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A COMPARATIVE ANALYSIS

of the Capacity-building Industries in Pittsburgh and Central Texas

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Five years ago, The Forbes Funds provided support for a new research series exploring challenges and strategic opportunities in nonprofit management in the Pittsburgh region. The intention of this research was to determine what works in strengthening nonprofits' organizational capacity and management abilities, as well as what may be the barriers or service gaps in building nonprofit capacity. As part of this research series, in 2004, The Forbes Funds commissioned Judith L. Millesen, at Ohio University, and Angela L. Bies, at Texas A&M University, to conduct a comprehensive analysis of Pittsburgh's capacity-building "industry." This "Pittsburgh study" offered detailed findings about the degree to which Pittsburgh's "industry of consultants, firms, management support organizations, and academic centers offer accessible, quality services to the 1,600 nonprofit organizations in Allegheny County."¹ With ongoing support from The Forbes Funds, Drs. Bies and Millesen also conducted continuing analyses during 2005, which explored the incentive to engage in capacity building (Millesen & Bies, 2005) and the role of 'learning' in building nonprofit performance (Bies & Millesen, 2005).

During 2005-06, a replication study was conducted in and around Austin, Texas.² A key purpose of the study was to help afford a comparative analysis of the nonprofit sectors in two metropolitan regions with differing environments, economies, and capacity-building industries. With support from The Forbes Funds, the Bremer Foundation, and the Minnesota Council on Nonprofits, a third replication study is planned for 2006-07 in the Minneapolis-St. Paul area. The Texas replication study shared the Pittsburgh study's focus on understanding the characteristics of effective capacity-building initiatives through an examination of a series of questions related to who (the capacity builders) is doing what (the kinds of support services provided) for whom (what types of nonprofits are engaging in capacity-building initiatives) and to what end (whether capacity-building initiatives produce desired organizational change). The core research purpose remained to describe and analyze several aspects of the capacity-building environment,

¹ This report, "An Analysis of the Pittsburgh Region's Capacity-Building 'Industry,'" is available online at http://www.forbesfunds.org/docs/TexasAMUniversityFullReport_TR04.pdf

² This report, "An Analysis of the Nonprofit and Volunteer Capacity-Building Industries in Central Texas," is available online at <http://rgkcenter.utexas.edu/research/capacitystudy/finalreport.pdf>. The Austin study was co-led by Dr. Bies at Texas A & M University and Dr. Sarah Jane Rehnberg at the Lyndon B. Johnson School of Public Affairs at the University of Texas at Austin, in collaboration with 23 graduate students at the two universities.

including the quantity, accessibility, and quality of capacity-building services, characteristics of effective capacity building, and challenges and barriers to implementing capacity-building interventions. Both the Austin study and the Pittsburgh study offered implications for practice and suggested directions for future research into capacity building's effectiveness and influence in the sector.

RESEARCH QUESTIONS

This study addressed the following four research questions:

1. What characterizes the local capacity-building landscape in Pittsburgh versus Austin, and which services do nonprofit organizations in each region most utilize?
2. What is the quality and accessibility of the capacity-building "industry" in each region, including consultants, management support organizations, and academic institutions?
3. How do capacity-building programs and services lead to nonprofit organizational change or improvement?
4. What role does the funding community play in promoting organizational change through capacity building?

METHOD, DATA SOURCES, AND MEASURES

Both the Pittsburgh and Austin studies relied on a four-stage multi-method research design to gather in-depth quantitative and qualitative data related to the research questions. The Austin study additionally collected data about the capacity of nonprofit organizations to engage volunteers and to respond to disaster in the wake of Hurricanes Katrina and Rita. The four parts of each mixed-method study included:

Archival Data: The researchers conducted environmental scans of their respective regions and reviews of published materials from local stakeholders. In Austin, a thorough review of the literature on capacity building was added as well.

Interviews: The Pittsburgh study included 34 interviews with capacity builders serving Pittsburgh nonprofits and four with senior executive staff members from area foundations. The Austin study involved 28 one-on-one interviews with capacity builders and nine with funders.

Focus Groups: Additional qualitative data for the Pittsburgh study was derived from five focus groups with nonprofit executives to learn more about their experiences with capacity building. The Austin study involved four focus groups with nonprofit executive directors, as well as three separate focus groups with volunteer managers.

