Employment Security staff, but KAUL believes that the data will be helpful to prove the organization's effectiveness.

Nichols adds that while performance measures help to sell the organization to external parties, they are also important for internal reasons - to teach staff and motivate them. "When we look at our performance measures," she says, "we feel a tremendous sense of pride."

La Mujer Obrera/El Puente, El Paso, Texas

La Mujer Obrera is an organization that has managed a huge change process over the past four years, going from a single small organization to a larger organization with three subsidiaries, two of which are self-sustaining. In addition, the organization links all of its activities and programs to the needs of the community and solicits input at each step of the way from its clients, low-income immigrant women, many of whom have been displaced from the garment industry in El Paso. The organization provides a strong political voice for dislocated workers in El Paso and has a long history of organizing advocates for policy change.

Background

La Mujer Obrera (LMO) is a non-profit community development organization established in 1981 to address the economic and social needs of the low-income Hispanic female community in El Paso. The organization is best known as an advocacy organization for women employed in the garment industry. However, LMO has worked for nearly twenty years to develop and implement a variety of leadership training, advocacy and community development projects. The organization received local, national and international recognition for its work on behalf of low-income immigrant women.

Services and Activities

In 1997, LMO established El Puente Community Development Corporation, a non-profit community development organization. El Puente provides new sources of social, educational and economic opportunity such as enterprise development, bilingual on-the-job training and access to technology, and by promoting community revitalization. In addition to focuses on housing and neighborhood revitalization, El Puente offers Ahorros Comunitarios (an IDA program), a Community Technology Center (providing training in computer applications), and a Community Enterprise Center.

One of the goals of the Community Enterprise Center (CEC) is to create training, jobs and businesses that will improve the economic status of displaced workers and other low-income individuals and their families. The CEC has created opportunities for displaced workers in three businesses:

- Rayito de Sol Childcare and Learning Center (LMO subsidiary)
- Café Mayapan (a restaurant and cultural venue), with an accompanying Mercado with kiosks for micro-businesses (LMO subsidiary)
- Rayito de Esperanza Services (case management services for seniors in l low-income housing projects)

External Relationships

The organization is constantly testing new approaches and getting input from the displaced women that it supports. For example, the women, in conjunction with a business developer, drafted the business plan for the daycare and the ESL classes. They collaborated on every aspect and came up with a collective analysis. Five of the original women who wrote the business plan are still working at the daycare and one woman is running the daycare. The idea is that the women will develop their capacity and acquire a new skill set and can either stay working there or start their own business.

Partnerships

LMO has a strong commitment to forming partnerships with other local organizations - and this is apparent just by walking through their offices. The organization is building apartments for displaced women workers right next door to their offices, and it rents out space to local businesses who share its mission and vision. The organization works with several other organizations on issues related to border workers, women and local economic development. As Cindy Arnold, Executive Director of El Puente, said, "Because conditions are so significant [in El Paso], no one organization can do it."

Internal Management

The organization has grown tremendously over the past four years, growing the annual budget from $100,000 to $1 million and the staff from two to fifty. In addition, the incubator businesses have assets worth over $2 million.

LMO chose the businesses it is in using a two-pronged approach: it finds market opportunities and determines what is feasible, and then makes sure it is based on the community needs. The ultimate goal with each project is to build capacity and make each self-sustaining. Currently, the day care is a self-sustaining enterprise. Research on El Paso restaurants suggests that Mayapan should become self-sustaining in year two, and the organization believes that it is on target to do so.

As the organization has grown, LMO has had to build significant infrastructure. Two years ago, it received funding from the federal government and was able to expand its physical space. Now it has the room to develop and carry out projects and programs that it never had before. It has converted a warehouse for LMO and El Puente staff, and the restaurant and marketplace are connected and adjacent to this main building. The daycare, a few feet down the road, is located in the original space for the entire LMO organization.

At LMO, there is a strong emphasis on staff development and planning, while being sure to consult the workers at each step of every project or activity. A good example is the four month training program that LMO provided for the coordinators of the organization's senior service program. The organization delivered a customized training from the workers' point of view and created a training manual that displaced women workers are using to train others.

For making the case for their work to funders and others, the organization collects data on outcomes and attempts to follow up with clients as much as possible. But the real value of the organization, in Arnold's opinion, is that it is first and foremost a workers' organization that combines the workers' ideas and energies with greater community resources.

North Carolina REAL Enterprises

North Carolina Rural Entrepreneurship through Action Learning (NC REAL) Enterprises is an organization with the enormous job of fostering entrepreneurship education and micro-enterprise development in rural North Carolina. The challenges of serving rural communities are many, and the organization must continually make changes to address the growing need and the growing list of communities asking for help.

