

STRENGTHENING NONPROFITS: CAPACITY BUILDING AND PHILANTHROPY

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2000

"Just as a city's physical infrastructure crumbles over time if it is not maintained, so it is with nonprofit infrastructures. While the signs of erosion are rarely dramatic in one year, prolonged neglect will ultimately result in their total breakdown - and in the collapse of the programs they operate. Nonprofits are essential to the well-being of our citizenry; the need to strengthen their organizational capacity cannot be ignored. Grantmakers, because of their unique relationships with nonprofits, are well-suited to help build their infrastructure."

- Joyce Bove & Lawrence Mandell, introduction to *Strengthening New York City Nonprofit Organizations: A Blueprint for Action*

While the value of strengthening nonprofits to improve their performance is obvious, *how* to do this effectively, and *who* should be responsible for such capacity building, are not. Recently the "who" question has focused on the role foundations can play, with a resulting increase in visibility and frequency of capacity-building activities in philanthropy. Capacity building in philanthropy isn't new, but increased activities mean new opportunities to learn from them, and thus to address the "how" question as well.

The John S. & James L. Knight Foundation commissioned an environmental scan of capacity-building and philanthropy to guide their own discussions at the staff and trustee levels. Knight's people wanted information useful in deciding whether to make increased commitments to capacity building in their national and local grant making programs (the latter in 26 communities of interest across the country). The resulting review also is intended to facilitate field building in this increasingly important area of philanthropic work.

The environmental scan involved interviews with thought leaders and technical experts, and a combined print and Internet literature search (details are presented at the end of this paper). To help provide context, the review also examined briefly the capacity building activities of nonprofit organizations, consultants and other service providers, intermediaries and academic institutions.

The scan's results begin with (a) a summary of concepts and definitions of capacity building, (b) an overview of the field's infrastructure, including types of participating organizations, and (c) a review of recent research on capacity building. These establish a framework for four sets of findings:

- 1 - eight *core components* of effective capacity building
- 2 - five current *challenges* to that effectiveness

- 3 - forty "*good practice*" capacity building activities of American foundations
- 4 - six specific *recommendations for field building* in the capacity-building arena

These findings are placed in the larger context of overall trends in philanthropy and nonprofit management - including some which may help account for the increased visibility and frequency mentioned above. Results from this small-scale environmental scan are all viewed as *preliminary*, comprising just one initial perspective on this growing and fast-changing field.

Scope of Capacity-Building Activities Covered Capacity-building activities in philanthropy are wide-ranging. Just to give a few examples: a foundation pays for the services of a consultant to help one of its grantees with board development and strategic planning. A nonprofit obtains a grant from a foundation to support purchase of computer software and hardware for improving its financial and client information systems. Another nonprofit is invited by a foundation to participate in a capacity-building grant-making initiative, through which it receives both direct financial support and technical assistance consultation in a number of management areas - with all this help coordinated through an intermediary organization.

Sometimes capacity building focuses on assisting other philanthropies, which in turn fund and serve the nonprofit community. For instance, a community foundation receives support from a private foundation both to build its asset base and improve its management infrastructure. The community foundation then sets up and staffs its own management service program, to offer capacity-building services to nonprofits in its geographical area.

Such a wide-ranging definition (which will be made somewhat more precise later in this paper) creates some difficulty in setting appropriate boundaries. For instance: what is the difference between a capacity-building grant and a "traditional" grant for innovative program development or service offering? Does capacity building include operating support? Definitions given here are regarded as "works in progress," and boundaries for further inquiry are left deliberately wide because it is assumed that there is no one right path to strengthening nonprofits.

Underlying Motivations Foundations have taken on capacity-building activities for various reasons. For instance, at the David & Lucile Packard Foundation, which has had a major capacity-building program since 1983, these activities reflect the donor's commitment to applying business principles to nonprofits. The Boston Foundation's efforts starting in 1987 grew out of the observation that many of the homeless and battered women's shelters they were funding in Massachusetts were "crashing and burning" in their first five years of operation.

Intertwining themes of *values* and *necessity* will re-occur throughout this report as inspirations for the capacity-building efforts described here. As several interviewees commented, it is easy to miss the underlying values because of the "press of necessity," but in fact theory-driven, model-based capacity building with good evaluation behind it seems to have the best chance for success. And perhaps the most important values question of all is: "Capacity building for what?" Without a clear focus on the ultimate objective of capacity building - to improve quality of life for people and communities served by participating nonprofits, the activities conducted under this concept are not likely to have

significant impact.

Foundations, in their typical role of supporting nonprofits and communities through grant making and other mechanisms, have at least one other vested interest in strengthening nonprofits. Paul C. Light in *Sustaining Innovation* demonstrates empirically what's already well known intuitively - that strong, healthy nonprofits are more able to be innovative. "Give me food, and I eat for today. Teach me to farm and I eat forever" is a maxim that applies to nonprofit innovation as well as to the overall operation of the nonprofit organization. Since much foundation grantmaking is oriented to funding innovative programs, capacity building can increase the number of "healthy applicants."

There is also both historical and current resistance to the use of philanthropic funds for capacity building. Christine Letts, Allen Grossman & William Ryan, in their book *High Performance Nonprofit Organizations*, assert that in too many cases funders see "investment in the infrastructure of nonprofit organizations as overhead - the connotation is that these are deadweight costs that take money away from program beneficiaries."

In a recent capacity-building paper, *Finishing the Job*, the Edna McConnell Clark Foundation amplifies this statement: "The role of organization builder is not a familiar or comfortable one for many foundations.... Wary of becoming life-support systems for undercapitalized institutions, foundations have tended to concentrate on refining methods and generating ideas more than on funding and building the productivity, versatility and staying-power of the institutions that implement ideas and distribute services." In particular, it is noted, funders (including both foundations and government) have been reluctant to pay for core administrative costs - such as for staff training, information technology and strategic planning.

As a result, nonprofit organizations struggle to keep these vital infrastructures intact, and in tight times are inclined to pirate whatever modest commitment they may have made to them, rather than cut back further on direct services. Moreover, grantmaking practices (reluctance to pay for core administrative costs, making small rather than large grants to smaller nonprofits, and typically short rather than long periods of support) may contribute to what Mark Kramer, in a recent *Chronicle of Philanthropy* editorial, calls the "culture of inadequacy." Nonprofit leaders come to believe that they will never have the resources to "do things right," so they simply accept that they will always be under-resourced and struggling for survival.

For foundations, this creates an additional problem: organizational capacity is directly related to whether a new program will survive and prosper once its original funding has ended. Thus foundations actually deepen their "exit problem." If they want to see a program endure, much less replicate and build to scale, investments in nonprofit capacity building are essential.

Preview of Four Sets of Key Findings Eight core components of effective capacity building are discussed at the end of this paper. As this review's limited dataset is examined further, and later expanded by findings from other studies, these components are likely to be refined and to grow in number. But from the perspective of this environmental scan, effective capacity-building programs sponsored or operated by foundations tend to be:

1 - Comprehensive - While narrowly-defined interventions can work, the most impactful 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 most effective capacity-building services are custom-tailored to the type of nonprofit, its community environment, and its place in the "organizational life cycle" (young, start-up nonprofits are likely to have very different needs than more established organizations).

3 - Competence-Based - The most effective capacity building services are those that are (a) offered by well-trained providers (both foundation staff and expert service offerors), *and* (b) requested by knowledgeable, sophisticated "consumers" (the managers and board members of nonprofits).

4 - Timely - The most effective capacity building happens in the balanced space between "too slow to be relevant" (often because of funder delays in acting on grant applications!) and done too quickly to allow the flowering of an intervention in a complex 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 most effective capacity building begins with 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 - The most effective capacity building occurs when the nonprofit "client" is ready to receive this specialized kind of service (e.g., the nonprofit is not in the midst of a major crisis, and thus unable to benefit from the intervention at that time).

8 - Contextualized - The most effective capacity building occurs in the larger context of other strengthening services a nonprofit is receiving, other activities of the sponsoring foundation, and other elements of the current community environment.

Five challenges were identified by the environmental scan. These all need to be addressed in order to increase the impact of capacity-building activities in philanthropy:

1 - Quality and Evaluation - Services offered by or through foundation capacity-building programs are of variable quality (in the view of both consumers and independent observers). There has been little rigorous evaluation of these services so that they can be improved (evaluation, in fact, may become the ninth core component of effective capacity building, to add to the list above).

2 - Nonprofit and Community Engagement - Nonprofits and communities need to be more actively involved in setting the agenda for capacity building and in evaluating its outcomes; capacity-building programs provide real opportunity for funder-nonprofit partnerships, and for sharing of power.

3 - Funder Education and Development - Education and technical assistance are needed by many foundations to learn the state-of-the-art in capacity-building, the advantages of involvement in such

philanthropic activity, how to appraise the payoffs achieved from what they fund, and so forth.

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

5 - *Field Building* - More infrastructure is needed to support capacity building in philanthropy - to educate funders, nonprofits and communities; to replicate proven strategies; to promote sharing of good practices, and to enhance the relationship of capacity building to larger goals of philanthropy.

Six specific recommendations for improving capacity building and the national infrastructure supporting these activities emerged from the environmental scan:

1 - *Conduct a more comprehensive study of "good practices" in capacity building*, creating a database (containing brief descriptions in a standard form of at least the 200 programs which have already been identified) that can be made available to the field both in print and on-line formats.

2 - *Conduct a meta-analysis of evaluations of capacity-building programs in philanthropy*, to synthesize common findings, refine the preliminary definition of core components presented here, and identify methodological problems with this type of evaluation (and resolutions attempted for them).

3 - *Conduct a series of case studies of capacity-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 impact they produced.

4 - *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 capacity building.

5 - *Develop and pilot test an on-line capacity-building service* that would use the Internet to deliver information resources, assessment technologies, and on-line technical assistance for both nonprofits and foundations on this subject.

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

Foundation interest in and commitment to capacity building is clearly growing. Leadership in field building is being provided by Grantmakers for Effective Organizations in philanthropy, and by the Alliance for Nonprofit Management in the nonprofit arena. Philanthropic conferences and periodicals address the topic regularly. But there is still a fieldwide consciousness problem. Just as one example, a January 2000 University of Southern California conference, "What's New About the New Philanthropy?" covered many trends in philanthropy for a large and distinguished audience. Nothing was mentioned specifically about capacity building, however, despite the fact that related topics such as venture philanthropy were discussed at length.

The Larger Context Recent increases in the visibility and frequency of capacity-building activities in philanthropy arise from several trends. First is the considerable attention to venture philanthropy, with its counterpart in the nonprofit world - social entrepreneurship. Although not inherently linked, capacity-building in practice is *de rigueur* for new businesses supported by venture capitalists.

Second is the increasing commitment by foundations to evaluating funded projects and their measurable outcomes. The lack of nonprofit organizational capacity is likely to show up in evident ways when rigorous evaluation is done..

And third, there are profound changes in the nonprofit world that both promote and demand increased strength of these institutions. They include more demands for service in the face of government cutbacks, fewer resources, privatization of services (which puts fragile nonprofits more at risk - their revenues may increase, but so does their financial risk under tightly-defined service contracts offered by public agencies), increasingly professional management, and the growth of university-based nonprofit management training programs.

Ultimately, foundation interest in capacity building comes from the desire for *leverage* - for increasing the impact of philanthropic resources invested in nonprofits. A recent article in *Harvard Business Review* by Michael Porter and Mark Kramer sets this larger context persuasively, identifying four special assets of foundations: *financial resources, expertise, independence, and a long time horizon*. How can these assets be leveraged? Porter and Kramer suggest four strategies:

- 1 - *selecting the best grantees*
- 2 - *signaling other funders about how to conduct their work more effectively*
- 3 - *improving the performance of grant recipients (capacity building)*
- 4 - *advancing the overall state of knowledge and practice*

With respect to the third strategy, Porter and Kramer assert: "Foundations can create still more value if they move from the role of capital provider to the role of fully engaged partner, thereby improving the grantee's effectiveness as an organization. The value created in this way extends beyond the impact of one grant. It raises the social impact of the grantee in all that it does and, to the extent that grantees are willing to learn from one another, it can increase the effectiveness of other organizations as well."

Moreover, according to Porter and Kramer, "Affecting the overall performance of grant recipients is important because foundation giving represents only about 3% of the nonprofit sector's total income. By helping grantees to improve their own capabilities, foundations can affect the social productivity of more resources than just their slice of the whole." In the end, all philanthropic activity is intended to contribute in some way to nonprofit capacity building, of course, but some strategies have more "leverage value" in this arena than others.

In a sense, all four strategies Porter and Kramer outline are the province of this environmental scan. Foundations with capacity-building programs will be more impactful if they set up and use measures to select good capacity-building grantees (both nonprofits receiving direct support, and consultants or organizations providing services). This review itself provides a "first crack" at selection measures

that might be used in such a process.

A major outcome of recent growth in capacity-building activities in philanthropy is the signal to other foundations about the relevance and success of this work - through presentations at conferences, articles in philanthropic journals, and informal networking. As the findings from recent evaluations of capacity-building initiatives begin to emerge, such signals are likely to proliferate.

Finally, efforts such as the present environmental scan can help to build the field of capacity building in philanthropy, by synthesizing both what has been learned so far and what constitutes the field of players. Then organizations like GEO can promote wider communication of "good practices" and increase networking among the relevant players.

Kramer and Porter state, in their concluding advice to philanthropy based on business strategy: "The goal is superior performance in a chosen arena... Strategy depends on choosing a unique position ... and unique activities... Every positioning requires tradeoffs." That is, focusing on one area of grantmaking or other philanthropic activity of necessity reduces the resources to concentrate on others.

Such advice has direct applications to capacity-building activities. For some foundations, a significant capacity-building initiative may be a major part of their "unique position," perhaps implemented in distinctive ways with the particular environment of nonprofits and communities they deal with. However, expending resources on capacity building means that fewer grants can be made in other areas.

For instance, the Charles & Helen Schwab Foundation, whose capacity-building work is described further below, has positioned itself as a "capacity-building foundation" by giving more funding annually in this area than it does in program grants. It is involved in a unique partnership with the Peninsula Community Foundation and the Sobrato Foundation to support a capacity-building service program for selected nonprofits in its geographic area. How can this position be leveraged (e.g., by other partnerships with the many foundations in its area that also are involved in capacity building)? What are the tradeoffs and how these tradeoffs be handled or at least acknowledged honestly?

