

# The Foundation Review

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Volume 9 | Issue 2

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6-30-2017

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### Recommended Citation

Fine, M., Raynor, J., Mowles, J., & Sood, D. (2017). The Missing Link for Maximizing Impact: Foundations Assessing Their Capacity. *The Foundation Review*, 9(2). <https://doi.org/10.9707/1944-5660.1367>

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# The Missing Link for Maximizing Impact: Foundations Assessing Their Capacity

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*Keywords: Foundation, capacity, effectiveness, impact, reflective practice*

## Introduction

Foundations know all about capacity building. They have long understood that strengthening the leadership and operations of the organizations they support will increase their potential impact. Funders have also become more nuanced in their capacity-building approach, having learned that even organizations doing similar work may need different types of training, technical support, or other resources. Understanding the distinct capacity-building needs of grantees requires undertaking a holistic assessment of organizational strengths and challenges, and identifying points of tailored intervention.

The foundation community is not unaware of its own need to build capacity. Various funders strive to better understand their customary practices and, in so doing, improve the chances for their own effectiveness. The Center for Effective Philanthropy's (CEP) Grantee Perception reports, the publications and conferences of Grantmakers for Effective Organizations (GEO), and the guides produced by GrantCraft, the Giving Practice, and others offer foundations resources that help them reflect on their practices to increase their chances for success.

But why have more foundations not intentionally and comprehensively assessed their own institutional capacity, given that doing so has proven so beneficial to their grantees? Undoubtedly, some foundations may believe that time spent assessing (or building) internal capacity takes time away from pursuing their core, field-facing work. As one funder interviewed for this article

## Key Points

- A rapidly changing, global sociopolitical environment requires foundations to be nimble in maximizing opportunities to advance their agendas. At the same time, grantmakers are establishing ever more ambitious goals that often require grantees to function at peak capacity. Why, then, have more foundations not assessed their own institutional capacity?
- This article discusses an assessment of 54 foundations that participated in taking a new tool, developed for funders by TCC Group, to explore five core capacity areas shown to be central to organizational effectiveness. The Foundation Core Capacity Assessment Tool's findings should not be seen as a report card, but rather a data-driven prompt for reflection and collective learning.
- While a diverse set of funders participated in this assessment, a larger pool will be needed to make broader statements about sector-wide trends. Nonetheless, the preliminary findings shared in this article do offer an unprecedented first look at how foundations are holistically assessing their institutional capacity as part of their efforts to maximize impact at a critical point in history.

remarked, "There can be a mindset among foundations that focusing on our own capacity may diminish our ability to be mission driven."<sup>1</sup> Others may see addressing their own capacity needs as a luxury. Another foundation official interviewed for this article noted that in the

<sup>1</sup>TCC Group conducted confidential interviews with a small number of staff at a subset of the 54 foundations that participated in TCC Group's Foundation Core Capacity Assessment Tool, to gain their perspective on lessons learned from the process.

*[M]aximizing impact requires that all components of this system — including foundations — operate at their full potential, balancing strategic focus with flexibility needed in these changing times.*

past, it was seen that “if we had a dollar, we’d rather support a grantee doing work in the field.” Foundations may also feel that assessing their capacity may highlight areas of focus — e.g., management structure, staff morale, or commitment to diversity, equity, and inclusion —that the organization is not prepared to address. Or they may believe that they are doing their work just fine, with no need to test that assumption.

We argue that heightening sector attention to the issue of foundation capacity is especially critical now. A rapidly changing sociopolitical environment in the United States and globally requires all organizations to be nimble and adaptable in maximizing opportunities to advance their agendas. In addition, each day funders are establishing ever more ambitious goals for their grantmaking, often expecting organizations they support to function at peak capacity to achieve impact (Raynor, Cardona, Knowlton, Mittenthal, & Simpson, 2015). However, maximizing impact requires that all components of this system — including foundations — operate at their full potential, balancing strategic focus with flexibility needed in these changing times. Concluded one funder, “We came to the realization that for us to have the greatest impact, our staff had to be best positioned to do their role.”

### What Do We Know About Foundation Capacity? A Brief Look at the Literature

A good deal has been written about how foundations can heighten their effectiveness by doing their work well — encompassing such elements

as conducting work responsively and respectfully, in a way that builds partnerships with supported nonprofits and funding peers; performing the financial and legal oversight and compliance that is required of all grantmaking efforts; and ensuring efficient internal operations so grant dollars can get out the door.

Much of the existing literature focuses on improving specific dimensions of foundation practice to strengthen achievement of the foundation’s core purpose: social impact. Strategic clarity (Brest & Harvey, 2008), benchmarks for ethical operations (Jagpal, 2009), clarity about roles (Jaffe, 2013), enhanced transparency (see <http://glasspockets.org>), and heightened attention to diversity, equity, and inclusion (Yu, Nicholson, & Nash, 2013; Shmavonian, 2003; D5 Research at [d5coalition.org](http://d5coalition.org); Dressel & Hodge, 2013) have all been identified as key areas for foundation capacity building.