Background

Started in 1992, NC REAL was originally founded to help serve youth in high schools, developing curricula and model programs to help teach entrepreneurial skills in an effort to stop the "brain drain" in the area. Many of the high school graduates and other youth were leaving the area to go to larger cities where jobs were more available and salaries were higher. One of the goals was to change the mentality and the thinking of people from being simple "job takers" to "job creators" through self-employment.

Services and Activities

Through its offices around the state of North Carolina, NC REAL provides training and technical assistance to micro-enterprise educators and helps make the connections between individual entrepreneurs and loan opportunities. The organization sees part of its job as teaching people what entrepreneurship means, particularly that it does not necessarily mean a big financial investment. NC REAL teaches to think small and plan for growing incrementally in order to succeed. One challenge, says Associate Director Joe Fox, is to change the mindset about employment and entrepreneurship by increasing self-esteem and self-image to help people realize that they can do whatever they set their minds to do.

External Relationships

NC REAL encourages its local staff to develop and use "community support teams" on every project; the facilitators work with the participants to identify people from the local community - such as bank loan officers, real estate agents, accountants, attorneys, etc. - to provide expert advice. In some cases, the bank officer who comes in to the class as a team member is the same person accepting loan applications later in the process; when this happens, the loan process can feel less threatening to the new entrepreneurs. This team-building approach has worked well for the organization for the past fifteen years.

Partnerships

NC REAL values the partnerships it has in the communities, recognizing that its partners often provide important client referrals. Partners also help the organization broaden its reach to new population groups. When we spoke to NC REAL, for example, the organization was in the process of forming new partnerships with CBOs and community development corporations. The hope is that NC REAL can find new sources of clients while providing different life options to new categories of individuals.

Relationship with the Public Sector

The state of North Carolina has been unusually receptive to the idea of entrepreneurship and micro-enterprise development. It is the only state that has funding for entrepreneurship from the state legislature. NC REAL routinely provides the legislature with outcome data to demonstrate the impact of micro-enterprise on the state's job growth and tax base. For example, one study showed that, statewide, from 1992 to 1998, a random sample of over 400 NC REAL graduates had created 266 new jobs and generated $5.6 million in new revenue through their businesses.

The organization would like to have more opportunities to form partnerships with the workforce investment boards and to make entrepreneurship a more accepted option for these boards to promote. NC REAL is also starting to work with economic developers to help them see entrepreneurship as a vital part of the economy, providing complementary services to big business.

Internal Management

NC REAL's commitment to serving rural areas is at the heart of its work, but this approach presents some very real challenges, particularly for managing the organization's growth, as well as deploying and training staff. Each year, there is greater demand for the organization's services; in the past year, the organization grew from 82 sites to 101 sites, each of which offers a variety of training programs. Yet, even with that growth, the funding levels have remained largely the same. The organization is trying to meet the new demand in a different way. Rather than increasing the number of official sites, the organization is working to get new locations to cluster with existing sites. In this way, the organization can expand its reach without adding significantly to its own administrative and oversight responsibilities.

Another strategy for dealing with the large geographic area involves technology. However, rural sites have limited access to Internet service, and the service they have is slow and of limited capacity. Also, rural populations tend to have lower educational levels, which is requiring NC REAL to include a great deal more basic skills training and basic computer training as part of its entrepreneurship curricula.

The state funding that NC REAL receives is more than most micro-enterprise organizations receive from the public sector. However, given state budget crises, NC REAL does not want to rely so heavily on its state funding, so while it tries to offer many of its services free of charge, the organization has recently started offering more "fee for service" projects. For example, it is trying to take some of its program models (e.g., rapid response module training) and sell them as three-hour train-the-trainer seminars to other states. NC REAL is marketing these seminars through the national REAL organization.

Tennessee Network for Community Economic Development, Nashville, Tennessee

The Tennessee Network for Community Economic Development is an organization that has undergone a great deal of growth and change in the past four years, taking on a financial intermediary role to assist small non-profits with income and asset development activities. The organization establishes partnerships across the state and serves as a catalyst to help organizations plan, implement, fund and develop their programs. TNCED is focused on the needs of the poor and on the needs of the non-profits who serve them, taking considerable time and resources to advocate on their behalf in the public arena.

Background

Since 1984, the Tennessee Network for Community Economic Development (TNCED) has been an umbrella membership group for non-profit organizations and their allies, promoting and carrying out community economic development in low income areas, and with low income populations, of Tennessee, both rural and urban. TNCED's program reach includes micro-enterprise, IDAs, housing and education. The organization works to build the capacity of its member groups to carry out these programs and advocates for changes in state and private sector policy to advance and support that work.