Surveys: The Pittsburgh study gathered survey data from 202 nonprofit leaders in Allegheny County, while the Austin study collected similar surveys from 188 nonprofit executive directors in 10 Central Texas counties. A separate survey for volunteer managers was distributed in Texas and yielded 50 responses.

RESEARCH QUESTIONS

Differing Contexts for Capacity-Building

The two research projects occurred within vastly different social, economic, and political milieus. As a high-technology hub in one of the most rapidly growing areas in the nation, Austin and the larger 10-county region in Central Texas have nearly 300,000 more residents than the area studied in and around Pittsburgh, a city in recent economic and population decline. Nonetheless, Pittsburgh, as an established former industrial giant, has more nonprofits and philanthropic organizations per capita than the Texas region studied and its local community-based organizations appeared, from the data in the two studies, to be comparatively thriving.

Despite that overall community wealth is greater in Austin than in Pittsburgh, the Pittsburgh respondents' nonprofit organizations had larger operating budgets, longer track records, and more staff than their Austin counterparts. In Pittsburgh, only 25 percent of respondents reported budgets of less than \$300,000, while in Austin nearly half had annual expenditures below that level. One Austin organization out of every four in the study said they operated with no paid staff, and many more reported operating with only one staff member — a sharp contrast to Pittsburgh, where more than half of all nonprofits had six or more full-time staff. When compared to their Pittsburgh counterparts, Austin nonprofit executives were 50 percent more likely to be female, 40 percent less likely to have graduate degrees, and nearly twice as likely to earn annual salaries below \$50,000. In both communities, study participants represented a range of service areas, mirroring the diversity of the regions they represented. However, Pittsburgh survey respondents, living in an area with a poverty rate roughly 40 percent higher than in Austin, were more likely to be human service providers, while those we surveyed in Texas' state capital hailed more frequently from advocacy organizations.

In terms of perspectives on critical issues related to nonprofit capacity building, study participants in both regions expressed concerns about divisions within their community (i.e., urban versus rural challenges in Texas; racial and geographic fragmentation in Pittsburgh), declining funds for nonprofits, a lack of collaboration among organizations, and the need for more streamlined services and programs in the sector. In ranking the areas they considered to be of most critical importance for

TABLE 1. WHO PROVIDES CAPACITY-BUILDING SERVICES IN PITTSBURGH & AUSTIN?

TYPE OF ASSISTANCE	SOURCE OF CAPACITY-BUILDING ASSISTANCE								
	FACILITATED INTERNALLY	PEER LEARNING	WORKSHOP/ TRAINING				PRIVATE CONSULTANT		UNIVERSITY-BASED COURSE
			MSO	STATE ASSOC.	NATIONAL ORG.	ACADEMIC CENTER	NP	PRIVATE	
Adaptive Capabilities Pittsburgh <i>Austin</i>	34.4 %	35.8 %	26.0 %	44.4 %	41.9 %	33.7 %	29.5 %	18.7 %	32.3 %
	68.8 %	20.2 %	38.0 %	13.3 %	12.2 %	7.9 %	1.0 %	19.6 %	3.7 %
Leadership Capabilities Pittsburgh <i>Austin</i>	13.3 %	19.2 %	24.3 %	22.2 %	20.9 %	27.6 %	27.3 %	9.6 %	31.3 %
	44.6 %	21.2 %	5.3 %	12.2 %	15.4%	8.5 %	2.6 %	19.6 %	5.8 %
Management Capabilities Pittsburgh <i>Austin</i>	26.4 %	21.8 %	24.3 %	19.4 %	20.9 %	17.8 %	20.8 %	24.2 %	18.2 %
	63.3 %	16.4 %	5.8 %	9.5 %	8.5 %	6.9 %	2.1 %	18 %	3.1 %
Technical Capabilities Pittsburgh <i>Austin</i>	26.1 %	23.1 %	25.4 %	13.9 %	16.3 %	20.9 %	22.4 %	47.6 %	21.2 %
	57.9 %	19.1 %	4.7%	13.8 %	7.4 %	6.3 %	3.1 %	26.6 %	4.2%

capacity-building assistance, Austin survey participants said the areas where they most needed help, in order, were: (1) increasing responsiveness to clients and consumers; (2) showing accountability to funders and clients; and (3) raising funds. To put this in context, nearly half of the Austin respondents also said that their funding sources required them to respond to higher levels of accountability, but that funders provided little in the way of financial or technical assistance incentives to ensure such compliance. Pittsburgh study participants’ top concerns were different: (1) building sustainable organizations; (2) raising funds; and (3) providing board development. The emphasis on sustainability in Pittsburgh may reflect challenges local organizations face in a competitive and crowded nonprofit marketplace but may also be signs of the increased roles that nonprofits are being called on to play.

