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## **EVALUATING FOUNDATION-SUPPORTED CAPACITY BUILDING: LESSONS LEARNED**

**Thomas E. Backer, Jane Ellen Bleeg & Kathryn Groves**

*Human Interaction Research Institute*

**January 2010**

## *Executive Summary*

# **EVALUATING FOUNDATION-SUPPORTED CAPACITY BUILDING: LESSONS LEARNED**

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**Overview** This study of lessons learned from evaluations of philanthropic capacity-building programs used a national database of 473 programs, and a survey and interviews with 87 funders (82 foundations or foundation collaboratives, and five foundation-supported intermediaries) to answer two questions:

(1) How do foundations that support nonprofit capacity building evaluate their grantmaking and direct service activities?

(2) What lessons can be learned from evaluation, both to improve these programs and justify the investments made in them?

**Study Results** Major findings from the study include the following:

\* 2/3 of the foundations studied evaluate their capacity-building grantmaking or direct service programs; more than 3/4 of intermediaries evaluate their activities.

\* Nearly 3/5 of these foundations make results from evaluation available publically.

\* 2/5 of these foundations evaluate on an ongoing basis, another 1/5 do it annually.

\* Foundations studied most often use surveys and interviews to gather evaluation data, but they use a number of other methods as well.

\* Investments in evaluation efforts by 87 funders ranged from \$500 to \$1,250,000, with a mean of about \$69,500 and a median of \$15,000.

\* In reporting lessons learned from their evaluations, the 87 funders identified five **key conditions for effective capacity building**:

1 - Well-structured, ongoing communications with grantees.

2 - Readiness for change by grantees.

3 - Strong buy-in to capacity building by nonprofit boards and CEOs.

4 - Flexibility both by the funder and the recipient in implementing capacity building.

5 - Adequate time for enduring change to occur as a result of capacity building.

\* The funders also reported ten **good practices for effective capacity building**:

6 - Structured needs assessment to clarify what capacity building nonprofits most urgently need.

7 - Assessment-based work plans for capacity-building activities.

8 - Use of evaluation results to improve capacity building and share findings with others.

9 - Matching technical assistance providers to recipients, and training for providers to improve their effectiveness.

10 - Connecting nonprofits with community resources and with their own internal resources.

11 - Diverse, participatory learning activities, tailored to each nonprofit's needs and circumstances.

12 - Peer-to-peer learning, to stimulate professional development, problem-solving and collaboration.

13 - Leadership development for nonprofit staff and volunteers, including coaching.

14 - Organizing recipients of capacity-building grants into cohorts.

15 - Use of data from research conducted specifically to shape capacity-building activities.

\* The funders surveyed observed eight **barriers to effective capacity building**:

16 - Staff turnover both for funders and nonprofit recipients of capacity building.

17 - Inability to get needed support from other funders for a capacity-building program.

18 - Diverse needs and interests of recipients.

19 - Inadequate staffing or other resources of both funders and recipients.

20 - Cumbersome requirements for recipients to participate in capacity building.

21 - Capacity-building goals set too high for any reasonable expectation of success.

22 - Limits on impact of workshops and other one-time capacity-building activities.

23 - Scarcity of evaluators with needed skill sets and knowledge of appropriate evaluation methods.

\* These funders also noted four **financial strategies for effective capacity building**:

24 - A mix of financial support.

25 - A balance of financial support - not too much or too little.

26 - Strong accountability measures when operating support is provided.

27 - Use of financial incentives like challenge grants.

\* Some, but not all, of the 87 funders reporting evaluation lessons learned also cited specific examples of impact - 510 of them in all. These focused on individual, organizational, community and system impacts of capacity building.

**Next Steps and the Larger Context** Four questions raised by this study merit further exploration through **evaluation research**:

- What is the right balance between funding capacity building for high-performing nonprofits, versus trying to bolster weak organizations that may not always have the ability or even the will to become high performers?

- Could smaller, newer, more grassroots or lower-performing nonprofits do better in strengthening themselves if they were funded to do peer-to-peer consultation - in particular, with an appropriate high-performing nonprofit?

- Could these more fragile nonprofits strengthen themselves if funding was provided to link them with stronger organizations through mergers, back-office consolidations or related approaches?

- What is the most effective and cost-effective way to strengthen nonprofits in communities or regions where high-quality capacity-building services aren't available (especially those where the only providers may be unstable organizationally, or weak in their quality of services)?

A new ***national initiative on philanthropic capacity building*** could bring together key players - to brainstorm what an initiative might look like, then plan and implement it. The initiative could build on strategies employed in previous work, such as The Forum of Regional Associations of Grantmakers' New Ventures in Philanthropy project.

Where to site the activities of such an initiative, for instance within community foundations, would be a particularly important decision point for its ultimate success. A capacity-building initiative also would be more likely to have impact if it takes into account current economic circumstances in the United States, and how these affect both the nonprofit sector and philanthropy. Recent studies by regional associations of grantmakers on this topic would help in that planning process.

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This study was supported by a grant from the W.K. Kellogg Foundation's Action Lab, administered through the Fieldstone Alliance. A copy of the full report and access to the Philanthropic Capacity Building Resources database are available at [www.humaninteract.org](http://www.humaninteract.org)

## INTRODUCTION

How do foundations that support nonprofit capacity building evaluate their grantmaking and direct service activities? And what lessons can be learned from these evaluations, both to improve these programs and justify the investments made in them?

This study of lessons learned from evaluations of philanthropic capacity-building programs used a national database, a survey and interviews with funders to provide answers to these two questions. Study results can be used by funders to shape future capacity-building activities and evaluations of them. Some of the results also may be helpful to nonprofits and capacity-building service providers.

### Background

For more than 20 years, organized capacity-building activities have helped strengthen nonprofits in the U.S. (Backer, Bleeg & Groves, 2004; Renz, 2008). Much of the support for these activities has come from foundations, large and small; support is provided both in dollars and in direct services offered by a foundation (Backer, 2001). Grantmaking by American foundations for core capacity-building activities like management development and technical assistance reached a peak of \$738 million in 2002. A substantial decline followed for several years, according to a study by Backer, Bleeg & Groves (2006).

That same study found that nearly 2/3 of the foundation programs for capacity building it examined have had some type of evaluation. The investment in these evaluations is small, representing only about 1% of the total spending by foundations on capacity building. However, out of this activity useful findings and practices have emerged related to the evaluation of foundation capacity-building grantmaking or direct service programs.

Linnell (2003) concluded from the first national review that evaluation of capacity building was uncommon, except for some foundation-funded initiatives. There were no studies of comparative effectiveness mentioned in her report seven years ago.

Moreover, she asserted that there are too few experienced evaluators to meet the demand for assessments of nonprofit capacity-building programs.

Only limited guidance is available for foundations wishing to design and implement evaluation strategies for capacity-building work they support (e.g., Connolly & York, 2002). The present study indicates that this situation has improved - more evaluations done, more evaluators doing them - but the shortfalls are still evident.

Since the recession began in 2008, many foundations are emphasizing capacity building more heavily, as a way of providing support to and strengthening connections with their community of nonprofits (Grantmakers Forum of New York, 2008). Nonprofits struggling with survival issues at every front see the value of training, technical assistance and information products that can help them become more effective. This only increases the need for good evaluation, to increase the impact of such initiatives.

### Study Objective

Since a number of foundations have evaluated their capacity-building programs, there is value in drawing together the lessons they have learned, and creating a portrait of how these evaluation activities are conducted. Far too often, evaluation reports sit unread on the shelves of those who commission them, with little ultimate impact. The purpose of this study is to close some of that gap between evaluation lessons learned and the foundations and others that could benefit from them.

Data for this study come from the Philanthropic Capacity Building Resources (PCBR) database, the world's largest information resource on nonprofit capacity-building activities funded or provided by foundations and their intermediaries. A 2008 grant from the W.K. Kellogg Foundation's Action Lab, administered by the Fieldstone Alliance, supported gathering of new data from the programs contained in the PCBR database (available at [www.humaninteract.org](http://www.humaninteract.org)), as well as analysis of existing data and development of this synthesis.

PCBR was launched in January 2003 after a year of developmental work, with 168 program profiles in a fully-searchable database hosted on the Human Interaction Research Institute's website. With support from a group of foundations, the database has grown to include 443 foundation programs as of December 2009, along with 30 profiles of foundation-supported intermediary organizations that fund and/or provide nonprofit capacity building.

A 2007 pilot study supported by the Bruner Foundation (Backer, Bleeg & Groves, 2007) confirmed that meaningful lessons learned could be derived from evaluations conducted by these foundation programs, using information in the PCBR database and new input from foundations and intermediaries. When the present study gathered data on evaluation lessons learned (2008), there were 398 foundation programs and 22 intermediaries in the database, with 248 of the foundations and 19 of the intermediaries either having completed or having in process an evaluation of their capacity-building work. This report reviews and analyzes data already in the system on these efforts, plus new information gathered by survey in 2008 from these evaluated programs. The report also provides a statistical overview of evaluation activities of the current group of 473 programs, updated in 2009.

## Study Method

To gather data for the study, data first were harvested from the 2008 PCBR database on all programs with evaluation activity. Then representatives of the 248 PCBR programs that either had completed or were doing evaluations in 2008 were contacted by e-mail, with a request for more specific information about evaluation findings. The 19 intermediaries in PCBR reporting evaluation work also were contacted, making a total of **267** programs.

Descriptions of both significant "lessons learned" and impacts of these programs were requested, as well as a copy of any evaluation reports. Information also was gathered by telephone interview with program representatives. In some cases, supplemental data came from the funders' websites.

A total of **87** programs provided information - 82 operated by foundations or foundation collaboratives, and five by intermediaries. (A complete list of responding programs is in the Appendix.) Enhanced PCBR profiles were created for each of these programs, to add a lessons learned section based on input provided. Draft profiles were shared with program representatives for review.

The resulting enhanced profiles were included in the December 2008 update of the PCBR database. A content analysis then was performed on the lessons learned sections of these 87 profiles, searching for common themes in evaluation findings, as well as for examples of impact.

Later in 2009, data on evaluation activities of the 473 programs currently contained in the database were compiled directly from program profiles. These results (displayed in the first chart below) give an updated overview about evaluation activities of these programs.

A note of caution is needed in interpreting the findings of this study. The lessons learned presented might be skewed to the positive for several reasons:

1 - It is possible that a larger percentage of funders operating successful projects are willing to be profiled in PCBR, compared to those whose capacity-building work is disappointing in its results.

2 - It is likely that within the study pool of 267 programs with evaluation activities, responses were obtained from a larger percentage of funders whose programs had positive evaluation results.

3 - While considerable data were obtained about operational challenges and disappointing results, the majority of findings shared focused on accomplishments and the value of undertaking capacity-building work.

## Overview of Results

Results from this study are presented in four segments. First is a chart (presented on p. 5) that summarizes evaluation activities for the current (2009) group of 473 programs in the PCBR system - 443

foundation programs and 30 offered by intermediaries.