Service Delivery

TNCED is best known for its intermediary role in the field of economic development. The intermediary role plays out through training and technical assistance to other organizations, advocacy activities, and raising and allocating grants and loans to non profit organizations and the individuals they serve. TNCED's other major activity area is advocacy and organizing on behalf of economic development public policies and programs (e.g., tax reform, building assets, etc.), with the intent of giving voice to the disenfranchised groups being served (e.g., refugees, women, immigrants, the disabled.) TNCED sees itself as a highly entrepreneurial organization that has been in the forefront in advocating for micro-enterprise and IDAs for low-income individuals and homeownership for individuals with a disability, steadily developing a statewide and even national reputation.

External Relationships

TNCED has worked to build the capacity of CBOs and non-profits, helping them "do for themselves" just as they expect their individual clients to do. For example, TNCED has trained smaller organizations to provide technical assistance and training to other organizations - using a "train the trainer" approach to build the capacity of other organizations and to take advantage of their first-hand knowledge of how best to work with low income individuals.

Partnerships

TNCED has developed partnerships with a number of groups to advocate for government and policy changes and for fundraising purposes. Part of the reason TNCED relies so heavily on partnerships is because, like its partner organizations, it has a small staff. These partnerships allow TNCED to accomplish its mission, especially in a state like Tennessee whose population is so geographically dispersed and where rural poverty is a serious problem.

Relationships with the Public Sector

TNCED is engaged with a host of public policy advocacy issues and considers this work crucial to its effectiveness, even though funding organizations don't always like it or understand it. Says Executive Director Michelle Flynn, "If we didn't engage in advocacy, we wouldn't be doing our job [...] Many times you have to change the structures in order to develop the new opportunities." For example, Flynn notes that prior to IDAs, "Our entire social policy structure was built upon a culture of dependence, not self determination. In addition, the focus has been on income to the exclusion of assets." Advocacy brought attention to these distinctions so that IDA projects could get off the ground. TNCED also sees advocacy as a way to bring the voice of the disenfranchised into the larger policy discussions.

Flynn notes that while the advocacy activities are an important part of the organization, the advocacy role can sometime be problematic now that TNCED is receiving more funding from government agencies. It has been hard to be an adversary one day and then ask for funding the next. This, says Flynn, has also been difficult for other non-profits to balance as well.

Internal Management

Two management issues currently stand out for TNCED: management concerns that accompanied the development of its financial intermediary role and succession planning.

TNCED took on the financial intermediary role because there were few other entities that wanted to provide the matching funds for IDAs, loans for micro-enterprise in rural areas, or grants to very small non profits. One new management issue that resulted was the need to keep tighter controls than TNCED had initially expected. In addition, TNCED began to recognize that there could be potential conflicts between its financial intermediary role and its technical assistance role. "How up-front can you be with your banker on how you manage your money when you want a loan from them?," asks Flynn. The organization is therefore working to formally separate the financial intermediary activities from the technical assistance activities.

The second major management question facing the organization is one of management succession. The current Executive Director, Michelle Flynn, has been with the organization for twelve years. While her leadership has been important in the organization's past, she is concerned about its future. For the organization to succeed without her, it cannot be so readily identified with her. Because of this, Flynn has been thinking about and planning a process for succession and working even more diligently to bring in new staff.

Funding and Financial Management

Over the past few years, TNCED's budget has increased dramatically, largely due to the leveraging of grants and other project funding for asset development programs from a variety of state agencies.

These new funding opportunities, however, have not been a financial boon to the organization since the bulk of the new funding received has been pass-though dollars. In fact, TNCED is currently experiencing some very serious funding problems, and it is struggling to find funds to support technical assistance and advocacy - the services that make it possible to get all the pass-through funding in the first place. Flynn believes that the fundraising problem is to some extent a systemic issue. In her opinion, public funders are often uncomfortable with CBOs, and both private and public funders are only really beginning to understand the need for economic development activities by CBOs that help people help themselves in very concrete ways through income and asset development. More recent financial difficulties, that have caused TNCED to reduce its staff and contracts, are due to the downturn in the economy and the state's corresponding funding cuts.

In contrast with ACCION Texas, Flynn believes that it is difficult for a lending organization like TNCED to become self-supporting because its focus is on filling gaps in services and improving access to the hardest to serve, rather than a focus on volume of loans. TNCED is not a lending driven program, and its member organizations are very small. It therefore does not and will not work with a sufficient number of low income individuals to reach a point of self-sufficiency. In addition, in Flynn's view, it takes a long time for low income individuals to get to the point in their lives when they can best use the funding; they often need to find other ways to stabilize their lives first. Very low income clients are reluctant to take on more debt when they know they are financially vulnerable; they have less access to resources that will help them make a loan payment in a crunch, or they may have only seasonal employment. TNCED often must help these individuals work through other ways to finance businesses, such as savings, income tax refunds, IDAs, etc.