Who Provides Capacity-Building Services?

Both Pittsburgh and Central Texas have diverse capacity-building “industries” made up of academic institutions, management support organizations, consultants, and peer-networking groups. Based on Paul Connolly and Peter York’s model of “four core capabilities essential to any nonprofit,” we asked organizations in both regions about the adaptive, leadership, management, and technical capacity-building services they had received in the past.

In both communities, the most common sources of capacity-building assistance were internal resources (such as guidance from board members or staff), private consultants, and peer exchange. Pittsburgh nonprofit executives, however, were significantly more likely to have identified past experiences working with outsiders, such as consultants, management support organizations, state or national associations, or university-based instructors, nearly across the board. For example, Pittsburgh survey respondents were between six and 10 times as likely to have relied on a university-based course for capacity-building support and up to 30 times as likely to have worked with a nonprofit consultant. The responses suggest Pittsburgh nonprofits have a greater exposure to, and more diverse options for, capacity-building services than Austin organizations, which more typically must rely on resources internal to their agencies to support capacity building.

What Characterizes Capacity Building in Each Region?

Perhaps because they had such limited experiences with external capacity-building assistance, many Austin study participants were not able to tell us which types of capacity-building services they had previously utilized. Those who answered the question in Austin were likely to report having sought some of the same types of capacity-building assistance

most utilized in Pittsburgh, such as guidance with board development/governance, program evaluation, strategic planning, finance, budgeting, and accounting. In general, Austin organizations were more likely to have reported seeking assistance with items they felt would help lead them to resources, such as marketing, fundraising, and evaluation. In this way, more Austin organizations appeared to be at the beginning of a capacity-building continuum — attempting to achieve the capacity to begin building their capacity — while Pittsburgh organizations were more likely to be farther along the continuum, performing functions that could immediately help their agencies improve and develop. For example, Pittsburgh nonprofits were more likely than their Austin counterparts to invest in areas related to organizational efficiency or sustainability, such as technology support and social entrepreneurship.

Nonprofit leaders in Pittsburgh had a much easier time than Austin study participants assessing the adequacy of capacity-building resources in their region. Most in Pittsburgh had generally favorable notions about the services available to

them, while in Austin the most frequent answer to questions about the quality, quantity, or accessibility of local capacity-building services was “I don’t know.” With regard to quantity of providers, the majority of Pittsburgh study participants stated that an adequate number of capacity-building service providers were available, but only one in three Austin study participants could indicate likewise.

Commonly, nonprofit leaders in both communities expressed concerns about the relative inaccessibility of services, noting, for example, that they lacked knowledge about how to access capacity-building assistance. The two studies found the same percentage of survey respondents — 43 percent — agreed with the statement that they had “no idea how to select a capacity-building provider.” In Pittsburgh, while some study participants indicated they would like more guidance with the process of selecting a capacity-building provider, more respondents seemed to indicate they had resources available for finding such services than was the case in Austin. For example, many Pittsburgh nonprofit leaders acknowledged that The

**TABLE 2. TYPES OF CAPACITY-BUILDING ASSISTANCE
PITTSBURGH & AUSTIN NONPROFITS RECEIVE**

TYPE OF ASSISTANCE UTILIZED	PITTSBURGH STUDY	AUSTIN STUDY
Board Development/Governance	66.3%	71.3%
Program Evaluation	64.8%	68.6%
Information Technology Systems	62.4%	56.4%
Strategic Planning	61.9%	64.4%
Finance, Budgeting, Accounting	55.9%	69.2%
Resource Development/Fundraising	53.0%	68.1%
Marketing/Public Relations	47.5%	69.2%
Program Development	47.5%	61.2%
Executive Leadership Development	44.1%	48.9%
Facilities Planning	43.6%	42.6%
Organizational Assessment	41.9%	48.4%
Human Resource Development	40.1%	41.0%
Collaborations/Partnering	34.7%	53.2%
Accountability, Ethics	31.9%	51.6%
Advocacy	28.7%	35.1%
Volunteer Management	27.7%	57.5%
Operational Management	25.2%	51.1%
Legal Methods/Litigation	21.3%	30.9%
Social Entrepreneurship/Venture Capital	20.8%	13.3%

³ For a thorough presentation of the statistical analysis and related quantitative findings, please see the technical report associated with this Tropman Report, which is available on The Forbes Funds website, www.forbesfunds.org.

