

The State of Nonprofit Capacity Building in Los Angeles 2005

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A recent research study found that funding cuts are increasing for California's "safety-net" nonprofits - those that serve people most in need, such as low-income children and adults (including many immigrants). This finding is hardly surprising, but the study also revealed that the cuts are not evenly distributed across nonprofits or communities. In fact, revenues for some nonprofits actually have increased during this difficult time for the sector overall (Green & Backer, 2004).

Moreover, the study found that a number of nonprofits serving vulnerable populations in California recently have developed innovative (and successful) ways to cope with the funding cuts they have suffered, or in some cases to avoid them. Some of these approaches clearly have potential to be shared more widely.

Like other studies of challenges and responses in the nonprofit sector, this research reinforces the need for improving systems to help nonprofit leaders learn about and use such creative strategies - and in other ways to build their capacity to respond to difficult times. What's required is a strong, flexible local infrastructure for nonprofit capacity building - integrating access to training, technical assistance, or information products; various types of funding support; and access to peer networking.

This need certainly exists for nonprofits in the turbulent, tight-resources environment Los Angeles presents today. This report, the third in an annual series, provides an overview of "what's new" in services and support for nonprofit capacity building in Los Angeles, set in the larger context of developments nationwide.

What Do We Mean by Nonprofit Capacity Building?

Simply put, capacity building involves ***strengthening nonprofits so they can better achieve their missions.*** Assessment, information and referral, training, technical assistance, coaching and other methods can be used for this purpose.

This definition takes on additional meaning in 2005, because of recently-increased interest in the *effectiveness* of nonprofits. Legislators, regulators and the general public are calling for greater oversight of nonprofits - to see that they *are* effective and accountable, and that they're not mis-using resources that come to them as a result of their nonprofit status (whether deliberately or through inefficiency).

In California and nationally, the response to such concerns has included new legislation, requiring more oversight of and reporting by

nonprofits. Capacity-building services can help nonprofits respond to these new developments, both in increasing their effectiveness and efficiency, and in improving their ability to demonstrate accountability.

What is the State of Nonprofit Capacity-Building Services and Funding in Los Angeles?

As in other communities, Los Angeles has a set of core organizations that have long provided capacity-building services to the nonprofit sector. The Center for Nonprofit Management, one of these “pioneer providers,” celebrated its 25th anniversary in 2005. Other long-time providers of capacity building include the Long Beach Nonprofit Partnership, and the California Association of Nonprofits.

These capacity-building providers offer core services of workshops, technical assistance and information to their target audiences of nonprofits. They also are branching out to meet new needs. For instance, this year CAN launched a board training workshop that includes attention to systems, structure and culture - and to the legal requirements for board members that are given less attention by many other board training programs.

Other “pioneer” capacity building providers in Los Angeles include private funders like the Flintridge, Parsons and Whitecap Foundations, all of which both fund and conduct capacity building activities. For instance, the Flintridge Foundation recently launched a “Curbside Consulting” program, in which nonprofits can sign up for a 45-minute block of consulting by a seasoned consultant on any critical issue or opportunity they face (five such slots are available each week).

The local infrastructure for nonprofit capacity building also includes the many individual consultants and consulting firms that serve the nonprofit community. These providers constitute the underlying framework for any new approaches or projects that come along every year.

Although new efforts such as the ones described below have a high profile (and most of them are funded by foundations), the majority of capacity-building activities for nonprofits in LA and elsewhere actually are funded *internally* by nonprofit organization themselves - from general operating funds or through a donation made by a board member. This predominance of internal funding for capacity building is another part of the backdrop for the analysis that follows.

Among the new approaches to nonprofit capacity building that have emerged over the last year in Los Angeles:

1 - The California Endowment has started a special initiative, housed in its Communities First grantmaking program, for promoting capacity building among nonprofits serving Latinos in East Los Angeles. Participating Latino organizations are able to request grants under this initiative for board development, fund development planning, and management operations (which may include support for hiring key administrative, management or fundraising staff).