Practical tools also abound. GrantCraft’s wealth of case studies and resource guides (GrantCraft, 2012; Jaffe, 2003) help program staff use analytic tools (e.g., landscape analysis) and strategies (advocacy, organizing, policy change, alliance building, and donor collaboration) to enhance institutional impact. The widely respected Grantee Perception Report (CEP, 2014) helps funders understand how their practice is perceived by their grantee partners. Finally, various professional development resources seek to strengthen the knowledge and skill sets of foundation staff (Kibbe, Setterberg, & Wilbur, 1999; Council on Foundations, 2006).

### A Learning-Oriented Approach

In surveying this literature base, we found two elements to be lacking and indeed needed: first, a systemic and comprehensive organizational approach that sees the multiple, discrete elements of institutional practice and operations in relation to one another; and second, a data-driven assessment tool (comparable to those that exist for nonprofits) that allows foundation stakeholders to candidly assess their organizational strengths and challenges and to generate action based on findings. Our perceptions were corroborated by the foundations TCC Group has

partnered with over decades in assessing their own grantees' capacity in systemic, data-driven ways. We consequently undertook to develop a new resource focused specifically on examining foundation capacity in a comprehensive and integrated way.

In so doing, we understood the limitations of any assessment of organizational functioning. The advantage we enjoyed was having pioneered a nonprofit organizational capacity assessment. TCC Group's Core Capacity Assessment Tool (CCAT) has been used by more than 5,000 nonprofit organizations domestically and globally. This online, survey-based tool collects information from key decision-makers within an organization and posits prioritized recommendations for building organizational capacity based on integrated findings. The CCAT measures a nonprofit organization's effectiveness according to a comprehensive capacity "framework," examining four overarching core arenas critical to nonprofit success — leadership, adaptability, management, and technical capacity — as well as organizational culture. The CCAT provided an ideal basis from which to begin to develop a Foundation Core Capacity Assessment Tool (FCCAT).

Two primary considerations underlie the construction of any assessment tool: determining relevant content (i.e., what constitutes a capacity worth measuring), and designing effective methods (i.e., how valid and reliable are the data collected).

To address the content question, we drew on a range of sources. First, we opted to use the CCAT's proven core-capacity framework, as we believed it held two advantages. First, its wide use over many years allowed for parallels to be drawn between nonprofit and foundation findings. Second, its comprehensive approach allowed for looking at discrete practices through multiple lenses. For example, a foundation's evaluation strength involves both technical capacity (having the knowledge and skills to gather information) and adaptive capacity (using findings to modify interventions as needed).

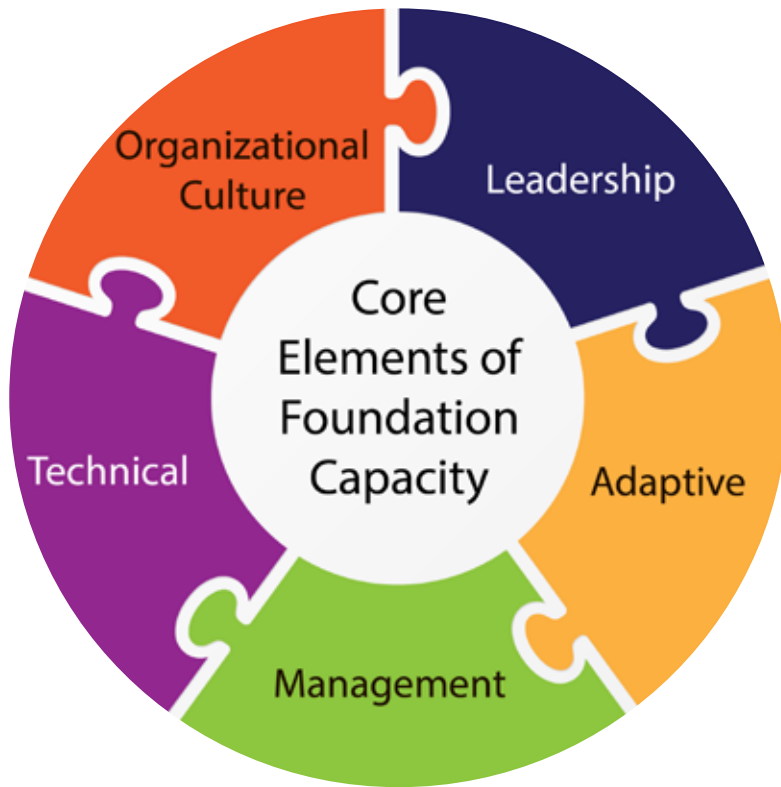
*We consequently undertook to develop a new resource focused specifically on examining foundation capacity in a comprehensive and integrated way.*

Second, we drew on a thorough literature review on foundation capacity and effectiveness, including academic and practitioner literature and tools, supplemented by conversations with our foundation partners and TCC Group's own expertise in supporting nonprofit capacity building. This process led to the creation of capacity categories that seemed most substantive and at the same time broadly applicable to a variety of foundations, regardless of type or size.