Second is the set of 27 lessons learned derived from the content analysis of 87 programs responding to the 2008 study inquiry about evaluation findings. The lessons about how to create and implement capacity-building programs are summarized on the second chart (p. 6), and then presented in more detail in the text following. The great majority reported positive outcomes from their evaluations, but there were reports of significant challenges in some cases.

Third is a quick sketch of some key impacts of capacity building that were derived from the evaluation. Fourth and finally, the entire set of lessons learned and impacts observed for individual PCBR programs can be accessed directly on the PCBR website ([www.humaninteract.org](http://www.humaninteract.org)), using the list in the Appendix to this report as a key.

Investments in evaluation by these 87 programs ranged from \$500 to \$1,250,000, with a mean of about \$69,500 and a median of \$15,000. Thus, most evaluations of foundation capacity-building programs were small, "VW size" efforts, but a few larger "Cadillac" evaluations also have been conducted.

**Chart 1**

**CAPACITY BUILDING EVALUATION ACTIVITIES  
OF FOUNDATIONS AND INTERMEDIARIES\***

<b>Activity</b>	<b>Foundations</b>	<b>Intermediaries</b>
<b>Evaluation</b>		
Programs Evaluated	49.0%	56.7%
Programs Being Evaluated	17.2%	26.7%
Evaluation Results Available	58.4%	16.7%
<b>Frequency of Evaluation</b>		
Annually	20.5%	8.0%
Periodically (Not Annually)	11.3%	52.0%
Ongoing	42.0%	16.0%
Other	26.2%	24.0%
<b>Type of Evaluation Conducted</b>		
Internal	49.1%	36.0%
External	43.0%	40.0%
<b>Evaluation Methods Used</b>		
Document Reviews	26.0%	28.0%
Focus Groups	22.5%	16.0%
Grantee Self-Reports	32.4%	32.0%
Interviews	40.3%	36.0%
Multiple Methods (Unspecified)	12.0%	40.0%
Participatory Evaluation	19.1%	20.0%
Site Visits	21.5%	28.0%
Surveys	46.4%	36.0%
Other	19.4%	4.0%

\* *Note:* Not all respondents indicated what type of evaluation they conduct; respondents could list more than one evaluation method, so responses don't total to 100%

## **Chart 2**

### **EVALUATING FOUNDATION-SUPPORTED CAPACITY-BUILDING: 27 LESSONS LEARNED**

#### ***Key Conditions for Effective Capacity Building***

- 1 - Well-structured, ongoing communications with grantees.
- 2 - Readiness for change by grantees.
- 3 - Strong buy-in to capacity building by nonprofit boards and CEOs.
- 4 - Flexibility both by the funder and the recipient in implementing capacity building.
- 5 - Adequate time for enduring change to occur as a result of capacity building.

#### ***Good Practices for Effective Capacity Building***

- 6 - Structured needs assessment to clarify what capacity building nonprofits most urgently need.
- 7 - Assessment-based work plans for capacity-building activities.
- 8 - Use of evaluation results to improve capacity building and share findings with others.
- 9 - Matching technical assistance providers to recipients, and training for providers to improve their effectiveness.
- 10 - Connecting nonprofits with community resources and with their own internal resources.
- 11 - Diverse, participatory learning activities, tailored to each nonprofit's needs and circumstances.
- 12 - Peer-to-peer learning, to stimulate professional development, problem-solving and collaboration.
- 13 - Leadership development for nonprofit staff and volunteers, including coaching.
- 14 - Organizing recipients of capacity-building grants into cohorts.
- 15 - Use of data from research conducted specifically to shape capacity-building activities.

#### ***Barriers to Effective Capacity Building***

- 16 - Staff turnover both for funders and nonprofit recipients of capacity building.
- 17 - Inability to get needed support from other funders for a capacity-building program.
- 18 - Diverse needs and interests of recipients.
- 19 - Inadequate staffing or other resources of both funders and recipients.
- 20 - Cumbersome requirements for recipients to participate in capacity building.
- 21 - Capacity-building goals set too high for any reasonable expectation of success.
- 22 - Limits on impact of workshops and other one-time capacity-building activities.
- 23 - Scarcity of evaluators with needed skill sets and knowledge of appropriate evaluation methods.

#### ***Financial Strategies for Effective Capacity Building***

- 24 - A mix of financial support.
- 25 - A balance of financial support - not too much or too little.
- 26 - Strong accountability measures when operating support is provided.
- 27 - Use of financial incentives like challenge grants.

## LESSONS LEARNED

Lessons learned from this study about foundation and intermediary support for nonprofit capacity building are organized under the four broad categories in Chart 2:

- \* *Key Conditions for Effective Capacity Building*
- \* *Good Practices of Effective Capacity Building*
- \* *Barriers to Effective Capacity Building*
- \* *Financial Strategies for Effective Capacity Building*

Within these categories, 27 lessons learned are presented. Each lesson is discussed in terms of both opportunity and challenge. Quotes from respondents are provided to illustrate the lessons.

### ***Key Conditions for Effective Capacity-Building***

#### **1 - Well-structured, ongoing communications with grantees.**

*The challenge:* A number of respondents had to make mid-course corrections, and build in better communications for subsequent iterations of their work. Even if a funder felt clear about its program, difficulties could arise if it was not communicated well to participants and TA providers, or if participants came in with hidden agendas that weren't aired and addressed. Participants, funders and TA providers may initially have divergent expectations and ideas about these elements.

As one foundation collaborative said: "It is critical to keep close track of grantees and their capacity-building needs rather than creating a program based only on funders' assumptions. Using interviews, site visits and other means to stay in touch with grantees' needs and develop a responsive approach to capacity building is most effective. Providing an open process for ongoing feedback is essential in order to keep the programming and dollars relevant in real time." (Southern Partners Fund, Special Capacity-Building Initiative)

Some funders may have very specific ideas about what they want to accomplish and how they want to accomplish it going into a

capacity-building effort. If they fail to include input from participants while planning or executing the effort, they are likely to miss some of the key issues and strategies essential to success.

*The opportunity:* Participants may initially lack skills or self-confidence, affecting their ability to make progress, yet they often have more knowledge about on-the-ground needs along with potential barriers or opportunities than do the funders. If participants are listened to in ways that convey respect, they become empowered and more confident in sharing their wisdom and their creative solutions to challenges that funders and others at a distance may not see.

#### **2 - Readiness for change by grantees.**

*The challenge:* Engaging in capacity building with participants who are not ready, willing or able to participate to the degree needed for success can lead to disappointing results. Where an organization is in its lifecycle, stability of senior staff and financial status can determine whether engaging in capacity building at that particular point in time is likely to lead to results that are worth the investment. According to a collaborative, "'Readiness' was up to the participants. Not every participating organization started at the same level of 'readiness,' but they all grew more 'ready' over time. The result was that organizations got out of OCGI what they put in; those ready to contribute the greatest effort—participating fully in required and supplemental activities—reaped the greatest benefits." (Organizational Capacity Grants Initiative)

The Cleveland Foundation BASICs program identified three types of low-readiness nonprofits, suggesting that funders need to be cautious about providing capacity-building support to:

- *Organizations in crisis* - "Organizations in crisis are not appropriate candidates for capacity-building or organizational effectiveness grantmaking. Building capacity with the goal of staving off future crisis is fundamentally inconsistent with managing current crisis."



- *Groups in significant decline* - "It is difficult to assess a grantee in decline or to acknowledge when the red flags of decline are beginning to appear. Optimism that growth or turnaround is just around the corner creates motivation for change but bad initial assessments. Only with a clear eye to decline concerns can an organization and program develop a measured strategy for change."

- *Start-ups* - "Start-ups are not good candidates for this work. You need a history in order to plan a future. Building capacity is not the same as initiating capacity."

*The opportunity:* Identifying the base requirements for success of an undertaking, and selecting participants, TA providers and funders who all come ready, willing and able to meet those requirements, increases the likelihood of significant impact. As one foundation commented, "Agencies where the possibilities of making change permeate the entire organization are the strongest partners. At a minimum, readiness for capacity building includes: mission-critical programs that have proven impact, willing senior leaders who share a vision of their organization's potential, financial health and an organizational culture that can survive or thrive in change." (Deaconess Foundation, Deaconess Impact Partnership)

Another foundation learned that organizations able to benefit from capacity building share some common qualities that add up to readiness:

- The ability to realize the importance of seeking outside counsel
- Clarity regarding areas in which they need management assistance
- Buy-in from both board and staff members
- Openness of board and staff leadership
- Realistic understanding about the time commitment involved in successful implementation
- Additional funds to rely upon if the total cost of consultancy surpasses the grant received  
(The Dyson Foundation, Mid-Hudson Valley Management Assistance Program)

### **3 - Strong buy-in to capacity building by nonprofit boards and CEOs.**

*The challenge:* Getting buy-in and support for capacity-building activities by the diverse leaders of a nonprofit can be tough. If this doesn't happen, it becomes too easy in the pressure-filled nonprofit world for the nonprofit's capacity-building activity to take a back seat or be abandoned when other priorities emerge. Adequate resources needed to carry out the effort – staff, time, money, space and more – may not be forthcoming unless leadership buys in fully.

*The opportunity:* Numerous respondents indicated that leaders at the highest level of the organization must be (a) aware of, (b) enthusiastic about and (c) involved in capacity building for it to be successful. Creating enthusiastic participation at the top strengthens the likelihood of success with the core effort, and can sometimes enable organizations to go beyond the specific accomplishments sought, rippling the impact into other areas of organizational functioning. A collaborative noted that "Board involvement is crucial to buy-in and change, and the assessment process did an excellent job of integrating boards into the capacity-building work." (BEST: Building Excellence, Sustainability and Trust)

### **4 - Flexibility both by the funder and the recipient in implementing capacity building.**

*The challenge:* The importance of flexibility on the part of all participants in a capacity-building effort was noted frequently. Time and again new circumstances and needs arose once projects got underway, regardless of how carefully things had been planned. In any capacity-building endeavor, it seems wise to expect the unexpected! The environment can change, key people can (and frequently do) leave, approaches that seem like they should work don't, and new needs or opportunities that no one could anticipate appear.