TABLE 3. THE CAPACITY-BUILDING LANDSCAPE IN PITTSBURGH & AUSTIN

	PITTSBURGH % WHO AGREED	AUSTIN % WHO AGREED	AUSTIN % WHO DIDN'T KNOW
General Observations on Capacity-Building Resources:			
<i>Programs in the area have demonstrated they can achieve results.</i>	45 %	26 %	52 %
<i>Nonprofit CEOs have great access to capacity-building research, publications, and tools.</i>	37 %	36 %	35 %
<i>There is an adequate number of consultants and trainers who “get it,” who are able to meet organizations where they are, with their current needs.</i>	25 %	20 %	54 %
Academic Programs and Resources:			
<i>Nonprofit management degree programs offered at local universities are of high quality.</i>	61 %	41 %	48 %
<i>Research conducted at local universities on nonprofit issues is important to nonprofit capacity.</i>	70 %	57 %	34 %
Consulting Services:			
<i>Capacity-building consultants in the region offer high quality services.</i>	58 %	21 %	70 %
<i>There are too few capacity-building consultants in the region.</i>	11 %	19 %	59 %
Workshops/Trainings:			
<i>There should be more capacity-building workshops.</i>	53 %	36 %	47 %
Peer Learning:			
<i>There should be more opportunities to interact with peers for the purposes of learning about capacity-building practices.</i>	74 %	66 %	19 %
<i>I find it really useful when I interact with peers for the purposes of learning about capacity building.</i>	79 %	73 %	21 %

Forbes Funds and local university-based centers provided helpful “clearinghouse” services to at least begin their process of locating a capacity-building provider.

With regard to quality, Pittsburgh nonprofit leaders had more confidence in the professionalism and effectiveness of capacity-building services available in their region than Austin study participants, who primarily expressed a lack of knowledge about provider quality. In both regions, study participants expressed a feeling that quality, particularly of consultant services, may be uneven, and nonprofit leaders wished for a resource to help them assess capacity-builders’ quality, prior to entering into a service arrangement.

Which Nonprofits Engage in Capacity Building?

In both communities, study participants noted that an organization’s capacity-building needs depend on a range of factors, from the agency’s size to its stage in development to its mis-

sion focus and leadership. In Austin, those with whom we spoke felt that the most successful capacity-building initiatives occurred within organizations led by strong executives with good access to peer networks. In Pittsburgh, study participants described the organizations that benefited most from capacity building as those that had found a good match in a capacity builder, i.e., someone who built a relationship in partnership with their agency and tailored his or her services to the organization’s particular needs.

Several barriers prevented organizations from engaging in capacity building. The surveys in both regions found that the primary barrier to capacity building was finding a way “to break free from day-to-day operations to focus on capacity building.” Pittsburgh study participants were more likely to identify lack of support from organizational leadership, such as resistant board members, and lack of training opportunities for mid-level managers as barriers, whereas Austin study participants were more likely to identify the barrier of a lack of funding or time for capacity-building activities.

There were also prevalent feelings in both communities that too many nonprofits are unwilling or fearful to admit they need help, lack the capacity to begin building their capacity, or need access to resources before they can begin thinking strategically about the kinds of assistance they need. In Pittsburgh, study participants indicated being fearful to seek help because it requires a level of honesty about internal problems, and such disclosure is especially uncomfortable in relationships with funders underwriting capacity-building. In Austin, however, where most capacity-building support comes from nonprofits themselves rather than through specific grants funds, many organizations were seen to be unwilling to dedicate the resources necessary to build capacity. Austin organizations, additionally, exhibited far less familiarity with the concept of capacity building and, thus, lacked not only resources but also knowledge and awareness to begin a capacity-building initiative.

How Does Capacity-Building Produce Organizational Change?

