

# Going to the Next Level



**Nonprofit capacity building, after many years, has reached a critical mass. If indeed it has become its own "field," what is the state of the art? And what needs to happen next? An environmental scan commissioned by the John S. and James L. Knight Foundation gives us some insights.**

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Like wholesalers in the business sector, foundations are at least one step removed from the individuals, families and communities they hope to touch. Because grantmaking foundations must rely on nonprofit organizations working at the equivalent of the retail level, it is in their enlightened self-interest to help nonprofits gain and sustain the capacity needed to produce results that serve the missions of grant givers and recipients.

So all the buzz about capacity building boils down to a pretty simple premise: A strong, capable nonprofit organization stands a better chance of producing desired results than a weak one.

That much is obvious. But how to "do" capacity building effectively, and who should be responsible for paying for it, are not. Recently the "who" in question has focused on the role foundations can play. This has resulted in an increase in visibility of capacity-building activities to strengthen nonprofits. Questions remain about the effectiveness of such efforts and about the types of field-building efforts that might help create the "next generation" of nonprofit capacity-building programs.

To inform its own planning efforts, the John S. and James L. Knight Foundation commissioned an environmental scan of capacity building and philanthropy. In particular Knight wanted information to inform how best to strengthen nonprofit organizations serving the 26 communities across the country where it makes grants, though the resulting review was also intended to contribute to philanthropy's ongoing conversation about capacity building.


The scan, conducted by the Human

Interaction Research Institute from September 1999 to March 2000, involved interviews with thought leaders and technical experts and a combined print and Internet search. It also examined the capacity-building activities of nonprofit organizations, consultants and other service providers, intermediaries and academic institutions.

## **What We Learned**

The scan identified more than 200 capacity-building programs foundations have supported. In this young field, with little empirical evidence on program effectiveness, it is not yet appropriate to speak about "best practices." However, we noted 40 notable examples. Among them: New York-based Robin Hood Foundation, inspired in part by the theories of venture philanthropy, runs its own capacity-building program for its grantees; the Mary Reynolds Babcock Foundation of North Carolina recently started encouraging all applicants to apply for organizational development funding as part of program grant proposals; and Northern California's Humboldt Area Community is constructing a center dedicated to capacity-building programs for local nonprofits.

Support for the growing trend in strengthening nonprofit infrastructures can be seen in the more than 300 "management support organizations" we identified and the many individuals who provide nonprofit-building services. Currently, 76 university graduate training programs specialize in nonprofit management, not counting the academic centers that study nonprofits and philanthropy.



From the research emerged the fact that foundations have sponsored three main types of activities to strengthen nonprofits, which can be categorized as follows:

- initial assessment of the nonprofit's needs
- interventions such as technical assistance and training, and
- direct financial support.

The survey also identified a core group of eight effective elements useful in developing nonprofit organizational building efforts (see "Target Practice: The List of Eight," on page 40). The challenges and recommendations resulting from the research are of particular interest to foundations and nonprofits looking for a realistic perspective on strengthening nonprofits.

### Some of the Challenges

Challenges to the growth of the nonprofit-building field abound. High on the list would be developing a systematic evaluation of procedures and outcomes and securing greater nonprofit community involvement. Many foundations will require education and technical assistance to learn the state-of-the-art in nonprofit building and the advantages of involvement in such philanthropic activity. One place to go for guidance in this area is the recently formed Grantmakers for Effective Organizations affinity group (see "Two Go-To Resources," on this page).

According to Ben Shute at the Rockefeller Brothers Fund, awareness is growing in American philanthropy that, especially in urban areas, there are now enough foundation players and enough

organizations receiving nonprofit-building funding that some duplication of services is inevitable. A number of other interviewees for the scan gave examples of potential or actual overlap. As yet, there are only a few systems in place for coordination, so that such duplication is hard to track or change.

Increasing duplication of services and marginally effective providers make a "shakeout" of the capacity-building field likely—followed by a coming second generation of more sophisticated (evaluation-based, theory-driven) capacity-building programs.

Finally, more is needed to support nonprofit building within philanthropy itself—to educate funders, nonprofits and communities; to replicate proven strategies; to promote sharing of good practices; and to relate how increased organizational capacity furthers the overall goals of philanthropy.

Issues such as the ethics of nonprofit building mostly revolve around the

inherent imbalance of power between foundations and nonprofits and around the possibility that nonprofit-building interventions could actually damage nonprofits. As Mary Ann Holohean of the Eugene and Agnes Meyer Foundation puts it, the "first, do no harm" principle of medicine needs to be followed in capacity building, where there may be more potential for damage than any other kind of activity in philanthropy.