This paper provides a considerable amount of "raw material" about capacity-building activities in philanthropy, including a roster of briefly-described "good practices." To make the information useful, it must be put into the larger context of a foundation's overall grantmaking priorities, and its theory of change which drives them. In a previous project for Knight Foundation, *Innovation in Context*, a framework was provided by the author for considering any innovative practice in the larger context of philanthropic mission and activity. Similarly, in this review, interviewees stressed that capacity-building is unlikely to have full impact unless it becomes an integral part of a foundation's strategic plan and overall programmatic activity. This has not yet happened in many foundations' work.

Uses of This Scan Beyond application by individual foundations (including Knight Foundation), the outcomes of this environmental scan can be used by the field of philanthropy at several levels. The first is through dialogue and debate about the contents of the paper. As already mentioned, this environmental scan was published first as a Working Paper, using a strategy similar to that for *Innovation in Context*, the previous Knight Foundation project just cited. The Working Paper was

circulated to all scan interviewees and others likely to be interested in its content, with a request for content and editorial input, and a number of modifications were made as a result. Such a review strategy also increased the initial audience for the paper.

The paper then was shared through presentation at several philanthropic conferences, such as the 2000 annual meetings of Grantmakers for Effective Organizations and the Council on Foundations, plus state and local conferences in California. Input from these presentations also helped refine the paper.

Finally, the paper was shared at a small brainstorming conference convened in June 2000 by Knight Foundation, the Urban Institute, and the Human Interaction Research Institute. At the conference, this paper was reviewed along with a corresponding piece by Urban Institute staff, which together are the main content of the present Urban Institute publication. Its dissemination will include further philanthropic conference presentations, at which some of the followup recommendations made below (such as creation of an online database) can be discussed. Possible future action on these recommendations would constitute the ultimate uses of the results from this scan.

Definition of Capacity Building As the term is used in this report, capacity building involves *strengthening nonprofits so they can better achieve their mission*. Strengths in the areas of administration, finance, human resources and facilities are among those that may be enhanced by capacity-building activities. Grantmakers for Effective Organizations' website refers to its overall mission as "organizational effectiveness," which is defined as follows:

"It is evidenced by an organization that is able to connect its vision to its goals, its goals to its plans, its plans to its actions, and its actions to results. It is a dynamic, fluctuating, and fluid state, an ever-evolving mosaic of increasing self-awareness and internal development that keeps an organization moving steadily towards its vision. It is about an organization reaping results, not about management for its own sake (a distinction between "efficiency" and "effectiveness")."

Three main types of capacity-building activity, each of which may be conducted either by the sponsoring foundation itself or by a third-party provider (sometimes with assistance by the nonprofit itself), are:

I - Assessment - Effective measurement of the nonprofit's current needs and assets, and its readiness to undertake the kinds of internal changes capacity building will require, is essential to designing and implementing a capacity-building effort. The nonprofit management field has produced some useful tools for initial assessment, such as the Drucker Foundation *Self-Assessment Tool for Nonprofits*, with its five questions all nonprofits should be able to answer. Major capacity-building initiatives such as the James Irvine Foundation Youth Development Initiative, DeWitt Wallace Readers Digest Fund Management Initiative, National Arts Stabilization Fund, and Local Initiatives Support Corporation have created assessment procedures for use with the nonprofits they support.

Assessment ideally occurs at two levels: *inside the nonprofit*, and outside in its *community environment*. Michael Howe of East Bay Community Foundation says that assessment of the community environment in which a nonprofit operates actually should be done first. This helps

establish a context for capacity building, and also reinforces the importance of investing in community building as well as in activities focused on nonprofits. For many nonprofits, just undertaking such a broad-based assessment is an important type of capacity building, because they may never have done so in the past.

Data gathered from an initial assessment will be most useful if put into a larger framework for understanding the nonprofit's needs, assets and readiness for change. As Ruth McCambridge of the Common Ground capacity-building program puts it, the key issue in assessment is to look at the organization as a *system*, including both internal and external issues in an overall environmental analysis.

For organizations in crisis when they ask for capacity-building assistance, the first question for assessment may be: can the organization benefit from capacity building services at this troubled time? "Triage" strategies are part of a comprehensive capacity building assessment, helping to conserve resources for those nonprofits most able to benefit from an intervention.

2 - Intervention - Capacity building typically involves one of the following three types of interventions: *management consultation*, *training* and/or *technical assistance*. Consultation is typically focused on process issues such as staff-board conflict or building a good strategic plan. Training usually involves small group seminars or classes, in which staff or board members learn specific skills that improve their ability to run the organization. Technical assistance is a more hands-on, site-based process in which active support to a project, program or problem-solving process is provided to the nonprofit. TA can even be self-directed through print readings or use of Internet resources (the latter representing one of the field's cutting edges, as will be discussed further below).

As Christine Letts, William Ryan and Allen Grossman set forth in *High Performance Nonprofit Organizations*, the results of capacity building, coupled with the nonprofit's internal efforts, can be seen at three levels: (1) improvement in the capacity of the organization to do what it already does (program delivery capacity), (2) improvement in the organization's capacity to grow (program expansion capacity), and (3) improvement in the nonprofit's ability to sense needs for change, and respond to them with program improvements or innovations (adaptive capacity). All three are needed to produce high performance levels over time.

Because many capacity-building activities sponsored by philanthropy are recent, these initiatives often have created programs "on the fly" without necessarily examining the experiences of others in designing these interventions. There are some resources available to help with this design task. For instance, in a recent paper Ellen Wahl, Michele Cahill and Norm Fruchter reviewed technical assistance strategies for building capacity, mostly based on government-sponsored work in education, but also with some attention to private funders. The Conservation Company has addressed some issues regarding TA in publications it offers both for funders and the nonprofit community.

In addition, there is a literature on technical assistance in business, health and social services that has not been systematically reviewed for its potential utility in nonprofit capacity building. Such an analysis would be useful for field building, to identify critical features of effective technical assistance, as has been done in the area of continuing education training programs for the medical field.

3 - Direct financial support - Capacity also is built for nonprofit organizations by providing them with financial support in three categories: *core operating support*, providing general funding that is not earmarked for any specific purpose but simply to enable the organization to do what it does; *specific grants* to fund equipment purchase, facilities construction, etc.; and *working capital*, often in the form of loans with favorable repayment terms to meet both short-term and long-term financial needs. Just as one example of the latter: nonprofits often struggle to stay afloat because the government agencies that support them do not pay promptly, and having access to very low-cost capital sometimes can make the difference in whether or not a nonprofit can continue to exist.

Each of these approaches has its advantages and disadvantages. For instance, Susan Stevens of The Stevens Group has reservations about core operating support because it creates for nonprofits "an allowance mentality - it is like getting an allowance from your mom and dad." Good capacity-building, she asserts, is about nonprofits more fully controlling their own destiny. Stevens advocates helping to set up programs providing more kinds of access to working capital for nonprofits (e.g., creating earned income that can be plowed back into the nonprofit like profits are for a business).

Arts & culture philanthropy provides some particularly interesting examples of how direct financial assistance can build capacity. For instance, both the Pew Trusts and the James Irvine Foundation have dedicated significant grant-making resources for arts organizations judged to be exceptionally well-managed leaders in their respective fields, to provide them with increase financial stability and opportunities to grow further. Grantmakers in the Arts examined a number of general operating support programs for arts nonprofits in a 1999 report by Gina Gulati and Kathleen Cerveny.

New Directions in Defining Capacity Building Two current developments in the capacity-building field will drive refinement of the above definitions. One is the increasing number of capacity-building programs that are being *evaluated*. In some cases, as with Irvine Foundation's Youth Development Initiative, the evaluation results include "tools" for evaluation that can be used by other philanthropies.

Secondly, there is an increasing recognition that some of the most innovative capacity-building programs are *theory-driven*. Choosing a theory of change provides a means for guiding development of the entire capacity-building strategy a foundation selects - and ideally this selection should fit with the foundation's overall philanthropic goals.

To supplement basic activity definitions, refinements through evaluation, and the context of theory, a *framework* for nonprofit organizational capacity building is needed. A "first-cut" version of such a framework is presented at the end of this paper. In this framework, the areas of intervention are based on a list originally developed by ARDI International, and presented in its directory of management service providers. The other elements in the framework are discussed in the remaining sections of this paper.

Finally, capacity building focused on strengthening nonprofit *organizations*, as the term is used throughout this report, itself fits into a larger framework. In an on-line "white paper" on capacity

building, the Amherst Wilder Foundation emphasizes that there is "strong relationship between and among individual, family, group, organization and community development." Different values, assumptions and intervention methods apply depending on which kind of capacity building one is discussing.

As the "What This Report Does Not Cover" section below makes clear, the definition used in this paper is limited to strengthening nonprofits. However, it may be useful to look at what is presented here in the larger frame of levels of capacity building defined by the Wilder Foundation.

The Capacity-Building Field Interviewees for this study almost universally declared that "capacity building is not a new field"! Identified capacity-building activities of foundations go back at least to the 1970's, and in truth have always been part of philanthropic efforts. For instance, the current capacity-building programs for community foundations among this report's "Good Practices" were preceded by the Leadership Program for Community Foundations sponsored by Ford Foundation beginning in 1987, and reported in *Building Community Capacity: The Potential of Community Foundations* by Steven Mayer.

There also has been some capacity-building effort made by Federal and State government funders, mostly in the form of direct funding and externally provided technical assistance. For instance, the National Institutes of Health make available grant funding in their "Research Infrastructure Support Program" to encourage the development of facilities, staffing and other infrastructure that will enable universities or community organizations to engage in public health research - including the winning of NIH research grant awards. Funds can be used to train junior investigators, purchase research instruments, hire research support personnel, and conduct pilot studies, among other purposes.

What is new is the current emphasis on capacity building as a philanthropic strategy, with far more foundations being willing to use some of their resources for this activity than was the case ten years ago. Coupled with more evaluation, more efforts to communicate what is being learned from foundation-sponsored programs (e.g., through publishing reports), and the birth of groups like Grantmakers for Effective Organizations, a national infrastructure for capacity-building now is taking shape. Many of the newest developments are technology-based, such as the emergence of websites like Helping.org. A more detailed history and theoretical analysis of capacity building is presented in another paper in this volume, by Carol J. DeVita, Cory Fleming and Eric C. Twombly of The Urban Institute.

In addition to types of capacity-building activities and content of services provided, the "First-Cut Capacity-Building Framework" presented at the end of this paper includes the following kinds of organizations:

Foundations - Hundreds of private, family and community foundations in the United States currently offer some sort of funding support for capacity building to their grantees, and often to the larger community of nonprofits as well. Some 2% of the total number of grants made in 1997 were for capacity building, according to The Foundation Center, and the amount probably has increased since then.

Nonprofits - Every type of nonprofit organization - large and small, old and new - is involved in the growing capacity-building movement (though of course many nonprofits are *not* involved, and may not even understand yet what the term means or how it might relate to their interests).

Service Providers - A huge range of both individual consultants and organizations provide capacity-building services in the U.S., including but not limited to those supported by foundations. Nonprofits often purchase these services on their own (in fact, more frequently than they are paid for by third parties such as foundations!), and there is also limited government support for capacity-building.

One rough estimate of the service provider field comes from the 1998 ARDI International *Directory of Management Support Providers for Nonprofit Organizations*, which had 930 entries, including 160 organizations whose specific mission as a nonprofit is to provide management support to other nonprofits. Other estimates of these mission-dedicated *Management Support Organizations* (MSOs) places the field at about 300 groups nationwide. Of course, a variety of nonprofit and for-profit consulting firms, United Ways, and other groups also are involved in providing management support. Examples of these MSOs include:

- CompassPoint (formerly called the Support Center for Nonprofit Management) in San Francisco, probably the largest and best-known MSO in the country, which has an extensive website, publications, courses, and a wide range of consulting services offered to nonprofits in the Bay area and nationwide.
- Center for Excellence in Nonprofits in San Jose, which also has a wide range of publications, learning programs, consulting services, and a glossy newsletter.
- Support Center of Washington, DC, which has a range of services, and is one of the survivors of a now-defunct national association of MSOs called Support Centers of America.

In some cases, MSOs are banding together to support each other. For instance, 13 MSOs in California (including CompassPoint) in 1997 formed the California Management Assistance Partnership (C-MAP). C-MAP is a collaborative which essentially provides capacity-building support to these MSOs, strengthening their ability to work with nonprofits in their geographic area. C-MAP's activities are funded by several California foundations.

Another type of organization providing capacity-building services is the *Nonprofit Incubator*, represented by such entities as Community Partners in Los Angeles and the Tides Center in San Francisco. Both of these nonprofits are funded largely by foundations (the Tides Center was spun off from a grantmaker, the Tides Foundation). They provide integrated support and developmental services to about 200 young nonprofit organizations each, helping them to create the infrastructure that will make independence possible later on.

Then there are a number of *Nonprofit Management Training Programs* and *Academic Centers for Nonprofits and Philanthropy* in American universities, which provide academically-based training for nonprofit managers, and sometimes TA-oriented services as well. In all, 86 graduate programs in

nonprofit management currently are offered by major American universities, according to an academically-based center, the Nonprofit Sector Resource Institute of New Jersey at Seton Hall University (The Seton Hall Institute also publishes *Nonprofit CONNECTION: Bridging Research and Practice*, a newsletter devoted to capacity building).

The Packard and Kellogg Foundations support a number of these university-based programs through both operating and program grants. For instance, Kellogg's Philanthropy and Volunteerism in Higher Education Initiative - Building Bridges Between Practice and Knowledge in Nonprofit Management Education funds programs in 18 universities.

Examples of academic centers include Seton Hall, the Indiana University Center on Philanthropy, the Hauser Center for Nonprofit Organizations at Harvard University, the Lincoln Filene Center for Citizenship and Public Affairs at Tufts University, and the Institute for Nonprofit Organization Management at the University of San Francisco. Some of these academic centers - Harvard and Seton Hall among them - also offer capacity building services to the local nonprofit community through either faculty or students. Such programs not only afford a way of transferring academic knowledge into practice, but also of acquainting students with the "real world" of nonprofit operations.

The University of Missouri Kansas City's Midwest Center for Nonprofit Leadership has created a partnership with the Kansas City MSO. They provide separate, but coordinated, programs to the nonprofit community on leadership development. Sharing of experiences and information will help to improve both programs, and to determine how academic and community-based programs can best partner in the future. Also, the Midwest Center is working with nonprofit and foundation leadership in Kansas City to create a more unified infrastructure for capacity-building in Kansas City - an effort that is needed in all American cities and in rural regions, according to those interviewed for this study.