All involved have to be prepared for inevitable departures from the plan and must communicate well in order to address them. A foundation observed that, "The foundation needs to be flexible in dealing with organizations. The service providers are encountering obstacles not anticipated, such as poor training by Evidence-Based Practice developers, or resistance of local

governments related to payments. Governmental wheels have turned very slowly; and while participating organizations expected some resistance to change, most encountered more than anticipated from the public sector.” (The Tower Foundation, Implementation of Evidence-Based Practices)

Another funder observed that, “External factors like a downturn in the economy need to be taken into account in assessing the success of a capacity-building initiative, since the outside resources (volunteer board members, etc.) needed to supplement what a foundation grant provides are simply not as easy to acquire when times are tough. Adjustments in a project plan may need to be made as a result.” (Dwight Stuart Youth Foundation, Capacity Building Initiative)

*The opportunity:* A good plan for implementing a capacity-building activity acknowledges the need for flexibility and includes dollars, communication vehicles and other resources central to addressing change. Commented one foundation, “Funding was customized to the needs of the participants and was well used. There is a common dilemma in Advancement programs that funders need to set their budgets at the beginning of the program, yet participants’ needs only become apparent once their strategies are completed. AAP adopted a good compromise on this issue where organizations had a fixed budget, but were given considerable flexibility over how this was spent. The funding was well spent, with no identifiable sources of waste.” (Cleveland Foundation, Arts Advancement Program)

## **5 - Adequate time for enduring change to occur as a result of capacity building.**

*The challenge:* Just as quick, fad diets rarely have a lasting impact, rarely does significant and enduring change result from short-lived capacity-building interventions. Repeatedly respondents indicated that their work required more time than was anticipated. Noted one funder, “Consistent interactions over time are needed to have an impact, so most of their programs require at least a one year commitment.” (Amherst H. Wilder Foundation, Wilder Center for Communities)

*The opportunity:* When capacity-building work is structured properly, with adequate time for every phase (assessment, planning,

implementation, evaluation, refinement and renewed implementation), and with realistic expectations for participants, impressive results can occur. According to a community foundation, “Capacity building requires a long term process. All organizations require help at different times to address internal or external needs for strengthening. High staff turnover in the nonprofit sector, and other internal and external changes, mean that learning has to be ongoing. Capacity-building is an ongoing process, not an end state.” (Community Foundation of Santa Cruz, General Grantmaking)

## ***Good Practices for Effective Capacity Building***

### **6 - Structured needs assessment to clarify what capacity building nonprofits most urgently need.**

*The challenge:* Funders supporting capacity building, as well as the organizations undertaking such work, need to be clear about what to focus on first, second, etc. As one funder learned, “It is a challenge for the foundation to keep in mind that it can’t be everything to everyone. Its capacity-building effort addresses specific needs, based on individual organizations’ unique needs.” (Allegany Franciscan Ministries, Tampa Bay Region, General Grantmaking)

While sophisticated nonprofits with a long track record of success and strong planning skills may be very clear and accurate about their needs, many respondents noted that some participants initially are unclear, focused on something that can’t be addressed until other needs are dealt with first, or simply incorrect about the true priority needs. According to a community foundation, “Help with fundraising is the number one request, but often there are other more pressing issues that need to be addressed first. Many nonprofits say their top priority is to increase their income, yet some are not likely to succeed with that effort unless they first address other weaknesses such as board development, communications skills, etc. when they enter the process.” (Cape Cod Foundation, Nonprofit Support Program)

*The opportunity:* Working with grantees or potential grantees to develop a set of capacity-building priorities is well worth the

time and effort. Some funders didn't start with assessment as a part of their work but added it. Some adapted existing tools for assessment, while others created their own methods.

In some cases funders actually created a "pre-capacity-building" planning process involving modest initial funding, an assessment phase and then coaching assistance. This can enable organizations to develop accurate pictures of their needs and then create plans for addressing them. With plans in hand the groups then apply for larger implementation funds or other assistance. An intermediary indicated that, "Grantees benefit from guidance as they decide what type of capacity-building consultation to undertake. Grantees spoke highly of the intake call to help further clarify the capacity-building issue they need help with. Often they come out of this conversation seeking a consultant to help them with different or additional services that they didn't foresee needing." (Fieldstone Alliance)

## **7 - Assessment-based work plans for capacity-building activities.**

*The challenge:* Nonprofits may not have the right skills to create a well-structured plan, or might find it tough to set aside time for the careful planning needed for successful capacity building. Requiring this work plan as part of a project, and providing assistance to complete it, can be a capacity-building intervention by itself, leading to new skills that can be applied over and over in the future. According to one funder, "Nonprofits are skeptical and unaccustomed to foundations investing in more than their projects. Many organizations need help translating their organizational development needs into solid outcomes, work plans and budgets." (Mary Reynolds Babcock Foundation, Organizational Capacity Building Program)

*The opportunity:* Starting with information from an assessment, participants can develop desired outcomes and a clear work plan for achieving them. This process provides a foundation for measuring progress, holding both funders and nonprofits accountable. It also makes possible celebrating success as important steps are completed.

Some respondents noted that following a less structured first round of capacity-building work, they began to provide more structure and subsequently accomplished more. Establishing clear learning processes and expectations, as well as creating and using specific desired outcomes and indicators to show that they were being accomplished, resulted in more consistent work and progress by participants.

A community foundation reported that: "Benchmarks were developed to help track participant progress; just assuming great work is being done wasn't effective. Benchmarks are covered regularly in conversations between grantees and consultants, and they enable the community to see how the progress is going." (Community Foundation for Greater Atlanta, Technical Assistance Neighborhood Fund)

## **8 - Use of evaluation results to improve capacity building and share findings with others.**

*The challenge:* Evaluation often is treated as a closed system, with results shared too late to influence fine-tuning of the program. Moreover, evaluation reports are too often seen only by funder staff - not by the recipients of capacity building or others in philanthropy or in the nonprofit sector.

One foundation put it this way: "One outcome element missing from the general framework of this program was having projects share what they were learning with others. Without documentation and mechanisms for sharing information, others can't benefit from what is being learned. Funders could add resources and opportunities for projects to support their efforts in collecting and sharing what they learn. Technical assistance and guidance about how lessons can be documented would be valuable, followed by opportunities to share lessons via network meetings. As an alternative, the foundation could support an outside person to do the documentation." (The California Endowment, Communities First)

*The opportunity:* Using evaluation results as part of a learning process, not just as an after-the-fact demonstration of impact that goes into a report and sits on a shelf or in a computer folder, can be a powerful intervention. Substantial benefits can come

from using evaluation formatively in capacity-building projects. They include identification of weaknesses in the project design early enough to correct them, and strengthening the ability to use data to inform choices throughout the work of the organization, beyond the area being focused upon by the particular capacity-building effort.

As one collaborative discovered, "Because REP was conducted in phases and an annual evaluation was done, many of the service delivery challenges became mid-course correction actions in response to evaluation findings." (Rochester Effectiveness Partnership)

## **9 - Matching technical assistance providers to recipients, and training for providers to improve their effectiveness.**

*The challenge:* Numerous respondents encountered difficulties related to the technical assistance they received. Sometimes a lack of strong providers was a challenge. Creating a good match between nonprofits and TA providers is critical, and sometimes difficult to achieve.

Those TA providers with strong skills in some subject areas still might not be the best fit for specific nonprofits, due to a mismatch between their strengths and the needs of the nonprofit, or because cultural or other differences between the TA provider and nonprofit interfere. A TA provider who is an excellent fit for a sophisticated group may not work well with grassroots organizations, and vice versa.

One strategy that *doesn't* seem effective is for the funder to make the match and allow no flexibility if the nonprofit indicates discomfort with it. One foundation recommends that funders "Choose and train a pool of capacity-building plan writers, but let agencies select consultants with which to work. The foundation assigned consultants to the first round of Impact Partners and sometimes the matches were incompatible." (Deaconess Foundation, Deaconess Impact Partnership)

Another foundation observed that "Some of the TA providers were not skilled in providing the types of support for which they were contracted, and didn't know what the goals and outcomes were for this project overall. Because they were contracted by grantees, the foundation stayed out of this aspect of the project." (The Foellinger Foundation, New Century Celebration Initiative)

*The opportunity:* Having multiple choices from which to select a TA provider, using a matching process that enables both the nonprofit and the funder to take part, and providing opportunities for the TA providers to strengthen their knowledge and skills are all helpful. In some communities or projects, funders, management support organizations, universities and others have developed training for providers so that more of them are ready and able to serve effectively. Some funders identify a "preferred pool" of consultants, offer training or peer exchanges to them on a regular basis, and enable nonprofits to pick from those in the pool.

Targeted training on specific capacity-building approaches, use of particular assessment tools, peer exchanges between TA providers to strengthen knowledge and communications, and other methods were found to enhance the fit between TA providers and nonprofits. Some funders built this in from the start; others identified the need through their own evaluation processes and had to develop it.

## **10 - Connecting nonprofits with community resources and with their own internal resources.**

*The challenge:* Competitive funding systems, the failure to build networking sessions into the agenda of highly structured gatherings, or physical distances between participants - all can contribute to nonprofits working in isolation, unaware of resources or potential partners they might access to enhance their impact. One foundation describes the challenge well in the context of its own work: "Health issues are too complex for any group to address on

its own. Changing how agencies do business and forming partnerships that bring more resources and expertise to the issue were critical." (The California Endowment, Communities First)

*The opportunity:* Numerous respondents noted positive consequences – at times initially unintended – as participants interacted with each other or were introduced to people from other sectors of their communities or their fields. By getting to know more about each other, they began to find ways to work together, help solve problems, create new or combined services, raise dollars from new sources and generally enhance their ability to accomplish their missions.

According to one intermediary, "The most important impact of the center's capacity-building grantmaking and technical assistance is connecting organizations to other groups within their state, region or at the national level. This has allowed the organizations to learn from one another, and to enhance their power by working together for the common good." (Center for Community Change)

Funders often began building in more activities to facilitate both structured and unstructured networking as they saw the impact it produced. They held special events and invited people from different sectors, trained technical assistance providers to help their grantees build more and broader connections, supported the convening of groups across a community, region or the nation who were working on the same issues, etc.

Sometimes the new connections were within the recipient's own organization. As one funder noted, "Development of a cross-sectional team (including board members) had a powerful impact. The team facilitated enhanced communication between staff and board members and a better understanding of roles and programs. Several grantees reported that the inclusiveness of the team created a new culture in the organization and moved the group beyond the 'us and

them' mentality." (Sierra Health Foundation, Organizational Development and Work Plan)

## **11 - Diverse, participatory learning activities, tailored to each nonprofit's needs and circumstances.**

*The challenge:* Trainers/teachers with special skills and knowledge are needed to create and oversee use of effective learning approaches. Someone may be skilled at doing something, but not be as skillful at teaching others using the most current practices. In some cases, existing knowledge about how best to do the capacity-building work may be weak.

As one funder put it: "Grantees' capacity-building needs are complex. While some grantees apply and receive funding for one targeted capacity-building service, many benefit from a bundled or phased approach in which they work with a consultant to address multiple issues simultaneously (e.g., developing strategic marketing while developing a fundraising plan) or complete one consultation with a next step in mind (e.g., an organizational assessment serving as the foundation for a strategic planning process)." (Fieldstone Alliance)

Clearly, one-size-fits-all approaches don't work well. Even if nonprofits are all working on the same capacity-building need or providing similar services addressing similar societal issues, the organizations tend to be complex and diverse – operating at different life cycle stages, differing in size and stability, having different organizational cultures and learning styles, involving staff and volunteers with varied levels of expertise, and so forth.