We sought to be as comprehensive as possible, but necessarily had to leave some areas out. For example, we opted not to include governance, as we felt governance models were too diffuse to enable identifying agreed-upon behavioral indicators. We also omitted leadership sustainability, perceiving it to be less of an issue for foundations than for nonprofits. Finally, given the tool's intended use by foundation staff and directors rather than external partners, we chose not to include various areas where internal members were ill positioned to judge, such as whether a foundation effectively navigated power dynamics (though we did include elements that could contribute to this asset).

We tested our preliminary list of content categories with foundation and evaluation colleagues (Kelly, Cockfield, Raynor, & Sood, 2013). Finally, we used statistical analysis to confirm and/or reorient proposed content categories, analyzing how individual items grouped together, and identifying the underlying construct of these groupings.

**FIGURE 1** The Five Core Elements of Foundation Capacity



The resultant FCCAT consists of 148 items grouped into 43 “subcapacities” within the five core capacity areas. (See Figure 1):

- Leadership capacity (seven subcapacities)
- Adaptive capacity (seven subcapacities)
- Management capacity (eight subcapacities)
- Technical capacity (12 subcapacities)
- Organizational culture (nine subcapacities)

To address the second key question, concerning methods, we applied field-accepted practices related to effective capacity assessment. For the

purpose of a rapid diagnostic, methods that drew on directly observable behavior or multistakeholder perception (e.g., 360 review) seemed both impractical and too costly. We opted instead for an independent, multirespondent-structured self-report, in which multiple individuals from the same organization answer online questions independently. To minimize perception biases, we constructed items to address concrete, observable behavioral characteristics, rather than perceptions. Presented to respondents in static random order, all items used a five-point Likert scale ranging from “strongly disagree” to “strongly agree.”<sup>2</sup> Finally, the responses of all respondents were aggregated together to create single scores for each subcapacity.

<sup>2</sup>The items were originally randomized so that items are not presented in order of their category. Once statistical analysis was completed, a final randomized order was generated and the tool was then made static.

After initial construction and revision, the FCCAT was pilot tested with 23 foundations. TCC Group conducted rigorous statistical analysis to create scales and ensure item reliability and validity. Modifications were made based on pilot analysis.

The FCCAT was relaunched in early 2016. Through a Ford Foundation grant to assess foundation capacity, 75 foundations were invited to use the FCCAT to explore their institutional capacity at no cost. To ensure participant anonymity, we required that at least three staff complete the assessment, and advised that participants with knowledge of foundation management, operations, and grantmaking would be best able to respond to tool items. On average, participating foundations had six staff complete the tool, though the number of participating staff ranged from the minimum of three to a high of 40. The average number of grantmaking staff at participating foundations was four, indicating that the saturation of participants was fairly high.

A total of 58 foundations participated in the assessment in spring of 2016; each foundation received a confidential, customized report summarizing institution-specific findings. TCC Group conducted another round of rigorous statistical analysis to validate the final instrument and remove data that did not meet quality criteria. Ultimately, all scales held up (Cronbach's alphas between 0.71 and 0.86).

### A First Round of Insights

At its core, the FCCAT serves as a quantitative measure of the demonstrated behaviors and attitudes of an institution, as perceived by individuals within that foundation. While staff perceptions yield findings across three broad ranges (“strong,” “satisfactory,” and “challenging”), the FCCAT itself does not ascribe value to the traits examined; rather, it is foundation members themselves who determine whether results are “good” or “bad” according to their alignment with institutional values. In this context, the FCCAT should not be seen as a report card, but rather a data-driven prompt for reflection (both individual and group) and collective learning. Completing the FCCAT represents only the first

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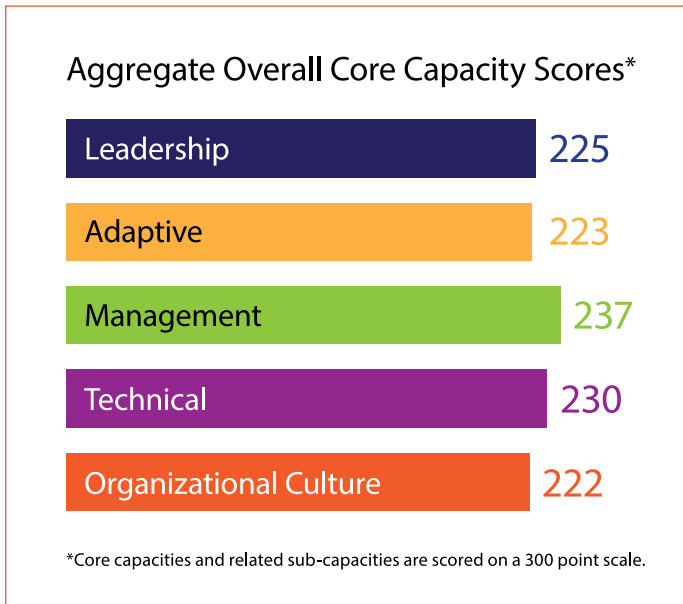
step in the process to assess institutional capacity. Guided discussion of findings, engaging participants who completed the assessment as well as potential others within the institution, allows for reflection on comparative strengths and challenges; consideration of why members differently positioned within an institution might regard capacity in different ways; consideration of where assessments reflect stated institutional priorities, and where they may differ; and preliminary thinking about action steps a foundation may choose to take to address capacity areas deemed essential to enabling its strongest work. FCCAT “interpretation sessions” at participating foundations have proven illuminating in this regard, as staff have often sought to identify needed action from capacity findings in relation to complementary learning processes such as strategic planning, portfolio assessment, stakeholder alignment, environmental mapping, and team-building efforts.