TNCED believes its economic development approach to alleviating poverty is only beginning to be understood by the community leaders, public officials, and funders. And, while TNCED believes its approach has the potential to create lasting change in people lives, it knows that the approach is slow going and happens over long periods of time. There are no quick fixes. But TNCED believes that creating social policies that do address the needs of the poorest of poor are critical because if they can work for these people, they can work for everyone.

APPENDIX B: Bibliography

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APPENDIX C: List of CTF Grantees Interviewed

ACCION Texas (San Antonio and El Paso, TX)
Arkansas Single Parent Scholarship Fund (Springdale, AR)
Banana Tree (El Paso, TX)
Career Services for Persons with Disabilities (Albuquerque, NM)
Centro del Obrero Fronterizon/La Mujer Obrera (El Paso, TX)
Economic Ventures (Knoxville, TN)
Employment Opportunities Services, Inc (El Paso, TX)
Femap Foundation (El Paso, TX)
FORGE- Financing Ozark Rural Growth & Economy (Huntsdale, AR)
Knoxville Area Urban League (Knoxville, TN)
Knoxville Women's Center - Group Associates, Inc. (Knoxville, TN)
North Carolina REAL Enterprises, Inc. (Waynesville, NC)
People Skills, Inc. (El Paso, TX)
Tennessee Network for Community Economic Development (Nashville, TN)
Valley Community Ministries (Harlingen, TX)
Valley Initiative for Development and Advancement (Weslaco, TX)

A Heritage of Responsibility

Consistent with the heritage and values of the company, the grant-making programs of LS&CO. and the Levi Strauss Foundation focus on the urgent needs of communities around the world where our employees and our contractors' employees live and work. For the past 50 years, the Levi Strauss Foundation's grantmaking has supported and led social change. Our strategic initiatives range from funding an organization that provides girls in underdeveloped regions of Pakistan access to education to providing resources for Mujeres en Desarrollo, a nonprofit organization in the Dominican Republic that motives young people to change risky behavior by informing them about HIV/AIDS.

Our Mission

We seek to reflect the voices of the communities where Levi Strauss & Co. has a business presence and make a difference by having the courage to address tough social issues and by empowering people to solve their own problems and those of their communities. Through our work we aspire to influence employees, retail customers, consumers and grantees to improve collaboratively the well-being of communities worldwide. We believe this will contribute to positive social change and influence good corporate citizenship globally.

Issues We Support

Three interrelated issues direct our global giving programs:

- **Preventing the Spread of HIV/AIDS** through prevention-related programs targeting women and youth, particularly where local policy-makers are receptive or where social bias about HIV/AIDS remains strong;
- **Increasing Economic Development Opportunities** by supporting workforce development, micro-enterprise programs and asset-building initiatives for youth and women; and
- **Ensuring Access to an Education** by funding organizations and programs that provide youth with access where none is likely or by reconnecting young people with school and learning through art and creative expression programs.

APPENDIX E: Information about CAEL

Based on the notion that learning is a tool to empower people and organizations, CAEL has worked actively since its founding in 1974 to identify and remove barriers encountered by adult learners who wish to re-enter the educational system. CAEL is a national leader in the field of adult learning and is the leading national not-for-profit organization coordinating educational services for adults.

For almost two decades, CAEL has applied its expertise to the field of workforce education, pioneering the development of innovative employee education and development programs in a collaborative framework. These partnerships draw the employer, its unions (if applicable), its employees, education providers, and CAEL together in order to design the best possible intervention for the workers in question. In this partnership, CAEL acts as a bridge between the employer and the educational community to provide support services for employees and to link employees to all educational opportunities available to them. CAEL works in a variety of industry sectors with a wide range of employees, but our goal is to reach, as much as possible, low wage workers on the front line.

An additional focus for CAEL is serving what we have come to call "at risk workers" - both the economically disadvantaged (those who face significant challenges in the labor market and who lack the qualifications for well-paying jobs) as well as those workers whose skills and jobs are becoming obsolete.

Several other organizational activities have emerged out of CAEL's experience in the arena of employee growth and development:

- Consulting services to the educational, business, government, and organized labor communities to assist each of these sectors in responding to the educational needs of working adults
- Public and private sector policy initiatives to promote policies responsive to the needs of adult learners
- Research to expand knowledge about effective learner-centered programs and build educational institutions' capacities to provide them

For more information about CAEL and its projects and services, refer to the website at www.cael.org.

CAEL

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