Consultants and Consulting Firms working in this field come from many and varied backgrounds. For instance, some are retired nonprofit agency executives, while others are business consultants doing at least some work in the nonprofit arena. A few are graduates of university-based programs in nonprofit management, most of which are fairly new.

The challenges of the "nonprofit consulting industry" have been laid out in a recent study by Baumann and associates from Harvard University. This study acknowledges that both resources and opportunities for nonprofit consulting are increasing sharply, and many are moving into a field which has few entry barriers. Since more nonprofit leaders today are professionally trained managers themselves, there is less resistance to the use of consultants in the nonprofit sphere, this study concludes. This increases the opportunities for consultants to work in this arena.

But there are important challenges. The mission-driven nature of nonprofits makes performance measurement difficult. Poor or incomplete information databases about nonprofits, limited training opportunities and infrequent sharing of best practices all mean that the "skill base" is underdeveloped on both the supply and demand side (consultants are inexperienced, and nonprofit leaders are inexperienced consumers of consultation!). Smaller nonprofits are particularly challenged because they have limited resources to either hire consultants, or to make the changes they suggest.

Knowledge building, so important to success in management consulting, is difficult in the nonprofit sector because there are no large for-profit firms to support the cost of computer-based best practice systems and other knowledge-building mechanisms. All of this means that the knowledge infrastructure supporting nonprofit capacity-building consultation is limited.

In Los Angeles, an informal association of business and nonprofit consultants (including such senior persons as the Los Angeles office head of the world's largest firm of consulting psychologists to management, RHR International) was addressed by the author in January 2000 about the challenges of consulting on nonprofit capacity building. The "Senior Consultants Group" suggested using professional organizations, such as the Division of Consulting Psychology of the American Psychological Association and the OD Network, to provide training for nonprofit consultants on capacity building, and to create more courses on how to use a consultant offered through MSOs.

It was also suggested that the Internet and high-technology distance learning systems could be used to offer training for consultants. Technology can, in addition, be used to share information about capacity-building consultation, especially in rural areas.

The key challenge, these senior consultants emphasized, is to provide opportunities for *mentorship* - this is, they agreed, how one learns to be a good consultant! Training on cultural and ideological factors in the nonprofit world is especially important for consultants new to this environment.

At least one foundation also is looking at the issues of consultants in capacity building. The David & Lucile Packard Foundation published a manual for nonprofits, *Succeeding with Consultants*, and funds an Initiative on Effective Use of Consultants. Also, the Packard Organizational Effectiveness Program states that enhancing nonprofits' ability to benefit from consulting is a key objective of the entire Program (this Program is described further below).

Providers also include a host of *Technology Projects* aimed at capacity building in the specific area of the nonprofit's ability to use technology wisely. For instance, the Rockefeller Technology Project works with nonprofit organizations to help their leaders understand how advanced communication technologies can be integrated into their work, and helps foundations review technology proposals. CompuMentor since 1987 has provided low-cost, volunteer based computer technology assistance to schools and nonprofits (consulting services, mentoring, software distribution). A *Nonprofits & Technology* newsletter is published by the Philanthropy News Network, and *Wired for Good: Technology Survey Report* was published by the Center for Excellence in Nonprofits in 1999. In addition, HandsNet is an Internet-based service provider that offers information (e.g., through its WebClipper news service) and training/technical assistance on technology to nonprofits across the country. Nonprofit Technology Enterprise Network (N-TEN), also Internet-based, offers a coordinating vision for the dissemination and use of technology for nonprofits.

Finally, there is a growing array of *Internet-Based Providers* available for use by nonprofits, consultants and funders. Some examples include the Internet Nonprofit Center and Innonet, which both offer search services to nonprofits (Innonet's includes its own database on best practices in areas like evaluation and fund raising). Another is the Nonprofit Pathfinder, operated by Independent

Sector and University of Maryland, which is a website presenting information on innovations, methodologies, research resources, and bibliographies. In a recent paper, *Strengthening Your Nonprofit: How Community Collaborations Can Help with Capacity Building*, Thomas Backer surveys Internet resources, listing several dozen representative websites for capacity building.

One developing Internet service that may eventually dwarf all the others is Helping.org, a website which has a section on resources for nonprofits. This section, "Resources for Nonprofits Partnership" is co-sponsored by the Benton Foundation and the AOL Foundation.

Intermediary organizations - Foundation-funded intermediaries such as Local Initiatives Support Corporation and Corporation for Supportive Housing are described below in the "Good Practices" section. These entities provide funding as well as TA. A recent study by the author and Alex Norman, conducted for The California Endowment, looked at 33 multicultural community coalitions in California. The study determined that these long-standing institutions may also have intermediary roles to play in nonprofit capacity building, especially in communities of color.

Associations - Two professional associations address capacity-building. Grantmakers for Effective Organizations (GEO) is an affinity group dedicated to promoting learning and encouraging dialogue among funders involved in capacity-building (or organizational effectiveness). GEO's second annual conference, held in March 2000 in Kansas City, offered opportunities for funders to explore emerging issues in the field, such as the evaluation of capacity-building programs. The Alliance for Nonprofit Management is a membership organization of nonprofits concerned with capacity building, and holds regional conferences bringing together nonprofits, service providers, etc.

Research Supporting Capacity Building Evaluation research to determine the effectiveness of capacity-building interventions has seldom been undertaken. Recently several foundation-funded initiatives have been evaluated, and results from this research are starting to emerge - several of these evaluations are mentioned in the "Good Practices" section of this report.

Two other kinds of research are relevant to this review. First are *community assessment studies* - research to help determine what a community's nonprofits need, and how to create a capacity-building program to meet these needs. Four examples of such assessment studies follow:

➤ David and Lucile Packard Foundation funded a 1998 study by Jim Thomas, *Too Many Alligators*, which examined organizational challenges of Packard Foundation grantees across the country. Results indicate that external communications, resource development, technology, and governance are the four most important areas in which capacity-building assistance is needed by nonprofits.

➤ Janine Lee of the E.M. Kauffman Foundation conducted a study, *Key Attributes of Effective Nonprofits*, that concentrated on nonprofits serving children, youth and families in Kansas City's urban core. The study obtained input from the agencies and from funders, as well as from the literature and selected experts.

The resulting six "key attributes" now form the judging criteria for an awards program, launched in Spring 2000, which recognized highly effective Kansas City nonprofits. It is hoped that this awards

program will encourage other nonprofits in the Kansas City area both to appraise themselves against these six attributes, and to undertake activities which may enhance their capacities in each area - some of which may be supported by the Foundation.

➤ The Community Foundation Silicon Valley commissioned the *The Nonprofit Benchmark Study 1999: Santa Clara County*. Comparing figures with those found in a 1995 study, the survey provides a comprehensive review of County nonprofits, who they serve, and their organizational characteristics. Needs for future capacity building can be deduced from these study results.

➤ Knight Foundation has undertaken an ongoing *Community Indicators Project*, which provides a comparable database of community needs and assets, opportunities and outcomes for the 26 American communities in which it does local giving. These community indicators can be used to support grant making decisions, evaluations of funded projects, and capacity building.

A related study by Thomas Backer (commissioned by Knight Foundation), *Capacity Building Activities in Four Knight Foundation Communities*, presents results from preliminary assessment of capacity-building resources (MSOs, university-based training programs, etc.) in four of Knight's 26 communities. The data-gathering methods used may be applied to additional Knight communities in the future, in order to determine what kinds of local resources are available to support nonprofit capacity building.

All of these assessments involve measuring community assets (as in John McKnight's work) as well as needs - very different from traditional "needs assessments," which focused largely on deficits. The studies also examine community infrastructure, including the measuring systems that are in place to gather and present data about characteristics of and outcomes achieved by local nonprofit service agencies. All of this input can be used to shape capacity-building activities.

The second group of studies center more explicitly on *how to create a capacity-building program* for a particular foundation or community:

➤ *Fazzi Associates* conducted a five-phase study, completed in 1998, for the Irene E. & George A. Davis Foundation. Activities included setting up an Organizational Effectiveness Task Force (whose members came from local service agencies and funders), conducting local focus groups, conducting a national study of foundation capacity-building activities and also a study of local nonprofits, and providing a final report with recommendations about capacity-building efforts the Davis Foundation might wish to undertake.

➤ *Edna McConnell Clark Foundation* prepared two discussion papers, *Finishing the Job*, and *Capacity-Building in Practice*, to guide creation of an enhanced capacity-building initiative for the Foundation. The papers explore motivations for a foundation to engage in capacity building (e.g., to help successful grantees scale-up a program; to have an "exit" strategy for moving on, leaving a field of work or a group of nonprofits stronger than when the Foundation began its activity; and to build a field). The utility of capacity-building in several programs the Foundation knows well, such as Big Brothers/Big Sisters and the Corporation for Supportive Housing, was explored in depth.

➤ *Illinois Nonprofits* commissioned a 1997 study by the Stevens Group of the financial health of the

nonprofit sector in Illinois, focusing on current practice. The study report discusses four key findings: (1) the fragile financial cycle of Illinois nonprofits, (2) changing sources of support for them, (3) pressure for facilities development, and (4) efforts nonprofits need to make in bracing for the future. Each findings section ends with a capacity-building plan to address the study's results.

➤ ***New York Community Trust*** commissioned the Conservation Company to conduct a 1998 study of challenges facing New York City's nonprofit sector - increased demand for services, reduced resources and resulting threat to ongoing infrastructure - and how capacity-building activities could help meet these challenges. The resulting report, *Strengthening New York City Nonprofit Organizations*, concluded that both TA and general operating support are needed by nonprofits.

The study report outlines ways in which philanthropic leadership can respond to this challenge - not only through grant making, but also through leadership and positioning in the community. Such activities can help to leverage existing and in-kind resources for activities that will help to improve the capacity of nonprofit organizations. The report also describes a number of capacity-building programs operated by foundations in New York City and throughout the country.

Although the focus of this environmental scan is on American programs, it should be noted that some parallel studies are being conducted in other countries. For instance, *Study for Charitable Excellence* was published in January 2000 by David Culver and Laurence Pathy of the Foundation for Charitable Excellence. This report addresses capacity-building needs and opportunities in Montreal and other areas of Canada. The study also explores American capacity-building efforts, including some described in the present report.

Two additional studies of capacity building in particular subject fields were in process when the research for this paper was conducted:

➤ ***PolicyLink/Urban Strategies Council*** is just finishing a study of 12 national organizations that all work to support community building practitioners. A draft report of findings includes the observation that community-building intermediaries spend most of their energy on documentation, analysis and knowledge dissemination to provide information that community-building organizations can use. Intermediaries also provide direct technical assistance, but this gets much less of the intermediary's attention. TA is expensive and funds to support it are often not available, according to the study's findings. Also, the 12 organizations interviewed for this study expressed a strong desire to develop and refine methods they use for capacity building.

A completed final report is due soon from this study. From the study also emerged a concept paper about capacity-building approaches for community-building intermediaries and support organizations like Urban Strategies Council itself, United Way National Community Building Center, and Chapin Hall Center for Children.

➤ ***Environmental Support Center*** is funding a capacity-building best practices study to provide input to ESC's board of directors about "best practice" options for enhancing the organization's capacity-building services to regional, state and local nonprofit organizations working in the environmental field. When the study is complete, results will also be published to share with other nonprofits.

What This Paper Does Not Cover Capacity building is a very broad topic, and has been defined in many different ways. It has already been said several times that this is an exploratory review, and its small scale has been directed to yield a preliminary set of findings that will stimulate further thinking and debate. In order to do this usefully, however, sharp boundaries were set on what this environmental scan will not attempt to address:

1 - It is not a history or theoretical analysis of capacity building; as mentioned, Urban Institute's paper presented elsewhere in this volume provides some background of this type.

2 - It does not present a *comprehensive* database of capacity building "good practices" or related information. This very small project did not have the resources either to retrieve complete information on the more than 200 programs identified, or to undertake a systematic analysis of them. The 40 programs described below are "good practices" only in the limited sense set forth below. Creation and analysis of a more comprehensive database would benefit the field.

Also, this more extensive activity would allow some preliminary assessment of the *quality* of the "good practices." Many of these innovations have never been evaluated, and some are so recently-implemented that they are hardly beyond the conceptual stage - they represent good ideas whose ultimate impact has yet to be determined.

3 - It does not focus on capacity building self-funded and directed by nonprofits themselves, even though this historically has been a main type of activity in this arena. The emphasis here is on programs funded or operated by foundations.

4 - It is not about community building, which is concerned with strengthening entire communities, though the two activities are related (the PolicyLink/Urban Strategies Council study described above does center on this topic). Examples of major foundation initiatives concerned with community capacity include the Colorado Trust Colorado Healthy Families Initiative, and the Annie E. Casey Foundation's Rebuilding Communities Initiative.

5 - It is not primarily about capacity-building services for individuals, though again the two are related - for instance, leadership development training for nonprofit executive directors is part of organizational capacity building as defined here, but is a service offered to these personnel in their job positions with the nonprofit, not as individual professionals (e.g., as continuing education might).

6 - It is not about government-supported capacity building, though the principles and practices of such services provided by government are similar. Some tie-in to the public sector knowledge base on this topic is provided by the Michele Cahill and colleagues paper on technical assistance, previously mentioned.

7 - It is not international in scope, though it seems quite likely that there are major innovations in other countries which would be relevant to improvement of the capacity building field in the U.S. For instance, a Irish Internet consultancy called NUA Ireland (www.nua.ie) among other activities encourages community groups to collaborate through creating local Internet sites - with content provided by the community and owned by each content publisher.

NUA Ireland has developed proprietary Local Community Builder Software for eventual use in the some 2,000 geographic localities in Ireland. The resulting "Local Ireland" system opens many possibilities for capacity-building services to nonprofits in these communities.

An environmental scan study on capacity building in Montreal was mentioned above. Also, in Canada the Vancouver and McConnell Family Foundations have worked together with Community Foundations of Canada to provide capacity-building services for funders and nonprofits about how to disseminate the results of funded projects. In the late 1990s, consultation on this topic was requested from the Human Interaction Research Institute, which led a series of technical assistance workshops, in the eastern, western and central sections of Canada. Two publications were then released from Vancouver and McConnell Family Foundations, laying out dissemination strategies for nonprofits, as well as a philosophy about dissemination that has helped guide funder actions.