Foundations chose to participate in the 2016 FCCAT assessment for a variety of reasons. One funder commented,

We've required organizations to do all of this work. But we haven't had a focused, formalized process to do it for ourselves. We were curious about, 'What does it feel like to do it?' The process made us appreciate the investment and resources necessary to undertake capacity building.

Another noted, “It's good to sit back and reflect every once in a while, and ask how we could do things better. Our FCCAT results are a reflection of who we are, how we do things, how we

**FIGURE 2** Average Scores of 54 Foundations Across Five Core Capacities



Tools

interact internally, and our values.” A community foundation representative remarked,

We are continually working on strengthening our organizational culture and aligning our work with our values. We are funded by philanthropic dollars and we feel a high level of accountability as a result of that source. We have to make sure that we are highly efficient and highly effective. And we believe a healthy culture and work environment supports highly effective and efficient organizations. It was a natural fit.

After completing individual institutional assessments, TCC Group aggregated findings from 54 of the 58 participating foundations to identify common strengths and challenges, as well as areas of greater variation. Participating foundations reflect a broad array of characteristics. The largest share of participants self-identified as “private” foundations (34 percent), followed by community foundations (24 percent), family foundations (18 percent), public foundations (16 percent), operating foundations (6 percent), and corporate foundations (2 percent). A majority of participants (56 percent) reported annual 2015 giving in the range of \$1 million to \$10 million,

with 28 percent giving more than \$10 million and 16 percent giving less than \$1 million. Just over one-third (34 percent) reported having fewer than five staff members, followed by 30 percent reporting five to 10, 26 percent with 10 to 25, and 10 percent with more than 25 staff members. Finally, the initial set of FCCAT participants was more likely to make grants nationally and/or internationally (24 percent) than is true for U.S. foundations as a whole. Remaining FCCAT funder respondents indicated giving regionally (32 percent) or locally (44 percent).

While a diverse set of funders participated in this assessment, findings should not be considered representative of the foundation field. A larger pool of FCCAT users will be needed to make broader statements about sectorwide trends. Nonetheless, the preliminary findings do offer an unprecedented first look at how foundations are holistically assessing their capacity.

### Overall Findings

Across the five core capacities measured by the FCCAT — adaptive, leadership, management, organizational culture, and technical — all rated

**TABLE 1** Leadership Subcapacities and Definitions

| Leadership  | The ability of all organizational leaders to create and sustain the foundation’s vision. This includes the capacity of leaders to inspire, prioritize, make decisions, innovate, and provide appropriate direction to achieve an organization’s mission. |
|---|--|
| Subcapacity   | Definition   |
| Advocacy  | The foundation directly undertakes and/or funds advocacy work and externally communicates advocacy goals.  |
| Board championship  | The board is knowledgeable about and an active champion of the foundation’s work and approach.   |
| Board-staff relationship                                    | The board works respectfully with senior staff leadership, ensuring shared strategy and accountability to meeting the organizational mission.  |
| Commitment to internal diversity, equity, and inclusiveness | The foundation’s practices reflect commitment to diversity of staff and board as well as meaningful inclusion of the communities served.   |
| External leadership   | The foundation plays a recognizable and credible leadership role on issues relevant to its mission, including raising up other voices.   |
| Foundation vision   | Foundation leaders articulate and direct resources toward a clear and compelling vision.   |
| Internal decision-making                                    | Foundation leaders make decisions guided by mission priorities and inclusivity values, and are skilled at putting ideas into action.   |

as “strong” or “satisfactory,” according to staff at the 54 sampled foundations. As one funder remarked, “Foundations seem to rate themselves pretty highly. This may reflect not really having a frame of reference and may be part of overall education about foundation capacity.”

Averaged capacity scores across the five core capacities were also very similar, ranging from 222 to 237. (See Figure 2.) This is not altogether surprising, given the smoothing of results due to the aggregation of individual organizational data. In addition, differences in foundation type, size, and scope did not have a notable impact on overall capacity scores.

Nonetheless, scores recorded by individual foundations at times varied widely from the overall averages reported for the core capacities and among the 34 subcapacities. For example, within

management capacity, individual grantee relationship-management scores ranged from 125 to 290; within adaptive capacity, innovation and experimentation scores ranged from 123 to 265; and within leadership, capacity board-staff relationship scores ranged from 108 to 290. More detailed examinations of the five core capacities and the 43 subcapacities measured by the FCCAT follow.