Because nonprofits operate in a complex environment influenced by a web of factors, nonprofit organizations and capacity builders themselves often make only limited attempts to link capacity-building interventions and organizational change. Nonetheless, both regional studies found evidence that quality capacity-building activities foster organizational change by promoting more strategic thinking, encouraging nonprofit investment in ongoing learning and professional

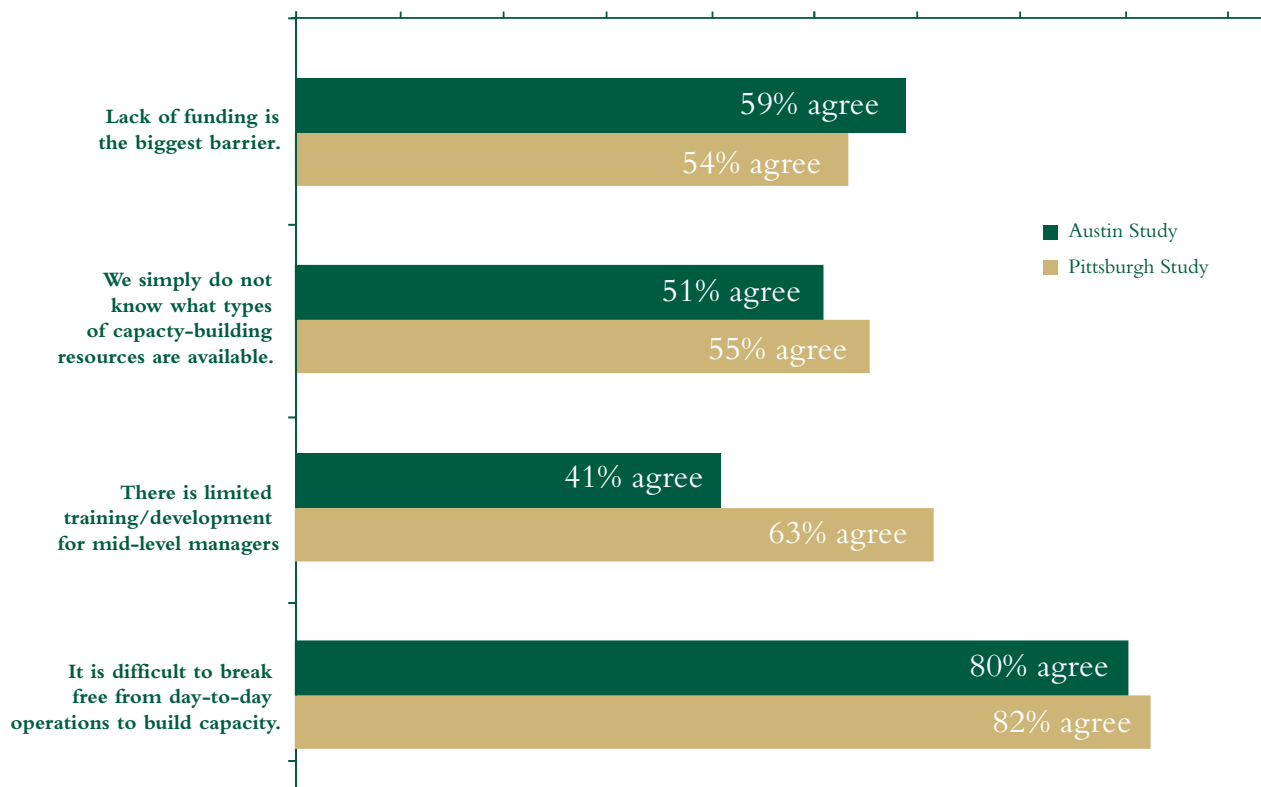
development, and allowing organizations to learn when they may need help. We heard in both regions that, when organizations have the ability and determination to implement capacity-building plans and capitalize on learning that occurs in capacity-building engagement, they thrive.

Nonprofits’ feelings about how capacity building affected their bottom line differed substantially in the two regions.

