

# THE EVALUATION OF CAPACITY BUILDING GRANTS

*Key learnings for a successful program* by Rebecca Graves & Henry Culbreath

Whether prompted by venture philanthropy, high engagement grant-making, or a growing interest in nonprofit management, many foundations now have programs aimed at capacity building for their grantees. Grants from these programs are often highly targeted to meet the specific organizational needs of individual grantees. But how can a foundation get from the apples and oranges of individual grantee results to a succinct way of reporting overall program achievements? This was the question that the Maine Community Foundation (MCF) recently brought to FSG. Our analysis not only helped them evaluate their program, it also highlighted three basic lessons that can increase the likelihood of success for any capacity building initiative.

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In 2001, MCF had launched a new grant program to strengthen nonprofit organizations across the state. Recognizing that there were very few sources of capacity building support in Maine, the Foundation offered multi-year grants of up to \$20,000, combined with management assistance from Common Good Ventures (CGV), a nonprofit consultancy that specializes in improving nonprofit performance through business coaching partnerships. Nonprofits that the Foundation spoke with confirmed the need and were highly enthusiastic about this combination of grant dollars and management support. The goal, they agreed, would be to act as a catalyst for organizations on the verge of a new stage of development, propelling them forward to achieve greater social impact.

But the staff of MCF and CGV faced two challenges: First, they wanted to monitor results and report progress back to their board and donors. Second, they wanted to gather data during the first year to help them improve program design but, early in the relationship, recognized that grantees might not give candid feedback to a funder.

Each individual grantee had their own outcomes and measures of success, whether an improvement in staff skills, better financial management, or an increase in funding and membership. But the measures had not yet been pared down to a manageable number, and the partners did not have a way to aggregate results. The Foundation needed an overarching set of measures that zeroed in on the essence of what the program aimed to achieve.

In order to construct such a framework, FSG looked to the individual outcomes that MCF and CGV had already helped grantees define, listening to the way individual organizations characterized their goals and the capacity building program. From these detailed outcomes, FSG developed a model that the Foundation could use to measure its success. All of the grantees' various objectives could be grouped within three basic categories:

**Greater resources.** Increasing the *amount* of resources available to the organization and, therefore, its ability to provide services and programs

**Greater efficiency.** Improving the *utilization* of resources across the organization and, therefore, reducing the relative cost of services and programs

**Greater effectiveness.** Improving the *management and allocation* of resources across the organization and, therefore, increasing the probability of achieving successful program outcomes

Recognizing that there would be a lot to learn from the experiences of the program's first year, MCF charged FSG with gathering feedback from the first set of grantees and recommending changes to the program design for future grantees. Grantees indicated that the first year of the program already had yielded significant organizational changes, such as strengthening asset bases and aligning staff with current and future operating goals.

Our research led to three recommendations that may be useful for any foundation that decides to undertake a capacity building initiative:

**1. Take the time to define roles and communicate responsibilities – again and again.** Having an engaged relationship with a funder is a new experience for most grantees – and for most funders as well. It takes tremendous effort to reach agreement on a shared set of expectations for this new kind of relationship, but success depends on achieving clarity about roles and responsibilities early in the grant cycle. Staff from both the foundation and the grantee organization must allow

sufficient time in their schedules to meet regularly to define roles, build trust, and work as a team during the initial three to nine months. Functional roles and decision-making processes need to be clarified at the outset, and then revised and restated as the relationship develops. Even when the relationship is working well, critical events such as the renewal of funding or a change in personnel can disrupt roles and expectations anew, requiring yet more joint planning and communication.

**2. Hold firm on insisting that grantees meet agreed-upon objectives.** Funders and management assistance providers need to strike a balance between flexibility and accountability. If the grant is going well, an informal and friendly working relationship will develop over time which can easily lead funders to forgive deviations in performance. Grantees will naturally want the ability to change their plans over time, but they also benefit from a sense of external pressure to reach well-defined goals that are not easily modified. It is difficult to find the right point between insisting on progress toward the goals that were mutually agreed to at the outset and adjusting to new circumstances. But the grantees themselves advised us that the discipline exerted by funders can play a crucial role in helping them stay on track, especially in a capacity building partnership that lasts for several years.

**3. Foster connections and regular communication among grantees.** Grantees pursuing major organizational change find extraordinary value in the support that they can receive from their peers. Peer-to-peer support provides opportunities to gain practical advice and learn from the experience of others in ways that neither funders nor outside consultants can supplant. Even if grantees are not in the same field, peers are often very good sources of information about referrals, internal management issues, and the potential consequences of strategic choices.

Organizational change does not happen overnight, but a sustained focus, combined with adequate funding and effective management assistance, should lead to a measurable increase in organizational capacity that is apparent to both the foundation and the grantee.



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