### *Leadership Capacity*

Leadership capacity refers to the ability of organizational leaders to inspire, prioritize, make decisions, innovate, and steer a foundation toward achieving its mission. We understand the capacity for leadership to be available to multiple parties across an organization, rather than resting in a single individual. (See Table 1.) The aggregate data from 54 participating foundations yielded two key findings:



- Foundations report strength in articulating a vision and maintaining a leadership role on core issues.
- Funders appear relatively less engaged in supporting advocacy and advancing the diversity, equity, and inclusiveness of their staff.

Many have written about the power a senior leadership team has in advancing a foundation’s core purpose, and the various responsibilities and roles diverse members play to strengthen institutional leadership overall. For example, a review of 19 foundations found that senior leadership teams can help define a foundation’s mission and goals and ensure alignment on these goals across program areas, among others areas (Berman, 2016). Others have found that foundations can use their bully pulpit to garner support for investment priorities; for example, funders involved in civic-change initiatives have successfully used their voice to “mobilize political will” in communities that may otherwise have been ignored by those in power, illuminating the value of conveying a strong vision in the broader environment in which one funds (Auspos, Brown, Kubisch, & Sutton, 2009).

Our data showed that funders typically consider themselves “strong” in external leadership, according to the 54 sampled foundations. This capacity encompasses a foundation’s ability to demonstrate leadership within relevant communities and to convey an organizational vision. They also consider themselves strong in internal decision-making and board-staff relationships. This latter finding may seem surprising given concerns sometimes expressed by program staff about the degree of board involvement in foundation processes.

In contrast, foundation commitment to internal diversity, equity, and inclusion (DEI) received the lowest subcapacity score within leadership capacity and the second-lowest score among all

FCCAT subcapacities. Interestingly, the FCCAT found significant variance in internal DEI scores across the sample, indicating that respondents within the same institution perceive this capacity differently from one another. Among these foundations, there appears to be a particular need to address how active they are in seeking out staff from diverse communities and their commitment to having a staff that reflects the communities they serve. D5, a five-year initiative undertaken by a coalition of foundations to expand DEI in the sector, encouraged funders to consider diversifying their staff and boards, invest in diverse communities, and implement various practices to support diversity objectives.<sup>3</sup>

At the same time, the sampled foundations ranked themselves much higher on cultural competency (a subcapacity included within technical capacity), which encompasses the skills foundation staff need to engage effectively with people from different backgrounds and positions. As one funder explained,

We can’t have our grantees be fluent on DEI and not have our foundation staff have equal capacity to do that work, because there would be friction. So that is what forced us into this. We’ve worked on this because we’ve had to work on it.

### *Adaptive Capacity*

Adaptive capacity addresses a foundation’s ability to monitor, assess, and respond to changes in the internal and external environment, and to change course as needed to enable impact. (See Table 2.) Aggregated results indicated that:

- Despite being active participants and learners in the sector, foundations consider themselves less adept at developing strategies.
- Foundations commonly underutilize data and formal and informal evaluations to inform their decision-making.

Adaptive capacity is essential for foundations that wish to ensure their investments are targeting

<sup>3</sup>For perspective on the role of foundations in supporting DEI internally and externally, see the resources of the D5 Coalition at <http://www.d5coalition.org/tools/d5-research>. The coalition produced a range of resources for funders interested in understanding and promoting DEI in the sector.

**TABLE 2** Adaptive Subcapacities and Definitions

| Adaptive                       | The ability of a foundation to monitor, assess, and respond to changes in the internal and external environment.  |
|--------------------------------|---|
| Subcapacity                    | Definition  |
| Data-informed approach         | The foundation uses different kinds of data to inform decisions.  |
| Environmental learning         | The foundation stays abreast of needs, opportunities, and shifts in relevant environments through connecting to peer funders, the community, and other relevant actors. |
| Evaluation                     | The foundation incorporates in formal and informal evaluation efforts and shares information with external stakeholders.  |
| Foundation networks            | The foundation actively participates in peer networks and other collaborative efforts to advance shared objectives.   |
| Innovation and experimentation | The foundation demonstrates a willingness to challenge assumptions, try new things, and modify existing approaches.   |
| Networking grantees            | The foundation actively connects grantees with potential allies, such as nonprofits and other funders.  |
| Strategy development           | The foundation intentionally develops, assesses, and revisits strategic priorities and practices.   |

what’s most needed and to equip their grantees’ ability to respond to needs and opportunities that emerge in real time, often within a grant period. While our early literature review did not yield an agreed upon set of adaptive-capacity elements, we did find a number of features noted by various experts. Brown, Colombo, & Hughes (2009), for example, described their effort to facilitate real-time learning within a foundation seeking to improve its impact in communities served. To progress, the foundation modified its staffing structure, adding new positions and an entire team focused exclusively on strengthening and facilitating across the foundation. Other scholars, focused on the state of evaluation at foundations, have observed that misalignment between evaluation goals and assessment processes may lead to challenges when making adaptive decisions (Coffman & Beer, 2016).