8 - It is not primarily about venture philanthropy, or about social entrepreneurship strategies. Emerging groups such as SeaChange (supported by W.K. Kellogg Foundation and other funders), and the work of Christine Letts and colleagues at Harvard University, have helped to define and promote the venture approach, which in turn has stimulated more awareness about capacity building.

9 - As mentioned, the study does not cover direct financial assistance as a capacity-building strategy. Reviews now are emerging on this topic for use by funders. For instance, as noted above, Grantmakers in the Arts recently released an intriguing book on this subject by Gina Gulati and Kathleen Cervani, which presents nine case studies about general operating support for arts organizations.

Foundation Capacity-Building "Good Practices" This project concentrates on capacity-building activities initiated or operated by foundations. To increase understanding about these activities, the environmental scan concentrated on identifying specific programs, many of them with distinctive features that are not common practice. Based on information obtained from telephone interviews and analysis of documents supplied by interviewees, a total of 40 programs are presented here in capsule summary form as "Good Practices."

This term is used instead of the more conventional "best practices" for several reasons. First, no rigorous evaluation process was used to determine either the quality or innovativeness of these programs, though many of them probably are at the "cutting edge" of practice in this field. Second, the capacity-building field itself is growing and changing rapidly, so that the main value of these capsule summaries is to stimulate further thinking and dialogue.

Five different types of capacity-building "good practices" are briefly synopsisized - an alphabetical list is presented at the end of this report:

➤ **Capacity-Building Grant -Making Initiatives** - two types of funding initiatives are described here: *categorical initiatives*, which address a particular population or subject focus; and *general initiatives*, which offer capacity building to any of the foundation's grantees (or to other nonprofits in the funder's geographical area of interest).

➤ **Capacity-Building Programs and Services** - capacity-building efforts of *community foundations, private and family foundations* and *intermediary organizations* are summarized in these sections.

These "good practices" are drawn from a database of more than 200 programs identified by the environmental scan. Some possible further uses for this database of "good practices" are given in the recommendations section of this paper.

CATEGORICAL CAPACITY-BUILDING GRANT-MAKING INITIATIVES

➤ ***Boston Foundation - Common Ground*** takes a "whole systems" approach to nonprofit capacity building services offered to a group of 17 multiservice human service agencies in Boston. United Way and the Boston Department of Public Health partner with the Foundation on this project. It involves helping these nonprofits design integrated service systems around their intentions, addressing problems such as alienation from their constituencies, and bureaucratic organizations whose operating units do not communicate well with each other internally. The capacity-building began with bringing the 17 centers together for three days, to develop trust, share information and network on common problems.

For example, one problem that emerged was the difficulties these agencies had in dealing with two of the initiative's funding partners! Improving these funder relationships was set as an initial capacity-building objective. The overall capacity-building process starts with a systematic assessment that looks at the organization as a system - what phase of development it is in, how it is affected by the culture of the field it works in, how funders do view the organization, etc.

➤ ***The California Endowment - Population-Based Funds Program*** seeks to create partnerships with eleven national, state and community funds addressing specific populations (ethnic minorities, women, and gays and lesbians) in order to help them better meet their philanthropic goals. The Endowment's assistance will help them through re-granting to address community health projects, but also will provide capacity-building services for these funds related to board development, evaluation, convening functions, expanding their donor bases, etc. A multicultural, multidisciplinary team of consultants provides these services.

Each fund's capacity-building work was started with a three-month planning grant and an initial assessment conducted by one of the consultants. Long-term implementation grants now are being considered, and a second assessment will be conducted after two years to determine what progress has been made.

➤ ***The California Endowment/Tides Foundation - Community Clinics Program*** is aimed at strengthening the information systems of community clinics throughout California. Grants have been made to support increased operating efficiency and marketplace competitiveness for a broad array of community clinics, school-based clinics, and regional consortia. Approximately \$2.8 million was granted to 16 clinic consortia and 46 clinic corporations to deal with Y2K problems. Grants also will be provided to support strategic planning, technical assistance, and technology/systems enhancements for clinics to meet long-term goals, e.g., better relating financial, medical and patient information

streams.

➤ ***The California Wellness Foundation - Urban Clinics Initiative*** began with the Foundation's observation that managed care would create massive upheavals in health services for the poor. County-based urban clinic associations for public health care clinics were selected as a vehicle for helping communities deal with these changes, by funding them to offer capacity-building technical assistance to local clinics, many of which were "in denial" about the shortcomings of their management structures.

Six urban clinic associations and two other organizations supporting community clinics in seven counties were funded (a total of \$12 million to date), partly to support direct service, but primarily to help the associations and their member community health clinics develop the infrastructure necessary to operate in a managed care environment. According to an independent evaluation, the clinics and associations have made significant strides in building infrastructure to support their ongoing role as safety net providers for the poor, and two new associations also were established in communities that did not previously have them.

➤ ***Community Foundation Silicon Valley - ArtsBuild Communities Conference and Grant Program*** Through Arts Council Silicon Valley, a local association of nonprofit arts agencies, the Community Foundation hosts an annual one-day conference that is tied to a "quick turn-around" grant-making function. With the resulting grants, what nonprofits learn from the conference can be translated immediately into new projects.

Participating nonprofit arts agency leaders are encouraged to write up ideas for small projects at the end of the conference day. Most of them focus on building capacity to address issues of cultural participation, either for individual agencies or in partnerships (most of which are identified through the conference). Grants are limited to \$5,000 for individual agencies and \$10,000 for partnerships. The November 2000 conference will focus on arts marketing capacity building, to align with a proposed arts marketing cooperative being feasibility tested for Silicon Valley.

➤ ***Community Foundation Silicon Valley - Mentorship Project*** involves identifying small arts nonprofits in three communities, and linking them with large organizations that agree to serve in a mentoring role. The mentors are given some general operating support for a year, in return for which they provide capacity-building consultation on issues like board development, marketing, artistic decision making and undertaking joint programs (the small agencies also receive some general operating support). Critical to the success of this program is close involvement of the funder in building the mentor relationships.

➤ ***Flintridge Foundation - Nonprofit Leadership Program*** is a multi-tiered, interactive program that offers management resources to nonprofits serving children and youth. Designed and administered by Lee Draper Consulting, a firm specializing in nonprofit management assistance, this program was completed by six Southern California nonprofits in its pilot year (1998); eight organizations began a new cycle in April 2000.

The Nonprofit Leadership Program is offered to eligible organizations for a nominal registration fee, and includes: (a) six educational workshops on topics such as strategic planning, fundraising, and communications planning; (b) a special workshop on self-assessment to identify organizational needs;

(c) funds to conduct a special project with individualized technical assistance consultation provided (each agency selects a consultant from a team roster); and (d) a board retreat for each agency, facilitated by the program's consultant. One example of a special project was designing and implementing a fund-raising auxiliary group to increase community involvement and support for the organization's work; another involved comprehensive board development.

➤ ***James Irvine Foundation - Central Valley Partnership*** provides capacity-building services to a group of community-based organizations working with immigrant communities in the Central Valley of California, helping people learn English and building their civic participation. The Foundation works strategically with each organization, connecting them with management consultants to promote strategic planning and financial strength; provides core operating support; and links agencies with public policy experts to help provide this region with a better voice in state policy development.

Of particular interest is the learning community that has developed: Partnership agencies meet quarterly, and have together created the Central Valley Forum to bridge the gap between grassroots organizing and state policy development. The Partnership also created a Small Grants Program to support grassroots organizations in very rural areas. A faculty member from a local university serves as the group's "learning coach."

➤ ***James Irvine Foundation - Community Foundations Initiative*** is a partnership between Irvine and seven California community foundations, aimed at capacity building to improve the ability of these foundations to serve as catalysts for positive change in their communities. A planning phase provided each community foundation with resources to gather community data and solicit input for development of a community project, and short-term infrastructure needs.

The five-year implementation phase includes an internal capacity-building component with technical assistance consultation and a peer learning community, along with implementation of the community project for each foundation. Both site and Initiative-wide evaluations are being conducted.

➤ ***James Irvine Foundation - Youth Development Initiative*** is a recently completed five-year, \$4.3 million grant-making program. YDI's mission was to increase management and organizational capacities of youth-serving nonprofit agencies, so that they can better meet expanding demand for services in their communities. Twenty youth-serving organizations in Fresno and Los Angeles participated in YDI, including both mature (well-established), and maturing (young and small) nonprofits.

There are many ways to go about capacity building. YDI's strategy was to help youth-serving agencies through direct grant-making and providing technical assistance consultation, coordinated through intermediary organizations in each of the two California communities (Community Partners in Los Angeles and Fresno Regional Foundation in Fresno). The mission was to strengthen these nonprofit agencies, and to create lasting capacity-building resources for the field.

Both local and cross-site evaluations of YDI were conducted over the last several years, identifying accomplishments, strengths and challenges of the capacity-building initiative. The Foundation is now working to disseminate the lessons learned from YDI, one of the first major capacity-building programs in philanthropy to have an extensive outside evaluation.

➤ ***James Irvine Foundation/The California Endowment - Growing Community Foundations Program*** is a special project of the League of California Community Foundations, aimed at achieving statewide geographic coverage of community foundations in California. The Program has ten participants - four from rural areas where a board is organizing a community foundation, and six others at even earlier stages of development.

Capacity-building services include (1) an information clearinghouse, providing such things as mission statements from other League members (established community foundations in the state), and a resource directory with such listings as consultants who work with community foundations; (2) connections with veterans in the field, to promote peer learning; (3) site visits to established community foundations; (4) teleconference meetings on various topics such as board development; (5) one-day training institutes; and (6) a "help desk" staffed by experienced consultants. The Program's key consultant also site visited all ten emerging community foundations, to conduct a needs assessment and develop relationships.

Many of these emerging foundations also have support from a Packard Foundation community philanthropy initiative, and efforts will be made in the coming year to blend the Program's work with other available capacity-building services, and to involve the 10 foundations more actively in developing the training agenda.

➤ ***W. K. Kellogg Foundation - AHEC Community Partners*** is a pioneering program on community collaborations in Massachusetts, which provides technical assistance both to Kellogg grantees and to the field at large on some of the complex issues of collaboration. Findings from conferences, surveys and other research are disseminated through the AHEC Community Partners newsletter and other publications, and a website. A number of brief, targeted publications are intended to summarize practical advice about topics such as starting up a community coalition, and serve as a kind of "print" capacity-building service.

➤ ***Los Angeles Urban Funders*** is a coalition of 21 foundations supporting comprehensive community building in three Los Angeles communities, operating under the umbrella of the Southern California Association for Philanthropy, the Regional Association of Grantmakers for Los Angeles. LAUF starts with large-scale resident organizing, then taps into neighborhood associations, then convenes the nonprofits and moves into management assistance and planning with them.

The four goals of LAUF are: (1) to encourage funders to gain an in-depth knowledge of three LA neighborhoods, coordinate their grant making within these communities, and work collaboratively; (2) to strengthen the capacity of leaders and organizations to work together on collaborative research, asset mapping, strategic planning and decision-making; (3) to create healthier neighborhoods through comprehensive strategies that integrate human services, economic development and community organizing; and (4) to share lessons learned with other grant makers, neighborhood leaders, and policy makers.

Most of the capacity building is contracted out to local management service providers. A qualitative evaluation is documenting the process of the program and some of its accomplishments.

➤ ***Panasonic Foundation - Partnership Program*** promotes capacity building in local education by partnering with school districts rather than individual schools. The mission of the Partnership Program is to develop capacity of districts to create and implement reform, and to restructure the district as a whole. To guide this process, capacity building is organized around the "Panasonic Foundation Framework for Successful School Systems," a 10-component model. Services are delivered by consultants who provide workshops, seminars, and trouble-shooting consultation.

Panasonic has had two dozen partners since 1987, with typical partnerships lasting five to ten years. There is also a Leadership Associates Program, which provides training for staff of partner districts to address the "bigger picture" of education reform. While evaluation of this program has been difficult, results appear to indicate success in influencing the reform process in a positive way.

➤ ***David and Lucile Packard Foundation/James Irvine Foundation/Flora and William Hewlett Foundation - Strategic Solutions*** is a three-year initiative conducted by LaPiana Associates, whose purpose is to impact the nonprofit sector's perception, understanding and use of strategic restructuring as part of organizational improvement. Highlighting collaboration and other types of restructuring, the project includes technical assistance, training, and partnerships with both community foundations and intermediary organizations.

A five-stage model for strategic restructuring guides the process of working with each participating nonprofit, helping them learn what type of restructuring might work best for them in achieving certain organizational goals. The initiative includes a website which provides both information about this process and linkages to the project's other resources.

➤ ***Peninsula Community Foundation/Charles & Helen Schwab Family Foundation/Sobrato Foundation - Organizational Capacity Grant Initiative*** focuses on capacity building for 16 nonprofit social service agencies in San Mateo County, using an "investment model" that springs from venture philanthropy approaches. About \$100,000 will be given to each organization over three years to support technical assistance on strategic planning and seven other areas of organizational effectiveness. All 16 agencies will participate in a core seminar on capacity building, and will share their experiences with this initiative.

An independent evaluation of OCGI is being conducted by BTW Consultants. The goal of the evaluation is to assess the Initiative's overall impact, rather than the impact of grants on individual agencies. The individual nonprofits are responsible for gathering data on impact within their own organizations, and this overarching evaluation looks at questions like: What value was added by having funders collaborate? What value was added by having agencies define funding priorities and participate in a cohort learning community? A report on the first year of evaluation data was published in October 1999.

The Schwab Foundation individually also has made a significant commitment to capacity-building grant making, with \$1.7 million for such grants in 1998-99, as compared with \$1.1 million in program grants.

➤ ***Pew Charitable Trusts - Nonprofit Strategic Alliances Project*** provided capacity-building

information packages and training to help nonprofits explore how strategic alliances might help them meet the challenges of reduced government support, increased competition for clients and funding, changing third-party reimbursement environments, increased for-profit competition, and increasingly complex client needs. A 1998 grant to the Philadelphia Health Management Corporation enabled (1) research on nonprofit strategic alliances, (2) input from an advisory council of local experts, (3) conduct of focus groups with local nonprofit executives, (4) interviews with key informants who have experience with strategic alliances, and (5) preparation of case studies about successful alliances. These developmental activities were then used to create a notebook on nonprofit strategic alliances disseminated to Philadelphia nonprofits, and a series of breakfast training programs.