### Recommendations for Field Building

Synthesizing what we learned from the interviews and other sources in the environmental scan, we came up with the following "to do" list:

*Create a database* starting with the 200 programs already identified containing brief descriptions of "best practices" in building better nonprofits. A print version and an on-line version of this database can be disseminated to interested parties in searchable format using the

### Two Go-To Resources

Grantmakers for Effective Organizations (GEO), an affinity group of the Council on Foundations, was launched in 1997. The group now has approximately 300 members, representing grantmakers across the United States. Its mission is to promote learning and dialog among funders interested in diverse technical assistance methods. It is also dedicated to stimulating discussion about the relative strengths, weaknesses and appropriateness of these grantmaking strategies. GEO's rapid growth is evidence of the recognition of the support for organizational development and concern for the health of the nonprofit sector. GEO convened national conferences in 1998 and 2000 and has publications and a Web site ([www.geofunders.org](http://www.geofunders.org)).

A number of individual foundations and other grantmaker affinity groups also offer learning and networking events on this subject. The Alliance for Nonprofit Management, a national association, provides similar activities targeted to nonprofits ([www.Allianceonline.org](http://www.Allianceonline.org)).

### TARGET PRACTICE: The List of Eight

Based on our findings from the scan, effective nonprofit capacity-building programs sponsored by (or operated directly by) foundations share eight identifiable core elements. We offer them here not as a complete model, but as "target practice" for further debate. Effective capacity-building programs tend to be

1. **Comprehensive.** While narrowly defined interventions can work, the most beneficial capacity-building activities of foundations offer some degree of "one-stop shopping," in which grantees can access a range of assessment services, technical assistance, financial aid and other kinds of support.
2. **Customized.** The best are custom tailored to the type of nonprofit, its community environment and its place in the "organizational life cycle." For instance, young startup nonprofits are likely to have very different needs than more established organizations.
3. **Competence based.** This means the request for intervention needs to come from knowledgeable "consumers," that is, the managers and board members of nonprofits, and that services are offered by well-trained providers (including both foundation staff and expert consultants).
4. **Timely.** Capacity building needs to happen somewhere between "too slow to be relevant" (often because a funder delays in acting on grant applications) and "too quick to allow the flowering of an intervention in context."
5. **Peer connected.** The most effective capacity building happens when there are opportunities for peer-to-peer networking, mentoring and information sharing.
6. **Assessment based.** The beginning should be a thorough assessment of the needs and assets of the nonprofit and the community in which it operates, which in turn drives the types of capacity-building services provided.
7. **Readiness based.** This refers to the ability of the nonprofit "client" to receive this specialized kind of service (the nonprofit is not in the midst of a crisis).
8. **Contextualized.** The most effective capacity-building occurs in a larger context of strengthening services, such as other activities of the sponsoring foundation or other activities going on in the outside community.

—T.E.B. and J.B.

Grantmakers for Effective Organizations Web site, for example, or an Internet service such as [Helping.org](http://Helping.org).

*Analyze existing evaluations* of capacity-building programs in philanthropy to synthesize common findings, refine the preliminary definition of core components (see "Target Practice: The List of Eight," on this page) and identify methodological problems with this type of evaluation.

*Conduct case studies of nonprofit-building programs* in philanthropy, identifying key types of philanthropic initiatives and using the case-study approach to develop a deeper understanding of how these programs were created, what they did and what effect they had.

*Conduct empirical research on the effectiveness of specific capacity-building interventions* to determine, for instance, whether peer-consultation approaches may be more effective

than expert interventions, at least for certain types of nonprofit building. Ideally, research studies of this sort could be coordinated among funders interested in nonprofit building.

*Develop an on-line capacity-building service that uses the Internet to deliver information resources*, assessment technologies and technical assistance for nonprofits and foundations on this subject. An on-line capacity-building service could provide information, computer-guided tutorials and diagnostics, direct e-mail access to consultants and other real-time electronic services for nonprofit-building.

*Promote cross-sector dialog on capacity building* to stimulate sharing of ideas among nonprofits, philanthropy and other sectors—particularly the corporate world and government, both of which have their own distinctive interests in capacity building.

#### The Element of Time

One dialog on the subject took place last June, when the Knight foundation, Human Interaction Research Institute and the Urban Institute cosponsored a meeting that brought together 37 leaders in philanthropy and nonprofit research to examine the environmental scan's results and review an Urban Institute paper presenting theoretical and historical roots of capacity. (*Building Nonprofit Capacity: A Framework for Analysis*, by Carol J. DeVita, Cory Fleming and Eric C. Twombly, will be available on-line this fall at [www.urban.org](http://www.urban.org).)

Among the issues for consideration were how to integrate the faith-based community better, how to measure both the evident and hidden costs of engaging in nonprofit building and how to encourage wider adoption of capacity-building interventions by foundations.

Another important point that surfaced in the scan was raised at this meeting, too: There are plenty of times when embarking on capacity building is *not* appropriate, and the hard part is knowing how to recognize when the time is right.

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