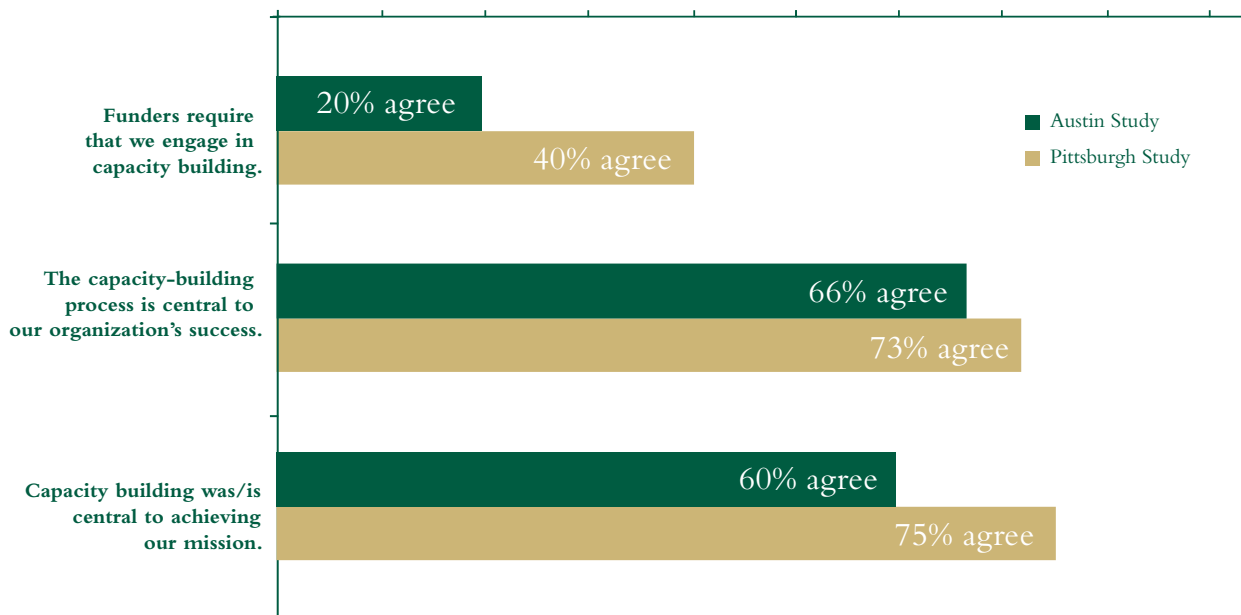
Pittsburgh nonprofits, perhaps due to their greater awareness of capacity-building services, were significantly more likely than the Austin agencies surveyed to agree with statements such as “capacity building is central to achieving our mission” or “the capacity-building process is critical to our organization’s success.” Twice the percentage of survey respondents in Pittsburgh as in Austin indicated that funders require them to participate in capacity building. Austin nonprofit representatives frequently indicated capacity building becomes a priority only during times of organizational crisis.

Capacity builders in Pittsburgh were more likely to assess the impact of their work on organizational change than those in Austin. Pittsburgh capacity builders offered a number of testimonials about complex mechanisms they were using to assess the effectiveness of their services through impact evaluations, formal longitudinal studies of clients’ experiences, and assessments built into their contracts. In Austin, by contrast, capacity-builder self-assessment was rare, and some capacity builders admitted that, with few funders asking for evaluations of capacity-building activities, the emphasis on rigorous, ongoing evaluation faltered.

TABLE 4. BARRIERS TO CAPACITY-BUILDING IN PITTSBURGH & AUSTIN



**TABLE 5. CAPACITY-BUILDING ORIENTATION
IN PITTSBURGH & AUSTIN NONPROFITS**



IMPLICATIONS & RECOMMENDATIONS

This study provides nonprofit practitioners, capacity-building providers, and funders with a detailed comparison of current capacity-building needs, practices, and barriers in two varied nonprofit contexts, those of the Pittsburgh and Austin areas. As anticipated, the analysis revealed largely divergent perspectives on the adequacy of the capacity-building industries in Pittsburgh and Austin, particularly as related to the quantity, access, and quality of capacity-building providers, with Pittsburgh's sector being seen as quite robust. The results illuminate key differences in capacity-building engagement and effects that may be associated with such factors as local resources, organizational age, size, and staffing, as well as more complex factors that relate to organizational and sectoral life cycle or maturity differences, such as organizational readiness for capacity-building, difference in learning and collaborative practices, quality of capacity-building relationships, and incentives. Several summary recommendations emerge as particularly relevant for the Pittsburgh region, and are listed below.

1. Build on existing, shared understanding of definitions and roles of nonprofit capacity-building in Pittsburgh region.
2. Improve accessibility of capacity-building resources.
3. Develop centralized mechanisms for access to objective information on capacity-building resources.

4. Improve nonprofits' consumer savvy and ability to engage in effective capacity-building relationships.
5. Leadership involvement is essential in capacity-building engagement.
6. Advocate for investment in general operations and capacity building.
7. Promote linkages between capacity building and organizational change and improvement versus "one-shot" or "band-aid solutions".
8. Improve capacity for executive leadership transition planning.
9. Promote collaboration among nonprofit leaders, capacity builders, and funders to improve capacity and the capacity building industries.