➤ ***Pew Fund - Programs to Serve Elderly People and Programs to Serve Children, Youth and Their Families*** are two funding and capacity-building initiatives of the Pew Fund, the Pew Trusts' primary vehicle for supporting health and social service organizations in the Philadelphia area. Capacity-building services were added recently, which also allows nonprofits in Philadelphia to apply for capacity-building grants. Intermediary organizations have been selected (the Institute on Aging at the University of Pennsylvania and the Philadelphia Health Management Corporation, with a third to be selected shortly to deal with another Pew Fund program, focused on services for vulnerable adults) to provide educational and other capacity-building services. Pew also supports the "Programs Adjusting to a Changing Environment" (PACE) program of lectures dealing with issues such as competition from for-profits in the nonprofit world.

➤ ***Stuart Foundation - Matrix Program*** is a comprehensive management assistance program which has enabled three communities to identify a desired community outcome and provide capacity-building support for a group of local nonprofit agencies that will work together to achieve this outcome. A range of capacity-building services are provided to these agencies. The program is operated by Community Impact Consulting, Inc. (headed by a former Stuart Foundation program officer).

A total of 34 nonprofits now participate in the program (two in California communities, one in Washington state). Agencies must agree to (a) conduct a comprehensive organizational assessment, (b) send their executive director and board chair to a monthly training meeting, and (c) meet individually with the site coordinator, who coaches the agency. They also identify local consultants who can offer both pro bono and paid assistance.

Outcomes at both the agency and community levels (including client outcomes) are measured as part of the process. Reduction of family violence, school success and a workforce initiative are the three topics identified for the three communities in which this program is now operating. Communitywide results include formation of a five-agency association to share administrative functions, and development of a countywide case management system for children and families,

➤ ***DeWitt Wallace Readers Digest Fund - Management Initiative*** was a five-year project in which the staff of the Fund for the City of New York and a team of consultants worked with hundreds of youth-serving nonprofits to increase their capacity to serve children and youth. Twenty agencies were part of a Demonstration Project that provided comprehensive, in-depth sustained management and administrative assistance in seven areas. An Expanded Services component offered hundreds of youth-serving nonprofits more targeted help in meeting administrative needs.

Robert Quinn's "Competing Values Framework" was used as a theory of change to guide this work, and an organizational assessment began the process of intensive capacity building. "Tip Sheets" in each of the management areas synthesized important learnings which framed the TA provided.

A publication, *Managing the Future: A Leader's Guide*, offers an overview of the capacity-building model and lessons learned. Another publication, *Groundwork: Building Support for Excellence*, offered an early evaluation of the setup and operation of this program.

GENERAL CAPACITY-BUILDING GRANT-MAKING INITIATIVES

➤ ***Mary Reynolds Babcock Foundation - Organizational Development Program*** aims to build the infrastructure of nonprofits and capacity to align with its mission work. As of June 1999, 102 nonprofits from throughout the Southeast have received grants under this program, with each supporting a three-year organizational development (OD) work plan. Outcomes of these plans include increased clarity of mission, improved human and management capacity, greater financial stability, and more skill at evaluation and accountability.

Now the Foundation is moving in a new direction: to infuse OD funding into all of its grants beginning in 1999, by encouraging applicants to analyze their OD needs and apply for funding in conjunction with program grants. The Foundation also plans to invest in capacity-building infrastructure in the Southeast, such as funding a Mid South collaborative of nonprofit resource centers and state community-building associations; and supporting an informal group of OD program participants who are exploring ways to provide peer assistance on organizational development throughout the region.

➤ ***Bruner Foundation/Rochester Grantmakers Forum - Rochester Effectiveness Partnership*** brings together funders, evaluators (with consultation led by national evaluation expert Anita Baker) and nonprofit service organizations to design, implement and refine evaluation practice related to philanthropic grant making in the Rochester area. The first step was to convene a "funders summit" and a "nonprofit summit" to identify evaluation issues these two groups think are most important. The Bruner Foundation, the major funder of this collaboration, already had conducted a project which searched nationally for innovations in evaluation practice, to serve as a resource for this effort.

Out of these preliminary steps came the definition of a "Rochester Logic Model" for evaluation, which has been incorporated into a unified grant application form and process now used by local funders and nonprofits. The approach used is highly participatory, which increases both the involvement and the comfort level of nonprofit applicants and grantees.

Significant resources also have been invested in evaluation capacity building for Rochester nonprofits, through training conferences and workshops conducted by nationally known experts in evaluation. This has helped nonprofits acquire both specific evaluation skills and a better conceptual understanding of how the participatory process and logic model fit into their overall resource acquisition and operational strategies. Parallel capacity-building activities for funders have helped foundations in the area understand how they can best use evaluation results to sharpen grant making.

➤ ***Meadows Foundation*** funded 14 affiliated nonprofit management service organizations in Texas, with the aim of providing capacity-building consultation within 100 miles of home for any nonprofit in the state. The total investment of about \$3 million included strengthening existing MSOs, starting up new ones in several locations, and funding the formation of the Texas Nonprofit Management Assistance Network to facilitate communications and resources among the centers. An independent evaluation of the centers and the Network showed that in 1997 the centers served over 4,000 organizational clients and generated \$2.275 million in non-Meadows fees and gifts to support their activities. In a survey of center users, most services received 90% or higher quality ratings.

➤ ***Eugene and Agnes Meyer Foundation Management Assistance Program*** helps build the management capacity of small-to-moderate sized nonprofits in the Washington, DC area. Grant funds have been used to hire financial, board and other management consultants. These outcome-oriented grants have been especially useful for nonprofits in the midst of major transitions, such as the departure of a founder. The Foundation also has a Cash Flow Loan program which makes quick turn around loans to nonprofits waiting for payments from government or foundations.

➤ ***Mitsubishi Electric of America Foundation*** is a small corporate foundation which has a capacity-building program centering on increasing grantees' ability to undertake evaluation and dissemination for their projects. The Foundation created a "soup to nuts" program, including (a) information for applicants and grantees in a *Road Map* publication on evaluation/dissemination, (b) requirement for evaluation and dissemination plans as part of all grant applications, (c) board review of all applications specific to both topics, and (d) supplemental grant funding on dissemination available for selected grantees. In 1998 the Foundation created a learning community, bringing together all grantees from its first few years of grant making to discuss how to improve dissemination and evaluation efforts.

➤ ***David & Lucille Packard Foundation - Organizational Effectiveness and Philanthropy Program*** has since 1983 been giving grants to strengthen Packard grantees in such areas as evaluation, marketing, strategic planning, fund raising and board development. It is now the largest capacity-building support program in organized philanthropy, with \$12.3 million in 1999 grants. The program includes four major grant making initiatives:

1 - Enhancing the Effectiveness of Grantees provides capacity-building support for current Packard Foundation grantees, ranging from about \$20,000 to \$70,000 each. Each grantee interacts with Foundation staff to discuss needs, conducts an assessment if required, and then secures consulting assistance as needed to complete the capacity-building work.

2 - Building the Field of Nonprofit Management provides support for MSOs that in turn offer capacity building to Packard Foundation grantees and other nonprofits; this initiative also funds academic programs in nonprofit management education and training.

3 - Community Foundation Initiative on Management Assistance provides a small number of Northern California community foundations with funds to address the management needs of nonprofit organizations in their local communities. This capacity-building support has been used by the eight participating community foundations to develop resource centers and libraries, offer training

and consulting services, and create partnerships with local organizations to provide other capacity-building services.

A 1999 independent evaluation report by Renee Berger of Teamworks highlights the value these projects have had in increasing community foundation credibility and connection to local nonprofits, as well as providing useful services. It also identified a number of challenges, such as limited planning for sustainability of these capacity-building programs after the Foundation's funding ends.

4 - Initiative on Effective Use of Consultants supports projects that provide networking and professional development opportunities for consultants who work with nonprofits, or who would like to work with them in the future. Six grantees were funded initially, and an independent evaluation report by Jim Thomas Consulting shows that the consultant training offered so far has been eagerly accepted by the consulting community, and that learning communities of nonprofit consultants also are developing.

➤ ***Roberts Foundation*** acts as a venture capitalist for grantees with revenue-generating businesses. Its capacity-building follows a venture philanthropy model, in which it hires consultants directly to help the nonprofits succeed with these businesses, and maintains close relationships with the consultants as well as with the grantees. Roberts Foundation for this purpose relies heavily on Keystone Community Ventures, a management consulting group specializing in nonprofit revenue-generating businesses.

➤ ***Robin Hood Foundation - Management Assistance Initiative*** offers the Foundation's grant recipients legal and accounting assistance help with real estate projects, program evaluation services, board recruiting and development, and general strategic and operations consulting. Over time, the intent of this program is to become a "one-stop shop" for all of the management, administrative and technical needs of grant recipients.

Robin Hood Foundation runs the entire capacity-building program internally, with its own team of management consultants undertaking this work, led by co-directors who both come from top for-profit consulting firms. To supplement in-house staff, the Foundation partners with for-profit consulting firms to provide a variety of pro bono services.

General management assistance focuses on overall organizational issues like strategic planning, with a longer time frame (three to six months or more). Legal work, accounting assistance, space renovation, program evaluation and other types of more specific, time-limited assistance are usually handled through volunteer technical experts.

In addition, Robin Hood Foundation periodically conducts surveys of grant recipients on administrative and infrastructure issues. These surveys both surface problems and disseminate information on best practices to grantees, concerning topics such as salary and benefit levels and legal and accounting issues.

➤ ***Social Venture Partners*** is a funding group based on a venture capital model, with 130 individual donors in the Seattle area. Using the skills that served them in business, the donors research which

groups should receive grants, then work hands-on with the recipients. Donors provide capacity-building technical assistance in marketing, law and other areas. Long-term commitments of at least five years are made to the nonprofits selected in the fields of education and children's services.

COMMUNITY FOUNDATION CAPACITY-BUILDING PROGRAMS AND SERVICES

➤ ***East Bay Community Foundation - Management Assistance Partnership Project*** is an infrastructure and resource development partnership. The project supports the development of healthy and sustainable East Bay communities through management and technical assistance partnerships. It offers to local nonprofits free assistance with assessing management and TA needs, referrals, identification of learning opportunities, networking with peers, and ongoing dialogues about the local nonprofit community's needs.

There are four local partners which carry out MAPP's activities at the local level in two counties. A website recently has been added to facilitate MAPP's operations. MAPP offers small grants for capacity building, networking conferences, training programs for nonprofit managers, and publications such as *Supporting East Bay Collaboratives: Building Stronger Communities*. This report surveyed community collaboratives in the East Bay area, in order to document their capacity-building needs.

➤ ***Humboldt Area Foundation*** has a capacity-building grantmaking program which offers support to nonprofits in its rural Northern California region. The Foundation also has started construction on the 6,000-square-foot Humboldt Community Resource Center, which it will operate as a "one-stop shopping center" for training and technical assistance.

The new Center was conceived after the Foundation surveyed several hundred people from the local nonprofit community about their capacity-building needs. Based on survey results and other input, it was decided that group training programs could serve as a "catchment basin" for promoting individualized technical assistance consultation, where the most impact is likely. Capacity building will be provided in traditional management areas, and on issues of policy involvement for nonprofits (which is not a traditional topic for capacity building, but is an important priority for the Humboldt Area Foundation).

Capacity-building now is "50% of the reason we're here as a community foundation," executive director Peter Pennekamp says. The Foundation's board has voted capacity building as co-equal with programmatic grant making, and has stated that these two activities together constitute community building. While the challenges of building appropriate "firewalls" between grant making and capacity building are important for a community foundation, this issue can be managed effectively, and should not constitute a roadblock to a heavy involvement in capacity building.

➤ ***Southeastern Council of Foundations Community Foundation Initiative*** is an initiative to strengthen community foundations in a 12-state region of the South. Multi-year funding supports training, technical assistance and marketing activities. Specific goals include asset development workshops, convening leadership development workshops for rural county leaders on creation of philanthropy for rural areas, and providing on-site TA to community foundations establishing affiliate

funds.

PRIVATE AND FAMILY FOUNDATION CAPACITY-BUILDING PROGRAMS AND SERVICES

➤ ***El Pomar Foundation Education Initiative*** highlights the Foundation's convening power, offered in the setting of a Conference and Education Center it dedicated in 1992. At this conference center El Pomar offers leadership training and other professional development programs for nonprofit executives in Colorado, leveraging the Foundation's other grant making by investing in the human assets of the nonprofits it funds. An annual conference of nonprofit executives helps to give Colorado nonprofits a comprehensive view of national trends in the third sector.

➤ ***Luella Hannan Memorial Foundation*** operates Hannan House, a 50,000-square-foot office building in which a number of nonprofits occupy subsidized office space. Because of the House's central location and free conference facilities, it also serves as a "gathering place" for the Detroit nonprofit community. The Foundation created an intranet for all of Hannan House's tenants, with a shared calendar and other collaborative tools. The system now is being expanded to include other organizations in the Detroit area. An Education and Training program provides line and executive staff and board members with various capacity-building courses.

➤ ***Jacobs Family Foundation*** operates the Jacobs Center for Nonprofit Innovation, a private operating foundation that provides capacity-building support for nonprofits and the San Diego community, following venture capital practices. Funding partnerships, long-term team support on strategic planning and other management issues, and short-term training and problem-solving are part of this Center's operations.

INTERMEDIARY ORGANIZATION CAPACITY-BUILDING PROGRAMS AND SERVICES

➤ ***Bay Area Independent Elders Program*** established a separate 501(c)(3) technical assistance support organization for a major funding initiative by a group of foundations to support independent living services for older people in the San Francisco Bay Area. The Public Interest Center on Long-Term Care then provided capacity-building technical assistance to 13 grassroots coalitions that were also created as part of the funding initiative. One of the strong measures of the success of this Center is that the Federal government provided support to continue its capacity-building operations after the foundation funding for the program had concluded.

➤ ***Corporation for Supportive Housing*** was created in 1991 with support from three national foundations, to serve as an intermediary organization for local programs to offer affordable housing to vulnerable populations. The New York Capacity Building Program was begun in 1994; it provides targeted, multi-year funding and intensive technical assistance to a set of supportive housing providers for organizational development.

By developing the management and financial infrastructure of these nonprofits, CSH intends to create more effective and lasting institutions serving the housing needs of CSH's target populations. CSH has conducted an evaluation of the outcomes of this capacity-building program, which has provided assessment, implementation and training grant funding (in 1997, \$2 million was given to 10

organizations in New York City).