According to one funder, "This process has had a large impact on the way they do capacity building. Originally the capacity building was going to be an add-on to regular program grants, using a uniform approach. They discovered that much more individually tailored approaches were needed, and the needs were organized into three distinct capacity-building areas: programmatic efficacy; organizational development (board, finances and so forth),

and evaluation capacity improvement.” (Community Foundation for the National Capital Region, Collaborative for Education Organizing)

*The opportunity:* Recent advances in adult education strategies are now being applied to learning practices for nonprofits. The learning process itself, independent of the content, can be a key factor. Capacity-building efforts that include a combination of approaches such as group training, individual coaching and peer exchanges, rather than only one method, can be more engaging and responsive to the varied needs and strengths of participants. Effective capacity-building assistance is customized, flexible and culturally competent, providing different levels and types of assistance to meet the differing needs of individual participants.

This is how a funder described an approach that used this concept of multiple learning methods: “Learning was delivered through complementary approaches. Participants had a mix of individual and group learning, some with other arts organizations, and some on their own.” (Cleveland Foundation, Arts Advancement Program)

Including experiential, participatory learning opportunities means participants can develop and implement plans that are immediately useful “back home” and thus most likely to be integrated into practice. Assuming the activities involve more than a one-time session, this also gives them an opportunity to troubleshoot with initial applications and do some fine-tuning for greater impact. According to one organization, “The most effective capacity-building program uses adult learning principles that engage participants actively in learning, calling upon their unique experiences and expertise.” (Local Initiatives Support Corporation)

## **12 - Peer-to-peer learning, to stimulate professional development, problem-solving and collaboration.**

*The Challenge:* Many factors help to create underutilization or ineffective use of peers

as key capacity-building resources, including: (1) A tendency to value more highly the input of outside “experts” even though evidence supports the value of learning from peers, (2) time and resource constraints along with a competitive funding environment that can lead to operating in silos, (3) poor or no facilitation and/or structure for peer gatherings, when those can maximize the value of the opportunity; and (4) geographic separation in rural areas.

However, as one funder pointed out: “Peer learning and networking opportunities are essential – otherwise it would take an unaffordable number of consultants to address needs. Many grantees are very knowledgeable, and have had diverse levels of leadership experience. Grantees seem to enjoy drawing on the knowledge and skills of their peers.” (Southern Partners Fund, Special Capacity-Building Initiative)

Peer learning methods included conferences, list-servs, teachbacks, benchmarking visits to high-performing organizations, informal or formal discussion sessions, and providing more networking time following educational gatherings. In some cases peer groups even continued on their own after a capacity-building project officially ended.

One foundation said that, “What has remained (from the Institute for Organizational Effectiveness) is that the four cohorts (those who went through the program together) are still together. They meet on their own, independently, and continue to support each other. They are very diverse groups with diverse service areas, and this effort strengthened their relationships with their peers.” (The Foellinger Foundation, New Century Celebration Initiative)

In other cases funders determined that providing continuing peer exchange opportunities was one way to keep the capacity-building effort going after other aspects of the formal design ended. However, structured and facilitated peer activities seem to be more effective than those with little or no organization to them.

One foundation commented that, "Peer learning happened best through structured events and facilitated activities." (The James Irvine Foundation, Communities Advancing the Arts)

*The opportunity:* Evaluation findings frequently showed that peer-to-peer learning was among the methods most valued by nonprofit staff. In response, some funders began to offer this approach more often as their projects progressed, or recommended it as part of future improvements.

As one collaborative learned, "Creating a space for community organizing organizations to meet together to deliberate and discuss issues is the most important contribution of the FCO. Funding efforts to create consistently available spaces for local community organizing dialogue and learning would be valuable. Furthermore, this should be a long term obligation that includes the provision of incentives for interface among local organizations and funding for the collaborative work of local foundations." (The Southern Funders Collaborative)

Success stories about peer-to-peer activities were common: "Peer support has been good. This is an element which is often neglected in capacity-building programs, because participants do not always see the benefits of sharing experiences with organizations from different art forms or with different strategic issues. In Cleveland peer support was consistent, well appreciated, and mirrored by collaboration and practical partnership. This is a model for other Advancement programs. The AAP program shows clearly that organizations with different strategic issues, from different art forms, can benefit strongly from mutual support. One improvement would be extending peer support deeper, to include groups of professional staff and board members." (Cleveland Foundation, Arts Advancement Program)

### **13 - Leadership development for nonprofit staff and volunteers, including coaching.**

*The challenge:* Many respondents described the importance of leadership development, and ways to do it effectively. Also, while leadership development typically might be considered an opportunity primarily for a nonprofit's executive director, experience shows that providing it for board members and other staff can also be valuable.

*The opportunity:* Leadership development, often using coaching alone or in tandem with other approaches, plays a key role in many of the programs developed by this study's respondents. Grantmakers for Effective Organizations identifies it as an area of capacity building that has shown significant impact. As noted on its web site, [www.geofunders.org](http://www.geofunders.org), "Strong leadership is essential for the success of any nonprofit organization, and never more so than when innovation and change is necessary. And GEO members agree - nearly two-thirds directly support the leadership development of grantees, either through funding or directly through their grantmaking organizations."

According to one foundation with significant leadership development experience, "Foundations can play a crucial role in creating opportunities for organizations, their leaders, and the consultants and coaches who work with them to share what they are learning about how to strengthen nonprofit leadership." (Evelyn and Walter Haas, Jr. Fund, Flexible Leadership Awards Program)

### **14 - Organizing recipients of capacity-building grants into cohorts.**

*The challenge:* Many funders create cohorts of grantees or service recipients for a capacity-building program. Some are homogenous (all community clinics, for example), while in other instances diversity in terms of organizational characteristics, experience level and/or type of service provided was felt to be valuable. With still other projects, diversity of participants was a reality, but evaluation revealed it to be more of a hindrance to effective capacity building.

For example, one funder noted, "Community foundations were at different developmental stages, with differing capacities and resources. Offering a broad range of technical assistance and learning resources was essential to match this diversity of needs. Learning strategies along with organizational development approaches needed to be organic and sensitive to the individual cultures of each foundation [community foundations were the recipients of TA]." (The California Endowment, Community Foundation Health Partnership)

*The opportunity:* A number of respondents created cohorts or groups of participants who went beyond simply receiving capacity-building assistance during the same time period. They participated in group learning activities and peer exchanges, communicated with each other outside of formal meeting times, mentored other participants and more. Each cohort functioned as a learning community. A collaborative recommends that funders "create a learning cohort, establishing a safe environment for participants to talk about what it takes to be effective organizations and facilitating full participation from all members." (Organizational Capacity Grants Initiative)

An intermediary identified some factors that can maximize effectiveness of the cohort model, including: (1) continuing facilitation of interactions, (2) using convenings for organizations to exchange information, (3) providing other incentives for interaction, like small planning grants and (4) using their current state in the life-cycle stages of organizations to help groups self-identify with cohorts. (BEST: Building Excellence, Sustainability and Trust)

## **15 - Use of data from research conducted specifically to shape capacity-building activities.**

*The challenge:* Doing research takes time, money and knowledge. Especially with the current recession, funders understandably may be reluctant to invest scarce resources in research. Nonprofits may have similar concerns. Organizations that are struggling

just to keep their doors open and meet rising, urgent needs may think they don't have the option to do research - or may not understand why it might be valuable.

*The opportunity:* Sometimes these barriers can be overcome by working collaboratively on a research effort that will impact a group of nonprofits or the community as a whole. A number of profiled programs incorporated research as a key element of their capacity-building work. It was used to clarify needs and opportunities in some cases, and helped inform initial project design. A community foundation noted that, "It is important to evaluate the landscape before jumping in. The partners did asset mapping first to see what the existing capacities were, and found that many claiming to do community organizing weren't really doing it in ways that were actually community organizing. Instead they were doing frontline parent advocacy, helping individual parents advocate for their own individual needs rather than working on the broader community good." (Community Foundation for the National Capital Region, Collaborative for Education Organizing)

Research can secure baseline information for use in subsequent evaluation of project impacts, build buy-in from funders and nonprofits, help identify potential participants and contribute to the effectiveness of TA providers. As one foundation learned, "Building in more independent research at the beginning of an engagement to ensure that CGV associates [TA providers] have a sufficient preliminary understanding of the organizations themselves and the sectors in which they work will prove helpful in reducing the lead-time of the consultation and in building trust between partners." (Maine Community Foundation, Program for Nonprofit Effectiveness)

Participants also were sometimes encouraged and taught to conduct research as part of building their capacity, in order to strengthen their use of research strategies in the future. According to one collaborative, "The collaborative has developed the capacity to influence policy



work in the community by providing research or data to other organizations, by convening groups, etc. This leverages or influences systems and policies that affect the neighborhoods.” (The Seattle Foundation, Neighbor to Neighbor Fund)

### ***Barriers to Effective Capacity Building***

#### **16 - Staff turnover both for funders and nonprofit recipients of capacity building.**

*The challenge:* Staff turnover is one of the most frequently noted challenges to effective capacity building. A variety of examples were given by funders – loss of the founding artist from arts organizations, which can be particularly disruptive; turnover of foundation staff members who had key roles in a capacity-building project, departure of nonprofit leadership staff who were instrumental in the capacity-building effort, or changes in other staff after they received significant professional development assistance (with the loss sometimes occurring because they now had stronger skills and were hired away by other organizations, both nonprofit and for-profit!). Also challenging is bringing on a new staff person midstream, when that person needs to be involved in the capacity-building effort but doesn’t have some of the core knowledge already developed by other participants.

*The opportunity:* To be successful, capacity-building efforts need to recognize and be prepared for staff turnover within both agencies and funders. Flexible project design, tutorials to get new participants up to speed, peer mentoring and strong volunteer involvement are all potential strategies for moderating the impact of staff turnover.

One funder observed that “leadership staff turnover was a major factor in organizations not meeting goals. However, when boards stepped in to keep fundraising going during transitions, they were able to keep their organizations on track.” (Meyer Memorial Trust, Capacity Building Program)

According to another funder, capacity building can actually decrease staff turnover by strengthening personal fulfillment, and thus lead to a more highly skilled work force. (Robert Bowne Foundation, Technical Assistance Initiative)

#### **17 - Inability to get needed support from other funders for a capacity-building program.**

*The challenge:* For a variety of reasons, needed financial support beyond what the initial funders of capacity-building work can provide is not always forthcoming. One foundation observed that “insufficient resources, beyond the Casey grant, were a problem throughout the effort.” (The Annie E. Casey Foundation, Rebuilding Communities Initiative)

In some cases research conducted to prepare for a project, indicating assistance from others would be available, was done when the economic environment was stronger than it was once the project actually started. At other times the nature of the nonprofits’ work meant that few funders were interested in it. Noted one funder, “The fund is learning about partnering with other funders. How it operates creates discomfort for some funders and makes it hard to get them involved. A majority of people involved with the grantee organizations in this effort are formerly incarcerated, and for example, when some of them attended a conference with funders discomfort arose.” (Peace Development Fund, Criminal Justice Initiative)

Additionally, a community foundation discovered that, “It was hard to get funders around the table – the topic of racism, and differences between the African American and white paradigms, coupled with the rise of other diverse communities in recent years, made this work very difficult. The culture of philanthropy has varying degrees of comfort dealing with this entire area and with the people who are being served. This initiative was highly risky, and put the funding partners in situations where they were being asked to take big risks.”