In addition to offering grant support, the Endowment hired a consultant to undertake an initial organizational assessment for the nonprofits invited to participate in the initiative. An outside evaluator was hired to determine the initiative’s impact on organizational effectiveness and efficiency of the participating nonprofits (which also will help the Endowment determine what further steps it might take in this area).

2 - In a continuing Hispanics in Philanthropy-coordinated funding initiative (described in the 2004 report in this series), funding has been set aside to conduct training for the nonprofits that attended regional meetings held last year to announce this initiative. Some of these organizations applied for funding, but didn't receive it. They now can receive such services as a three-day grantwriting workshop, coaching for their leadership personnel, and help in establishing peer-to-peer learning circles.

3 - In an effort that began in 2001 and has been described in previous reports in this series, the Human Interaction Research Institute is conducting a year-long feasibility study about whether and how to establish an "indigenous" capacity building resource center for nonprofits based in the San Fernando Valley. A 20-person advisory committee has been set up, interviews and focus groups are being conducted, and in Fall 2005 the study report will be presented to the Valley nonprofit community.

The next step may be setting up a combined virtual and physical "resource center" for nonprofit capacity building in the Valley. This center would focus specifically on the needs of small and large nonprofits (including foundations) in the Valley region. Initial input suggests that a main reason for having an "indigenous" center is to encourage locally-based peer networking and better responses to specific local needs. A substantial on-line component also is anticipated for this center, which would provide ready access to data, peers, and possibilities for nonprofit collaboration.

4 - The Center for Nonprofit Management is conducting a study (national in scope but with many implications for Los Angeles) of how capacity building providers deliver knowledge and information to nonprofits. Findings may

help to identify ways in which providers can have more impact on the community of nonprofits.

5 - Community Partners is continuing capacity building work that focuses on creating citizen-led, neighborhood-based groups for facilitating recovery from the devastating fires of several years back. While these efforts for now are concentrated on San Diego and San Bernadino counties, they have many implications for Los Angeles County as well.

6 - Another Community Partners project, New Schools, Better Neighborhoods, is providing assistance to the Los Angeles Unified School District, and to communities, about how to make the best use possible of the \$1 billion in public funds allocated for building new schools. The focus is on engaging the community in collaborative planning for this investment, so that it reflects local needs and priorities. Smaller, joint-use and community centered schools are the goal, with collaborative partners in a neighborhood signing a memorandum of understanding to engage NSBN and its professional design team to work with local stakeholders.

7 - The John S. & James L. Knight Foundation is exploring how to enhance its investment and that of other foundations in building capacity of youth-serving agencies in Long Beach - which are facing cutbacks both in City funding and City-provided services over the next year. Though a study conducted by the Human Interaction Research Institute, Knight will identify ways in which funders, nonprofits and providers might work together to coordinate capacity building activities, and to strengthen the collective response of youth-serving agencies to the current challenges. The City of Long Beach also is conducting a study of youth-serving agencies which may contribute to this effort.

How Does This Relate to National Trends in Nonprofit Capacity Building?

As was reported in previous editions of this report, the practice of nonprofit capacity building in Los Angeles and other communities continues to be shaped by national research. For example, Paul Light and colleagues (Light, 2004; Light & Hubbard, 2004) brought to a close this year a three-year study highlighting how nonprofit capacity-building approaches relate to overall nonprofit performance. Capacity-building pioneer Barbara Kibbe, in two new publications (2004a,b), offers guidance about how foundations can best support and organize capacity building programs.

In 2004, *The Nonprofit Quarterly* released a special issue on infrastructure for nonprofit capacity building. The issue's articles discuss how national infrastructure organizations operate, how they are funded, and the current crisis in national support for them. Models for understanding local infrastructure of capacity building also are presented (Backer & Barbell, 2004).