➤ ***Foundation Consortium for School-Linked Services*** is a partnership of more than 20 foundations in California, which created an intermediary organization to fund and develop school-linked services throughout the state. In addition to providing this funding support, the consortium also has created a "learning community" for the programs and funders involved in this capacity-building operation - one which ties back evaluation to the basic objectives of the program. As one interviewee, a co-founder of the group, put it: "They are better at capacity development because they have taken evaluation seriously." The learning community also includes a website that lists best practices which have come out of the consortium so far.

➤ ***Local Initiative Support Corporation*** is an intermediary that assists community development corporations (CDCs) in their efforts to transform distressed neighborhoods into healthy communities. In addition to providing funding and networking support, LISC operates an Organizational Development Initiative. It has an in-house consulting team that helps CDCs operate more effectively at both the fiscal and administrative levels. LISC was started by the Ford Foundation and six Fortune 500 companies, and continues to receive major funding support from foundations.

➤ ***National Arts Stabilization*** helps reinvigorate local arts organizations. To do so, NAS (which is funded by a number of foundations and corporations) assembles a team of financial, management and arts professionals to collaborate with a local committee to form a "stabilization project." NAS provides capacity-building at several levels - TA to the overall stabilization effort (currently in six locations nationwide), arts agency executive training on "Strategic Leadership in a Changing Environment," and strategic assessments to identify needed interventions.

Preliminary Set of Core Components for Effective Capacity Building Based on the interviews, literature review and other sources for this environmental scan study, eight potential core components of capacity building were identified. Because this is a small exploratory study of a young and rapidly-growing field, this synthesis is intended to stimulate discussion and set the stage for more comprehensive research on capacity building. The set of core components certainly are likely elements of success for many capacity-building programs or activities, but this preliminary analysis is far from comprising a prescriptive "model" for capacity-building, much less a set of limits for what such efforts should include.

Given these strong caveats, this environmental scan suggests that an effective capacity-building program or project initiated or operated by a foundation is:

1 - Comprehensive - *While narrowly-defined interventions can work, the most impactful 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.*

Because the resource net supporting most nonprofits is so thin, and access to resources for strengthening tends to be limited, typically nonprofits have not just one but a number of needs - to improve fund-raising, strengthen the board, build appropriate information technology, etc. This is especially true for younger, smaller nonprofits (see Core Component 2).

Often assessment will reveal these needs to be inter-related, which is one argument for a comprehensive program. Another is that building a technical assistance relationship itself takes time and energy, so that nonprofits are likely to be drawn to "one-stop shopping centers," especially if these provider organizations allow nonprofits to choose among workshops or other educational formats as well as more targeted TA consultation (e.g., services in which the nonprofit can select a suitable consultant from a roster of candidates).

While many communities have multiple sources of capacity-building services today, these providers typically are not well coordinated, according to the study interviewees. Thus, creating a central source for all services can have value. However, this does not mean that a given foundation needs to fund or directly provide all the needed services, but rather that it offer the linkages to whatever the nonprofit needs from the foundation, an MSO or other provider it supports, or other entities in the community with which it is allied in either a formal or informal fashion.

2 - Customized - *The most effective capacity-building services are custom-tailored to the type of nonprofit, its community environment, and its place in the "organizational life cycle" (young, start-up nonprofits are likely to have very different needs than more established organizations).*

Capacity-building strategies typically do not work well if they come from the "one-size-fits-all" realm. Consultants with pre-packaged formats, for example, are seldom as effective as those who begin by trying to understand the unique needs, history and circumstances of the given nonprofit, and then try to creatively design an intervention based on this understanding. This diagnosis needs to include what other capacity-building services to which the nonprofit has access (Core Component 8).

"Triage" strategies, by which nonprofit organizations are selected to receive capacity-building grants or participate in service activities, may also be part of "customization." Not every organization is ready to receive capacity-building services and benefit from them (Core Component 7). Particularly when resources are scarce, as is usually the case, decisions need to be made about which organizations receive priority funding support for capacity building. For instance, decision points early in an assessment process (Core Component 6) may eliminate nonprofits that are in crisis or that lack the infrastructure to benefit from a particular set of services - perhaps encouraging them to re-apply at a later time, or directing them to other resources more suitable to their most urgent needs.

3 - Competence-Based - *The most effective capacity-building services are those that are (a) offered by well-trained providers (both foundation staff and expert service offerors), and (b) requested by knowledgeable, sophisticated "consumers" (the managers and board members of nonprofits).*

One of the most consistent shortcomings study interviewees identified in the capacity-building field (see Challenges) was the lack of competent providers, especially in terms of their specialized knowledge of the nonprofit community. Poor quality assessment and TA was too often the result, they said, and this not only limits impact but also limits the enthusiasm of nonprofits to participate in capacity building in the future - especially, said several interviewees, because most nonprofits have had previous negative experiences with consultants in the past.

At the same time, there was a consistent comment about the need for competence on the "consumer's" end as well. Too many nonprofit managers and boards have had little experience with consultants, with technical assistance or with capacity building in particular. They don't know how to ask for such help, don't know when they really need it, don't prepare for it well, don't know how to apply for funding to support what they want to do, and don't know how to use the input when it is provided.

Just as one example: in the Fazzi Associates study, 82% of responding nonprofits said that organizations with greatest capacity-building needs are either unaware of that need, or lack the capacity to write a successful proposal so they can meet the need identified. The Harvard Business School study of consultants in the nonprofit realm also came to the same conclusion - well-educated, sophisticated consumers of these services are imperative to success.

4 - Timely - *The most effective capacity building happens in the balanced space between "too slow to be relevant" (often because of funder delays in acting on grant applications!) and done too quickly to allow the flowering of an intervention in a complex context.*

"Just in time" funding for capacity building was mentioned by many interviewees as imperative for success. Often a delay in granting funds means losing focus, missing opportunities for interventions that would have been especially helpful, or even the nonprofit's leadership moving on to other issues.

At the same time, capacity building needs to be carried out on an "organic" basis. For the greatest chances of success, it must develop in a long enough time frame that the right "chemical reactions" occur - it can't be guided, but can be supported.

Timing also applies to the time *frame* or duration of capacity-building support. Michael Howe of East Bay Community Foundation suggests that the typical "one to three year" time frame is unreasonable, if not naive. Effective capacity building for nonprofits requires in many instances a long-range commitment of resources, with progress checks along the way.

At the least, foundations need to consider "exit strategies" quite strategically. If a funder plans a time-limited commitment, what other grantmakers may be able to "take up the slack," and how can nonprofits be connected with them so that the transition from one funder to another is as smooth as possible?

5 - Peer-Connected - *The most effective capacity building happens when there are opportunities for peer-to-peer networking, mentoring and information sharing.*

Some of the most successful capacity-building programs, as reported by both outside observers and participants, were those that began with services offered by a professional provider, but then moved quickly to the establishment of a peer network. Ongoing peer mentorship programs have been experimented with by a few foundations (e.g., Community Foundation Silicon Valley).

Tom David, in a thoughtful piece, *Reflections on Our First Initiatives*, analyzes The California Wellness Foundation's commitment to initiative grant making. The ability to provide capacity-building technical assistance to grantees is one advantage of these initiatives. Peer learning networks are created by gathering an initiative's grantees together on a regular basis, at least annually, and encouraging them to share experiences and engage in problem solving. The Wellness Foundation

also has found it useful to fund an intermediary organization to provide additional TA, and to coordinate the convening and learning community functions.

The Hitachi Foundation has had similar experiences with two of its grant-making initiatives. According to Barbara Dyer of Hitachi, creating a grantee learning network can both help individual grantees and strengthen the field. However, doing so requires careful planning of grantee convenings, and a number of activities (site visits, regular conference calls, etc.) that take place between the convenings.

Also, as Michael Moore of the Wallace Readers Digest Funds points out, setting up peer groups must begin with a thoughtful consideration of who, in fact, is a peer. Nonprofits that seem to be in the same area of work often turn out not to have much in common. Additional principles for "aggregating membership" in a peer network may need to be teased out of interviews and field observations. A funder's most important role may be in providing the platform on which true peers can identify each other, and then decide to interact on an ongoing basis.

6 - Assessment-Based - *The most effective capacity-building begins with 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 offered.*

As mentioned, several foundation capacity-building initiatives have included the creation of a "technology" for assessment, including both procedures and data-gathering forms. Such standard procedures allow efficiency, and comparison of results across a large number of recipient nonprofits. Some of these technologies are now available for possible adaptation by others.

Knight Foundation and other foundations are also now creating community indicator systems that provide "benchmarks" to measure the status of overall community health and the life of the nonprofit sector. These systems could be used to help interpret the results of organization-specific assessments by putting them into the larger context of the community the nonprofit serves.

7 - Readiness-Based - *The most effective capacity building occurs when the nonprofit "client" is ready to receive this specialized kind of service (e.g., the nonprofit is not in the midst of a major crisis, and thus unable to benefit from the intervention at that time).*

Readiness assessment, using strategies that have been well developed in the social sciences, can help determine that the commitment to change - which any successful capacity-building is going to require - is there both for the nonprofit and for the community, not just for the funder. Sometimes the need for capacity-building can be great, but the readiness for it low because the nonprofit's leaders are preoccupied with other crises (e.g., an executive director is about to depart, etc.). Once readiness is measured, a decision can be made in low-readiness situations either to defer the capacity building, or to attempt an intervention to deal with the issues that have surfaced.

8 - Contextualized - *The most effective capacity building occurs in the larger context of other strengthening services a nonprofit is receiving, other activities of the sponsoring foundation, and other elements of the current community environment.*

The growth of the capacity-building field means that, particularly in major urban areas, there are multiple resources available to nonprofits. In a related study for Knight Foundation, the author identified more than 20 capacity-building service providers for nonprofits in the Philadelphia area alone, and this list is certainly not comprehensive. In San Francisco and other urban areas, interviewees mentioned that duplication of service and lost opportunities for synergy were increasing, as more funding has become available to support these activities.

This suggests that part of initial assessment could be identifying (a) what other capacity-building services a nonprofit currently is receiving, so that positive synergies can be heightened and duplication or conflict minimized, and (b) what other services might be made available in the future - to increase the impact of what is provided by a particular foundation-funded program. One of the clearest signals that a nonprofit's leadership is inexperienced in handling capacity-building is when analysis reveals that several interventions are happening in the organization simultaneously, but nothing has been done to coordinate them!

Challenges Five challenges to further growth of the capacity-building field are:

1 - Quality and Evaluation - Services offered by or through many foundation capacity-building programs are of variable quality (in the view of both consumers and independent observers) - and there has been little rigorous evaluation of these services so that they can be improved (evaluation, in fact, may become the ninth core component of effective capacity building, to add to the list above).

The quality issue already has been discussed in this report. One of the underlying causes of poor quality is that capacity-building service providers are themselves often fragile organizations, in need of services very much like the ones they provide to other nonprofits. Consultants and consulting firms come and go, and sometimes lack the infrastructure to respond to the degree of demand that may emerge in a nonprofit community for their services. This is particularly likely in a growing market area, such as capacity-building in a major urban area.

This in fact is a common occurrence as well in the management consulting and technical assistance "business." For instance, a recent *Business Week* story detailed the management and financial woes of Franklin-Covey, an organization formed from the merger of two leading management seminar providers (one of them is the firm of Stephen Covey, author of *Seven Habits of Highly Effective People*). The management gurus did not practice what they preached, and the merged organization almost went out of business as a result, losing large sums of money until the founders were removed from their original leadership roles!

Moreover, the management ideas often provided by MSOs and consultants for capacity-building purposes may not only be inappropriate for the nonprofit world, but also be more generally out of date. In his latest book, *Management Challenges of the 21st Century*, Peter Drucker says that most commonly accepted management ideas are inadequate for the changes sweeping the world. Good capacity building needs to draw from current management approaches, and its needs to reflect the changing nature of both the nonprofit world and the environment at large.

Finally, there are major trends in the "delivery system" for capacity building, especially in management training and development, which do not seem to have been incorporated fully from the world of business. For instance, the "executive coaching" movement, whether delivered by outside professionals or peers, seems to have some excellent potential for application to capacity building. Coaching is problem-specific, highly interventive and hands-on, individually focused, time-limited, results-oriented and participatory. Strategies and infrastructure from the coaching movement could be adapted readily to the world of nonprofit capacity building.

Evaluation of procedures and outcomes is urgently needed. Very little research has been done in this field, even for simple process and outcomes evaluation. The Charles & Helen Schwab Foundation capacity-building initiative, and the James Irvine Foundation Youth Development Initiatives are among the first whose outcomes have been evaluated independently. Some models that may be useful for practice could come out of a synthesis of these and other evaluations.

2 - Nonprofit and Community Engagement - *Nonprofits and communities need to be more actively involved in setting the agenda for capacity building and in evaluating its outcomes; capacity-building programs provide real opportunity for funder-nonprofit partnerships, and for sharing of power.*

As foundations in the 21st century look at various ways in which they might share power with the communities their resources are intended to serve, capacity-building programs offer an excellent vehicle, particularly for programs actually operated by foundations. Community advisory boards, mutually-defined programs and grant-making requirements (e.g., as in the case of the small grant program defined by the grassroots organizations participating in Irvine Foundation's Central Valley Partnership) can all help a foundation to engage the community more directly in shaping philanthropy.

This is not a matter of political correctness so much as it is a need for input both about content and format of capacity-building services. Funders and even providers to some extent may have staffs with very different backgrounds than grassroots, community-based nonprofits. Cultural and language differences may exacerbate the potential for miscommunications and inappropriate service offerings. And beyond these practical matters, philanthropies interested in more generally reshaping their power relationships with nonprofits and communities may find capacity building a good place to start, according to several of the interviewees from this review.

3 - Funder Education and Development - *Education and technical assistance are needed by many foundations to learn the state-of-the-art in capacity building, the advantages of involvement in such philanthropic activity, how to appraise the payoffs achieved from what they fund, and so forth.*

Grantmakers for Effective Organizations has convened two national conferences, and has undertaken a number of other events and several publications to help foundations to learn about capacity building. A number of individual foundations and other affinity groups also have offered learning and networking events on this subject. But for this effort to be more successful, greater infrastructure is needed to carry the message out - especially to deliver it to smaller, more rural foundations, and to bring together funders with other "players" in the capacity-development movement.