The FCCAT data showed that foundations rely heavily on peer networks and engagement with

their grantees for knowledge that can help guide decision-making. Also rated as “strong” among the 54 sampled foundations were innovation and experimentation, and environmental learning. One foundation, however, officially noted, “One of our issues is environmental learning. We do our best to talk to a broad audience, but we don’t always do enough. The FCCAT results were a reminder of where we need to stay on our toes.” Foundation capacity for strategy development and engaging a data-informed approach rated as relatively less robust, with both scores falling in the “satisfactory” range.

Following these capacities was formal and informal evaluation, which received the lowest score overall among all 43 subcapacities measured by the FCCAT. Foundations did report some success in creating space to reflect on lessons learned, but appeared to lack clear criteria for determining whether the work is effective. They also lack a regular system or approach for evaluating their

**TABLE 3** Management Subcapacities and Definitions

| Management                      | The ability of a foundation to ensure the effective and efficient use of its diverse organizational resources.              |
|---------------------------------|---|
| Subcapacity                     | Definition  |
| Financial-mission management    | Foundation management of resources, including investments and budgeting, is well-aligned with the institutional mission.    |
| Grant-portfolio management      | The foundation’s portfolio-level strategy is clear, intentional, and nimble, utilizing diverse funder tools and approaches. |
| Grantee-relationship management | The foundation has effective, respectful, and thoughtful relationships with its grantees.                                   |
| Grantmaking processes           | The foundation has effective, efficient, and consistent processes and systems for making and monitoring grants.             |
| Risk approach                   | The foundation is willing to take appropriate risks and utilize multiple strategies to achieve greater outcomes.            |
| Staff communication             | The foundation has open and respectful channels of communication and feedback across levels of staff.                       |
| Staff development               | The foundation supports professional development of staff through coaching, mentoring, training, and other means.           |
| Staff-performance management    | The foundation has effective human resource policies and practices, cultural sensitivity, and clear work expectations.      |

portfolios.<sup>4</sup> This finding reflects the need for a “deeper culture change and a commitment to a different way of thinking and interacting, for which there aren’t widely accepted guideposts,” remarked one funder. Effective evaluation necessitates “dealing with power and learning, which requires a more specific type of human capital.”

*Management Capacity*

Management capacity addresses a foundation’s ability to ensure the effective and efficient use of its diverse organizational resources. (See Table 3.) Aggregated results suggested that:

- Foundations benefit from strong management across internal and external roles.

- Funders evidence some aversion to taking risks.

Researchers have identified various elements of management capacity for foundations — such as the importance of talent management, or human capital (typically addressed through professional development and performance reviews), and the importance of effectively selecting and managing grantees (Coon, 2012; Fleishman, 2009). Also important is how a foundation determines its appropriate level of risk, as answers to this question help define the strategies a foundation is likely to support, the time period in which it expects to see outcomes, the scope of the goals it embraces, and the partnerships it determines are

<sup>4</sup>These findings are consistent with a recent report from the CEP (2016) on the challenges foundations commonly face in incorporating evaluation and learning practices into their institutional practice and in applying lessons learned to grantmaking activities.

essential to achieve impact. Establishing clearer processes and criteria to guide a foundation's risk approach is however still needed, it seems. As noted by a participant at a 2015 GEO learning event (Smart, para 1),

Grantmakers are often asked by internal stakeholders, such as our boards, and external stakeholders, such as our grantees, to take more risks. But what do they mean by risk? Is risk-taking essential to innovation and learning? What's the right amount of risk that's appropriate? How does it relate to our and our grantees' appetites for failure? And, how do we have productive conversations with board, staff, and grantees about risk anyway?

Across participating foundations, management capacity yielded the strongest results, with seven of the eight management subcapacities falling within the "strong" range. "Foundation staff seems to be good at the fundamentals of management, for which there are widely accepted guideposts and a corresponding talent pool from which to draw," concluded one funder interviewed for this article. Since the various components of management capacity comprise the daily activities of foundations, these results are perhaps not surprising. Indeed, compared to nonprofits, foundations are likely to enjoy greater resources for carrying out their core functions, such as financial and grants portfolio management and staff development. This said, in keeping with the observation voiced by the GEO event participant above, sampled foundations indicated relatively less confidence in their institutions' willingness to take "risks" or make use of multiple strategies to achieve bigger outcomes. The overall score for risk approach fell in the "satisfactory" range, perhaps reflecting lack of clarity or criteria for assessing and managing risk.

### Technical Capacity

Technical capacity broadly addresses whether a foundation has the skills and resources it needs to carry out its key organizational and programmatic functions. (See Table 4.) Aggregated FCCAT results indicated that:

- Foundations show wide variation in their capacities, with financial management,

grantmaking, and cultural competency ranking as top skills.

- Grantmakers identify the need for enhanced technology and evaluation abilities, among other skills.
- Fundraising capacity represents a challenge for some funders.

Technical capacity is perhaps the arena where foundations and nonprofits have the greatest overlap, due to similarities in the infrastructure and resources they each need to operate. That being said, specific areas of technical capacity are commonly identified as critical for foundations to acquire and, accordingly, foundation-support organizations often tailor trainings and learning activities toward strategic communications, technology support, and knowledge management (Auspos, et al., 2009; Berman, 2016; Coon, 2012). Membership organizations working in the field have programs that help foundation staff build technical capacity. Philanthropy New York (2015), for example, has an *Essential Skills and Strategies for New Grantmakers* series that covers legal knowledge, communication, making sound funding decisions, and several other topics.