A "think tank" on the future of capacity building gathered a small group of national experts, facilitated by the Human Interaction Research Institute in collaboration with Knight Foundation, Third Sector New England and the Alliance for Nonprofit Management. A summary of the think tank's results was published recently as part of Backer & Barbell's (2004) article in the special NPQ issue.

In upstate New York, the Alliance for Nonprofit Excellence was launched, which provides capacity building services and information to nonprofits in this region, many of them on-line for economy and convenience. The Alliance has become a "benchmark" organization which can influence

infrastructure-building efforts in Los Angeles and other communities.

Infrastructure-building also requires gathering basic information about what capacity-building services are available in a community, and making this information easily available. For instance, the Human Interaction Research Institute (2004a) prepared the second edition of a directory of capacity building resources for Los Angeles, available online at its website and at Southern California Grantmakers'. A similar directory was published recently for the San Francisco Bay area (Human Interaction Research Institute, 2004b).

A national study of perspectives on capacity building of wealthy donors and their trusted advisors (Backer, Miller & Bleeg, 2004) showed that donors are interested in this subject, but don't know (or especially want to know) much about related foundation efforts. Another recent study reports on ways in which smaller foundations can increase their impact through funder collaborations (Backer, 2004b). And a two-part study helps shed light on how smaller foundations can obtain greater access to resources from the larger nonprofit capacity building arena (Backer, 2004a; Sampson, 2004).

Finally, in both the US and Canada, there is an increasing interest in how nonprofit capacity building applies to volunteer and unincorporated groups. These account for a significant amount of service activity in all communities - especially at the grassroots level and for poor communities of color.

There is also an increased interest in how nonprofit capacity building fits with larger efforts at community building. Both these trends help to increase the scope of nonprofit capacity building and its potential for impact.

What Are Some Next Steps for Our Region?

Several new directions for nonprofit capacity building emerge from this brief report:

1 - Especially now that research has helped improve understanding of the national and local infrastructure supporting nonprofit capacity building, there is an opportunity to better coordinate activities of “pioneer” organizations and consultants with new initiatives. Synergy, as well as reduced duplication of effort, can be the result.

At the same time, increased demands on area nonprofits, coupled with reduced availability of funding for capacity building from national foundations, make it important for local funders to consider how they might expand their initiatives on this topic. Support is particularly needed for board development, learning new strategies for diversification of funding sources, strategic planning at a time of flux, and handling leadership issues like succession planning.

2 - Emerging legislation, plus increased legislative and public attention to nonprofit governance, provides a new context for capacity building. In some cases, the datagathering required under new nonprofit standards will create opportunities for new programs and practices to emerge. In others, record keeping will simply identify opportunities for synergy between the new laws, the public visibility they generate, and needed improvements in nonprofit organizations.

3 - There is a need to look at more creative coordination of services offered in Los Angeles, and also with those offered by national organizations, such as the Nonprofit Finance Fund. New mechanisms also need to be explored to help nonprofits connect with consultants and other resources for capacity building, building on the services of major

providers such as the Center for Nonprofit Management, and on existing information resources like the Human Interaction Research Institute’s directory.

4 - There also is a need to look at how all these efforts can be integrated with new and emerging local organizations, such as the Family Foundations Information Exchange, a philanthropic learning network of 14 smaller family foundations in Los Angeles.

5 - Capacity building needs to be focused more on the larger issues of transformation for nonprofits, including major leadership changes. Many nonprofits are now or soon will be going through leadership transitions, which even if managed well will create substantial changes for individual organizations.

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* May be downloaded from HIRI website, www.humaninteract.org.

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For more information on Southern California Grantmakers visit www.socalgrantmakers.org.

This is the third annual report on nonprofit capacity-building activities and services in the greater Los Angeles area. It is intended to be a "snapshot," not a comprehensive analysis. We want this piece to serve as a stimulus for further discussion and debate.

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