(Community Foundation for the National Capital Region, Initiative to Strengthen Neighborhood Intergroup Assets)

*The opportunity:* At times receiving capacity-building support actually enhanced participants' ability to secure funding from others – especially if some of the support was geared towards strengthening the capacity of nonprofits to raise funds and thus to sustain themselves independently (so that future support by the original funders might be less needed). Even if this wasn't a core focus, some nonprofits reported increases in their credibility with funders and the public that led to new and larger income. Additionally, challenge grants can lead to increased funding from other sources.

## **18 - Diverse needs and interests of recipients.**

*The challenge:* Participant diversity brings significant differences in the learning needed and the results that are possible. One foundation discovered that, "The major problem hampering implementation of this program was dealing with large numbers of grantees with different issue areas and target populations. The foundation did not have sufficient resources and staffing to meet grantee needs." (The California Endowment, Local Opportunities Fund)

*The opportunity:* Having a diversity of participants in a capacity-building effort can create valuable opportunities for peer learning and mentoring. Participants from widely varying backgrounds, racial and ethnic groups, and professional disciplines add creative thinking and richness to the effort and lead to unexpected opportunities for collaboration.

## **19 - Inadequate staffing or other resources of both funders and recipients.**

*The challenge:* The number of hours that foundation and nonprofit staff must devote to make significant progress, and the length of time required over months or years, are often more than anyone anticipates in the

beginning. As one funder put it, "Capacity building takes a long time. Even five years may not be enough to change an organization's culture or assure long-term sustainability of capacity gains." (Cleveland Foundation, BASICS)

For most capacity-building projects, staff of the participating nonprofits must be involved at all levels, and over the life of the project. As one funder said about a capacity-building effort: "Adequate staffing will continue to define the success and sophistication of data projects. If nonprofit database projects are adequately staffed, they serve as an unofficial adjunct to the newsroom. Data analysts must be able to respond to research requests within the constraints of a paper's deadline or provide direct access to the database. Resources are of value only if project staff has the time and impetus to absorb and implement the techniques and lessons." (The Proteus Fund, General Grantmaking)

A significant cause of nonprofits dropping out from capacity-building projects or failing to achieve objectives is the inability of their staff to devote adequate time to the effort. Nonprofit participants can become overburdened and burn out, drop out or not give the effort the attention it needs for success. Further, in some time-limited efforts many nonprofits do not get as far along as was hoped by the time the project ends. In other cases, the funder extends the time line because it becomes clear that more is needed to reach the desired outcomes.

On the funder end, one foundation mentioned having committed to two major efforts at the same time, then finding that the ability to carry out both was compromised by inadequate staffing numbers. Evaluators of another project noted that, "While the FCO is a praiseworthy effort and a model worth emulating, the structure and operation of the Ford Foundation itself mitigated the full potential of the Initiative. Staff incentives discouraged collaboration, while frequent staff turnover and heavy reliance on consultants kept Ford staff focused on the

short-term instead of on the long-term nature of social change and social justice work.” (The Southern Funders Collaborative)

*The opportunity:* Some foundations recognize the labor-intensive quality of much capacity-building work and address their own limited staffing by bringing on consultants or part-time staff to manage this work, or by engaging a management support organization. Foundations also can provide funding for extra staffing to nonprofits during a targeted capacity-building project, so they can be sure to free up the staff needed to carry out the work without causing service or administrative problems for participants.

Clarifying who will be involved, how much time they need to commit and getting support of their superiors in advance all are essential. Additionally, viewing capacity building as incremental, with many smaller steps over time leading to significant change, may be helpful to avoid setting expectations for too much change too fast. In fact, some funders suggest that ongoing access to capacity-building assistance is essential – staff and circumstances are so fluid that progress can easily slip away unless there is consistent attention to the key areas of need.

## **20 - Cumbersome requirements for recipients to participate in capacity building.**

*The challenge:* Many funders have unique requirements or interests that lead them to believe they need special information in their proposals. Additionally, the increased attention to accountability has led to a plethora of requirements for in-depth, frequent reporting. Finding a balance that ensures funders get data to make future grant choices and address accountability, without going overboard, can be tough. Regional associations of grantmakers and such national organizations as the National Network of Grantmakers have worked for years to encourage reduction in this type of burden, with only limited success to date.

*The opportunity:* Streamlining and unifying application processes through Common Application Forms used by a number of funders, refining reporting requirements so they are not overly burdensome in frequency or content, decreasing the amount of information requested for subsequent applications by previously funded organizations, making sure that time spent at required activities is well used, and other approaches can save funders, grantseekers and project participants tremendous amounts of time (which often translates into money as well), enabling them to invest more time into the capacity-building work itself or their services.

Sometimes the simplification process goes beyond applying for funding *per se*: “Cities such as Denver, Seattle and Cleveland, with smaller populations, have had very high levels of production. A major reason is that all three created streamlined mechanisms to provide financing for planning and packaging of projects by CDCs and other nonprofit developers. Impact Capital in Seattle, the Mile High Housing Fund in Denver and Village Capital Corporation in Cleveland are three lending mechanisms that have achieved impressive results by aggregating loan capital from multiple funders into large loan pools, which they then award for expedited development to top-notch CDCs. This approach reduces the time otherwise needed for multiple decision-making by lenders.” (Living Cities: The National Community Development Initiative)

## **21 - Capacity-building goals set too high for any reasonable expectation of success.**

*The challenge:* Nonprofits may set overly-ambitious goals in order to make sure their applications are viewed favorably, or because unanticipated barriers such as staff turnover or a downturn in the economy occur after goals are set. Funders may develop goals at the start of an effort that sound good but simply are not achievable, given the amount of time and resources available or the presence of unforeseen barriers.

According to one funder, "Instilling business practices was a good strategy for building strength and resilience while times are good. However, the changes recommended for organizations and specific business practices pursued often began from an ideal or 'best practice' standpoint rather than meeting organizations where they were. In this way, there was pressure on organizations to reach a particular level rather than simply move forward." (Cleveland Foundation, BASICs)

*The opportunity:* What can funders legitimately expect their capacity-building funding or activities to achieve? Using information from other capacity-building efforts and from baseline information gathered at the start of a project, as well as anticipating that unforeseeable roadblocks will be encountered along the way, can help funders (and participants in the capacity-building effort) create realistic goals.

## **22 - Limits on impact of workshops and other one-time capacity-building activities.**

*The challenge:* Stand-alone educational sessions such as workshops, conferences or even a short series of sessions, often do not have a significant, sustainable impact in creating practice change. As one collaborative noted, "Workshops alone do not ensure learning or application. The addition of follow-up, one-on-one consultations after workshops was an early enhancement of the peer learning process." (BEST: Building Excellence, Sustainability and Trust) These short-term events need to be placed in a larger context of learning goals and related activities. For instance, how do workshops or other one-time learning events lead to, or relate to, ongoing technical assistance, peer-to-peer interventions, coaching, mentoring, and so forth?

*The opportunity:* The Independence Foundation (Dedicated Program Officer for Technical Assistance) determined that their workshops had solid impact. After evaluation the following approaches were recommended to increase this impact: (1)

plan a workshop series that includes follow-up to each session at the next session; (2) conduct a series of sessions on the same topic; (3) involve more than one person from each participating organization, and facilitate their planning for implementation of ideas generated from the workshop; (4) design some sessions for specific homogeneous groups to enhance the content's relevance and cover a topic in depth; (5) provide handouts, including a list of attendees to facilitate later networking; (6) structure and facilitate discussions; and (7) use peers as workshop facilitators, working in teams of two to provide different perspectives, with outside speakers on occasion.

Such a comprehensive approach is unusual, however – often because resources are too limited to permit it. Workshops or other activities with little or no support for back-home application predominate – in part because these approaches are the least expensive, easiest way for funders and others to provide assistance, and also because they take the least amount of time and money for participants.

Despite their limitations, group activities on a one-time or short-series basis can be a relatively inexpensive way to (1) reach many participants; (2) introduce nonprofits and funders to each other as well as to capacity-building ideas, techniques or possibilities; and (3) enable participants to learn from someone having expertise, and with whom most could not afford to work individually. According to one foundation, "Workshops have been very valuable to the majority of attendees and they hoped that the foundation would continue to offer them. The workshops have provided attendees with new information, new connections with other nonprofit organizations, support and ideas they have implemented." (Independence Foundation, Dedicated Program Officer for Technical Assistance)

## **23 - Scarcity of evaluators with needed skill sets and knowledge of appropriate evaluation methods.**

*The challenge:* In many communities, local expertise to evaluate capacity-building programs or activities is not readily available. Academically-based evaluators may have limited understanding of the day-to-day workings of nonprofits, so they lack context in which to place evaluation designs or results. And evaluators may not be familiar with the professional literature about nonprofit capacity building, so they also lack context and may find it difficult to select the appropriate evaluation methods.

Sometimes the shortcomings of evaluators have to do with limited understanding of the actual content of the capacity-building work. One foundation commented that, "This effort's primary goal was to build the capacity of organizations to implement Evidence-Based Practices (EBP) and thus to increase public access to optimally-effective, empirically-based treatments. The foundation wants to know if it was successful in bringing EBP to the community, but it is tough to find evaluators who are able to address that question. Evaluators struggle to understand that the foundation doesn't want to evaluate the results of the individual organizations in applying EBP, since that is already built into the practices themselves." (The Tower Foundation, Implementation of Evidence-Based Practices)

*The opportunity:* Evaluation of capacity building is a relatively new field, but progress in designing, conducting and using results of such evaluation studies is being made both by funders and by evaluators they often commission to assist them. Nationally-known evaluators of capacity building such as TCC Group, Utilization-Focused Information and Training, OMG Center for Collaborative Learning, Harder and Company and others have developed solid frameworks for evaluation practice. Many examples of useful evaluation models exist. Evaluators also may come from academic institutions, or may be former foundation or nonprofit staff.

## **Financial Strategies for Effective Capacity Building**

### **24 - A mix of financial support.**

*The challenge:* It is easiest simply to provide a grant and leave its utilization to grantees. To provide the right support at the right time requires knowledgeable staff members with adequate time to do their homework before proposals are recommended to grant committees, and to monitor progress after the dollars are distributed. Creative approaches to funding in steps after reports of accomplishments, paying directly for services rather than making a grant, requiring funding matches, and other methods can increase the overall impact of capacity building.