Technical capacity represents an area of strength for the 54 foundations sampled overall, potentially reflecting the ability of funders to allocate resources where needed to enable effective work. The strongest scores tallied were for financial-management skills, followed by cultural competency and grantmaking skills. By comparison, foundations reported lower scores for technology and evaluation, advocacy, knowledge management, and technology skills. For community and public foundation respondents that engage in raising money, fundraising skills received the lowest score. Findings for this initial FCCAT assessment of technical capacity also indicated greater variation in individual scores among the specific subcapacities, compared to the other four core capacities. This suggests that staff display markedly different levels of skill and competency across the various operational areas examined.

**TABLE 4** Technical Subcapacities and Definitions

| Technical                      | The ability of a foundation to implement its key organizational and programmatic functions through available technologies, tools, and staff skills.  |
|--------------------------------|--|
| Subcapacity                    | Definition   |
| Advocacy skills                | The foundation has skills to engage in and/or support policy advocacy and overall issue advocacy.  |
| Cultural competency            | Foundation staff has skills to work and communicate effectively with people from different backgrounds and positions.  |
| Evaluation skills              | The foundation has the skills to carry out evaluation and learning activities.   |
| Facilities                     | The foundation has appropriate and well-managed facilities.  |
| Financial-management skills    | The foundation has the ability to effectively administer day-to-day financials and manage the budget.  |
| Fundraising skills             | The foundation has the ability to identify and cultivate new funders for the its work.   |
| Grantmaking skills             | Foundation staff has effective skills for grantmaking activities (e.g., managing grantmaking processes, budget development and management, developing grant strategy, conducting due diligence, and holding content-specific knowledge). |
| Knowledge-management skills    | Foundation staff has the ability to share and codify information within the foundation, over time, and across teams.   |
| Legal skills                   | The foundation has sufficient resources to guide it regarding legal issues.  |
| Strategic communication skills | The foundation has the skills to effectively message its priorities and work.  |
| Technology                     | The foundation has the necessary technology resources (e.g., equipment, systems, software) to run efficient operations.  |
| Technology skills              | The foundation has the technological skills to effectively use and maintain technology resources.  |

Tools

*Organizational Culture Capacity*

Organizational culture capacity encompasses the values, assumptions, and behavioral norms that guide how a foundation carries out its work. (See Table 5.) Aggregate FCCAT results indicated that:

- Foundations indicate a consistent sense of the cultural values, assumptions, and behavioral norms that shape their institutions.

- Funders perceive their institutions as less likely to value different perspectives.

Shared cultural norms can be critical to the success of foundations in advancing their missions. Grantmakers for Effective Organizations (2016) argues that intentionally addressing and shaping foundation culture is critical and ties the organizational culture of foundations directly

**TABLE 5** Organizational Culture Subcapacities and Definitions

| <b>Organizational Culture</b>        | <b>The values, assumptions, and behavioral norms that guide how a foundation carries out its work.</b>  |
|--------------------------------------|---|
| <b>Subcapacity</b>                   | <b>Definition</b>   |
| Cohesion                             | The foundation's climate is congenial.  |
| Demonstrating accountability         | Foundation leaders are held accountable for making decisions that advance the organization's mission.   |
| Demonstrating clear and lived values | The foundation holds clear values that guide its practices for interpersonal interaction, both internally and externally.                         |
| Demonstrating transparency           | The foundation is open in sharing information with external audiences.  |
| Empowerment                          | Foundation staff members are given the support and space to exert their own ideas and feel like they can be successful.                           |
| Encouraging collaboration            | The foundation's climate and practices foster collaboration for shared purposes.  |
| Supporting staff sustainability      | The foundation's climate and work conditions support staff's sustained enthusiasm for and ability to manage work activities and responsibilities. |
| Valuing different perspectives       | The foundation actively considers diverse viewpoints when making decisions.   |
| Valuing learning                     | The foundation's staff members are encouraged to reflect on their work and to see mistakes as an opportunity for learning.                        |

to their impact on grantees (David & Enright, 2015; GrantCraft, 2015).<sup>5</sup> Research from the CEP supports this conclusion, finding that when foundation staff are knowledgeable about the communities in which they work, feel high levels of empowerment, and learn from past performance, grantees are more likely to perceive greater clarity and consistency, perceive the foundation to have more impact, and feel more positive about the quality of their relationships (Bolduc, 2016). Finally, Rockefeller Philanthropy Advisors (2016) builds on Peter Drucker's "theory of business" conceptual framework to posit a "theory of the foundation," which offers a way to clarify and understand how a foundation

allocates resources, makes decisions, and defines success. It can also illuminate distinctions and commonalities among foundations, leading to a way to compare and analyze how a foundation operates and the results it achieves.