Just as one example, Burness Communications publishes an electronic newsletter, supported by the

John D. & Catherine T. MacArthur Foundation, that is e-mailed to a national list of funders. The newsletter presents "bullet items" on new developments in philanthropy, and it, like other philanthropic periodicals and Internet services, could carry information regularly on new developments in the capacity-building field.

Another Burness Communications project provides a model for how more specific skill building might be provided. This project, conducted in collaboration with The Urban Institute and the national Regional Association of Grantmakers affinity group, is aimed at strengthening foundations' roles as news sources, though providing a variety of information and technical assistance resources to them.

In fact, existing infrastructures such as the Regional Associations of Grantmakers and the several community foundation national associations can play a central role in promoting the wider spread of knowledge about capacity building to their constituencies. This is already happening through various conference programs, newsletters, etc. As the field grows, more strategic planning for these communication efforts will be helpful simply because the volume of information will keep growing!

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

According to Ben Shute at the Rockefeller Brothers Fund, awareness is building in American philanthropy that, especially in urban areas, there are now enough foundation players and enough organizations receiving capacity-building funding that some duplication of services is almost inevitable. A number of other interviewees for this scan gave specific examples of potential or actual overlap. As yet, there are only a few elements of infrastructure set in place to promote the national or regional coordination of capacity building, so that whatever duplication of services already exists is hard to track, much less to change.

Problems in the quality of capacity-building services have already been discussed. A larger view is needed to determine underlying causes for these problems. For instance, in many communities the current vibrant health of the economy means that nonprofits (including MSOs and other capacity building service providers) simply cannot compete in offering salaries that will enable hiring the best people. This may combine with the lack of training opportunities for those who want to become management consultants in the nonprofit to produce the service quality problems noted in this paper.

There also is potential for overlap and duplication of learning, which will be increasingly possible as the number of studies in this field proliferates. Lucy Bernholz, in a recent paper on new developments in philanthropy, calls for the creation of a "registry" of studies about philanthropy, which if it included capacity-building studies would help to reduce the potential for duplication. In all, evaluation studies, commissioned consulting projects, feasibility studies, etc. would all be part of such a registry. Most of these now lead at best to "gray literature" that is seldom distributed beyond the commissioning foundation's doors. Of course, there may also be synergies or learning opportunities resulting from "overlapping" projects, not just duplication.

The work of the Center for Nonprofit Leadership at University of Missouri Kansas City in developing

a citywide infrastructure for nonprofit capacity building is an example of how communities can work to create more synergy and productive coordination in this realm. The Bruner Foundation's Rochester Effectiveness Partnership is another example of a community-wide effort to promote capacity building (focused in this case on program evaluation capacity for funders and nonprofits). Learnings from these pioneer efforts may help other communities to build their own infrastructures for community-wide capacity building - for instance, as ventures such as the Humboldt Area Foundation Community Resource Center begin to operate.

5 - Field Building - *More infrastructure is needed to support capacity building in philanthropy - to educate funders, nonprofits and communities; to replicate proven strategies; to promote sharing of good practices; and to enhance the relationship of capacity-building to the overall goals of philanthropy.*

A "field" of capacity building is now growing not only because of increased activity over the last few years, but also because people have begun to think about things that aren't new (such as providing technical assistance to nonprofits to strengthen their operations) as belonging under this conceptual umbrella. And an infrastructure - national conferences and associations, published literature, regional groups such as the California Management Assistance Partnership, etc. - is starting to grow as well. Future field building will require more attention to educational activities (through conferences, academically-based coursework, and print or electronic literature), and to more systematic efforts to "raise the bar" on capacity-building practice by sharing innovations and setting standards that integrate these activities with philanthropy and nonprofit management.

Such infrastructure will allow wrestling with larger issues such as the *ethics of capacity building*, *moving from output to outcome orientation in evaluating capacity building*, *dealing with issues of race in capacity building*, *dealing with role conflicts in capacity building activities*, and *promoting collaboration between government and philanthropy*. These issues were discussed in first two GEO conferences in 1998 and 2000; and again in the June 2000 Urban Institute conference described earlier in this paper.

Ethics of capacity building revolve in large part around the inherent imbalances of power between foundations and nonprofits. These power balance concerns manifest in many technical ways: for instance, community foundations that also operate management assistance programs must be careful to build appropriate "firewalls" between their grant-making and capacity-building functions, according to Jesse Arreguin of the Fresno Regional Foundation. Otherwise there may be not only ethical problems but also a practical reluctance of nonprofits to use the foundation's capacity-building service, which typically requires them to be candid about their operating problems and organizational shortcomings.

This leads to an ethical issue labelled by a phrase from medicine: "First, do no harm." Mary Ann Holohean of the Meyer Foundation asserts that there is more potential for harm to nonprofits in capacity building than in any other type of intervention that foundations make. Participating in capacity building requires a nonprofit to give access to information about its weakest, most vulnerable elements - and in particular, to share that information with one or more of its funders. Such vulnerability requires devoting considerable energy to oversight - though, as Michael Howe of East Bay Community Foundation puts it, there is also a downside possibility that too much hesitance

to take risks can lead to "the assurance of a mediocre approach." What's important is that the risks of capacity building be managed thoughtfully.

Moving from output to outcome orientation in evaluating capacity building actually represents a general theme of concern for the field of nonprofit management, not just for capacity building. But it has particular relevance to capacity building programs because it is so easy to focus attention on the process of capacity building, or even on its output in terms of smoother-running organizations. Then one loses sight of the fundamental question: does this investment result in better services to clients or better programs for the community?

Dealing with issues of race in capacity building means looking squarely at multicultural concerns in the capacity-building process itself - for instance, is there an effective match between the cultural backgrounds of the nonprofit's leadership and the consultants or technical assistance providers who will be working with them? Have definitions of what capacity building is supposed to achieve been checked out in the multicultural communities where the relevant nonprofits are based? In efforts to share power and decision-making related to capacity building programs of a foundation, have the right individuals and groups from the multicultural community been approached?

Dealing with role conflicts in capacity building refers to the unique "three-way relationship" that exists between foundations as funders of capacity building, nonprofits and their communities, and providers or intermediary organizations. There are bound to be some tensions, especially as capacity building programs grow in scope. These can best be handled if roles are defined clearly from the outset (plus providing simple structures by which role conflicts can be discussed and resolved).

Promoting collaboration between government and philanthropy on capacity building programs is increasingly likely to have value, as government funders of nonprofits at all levels come to realize the value that support for capacity building can have. For example, the East Bay Community Foundation's capacity-building programs have always included government as a partner, which Foundation staff believe helps to promote understanding in the government sector of these processes.

The 1998 GEO conference group also raised provocative questions about how capacity-building programs can best work with consultants, whether TA offered to grantees should be mandatory or voluntary, and whether foundations should provide TA with their own staff, or outsource this activity. These, and many other issues addressed (directly or indirectly) in the set of challenges presented here, are among the complex matters funders, nonprofits and providers will need to consider together in the future.

Recommendations Following are some recommendations synthesized from the interviews and other sources for this environmental scan, about next steps that might be taken to "grow the field" of capacity building. These suggestions are made in the context of many activities already ongoing (professional conferences, research studies, significant foundation grant-making initiatives, etc.). These field-building recommendations are concerned with (a) enhancing particular elements of the "knowledge infrastructure" for capacity building (a database of "good practices," a meta-analysis of evaluations, case studies of capacity-building programs, empirical research on specific capacity-building strategies that are widely used), (b) pilot-testing a technology-based approach to capacity

building, and (c) broadening the field by inviting a "collision of ideas" with other areas.

A brief, separate memo was prepared for Knight Foundation, to set the findings from this report in a larger context that may be useful for decision making about the Foundation's own future investment in this area (e.g., how capacity building relates to the structure of Knight Foundation's philanthropy, and to its other current grant making).

1 - Conduct a more comprehensive study of "good practices" in capacity-building, creating a database (containing brief descriptions in a standard form of at least the 200 programs which have already been identified) which can be made available to the field both in print and on-line formats.

Interviewees consistently expressed frustration at not knowing what is going on in other geographical or topical areas, especially because of the recent proliferation of capacity-building efforts - and the number of "below the radar screen" efforts which are not documented or communicated. Based on input from the experts consulted for this scan, the 200 programs identified (of which only 40 were summarized in this paper's "Good Practices" section) are just a segment of the total field in American philanthropy.

While not aiming for an exhaustive inventory, a relatively modest new study could retrieve information at least on these 200 and put data into a standard format. Two other categories of interest to this study's interviewees could be included:

* information on "Good Practices" in certain emerging categories, such as peer learning networks, community foundation programs, programs that blend capacity building and program grant making, etc. This study would begin by reviewing the data from the present environmental scan to create a list of these emerging categories, and what programs already have been identified that fit them.

* information on proof-of-concept projects on capacity-building strategies which have been funded by foundations in the last few years. Just as one example, under funding support from the W.K. Kellogg Foundation, the author conducted a proof-of-concept study deploying both individualized and group/workshop technical assistance interventions to help Los Angeles nonprofits develop capacity to create and sustain partnerships. Intermediary organizations (the nonprofit incubator Community Partners, and the Long Beach Public Corporation for the Arts) were used to assemble the workshop participants and coordinate these interventions. Evaluation of the capacity building indicated that these modest interventions helped the participating nonprofits succeed in such missions as acquiring foundation funding for a community-wide initiative in arts and culture marketing.

The standard form used for the proposed study could itself be the subject of discussion and debate among capacity-building experts, convened at the beginning of such a project. Each database entry might contain information on topics such as the following:

- *capsule description* - overview of the "good practice," including contact information
- *innovation analysis* - what activities or methods (e.g., an assessment tool which could be used by others) were distinctive about the "good practice," and/or what evaluation results were obtained
- *environmental analysis* - how the "good practice" fits with other programs in its geographical or

subject area

➤ *topical analysis* - classification of the database entries for easy retrieval, using a coding system that might build on the "First-Cut Framework" presented in this report

A print version of this database then could be disseminated to interested parties, and an on-line version made available in searchable format, perhaps through a major Internet service such as Helping.org. Also, an "annual report on advances in capacity-building and philanthropy" might be prepared, and perhaps issued through an appropriate academic center.

Innovations also can be included which set capacity building into a larger context. For instance, Knight Foundation for the past seven years has been supporting the development of community-wide arts marketing collaboratives, whose purpose is primarily capacity building for nonprofit arts. These collaboratives bring together a community's nonprofit arts agencies to pool their resources for marketing, enhancing both the creative talent and the technology at their disposal for audience development. Eight cities are now at various stages of developing a collaborative (two are up and running, and several more in the active planning stages), as discussed in a 1999 Knight Foundation publication, *Marketing the Arts*..

The larger context for these collaboratives is the growing national movement for increasing cultural participation, spearheaded by foundations such as the Wallace Readers Digest Funds. To understand these individual capacity building innovations, it is necessary to set them in this larger frame of research (Wallace has sponsored a major research study on behavioral approaches to cultural participation, conducted by The RAND Corporation), conceptual discussion (Wallace is convening two large national conferences for this purpose), and other grantmaking initiatives.

2 - Conduct a meta-analysis of evaluations of capacity-building programs in philanthropy to synthesize common findings, refine the preliminary definition of core components presented here, and identify methodological problems with this type of evaluation (and resolutions attempted for them).

A small but growing number of capacity-building programs are being evaluated, either informally by foundation program staff, or formally through commissioned independent evaluations. As more published findings from these evaluations emerge over the next year, it will be possible to synthesize their results in useful ways, to address issues of capacity building, and of the technical aspects of evaluating these interventions. Also, it would be useful to conduct case studies of some of the more notable failures in capacity building, including management providers that have ceased operation, or grant programs that have been suspended.

Such an activity might be coordinated through joint efforts of Grantmakers for Effective Organizations and the Grantmakers Evaluation Network, an affinity group of foundation staff interested in evaluation issues. Results could be disseminated to the field through the database project described above.

3 - Conduct a series of case studies of capacity-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 impact they produced. The case method, used by Harvard Business School and many other academic programs in

management science, is ideally suited to measuring and understanding the complex, sometimes difficult-to-trace development of capacity-building projects and services. From these case studies can be derived a better understanding of how these programs are created by foundations, how they relate to other aspects of philanthropic practice, and how these complexities relate to "good practices" and the "core components" of capacity building.

Topics for the case studies could be selected using the resources of this scan, or more ideally those of the database project proposed above. For instance, one case study could focus on a successful peer learning network, another on a foundation funding program that blends capacity building and program grant making.

4 - 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 capacity building.

Peer consultation for capacity building was widely cited by interviewees in this environmental scan as a desirable activity. It thus was included as one of the eight tentative core components of capacity building.

However, there is at present little solid empirical evidence to support the superiority of this method, or to determine what specific methods work best to undertake it. Especially as evaluation studies provide more general evidence about capacity building, and as funders begin to pinpoint more clearly what are the relative costs of different strategies, research to determine relative effectiveness of peer consultation and other highly praised approaches will become more essential.

Research also should concentrate on what strategies for capacity building work best in different size ranges of nonprofit organizations, in different subject fields (for instance, there have been an unusually large number of direct financial assistance programs created in nonprofit arts), and different stages in the life cycle of nonprofit organizations. The work of the Irvine Youth Development Initiative, and a recent study of Community Partners nonprofit organizations conducted by Gary Bess, show that capacity-building needs of young nonprofits are very different than those of more mature organizations.

Ideally, research studies of this sort could be coordinated among funders interested in capacity building. The field might be advanced by convening a conference of such funders, along with knowledgeable providers and nonprofit leaders, to define a research agenda. Existing nonprofit research entities, such as the Aspen Institute nonprofit research grant program, and ARNOVA, can play a role in the unfolding of such a field-building research campaign.

Individual foundations such as the John S. & James L. Knight Foundation, which have funding programs in a number of communities, could also provide some rough "experimental tests" of capacity-building strategies, by implementing different approaches in one or several communities among its group of 26, and then comparing their impact. Using such "naturally-occurring opportunities" for evaluation can add significantly to our understanding of how these various approaches work.

5 - Develop and pilot test an on-line capacity-building service that would use the Internet to deliver

information resources, assessment technologies, and on-line technical assistance for both nonprofits and foundations on this subject.

A number of Internet resources for capacity building already exist, as described above. Investments in developing additional Internet capabilities are now being made by major providers such as CompassPoint. A recent study by Tom Reis and Stephanie Clohesy provides an estimate of the number of related Internet enterprises, such as those concerned with e-philanthropy, and the author's report, *Strengthening Your Nonprofit*, as previously mentioned identifies dozens of Internet capacity building resources nonprofits can use.