*The opportunity:* Diverse approaches to funding capacity building were described by respondents. External circumstances, the amount of funding available and the types of work needed to build capacity are among the factors that affect what might be most helpful in any specific project. Often the most helpful "recipe" for effective capacity building involved more than one type of funding. As one foundation observed, "A mix of support – core operating, capacity-building funding, and start-up dollars – can help address the multiple needs of grassroots groups." (The California Endowment, Local Opportunities Fund)

Another funder also commented on the desirability of this mix: "Living Cities provides two types of support badly needed by CDCs: loans for development activities, and grants for core operations, community programs, early project costs and technical assistance. Living Cities and its intermediaries are providing the missing pieces that allow CDCs to perform at their best, whether through loans for development activities, grants for organizational capacity building or stable financing that encourages the private sector to jump in and invest. Equally important, it is helping to improve the environment in which community development and revitalization take place." (Living Cities:

The National Community Development Initiative)

## **25 - A balance of funding support - not too much or too little.**

*The challenge:* "Capacity-building grants that are too small may actually harm an organization." (Meyer Memorial Trust, Capacity Building Program) They may lead both recipient and funder to think that real strengthening has occurred, but the intervention actually was not large enough to have impact. However, providing too much financial support can be harmful as well, e.g. leading to dependency on the funder. As one foundation observed, "If funding is too high a portion of an organization's budget, the initiative introduces a potential problem with dependency if grantees do not successfully increase their funding by the end of the initiative." (Capacity Building Initiative: Immigrant and Refugee Organizations)

*The opportunity:* Funders who carefully match the dollars provided with specific organizational needs and opportunities for impact are more likely to use their funding effectively. As one foundation noted, "Providing only modest financial support coupled with a great deal of other types of support was a much more effective way to provide assistance than simply providing funding at a higher level." (Orange County Community Foundation, OCCF Agency Capacity Building Grant Program)

Another approach is to start with smaller funding, perhaps complementing it with direct services to strengthen capacity, then increasing the funding as appropriate. In fact, an intermediary observed that, "Small investments in capacity building can make meaningful differences. As little as \$750 to spend on knowledge resources can make a meaningful difference in organizations, as reported by grantees." (Fieldstone Alliance) Another funder offered a specific example: "A small grant of just over \$2,000 enabled a well respected, but small community theater to purchase a ticket management system that changed their customer relations, their efficiency and marketing

capacity." (Essex County Community Foundation, General Grantmaking)

However, for some programs larger funding has clearly proven necessary to create impact: "The foundation board has agreed that shotgun assistance – small support to lots of groups – is not ideal, and doesn't lead to change in an issue area. As a result, it will provide larger amounts of assistance to smaller numbers of organizations in the future. Over the next six to eight years the foundation intends to provide much bigger grants to a small number of organizations. TAP gave the foundation the baseline to determine how to do this appropriately." (The Foellinger Foundation, Technical Assistance Pilot Project)

## **26 - Strong accountability measures when operating support is provided.**

*The challenge:* A desire to see the concrete accomplishments that come from program grants, and concerns about accountability are among the factors that can keep foundations from providing operating support, one of the fundamental aspects of nonprofit capacity building. It can be particularly difficult to persuade foundation boards that operating support is a good idea. As a community foundation observed, "Working with the foundation board to embrace the concept of general operating support grants took a great deal of time and communication. Those in foundation leadership roles (chairpersons of grants and communications and the leadership committees) were supportive and worked with staff to develop strategies to communicate with others on the committees and board. Having strong leadership from a respected person [in working to get the foundation board to agree to provide general operating support] is invaluable." (The Seattle Foundation, General Grantmaking)

The dangers of not providing operating support also are clear, however: "By excluding operating costs and organizational development work from project grants, foundations jeopardize the impact of projects and limit organizations' long-term

effectiveness.” (Mary Reynolds Babcock Foundation, Organizational Capacity Building Program)

*The opportunity:* General operating support is increasingly being offered by funders throughout the U.S. Those who have found ways to build in accountability especially express great satisfaction with the deep and broad impacts of operating support. For instance, one foundation reported that “Core operating support through this program enabled groups to stabilize their infrastructure and be better positioned to maintain or expand needed services in local communities.” (The California Endowment, Local Opportunities Fund)

And as another foundation expressed it, “Operating support tied to clear performance requirements is a powerful tool in advancing accountability. General operating support grants open the dialogue about effective operational practices and building capacity in a way that short-term project grants cannot. Indeed, access to stable operating support was the most missed element of the program after it ended by those no longer engaged in foundation programming through its follow-up Arts Advancement Program. Overall, these funds took one concern off of each organization’s plate and allowed them greater space to work on capacity or crisis needs.” (Cleveland Foundation, BASICS)

## **27 - Use of financial incentives like challenge grants.**

*The challenge:* The danger of tying participation in capacity building to financial incentives is that nonprofits will participate to get the money rather than because they are truly committed to a particular strengthening effort. This is a familiar problem faced by foundations any time they move away from purely responsive grantmaking. Another concern is whether challenge grants are as feasible to use as an incentive during times marked by a weak economy overall.

*The opportunity:* The judicious use of funding as a carrot – challenging grantees

to reach specific goals in order to get further funding – proved valuable in a number of programs. Some funders did this as a straight incentive, for instance providing future grants contingent upon reaching mutually agreed-upon outcomes set during the first portion of an initiative.

One creative application was used by a community foundation: “Financial incentives are effective in encouraging nonprofit organizations to undertake planned-gift fundraising. The Bonus Pool was an excellent tool, providing excitement and incentive at a crucial time.” (Community Foundation for Southeastern Michigan, Touch the Future)

Challenge grants were viewed as highly effective incentives. One foundation noted that, “Grantees believed the Innovation imperative was critical for the movement. The Challenge Grants were the most noted innovation in the interviews.” (Brainerd Foundation, Communication and Capacity Building) According to a collaborative, “While most participating funders committed themselves to the FC because of its mission and goals and what it symbolized, the 1:1 matching funding was a powerful incentive.” (Funders’ Collaborative for Strong Latino Communities)

## **EXAMPLES OF IMPACT**

### **Overview**

After they were asked to report on lessons learned from evaluating their programs, foundations and intermediaries were asked to list specific impacts their evaluations had detected from the capacity-building activities they funded or conducted. Some, but not all, of the 87 funders whose responses are included in this study did so. They gave a total of 510 impact examples.

The many examples provided focused on four levels of impact:

### **\* Impact on Individuals**

- *Nonprofit Staff*
- *Funder Staff*
- *Community Members*

### **\* Impact on Organizations**

- *Nonprofits*
- *Intermediaries*
- *Foundations*

### **\* Impact on Communities**

### **\* Impact on Entire Systems**

Within these categories there was an enormous diversity of content. In a preliminary review, no clear themes emerged, so it was decided not to undertake a content analysis of these impacts (beyond the simple classification system just presented). Instead, three selected examples are quoted from the program responses for each level of impact, just to give a “flavor” of the responses provided. Readers wishing to view more impact examples can search on the PCBR website for the programs listed in the Appendix to this report.

As just mentioned, not all respondents reported impacts. Like most of the information in this study, the majority of impacts were described by those whose programs were the subjects of the evaluations that provided the information.

As a result, these reports of impact are likely to be skewed in a positive direction. In a few cases, input was provided by external evaluators of a project rather than from the foundation itself (these were obtained with the approval of the foundation).

### **Impact on Individuals**

#### ***Nonprofit Staff***

“Personal transformation emerged as a powerful element of the initiative. Individuals learned about themselves, stretched to reach new horizons and found

growth opportunities they hadn’t anticipated.” (Benton Foundation, Sound Partners for Community Health)

“Committed program staff—100% of whom stated they plan to remain in the nonprofit sector—gained leadership skills, professional development opportunities and programmatic allies through GBF funding and staff support. They have received a level of support, knowledge and skill enhancement, as well as community support sufficient to prevent the burnout or turnover rates more common to the nonprofit sector as a whole. Additionally, a network has been created of girl-serving staff who are turning to one another for advice, wisdom, support and collaboration.” (Girls Best Friend Foundation, Evaluation Training)

“Overwhelmingly, both executive directors and funders thought that the greatest impact was on the executive directors and the relationships they built among themselves. Building relationships with funders was a main, if not primary goal of the executive directors when they first joined the effort, and all executive directors felt that their expectations for these relationships were more than fulfilled.” (Zip Code Assistance Ministries Organizational Development Program)

#### ***Funder Staff***

“Foundation staff is more aware of what grantees need and when they need something – so staff is more likely to step in with an offer rather than just wait for the nonprofits to come with a request. (Community Foundation for Greater Atlanta, Technical Assistance Neighborhood Fund)

“Philanthropy [especially staff of the foundations that participate in the Funders’ Collaborative for Strong Latino Communities] has an increased awareness of Latino nonprofits, a deepened understanding of Latino nonprofits and communities, an increased expertise and the development of leadership.” (Funders’ Collaborative for Strong Latino Communities)



"Foundation staff became more knowledgeable on how to administer technical assistance and capacity-building programs, and this knowledge was integrated into several existing grant programs as well as special projects; e.g. a program regranting James Irvine Foundation funding, 'Communities Advancing the Arts,' uses a similar model of assistance to strengthen arts organizations." (Orange County Community Foundation, Agency Capacity-Building Grant Program)

### ***Community Members***

"Youth gained confidence and career leads. Students and community members gained skills in broadcasting and sometimes even jobs." (Benton Foundation, Sound Partners for Community Health)

"For YLP participants, the center has seen improved school performance, youth who have stayed out of gangs, young people's sights being raised, and the commitment by community leaders and youth being sustained (due to the one-year length)." (Amherst H. Wilder Foundation, Wilder Center for Communities)

"The majority of GBF dollars were devoted to building the capacity of a discrete set of institutions. While the foundation was spending time and resources focusing most intensively on the development of these organizations and the people that run them, they were simultaneously developing a cohort of young woman leaders capable of effecting change. This dual layer of impact appears to have come about through shared leadership and transference of empowerment." (Girls Best Friend Foundation, Evaluation Training)

### **Impact on Organizations**

#### ***Nonprofits***

"Approximately two-thirds of BEST nonprofits reported increased communication and improved knowledge of capacity building throughout their organizations as a result of the assessment

phase and capacity-building opportunities. Several organizations showed improvements in areas of mission, vision and strategic direction. Organizations are much more focused on their overall mission and, as a result of that focus, are viewing programs through the mission lens. The process of going through the assessment phase itself is having a positive impact on organizations' adaptive capacity. Entire organizations, from boards to staff members, are becoming more vested in the capacity-building process and strategic change. In one case it was noted by a consultant that the staff's 'whole attitude has changed.' Organizations are improving the way they use technology. There is some evidence that resource development is becoming more effective. Boards are being greatly strengthened as they become more involved, trained and committed to the organization. For example, one executive director reported that his board went from being 40% engaged to 75-80% engaged after BEST." (BEST: Building Excellence, Sustainability and Trust)