Responses from the 54 sampled foundations indicated that they have a clear and cohesive sense of their institutions' cultural values, assumptions, and behavioral norms and that they perceive these attributes in similar ways. Three of the subcapacities rated as "strong" — demonstrating clear and lived values, demonstrating accountability, and empowerment — and the remaining six subcapacities as "satisfactory." The ultimate

<sup>5</sup>The CEP (2014) also offers a foundation Staff Perception Report, which assesses how staff experience organizational culture.

*“A continual focus on strengthening your organization’s capacity to drive community change will result in higher levels of effectiveness and change for the community,” a foundation leader said.*

impact of cultural norms may be harder to determine, but they do provide a means for staff to engage with one another, express their points of view, and align to achieve shared goals. They also have strong implications for foundation relationships with grantees. As one funder stated, “For all foundations, there’s a risk of sitting in our ivory tower that breaks down two-way communication and transparency. I find adaptive capacity and organizational culture are both critical for determining how grantee relationships are managed.” The act of reflecting on organizational culture can also be essential to increasing effectiveness. Remarked another funder,

It’s been our experience that we as an organization are more comfortable asking others to take up various behavior changes than ourselves internally. But where we have been fairly successful is when we confront the importance of the work. How can we get better at it? We often come back to ourselves.

### Rethinking Foundation Capacity

This article began by asking, “Do foundations need to build capacity?” Undoubtedly, there are many foundations already engaged in efforts to enhance various aspects of their operations, whether by hiring an executive coach to support a new leader, retaining a communications specialist to boost external messaging, or adopting the latest grants-management software. But these approaches to capacity building tend to be piecemeal and fall short of thinking of the organization as a whole — how a foundation leads,

makes use of its human talent and technology, learns and adapts, and engages with external stakeholders and audiences. Without this organizational intelligence, foundations are at risk of underutilizing their powerful resources.

The FCCAT assessments suggest tremendous potential for learning and improvement among funders who undertake a comprehensive assessment of their current capacity. It also reflects a growing perspective on the part of foundations that their effective functioning is critical to having an impact. One funder remarked,

Turning the lens toward the foundation has been a relatively recent development. We had professed for some time that our foundation’s impact was dependent on the capacity of grantees. But we’ve become less comfortable using grantee effectiveness as a proxy for our own.

Another funder commented, the “FCCAT is a helpful reminder of what we’re not doing.”

The process of assessing capacity can also be challenging, especially for those who feel they are doing everything possible to advance the mission of the institution or for institutions less comfortable with reflective practice more generally. A funder observed that “a number of our colleagues struggle not to hear behavioral feedback as condemnation of their commitment.” The time needed to undertake a capacity assessment and act upon the learnings may also be perceived as an impediment for some foundations. Funders may feel they are too busy doing their work to explore how they might do that work differently to increase impact.

Outweighing these concerns, however, are the very real benefits that come with better understanding of institutional capacity and needs. Addressing staff needs for increased training opportunities can lead to improved staff capacity, greater organizational loyalty, and even the identification of the next generation of leaders. One funder noted,

Our approach around capacity building has moved from remedial for both grantees and staff to “good to great.” How do we find folks who are meeting or

exceeding expectations and bring them to the next level? Coaching is now a reward; if you're doing well, you get a coach. We're focusing on learning from each other and less on fixing deficits.

Understanding and enhancing foundation capacity can also be critical to maximizing relationships with grantees, community partners, and other stakeholders. "A continual focus on strengthening your organization's capacity to drive community change will result in higher levels of effectiveness and change for the community," a foundation leader said. "You have to invest in yourself to be the best you can be on behalf of the community."

Critical to engagement in a capacity-building assessment is buy-in from organizational leaders. As one funder remarked,

When it comes to culture change and organizational development, there's a ceiling to what you can achieve without senior leadership who reinforce what you're trying to spread. If they are unaware or not supportive, it is easy for them to undermine what you're trying to achieve.

Engaging in holistic assessment of foundation capacity remains in its early days. As more funders make use of the FCCAT or other tools, there will be both an increased understanding of foundation capacity needs and a greater ability to generate more nuanced benchmarking by foundation type, size, and other characteristics. For example, one community foundation leader said, "We want to compare our scores to the aggregate, particularly to community foundations." With that information in hand, the foundation can better answer such questions as "How do we continuously invest in all the subcapacities in the survey, and how do we prioritize?" and "What's next for our organizational development?" Foundations that engage in capacity self-assessment will also be afforded invaluable perspective into the experience of the grantees seeking to build capacity and in identifying how their needs might align. "If we're going to make wise resource decisions," concluded another funder, "our capacity has to be in sync with nonprofit capacity."

Requiring both science and art, capacity building will always be a complex endeavor grounded in diagnoses of strengths and challenges, considerations of what to prioritize given inevitable capacity constraints, and a thorough understanding of organizational readiness to maximize the opportunities for enhanced performance. Many foundations may not yet be ready for the type of commitment needed to ensure the success of a capacity-building initiative. But the experiences reported by a set of 54 foundations in the vanguard of organizational self-assessment suggest that demand will grow. These funders have come to understand that achieving maximum impact requires that all individuals and institutions working to provide a public benefit are able to operate at their full potential.

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