What has not happened yet is the development and pilot testing of an innovative on-line capacity-building service that would provide from a single site a wide range of information, computer-guided tutorials and diagnostics, direct e-mail access to consultants, and other real-time electronic services for capacity building. Such a pilot test could be conceptualized by building on the creativity of the Internet resources already in existence, such as those described in this report.

In addition, experiments in distance learning technology might be reviewed for potential contributions to the design of this pilot. For instance, the University of North Carolina is developing a Civic Entrepreneurship Distance Learning Program, which could provide some useful input.

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

Convening thought leaders from philanthropy, nonprofits, government, management science and the business sector could be useful in addressing some cutting-edge issues which have been raised by interviewees for this environmental scan. In addition to national or regional convenings drawn together specifically for this purpose, such dialogues also could occur through the established annual meetings of the Council on Foundations and its various affinity groups. Input specially tailored for those just entering the field of philanthropy could be provided through training programs for new grant makers offered by the Council and by the Rockefeller Foundation through its Philanthropy Workshop.

Among the issues that could be considered:

➤ *How to encourage wider adoption of capacity-building interventions by foundations*, especially if research (such as what is recommended above) demonstrates that these methods add true value to grant making. For instance, creating such larger-scale systems change in philanthropy is likely to require changes in both foundation policy and staff reward systems, since these currently emphasize program grant making.

➤ *How to integrate the capacity-building methods discussed in this report with innovative strategies for providing direct financial assistance*. Unless core operating support and other financial assistance becomes part of the "mix" of solutions offered to strengthen nonprofits, said a number of interviewees, some nonprofits will have difficulty surviving and thriving, no matter how well other capacities are enhanced. A recent draft paper by Allen Grossman at Harvard Business School puts

this discussion into a larger systems framework, by talking about the need to develop capital markets for nonprofits, to relieve the chronic underfunding of this increasingly important sector of the American economy.

➤ *How to better integrate the faith community in nonprofit capacity-building activities.* Faith-based local and national organizations are already involved in offering capacity building to their own service organizations, but these activities are seldom coordinated with those of non-religious organizations in the same communities. Particularly as faith-based community coalitions and human service organizations are becoming more prominent players, this coordination is urgently needed. This environmental scan identified a few cross-cutting programs (e.g., the Korett Foundation funds technical assistance for lay synagogue personnel), and wider sharing of such efforts could help to stimulate further integration.

➤ *How to build in flexibility for future changes that will inevitably come in the infrastructure for capacity-building,* both for the field as a whole and for the work of individual foundations. For instance, what can be done now to prepare capacity-building programs in philanthropy for the advent of Internet-based interventions? As an analogy: 30 years ago Dr. Jonas Salk designed the buildings of the Salk Institute in La Jolla, California with attention to flexibility (space left for the addition of new electrical lines, etc.). As a result, the Salk labs are a world model for their ability to stay relevant (without costly retrofittings) as laboratory science has changed dramatically over the last 25 years.

➤ *How to deal with human issues of change related to introducing capacity building more widely into the work of foundations and the nonprofits they support.* These include the fears and anxieties that generate psychological resistance to change, as well as building a sense of reward and participation in the change effort.

Realizing the full potential of capacity building will require changes both by funders and by nonprofits and the communities they live in. Strategies for handling change are well-described in the behavioral and management science literature, as summarized by the author in *Dissemination and Utilization Strategies for Foundations: Adding Value to Grantmaking*.

➤ *How to appraise both the evident and "hidden" costs of engaging in capacity building.* These exist for both nonprofits and foundations. For example, nonprofit organizations may receive a capacity-building grant that enables them to train middle managers in the use of technology - after which some staff may use their training to leverage higher-paying jobs in the private sector.

Moreover, it is difficult for communities to resist applying for capacity-building funding, even though they may be ill-equipped to engage in the changes the funded project will require. For instance, a nonprofit may be overwhelmed with change from turbulent life in the community, or even from other funded change initiatives they are already involved with. In the latter situation, "hyperinnovation" can result, to use a term from Madeline Landau at the University of California, Berkeley. Finite energies of nonprofits and community leaders can be dissipated if spread too thinly over too many initiatives. Capacity-building can become a part of the problem instead of part of the solution in this way.

➤ *How to ask the difficult question raised by several interviewees: "When is capacity building not appropriate?"* The Humboldt Area Foundation's Peter Pennekamp gives the example of some

nonprofit organizations that run entirely on passion - children and youth organizations run by women volunteers, for instance. They are not well-managed in the strict sense, but they provide a service of value to their communities. They frequently resist participating in capacity building because they correctly recognize that their lack of formal organization is part of what makes them work.

Paying attention to the dangers of "one size fits all" includes looking at situations where capacity-building simply is not appropriate - when readiness is low, when too much other change is going on, or when the organization's deeply-held values and operating style are incompatible. It might be helpful to provide, perhaps in a magazine article targeted to the philanthropic and nonprofit worlds, "Ten Reasons Not to Do Capacity Building." Such a list could spark debate and dialogue about how to best implement capacity-building methods in strengthening nonprofit organizations and communities, and about how to refine and improve the philanthropic grant making supporting these endeavors.

* * *

As the enthusiasm of interviewees and hopeful reports from the field gathered for this environmental scan make clear, capacity-building activities are changing the way foundation grant making is done in this country, and some positive results for the performance of nonprofits are evident. This environmental scan is just one small step in the process of reviewing and synthesizing what's been learned so far about how to create good programs in philanthropy for strengthening nonprofits - and how these relate to other activities in the nonprofit sector, from community building to university-based training for future nonprofit leaders.

This scan has identified some concepts that may help to shape a more refined definition of capacity building and its core components; some "good practices" that may help to shape how the work is actually funded and carried out; and a number of needs for research, development and dialogue. As with most exploratory studies, far more questions have been raised than answered. But the reason for continuing to pay attention to capacity building is the same as for continuing to pay attention to fixing city streets or other physical infrastructure maintenance, as suggested in the quotation that opened this paper. As Marilyn Graves (President of the Crippled Children's Society of Southern California) put it in a 1998 *Foundation News and Commentary* article:

"There is a lot more need out there than any one agency can handle. So to me, it is a question of how we can serve as many people as possible. After all, capacity means how much you can handle. I'm one of those folks who can never say no, so capacity building is important to us."

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Helping.org

"FIRST-CUT" CAPACITY-BUILDING FRAMEWORK

CAPACITY-BUILDING ORGANIZATIONS

Foundations
Nonprofits
Service Providers
Intermediary Organizations
Associations

Service Providers

- Management Support Organizations
- Nonprofit Incubators
- Nonprofit Management Training Programs
- Academic Centers for Nonprofit Management
- Consultants and Consulting Firms
- Technology Projects
- Internet-Based Providers

Intermediary Organizations

- Regranting Intermediaries
- Direct Service Intermediaries

Associations

- Grantmakers for Effective Organizations (GEO)
- Alliance for Nonprofit Management

CAPACITY-BUILDING ACTIVITIES

Assessment

- Community Environment
- Nonprofit

Intervention

- Management Consultation
- Training
- Technical Assistance

Direct Financial Support

- Core Operating Support
- Specific Grants
- Working Capital

CAPACITY BUILDING

Comprehensive
Customized
Competence-Based
Timely
Peer-Connected
Assessment-Based
Readiness-Based
Contextualized

CAPACITY-BUILDING SERVICE AREAS

Advocacy
Ethics
Evaluation
Financial Management
General Leadership
General Management
Governance
Human Resource Management
Information Systems
Legal
Marketing
Operational Management
Organization, Design and Structure
Planning
Resource Development

CORE COMPONENTS OF EFFECTIVE

ROSTER OF CAPACITY-BUILDING "GOOD PRACTICES"

Categorical Capacity-Building Grantmaking Initiatives

Boston Foundation - Common Ground
The California Endowment - Population-Based Funds Program
The California Endowment/Tides Foundation - Community Clinics Initiative
The California Wellness Foundation - Urban Clinics Initiative
Community Foundation Silicon Valley - ArtsBuild Communities Conference and Grant Program
Community Foundation Silicon Valley - Mentorship Project
Flintridge Foundation - Nonprofit Leadership Program
James Irvine Foundation - Central Valley Partnership
James Irvine Foundation - Community Foundations Initiative
James Irvine Foundation - Youth Development Initiative
James Irvine Foundation/The California Endowment - Growing Community Foundations Program
Los Angeles Urban Funders
W.K. Kellogg Foundation - AHEC Community Partners
David & Lucile Packard Foundation/ James Irvine Foundation/Flora & William Hewlett Foundation - Strategic Solutions
Panasonic Foundation - Partnership Program
Peninsula Community Foundation/Charles & Helen Schwab Foundation/Sobrato Foundation - Organizational Capacity Grant Initiative
Pew Charitable Trusts - Nonprofit Strategic Alliances Project
Pew Fund - Programs to Serve Elderly People and Programs to Serve Children, Youth and Their Families
Stuart Foundation - Matrix Program
DeWitt Wallace Readers Digest Fund - Management Initiative

Generic Capacity-Building Grant Making Initiatives

Mary Reynolds Babcock Foundation - Organizational Development Program
Bruner Foundation/Rochester Grantmakers Forum - Rochester Effectiveness Partnership
Flintridge Foundation - Nonprofit Leadership Program
Meadows Foundation - Texas Initiative Program
Eugene & Agnes Meyer Foundation - Management Assistance Program
Mitsubishi Electric of America Foundation
David & Lucile Packard Foundation - Organizational Effectiveness & Philanthropy Program
Roberts Foundation
Robin Hood Foundation - Management Assistance Initiative
Social Venture Partners

Community Foundation Capacity-Building Programs/Services

East Bay Community Foundation - Management Assistance Partnership Project
Humboldt Area Foundation
Southeastern Council of Foundations - Community Foundation Initiative

Private and Family Foundation Capacity-Building Programs/Services

El Pomar Foundation - Education Initiative
Luella Hannan Memorial Foundation
Jacobs Family Foundation

Intermediary Organization Capacity-Building Programs/Services

Bay Area Independent Elders Program
Corporation for Supportive Housing
Foundation Consortium for School-Linked Services
Local Initiative Support Corporation
National Arts Stabilization

Interviewees and Organizations Contributing to the Study

Foundation Staff Interviewed

Anne Allen - Gwendolyn & Morris Cafritz Foundation
Jesse Arreguin - Fresno Regional Foundation
Rayna Aylward - Mitsubishi Electric of America Foundation
Beth Bruner - Bruner Foundation
Martha Campbell - James Irvine Foundation
Winnie Chu - Community Foundation Silicon Valley
Tom David - The California Wellness Foundation
Barbara Dyer - Hitachi Foundation
Anne Green - Benton Foundation
Richard Green - David & Lucile Packard Foundation
Peter Hero - Community Foundation Silicon Valley
Mary Ann Holohean - Eugene & Agnes Meyer Foundation
Michael Howe - East Bay Community Foundation
Frank Karel - Robert Wood Johnson Foundation
Frasierita Klasen - The Pew Fund
Alicia Lara - The California Endowment
Janine Lee - Ewing M. Kauffman Foundation
Julie Meenan - Josephine Gumbiner Foundation
Karen Menichelli - Benton Foundation
Jack Meyers - The J. Paul Getty Trust
Ann Monroe - The California Healthcare Foundation
Michael Moore - Wallace Readers Digest Funds
Peter Pennekamp - Humboldt Area Foundation
Nancy Ragey - Community Foundation Silicon Valley
Josephine Ramirez - The J. Paul Getty Trust
Sophie Sa - Panasonic Foundation
Monica Steigerwartz - The Pew Fund
Tom Reis - W.K. Kellogg Foundation
Jack Shakely - California Community Foundation
Ben Shute - Rockefeller Brothers Fund
Lisa Smith - Robin Hood Foundation
Eugene Wilson - Ewing M. Kauffman Foundation

Foundations Submitting Materials

Mary Reynolds Babcock Foundation
Annie E. Casey Foundation
Edna McConnell Clark Foundation
Cleveland Foundation

Peter F. Drucker Foundation
Flintridge Foundation
Meadows Foundation
New York Community Trust
Pew Charitable Trusts
Roberts Foundation
Rockefeller Foundation
Charles & Helen Schwab Foundation
Social Venture Partners
Amherst H. Wilder Foundation
DeWitt Wallace Readers Digest Fund
Lila Wallace Readers Digest Fund

Philanthropic, Nonprofit and Academic Organization Staff Interviewed

Alan Abramson - Aspen Institute Nonprofit Sector Research Fund
Greg Barnard - Council on Foundations
Lucy Bernholz - Blueprint R&D
Gary Bess - consultant
Elizabeth Boris - The Urban Institute
Joe Brooks - PolicyLink
Andy Burness - Burness Communications
Lon Burns - Burns & Associates
Lee Draper - Lee Draper Consulting
Julie Drezner - consultant
Sharon Edwards - Cornerstone
Barbara Finberg - MEM Associates
Beth Fox - Arts, Inc.
Allen Grossman - Harvard University
Elwood Hopkins - Los Angeles Urban Funders
Amelia Kohm - Chapin Hall Center for Children, University of Chicago
Judith Kroll - Council on Foundations
Alan Kumamoto - Kumamoto Associates
David LaPiana - LaPiana Associates
Bill Martinez - Eureka Communities
Jan Masoaka - Support Center for Nonprofit Management
Ruth McCambridge - Common Ground
Rudeen Monte - Community Impact Consulting
Miyoko Oshimi - Southern California Association for Philanthropy
David Pankratz - Arts, Inc.
Alan Pardini - California League of Community Foundations
Henry Ramos - Mauer Kunst Consulting
Clifford Pearlman - The Conservation Company
David Renz - Midwestern Center for Nonprofit Management
William Ryan - consultant

Susan Philliber - Philliber Research Associates
Susan Stevens - The Stevens Group
Oliver Tessier - Support Center of Washington, DC
Paul Vandeventer - Community Partners
Naomi Wish - Seton Hall University
Gayle Wilson - Center for Youth Policy Development
Tom Wolff - AHEC Community Partners

Philanthropic, Nonprofit and Academic Organizations Submitting Materials

Bay Area Independent Elders Program
Corporation for Supportive Housing
Environmental Support Center
Foundation Consortium for School-Linked Services
Local Initiative Support Corporation
National Arts Stabilization