"The Z. Smith Reynolds Foundation has seen tangible results stem from this pilot. The initial goal was for each group to secure ongoing, increased funding, equal annually to at least the amount invested in them during the training; this initiative's outcomes have certainly met that anticipated benchmark. There was a substantial increase in the annual revenues of all of the domestic violence and sexual assault services providers' organizational budgets. In fact, local, tailored fundraising efforts generated at least an increase of 30% to all participants' previous fundraising baselines. The series of facilitated trainings resulted in each organization more effectively hosting local fundraising events, engaging with other foundations in their services areas, soliciting donations from local businesses, contacting additional individual donor prospects, reaching out to city and county governments, tapping into existing nonprofit networks and better utilizing their own boards' financial savvy. In effect, each organization worked to ensure longevity and sustainability so that each can provide essential services to

clientele without the worry of financial instability." (Z. Smith Reynolds Foundation, Domestic Violence Initiative)

"In a 2004 survey of grantees that had received management assistance, 88% of high management assistance users surveyed said the quality of their services was "better" or "much better" as a result of these services. Seventy five percent said the quantity of services they offered was "more" or "much more" as a result of receiving capacity-building services from the foundation." (The Robin Hood Foundation, Management Assistance)

### ***Intermediaries***

"The League was able to quickly improve its own capacity as an intermediary. It could act as a neutral convener of all community foundations and create a sense of urgency to achieve goals and objectives. Its capacity to strengthen the community foundations' work specifically in health funding was improved." (The California Endowment, Community Foundation Health Partnership)

"The organizational assessment tool that CONNECT developed for this program is being used as part of the ongoing capacity work that CONNECT does to fulfill its mission." (Orange County Community Foundation, OCCF Agency Capacity Building Grant Program)

"In addition to attracting private institutions and foundations, Living Cities' support helps intermediaries in their efforts to secure and increase long-term public funding. Intermediaries in many cities used Living Cities' funds to score important successes in state housing trust funds, local housing bond initiatives or CDC support funds." (Living Cities: The National Community Development Initiative)

### ***Foundations***

"This process has had a large impact on the way they do capacity building. Originally the capacity building was going to be an add-on to regular program grants, using a

uniform approach. They discovered that much more individually tailored approaches were needed, and the needs were organized into three distinct capacity-building areas: programmatic efficacy, organizational development (board, finances, etc), and evaluation capacity improvement. They then formed a consultant team with three groups – La Piana Associates, Academy for Educational Development and the Annenberg Institute - working together to deliver capacity-building services." (Community Foundation for the National Capital Region, Collaborative for Education Organizing)

"As a result of this partnership and strategic planning work, The Endowment subsequently welcomed proposals from community foundations and the League through its Communities First grantmaking initiative, and sought additional partners for health funding in California. The foundation also moved towards doing more capacity-building funding than it had previously, especially looking towards more systems impact – what the foundation could provide that would affect individuals, organizations, networks of organizations and collaboratives leading to systems change." (The California Endowment, Community Foundation Health Partnership)

"Having foundations work together has led them to learn about each other too. Going through the process is a learning experience by all on the committee, and they are taking the learning back to their own foundations." (The Seattle Foundation, Neighbor to Neighbor Fund)

### ***Impact on Communities***

"Positive changes became apparent in all RCI communities, and the RCI lead agencies were most often at the center of these changes. Progress was noted in physical infrastructure, social infrastructure, human service delivery, information management, leadership development and community capacity. Those communities most involved in this work enhanced inter-organizational collaboration in human service delivery,

increased lead agency intra-organizational collaboration related to human service delivery, and increased resident awareness of, input into, and governance of service delivery. Strengthened capacities were reflected in a greater capacity to engage in comprehensive community development processes that are more responsive to the community; greater ability to use data, technology, evaluation techniques and outcomes planning in future community-building work; stronger infrastructures with which to continue community-building work; stronger relationships between neighborhood institutions and external power groups such as government, foundations and business; improved community image and greater ability to attract resources and political attention; and stronger lead agencies with more staff, better management systems and expanded resources." (The Annie E. Casey Foundation, Rebuilding Communities Initiative)

"REP changed the way funders do business, and improved relationships between funders and providers in Rochester. It changed the way the Greater Rochester community understands effectiveness and conducts evaluation, leading to (1) use of logic models in the region's Common Application Form, (2) use of a common language for funders and providers in talking about outcomes, and (3) enhancing the region's focus on effectiveness as a core issue for nonprofits and funders." (Rochester Effectiveness Partnership)

"Construction of the Joe and Vi Jacobs Center, a new community gathering place, learning center and magnet for arts and culture, doubled the scope and scale of new development while helping residents build new bridges across teams, cultures and the region. Using lessons from Market Creek Plaza, teams working on the Center achieved unprecedented results in development, financing and construction." (Jacobs Family Foundation, Jacobs Center for Neighborhood Innovation)

## **Impact on Entire Systems**

"Living Cities has influenced community development by assisting the development and maturation of local systems that support community development and by increasing the availability of usable, long-term financing for CDC-developed projects - that is, channeling and attracting more money to CDC developments. Perhaps the most significant contribution Living Cities has made to urban revitalization is to demonstrate how to change the environment in which community development occurs, thus increasing the sustainability and effectiveness of the public and private investments in CDC work. For example, prior to the 1990s, support for community development had been project-focused and poorly coordinated. By decade's end, however, community development support systems were created, which helped to make investments more rational, stable and effective. Particularly in cities where consensus about the importance of community development is still evolving, Living Cities' funds have helped to stay the course, build local capacity and sustain the credibility of community development. Strong local support systems have been important sources of stability, predictability and security for community development practitioners, especially at times when CDCs and intermediaries face uncertainty related to fiscal austerity and greater competition in a market environment." (Living Cities: The National Community Development Initiative)

"The ultimate goal is to reform the campaign finance system. Database projects have been particularly important in accelerating the march toward electronic filing and disclosure of campaign finance reports. The North Carolina database has been aggressively used to identify and close major loopholes in the campaign finance system. Reporters and editors invariably attributed increasing state-level campaign finance coverage to Piper database projects.

The database projects have proved to be invaluable in producing a steady stream of media coverage, demonstrating the viability

of proposed reforms, and maintaining vigilant oversight of legislation and implementation. The relationships they have developed with the media in their states and the self-interest of the major newspapers have also led to vital lobbying partnerships. Database projects have also often provided valuable advice to state agencies. If maintained over multiple election cycles, campaign finance databases provide a useful tool for those designing or evaluating reform options. Many of the database projects are just reaching the point where they have adequate information to provide insights." (The Proteus Fund, General Grantmaking)

"The work of the local funders in the five sites has evolved toward a 'national' collaboration that remains firmly rooted in the local context. Effective collaboration is rare and difficult to sustain and this approach has helped to develop a platform for working across diverse community organizing styles, foundation structures and local contexts, while providing an organic framework for 'bottom up' collaboration. Given the critical role of local and catalytic funding partners in fostering collaboration, networking and the development of social capital, the Ford Foundation should continue its partnership with local funders, including family, community and corporate foundations, and cities and communities to collaborate in local efforts." (The Southern Funders Collaborative)

## **NEXT STEPS AND THE LARGER CONTEXT**

With some exceptions, the vast majority of this study's 87 respondents indicated that their capacity-building initiatives were well worth the effort, and that their impacts were significant. Moreover, even if a particular project was disappointing in its results, the lessons learned from it were valuable. And the potential exists for greater impact once evaluation lessons are applied, either to improve existing programs or create new ones. To conclude this

report, two areas of possible follow-up activities are discussed and then placed in the larger context of how the capacity-building field is evolving as the nonprofit sector copes with the 2008 recession.

### **Future Evaluation Research**

Four research questions raised by this study merit further exploration, through future evaluations of philanthropic capacity-building grantmaking and direct services:

- 1 - What is the right balance between funding capacity building for high-performing nonprofits, versus trying to bolster weak organizations that may not always have the ability or even the will to become high performers?
- 2 - Could smaller, newer, more grassroots or lower-performing nonprofits do better in strengthening themselves if they were funded to do peer-to-peer consultation - in particular, with an appropriate high-performing nonprofit?
- 3 - Could these more fragile nonprofits strengthen themselves if funding was provided to link them with stronger organizations through mergers, back-office consolidations or related approaches?
- 4 - What is the most effective and cost-effective way to strengthen nonprofits in communities or regions where high-quality capacity-building services aren't available (especially those where the only providers may be unstable organizationally, or weak in their quality of services)?

Some preliminary guidance for a research project focused on these questions could be gained from further analysis of the data from this study.

### **National Initiative on Philanthropic Capacity Building**

Many good philanthropic grantmaking or direct service programs for nonprofit capacity building exist across the country,

as this study makes clear. So do a variety of organizations that support capacity building, or that provide services to strengthen nonprofits (including a large number of formally-organized Management Support Organizations). Could further progress be jump-started by a new national initiative that brings together some of the key players - first to brainstorm what such an initiative might look like, then design and implement it?

There is precedent for such a national initiative. The Forum of Regional Associations of Grantmakers created a national capacity-building project during the 1990s, New Ventures in Philanthropy, to focus on increasing philanthropic giving. Financial support was secured from a core group of funders, and a national RFP went out, inviting applications from regional collaboratives that wanted to strengthen giving in this arena. One requirement of the RFP was to pair the national dollars with local resources supporting each local effort.

A thorough evaluation process was built into this initiative and conducted by Harder and Company. While this project didn't achieve all its founders had hoped, it had major impact across the country.

Other national initiatives for capacity building are included in PCBR, and some evaluations of them were analyzed in this study - for instance Living Cities: The National Community Development Initiative and the Funders' Collaborative for Strong Latino Communities. Evaluation findings from these two programs also speak to the powerful successes of a tiered national and local approach to capacity building. They and the Forum initiative all could be analyzed for what strategies they might contribute to a new national initiative focused on nonprofit capacity building.

Another program that might be examined for useful background and possible strategies is The California Endowment's Community Foundation Health Partnership, involving the California Endowment, League of California Community Foundations and individual community foundations. The

Partnership featured a multi-year investment strategy to increase the capacity of the state's community foundations to improve community health.

The Endowment funded the League to (1) help it build its own capacity, (2) have the League convene community foundations for capacity-building purposes, and (3) provide grants to community foundations for re-granting and capacity-building purposes. The League brought community foundations together to share effective practices. It provided grants to (1) improve community foundations' internal capacity to be responsive to health issues, e.g., by bringing in or increasing the hours of staff devoted to health funding, and (2) re-grant to health programs in their territories.

This effort involved three phases. Resources provided in Phase I were used by the League and its member community foundations to accelerate peer learning and best practices. Phase II focused on community-inspired health programs and Phase III on deepening, expanding and evaluating the partnership.

The James Irvine Foundation's Communities Advancing the Arts, a capacity-building effort that uses community foundations as the core for strengthening arts organizations, provides another potential model. With both programs, the community foundations themselves are strengthened as well.

One critical question for the initiative proposed here: where would its operations be sited? For example, would it make sense to place its capacity-building efforts within community foundations across the country? Many community foundations have undertaken capacity-building efforts in their regions, with varying degrees of comprehensiveness and success. Of the 443 foundation programs now profiled in PCBR, 142 are or were offered by community foundations (more than any other type of foundation), and community foundations are also involved in many of the 30 funder collaboratives profiled.

The tremendous growth in the number and assets of community foundations in recent years (though some did suffer losses as a result of the recession) suggests that these institutions might be viable hosts for the initiative suggested here. A number of national private foundations (e.g., the John S. & James L. Knight Foundation) have made significant financial investments in community foundations recently, to increase their sustainability and potential for impact on communities.

The National Initiative on Philanthropic Capacity Building could begin with creation of a planning group. It could include organizations such as the following:

- National infrastructure groups such as Grantmakers for Effective Organizations and the Forum of Regional Associations of Grantmakers
- Statewide nonprofit associations (in California, Minnesota, Michigan and elsewhere)
- Management support organizations, such as CompassPoint and Third Sector New England
- Nonprofit research and consulting organizations, such as Center for Effective Philanthropy, Fieldstone Alliance, Human Interaction Research Institute, Innonet, OMG Center for Community Learning, Rockefeller Philanthropy Advisors, TCC Group, and The Philanthropic Initiative, among others (see Renz, 2008 for a more complete listing)
- Diverse foundations, intermediaries and collaboratives described in the PCBR database and elsewhere that have carried out effective capacity-building programs
- Nonprofit leaders who have participated in successful capacity-building initiatives – rural or urban, across different service fields, involving diverse people and organizations

- Representatives from university programs for nonprofit management and philanthropic studies (e.g., UCLA Center for Civil Society).

Tasks for the planning group would include:

- 1 - Outlining the National Initiative, and setting its mission - to improve access to affordable, high-quality capacity-building services for nonprofits across the country
- 2 - Paying special attention to areas of need affirmed by this study, such as:
  - Strengthening and expanding the pool of providers of capacity-building assistance, with a focus on those regions that lack quality assistance currently
  - Strengthening the use of evaluation and evaluative thinking, along with growth in general knowledge and skills about how to evaluate capacity building
- 3 - Laying the groundwork for and securing commitments to a long-term funding effort that would combine national and local resources to support this work.

The planning group's work might be funded by a planning grant from one or more foundations. It could be housed within one of the group members' organizations, with that entity providing staff support. Out of the planning group's work might then come a plan of action that could be supported by a funding collaborative, and guided by a steering committee with representatives from all of the above sectors.

In the current economic climate, this is an audaciously bold vision. However, more than 20 years of work on capacity building across the country, while often isolated and short-term in nature, has laid a foundation for such an effort. Additionally, the need is great and the potential benefits merit such a bold experiment.

## **Larger Context: The Current Economic Climate and the Future of Capacity Building**

Of particular relevance to these proposed next steps is a group of studies conducted in 2008 by ten regional associations of grantmakers: Arizona Grantmakers Forum, Connecticut Council for Philanthropy, Council of New Jersey Grantmakers, Delaware Valley Grantmakers, Donors Forum [Illinois], Grantmakers Forum of New York, Indiana Grantmakers Alliance, Northern California Grantmakers, Southeastern Council of Foundations and Washington [D.C.] Regional Association of Grantmakers. More regional associations around the country conducted similar research during 2009.

Members of the ten associations completed surveys about impacts of the current economic downturn. Most associations included questions specifically about capacity building.

One of the main findings: a greater focus on capacity building is noted by many funders. For example, the Grantmakers Forum of New York (2008) observed that in the face of declining assets, foundations have developed strategies to stretch their charitable dollars for the good of the community. Many will focus on strengthening those nonprofits they fund.

A majority of the survey sample said they are investing in nonprofits to maintain or increase their capacity to do their jobs. They are allocating money to support leadership development, strategic planning, mergers and operating support.

Clearly, funding from foundations and other sources will be tougher to secure, especially for non-emergency service efforts. Nonprofits will need to function as effectively as possible to maximize the use of the dollars they secure. Additionally, to survive, a growing number of groups will need to (a) make tough choices about reductions in some of their less essential activities, (b) develop more shared services or back-office cooperative efforts with other groups, (c) diversify and strengthen their ability to secure funding from other sources, and/or (d) fold in under the umbrella of larger, more stable groups. The likelihood that appropriate choices along these lines will be made, and that the choices will be implemented successfully, can be increased through the availability of solid capacity-building assistance, as well as through evaluation findings such as those reported by this study.

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PCBR and this study are part of work on nonprofit capacity building conducted by the nonprofit Human Interaction Research Institute (HIRI) for more than 20 years. HIRI's activities in this area have included (1) the first national research study examining foundation work in capacity building, (2) technical assistance to regional capacity-building initiatives in several communities, (3) studies of the capacity-building needs/activities of small foundations, (4) research on innovations in capacity building and its national infrastructure, and (5) a study of investments by individual donors in capacity building. More information on these is available at [www.humaninteract.org](http://www.humaninteract.org).



**Appendix**  
**PCBR PROGRAMS RESPONDING TO 2008 SURVEY**

**Foundation Programs**

Allegany Franciscan Ministries, Management Assistance Program  
Allegany Franciscan Ministries, Empowerment Evaluation  
Allegany Franciscan Ministries, Tampa Bay Region, General Grantmaking  
Aspen Community Foundation, Latino Community Investment Initiative  
Aspen Community Foundation, Early Childhood Education Initiative  
Mary Reynolds Babcock Foundation, Organizational Capacity Building Program  
Benton Foundation, Sound Partners for Community Health  
Robert Bowne Foundation, Technical Assistance Initiative  
Robert Bowne Foundation, After School Matters  
Brainerd Foundation, Communication and Capacity Building  
The California Endowment, Community Foundation Health Partnership  
The California Endowment, C-MAP Partnership  
The California Endowment, Communities First  
The California Endowment, Local Opportunities Fund  
The California Endowment, Circuit Rider Program  
Capacity-Building Initiative: Immigrant and Refugee Organizations, Capacity Building Initiative: Immigrant and Refugee Organizations  
Cape Cod Foundation, Nonprofit Support Program  
Care Foundation, Nonprofit Capacity Building Programs  
The Annie E. Casey Foundation, Rebuilding Communities Initiative  
Marguerite Casey Foundation, General Grantmaking  
Samuel N. and Mary Castle Foundation, Castle Colleagues Pre-School Directors Program  
Community Foundation for Greater Atlanta, Technical Assistance Neighborhood Fund  
Community Foundation of Greater Flint, General Grantmaking  
Community Foundation in Jacksonville, Reflective Practice in Youth-Serving Areas  
Community Foundation in Jacksonville, Nonprofit Capacity-Building Initiative  
Community Foundation for the National Capital Region, Collaborative for Education Organizing  
Community Foundation for the National Capital Region, Bridging Differences  
Community Foundation for the National Capital Region, Initiative to Strengthen Neighborhood Intergroup Assets  
Community Foundation for Southeastern Michigan, The Great Outdoors  
Community Foundation for Southeastern Michigan, Touch the Future  
Community Foundation of Santa Cruz County, General Grantmaking  
Community Foundation Silicon Valley, Partnership Agency Capacity Building Plan/Mayfair Improvement Initiative  
Chesapeake Bay Funders Network, Capacity Building Initiative  
Cleveland Foundation, Arts Advancement Program  
Cleveland Foundation, BASICS: Building the Arts' Strength In Cleveland  
Cleveland Foundation, Project Access  
Deaconess Foundation, Deaconess Impact Partnership  
Dwight Stuart Youth Foundation, Capacity Building Initiative  
The Dyson Foundation, Mid-Hudson Valley Management Assistance Program  
Essex County Community Foundation, General Grantmaking  
The Foellinger Foundation, New Century Celebration Initiative  
The Foellinger Foundation, Technical Assistance Pilot Project  
The Ford Foundation, Rural Community College Initiative  
The Ford Foundation, Grantcraft

Funders' Collaborative for Strong Latino Communities, Funders' Collaborative for Strong Latino Communities  
 Girls Best Friend Foundation, Evaluation Training  
 Gulf Coast Community Foundation of Venice, Strategic Grantmaking in Education  
 Evelyn and Walter Haas, Jr. Fund, Flexible Leadership Awards Program  
 Hartford Foundation for Public Giving, Nonprofit Support Program  
 The Health Foundation of Greater Cincinnati, Capacity Building Programs for Nonprofits  
 Independence Foundation, Dedicated Program Officer for Technical Assistance  
 Initiative Foundation, Healthy Organizations Partnership Program  
 The James Irvine Foundation, Communities Advancing the Arts  
 The James Irvine Foundation, Youth Program  
 Jacobs Family Foundation, Jacobs Center for Neighborhood Innovation  
 Los Angeles Immigrant Funders' Collaborative, Los Angeles Immigrant Funders' Collaborative  
 Living Cities: The National Community Development Initiative, Living Cities: The National Community Development Initiative  
 Maine Community Foundation, Program for Nonprofit Effectiveness  
 Meyer Memorial Trust, Capacity Building Program  
 The Ocean Foundation, General Grantmaking  
 Orange County Community Foundation, OCCF Agency Capacity Building Grant Program  
 Orange County Community Foundation, Building Nonprofit Capacity Initiative  
 Organizational Capacity Grants Initiative, Organizational Capacity Grants Initiative  
 Peace Development Fund, Criminal Justice Initiative  
 Peace Development Fund, Cross-Border US-Mexico Organizing  
 William Penn Foundation, Technical Assistance/Re-grant Program  
 The Proteus Fund, General Grantmaking  
 Z Smith Reynolds Foundation, Domestic Violence Initiative  
 Rochester Effectiveness Partnership, Rochester Effectiveness Partnership  
 The Robin Hood Foundation, Management Assistance  
 The Seattle Foundation, General Grantmaking  
 The Seattle Foundation, Neighbor to Neighbor Fund  
 Sierra Health Foundation, Health Leadership Program  
 Sierra Health Foundation, Organizational Development and Work Plan  
 The Southern Funders Collaborative, The Southern Funders Collaborative  
 Southern Partners Fund, Special Capacity-Building Initiative  
 The Tower Foundation, Implementation of Evidence-Based Practices  
 Washington Area Partnership for Immigrants, Washington Area Partnership for Immigrants  
 Washington Area Women's Foundation, Open Door Capacity Fund  
 Amherst H. Wilder Foundation, Wilder Center for Communities  
 Woods Charitable Foundation, Capacity Building Initiative  
 Zip Code Assistance Ministries Organizational Development Program, Zip Code Assistance Ministries Organizational Development Program

### **Intermediary Programs**

BEST: Building Excellence, Sustainability and Trust  
 Center for Community Change  
 Fieldstone Alliance  
 Local Initiatives Support Corporation  
 Neighborhood Progress