




STRENGTHENING NONPROFIT CAPACITY

CORE CONCEPTS IN CAPACITY BUILDING

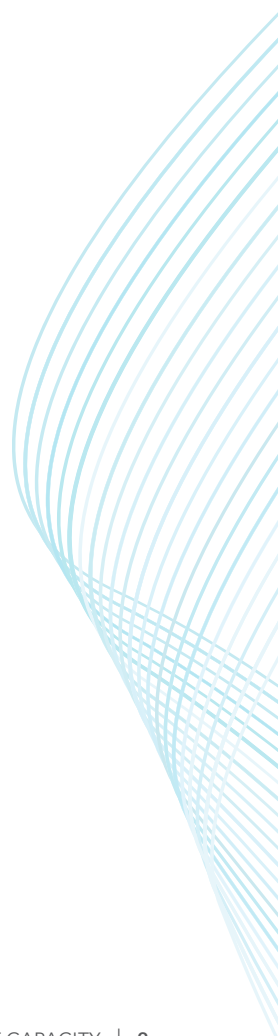


GEO is a diverse community of more than 550 grantmakers working to reshape the way philanthropy operates. We are committed to advancing smarter grantmaking practices that enable nonprofits to grow stronger and achieve better results.

The GEO community provides grantmakers with the resources and connections to build knowledge and improve practice in areas that have proven most critical to nonprofit success. We help grantmakers strengthen relationships with grantees, support nonprofit resilience, use learning for improvement and collaborate for greater impact. For more information and resources for grantmakers, visit www.geofunders.org.

TABLE OF CONTENTS

INTRODUCTION	3
Capacity Building Matters	
SECTION ONE	6
Core Concepts in Capacity Building	
SECTION TWO	10
Building Trust on the Way to Building Capacity	
SECTION THREE	13
Connecting Capacity Building and Grantmaker Strategy	
SECTION FOUR	15
Understanding Nonprofit “Readiness”	
SECTION FIVE	18
Funder Readiness and Options for Providing Capacity-Building Support	
SECTION SIX	25
The Three C’s: Considerations for Any Type of Support	
Make it contextual	25
Make it continuous.....	28
Make it collective.....	32
SECTION SEVEN	39
Assessing the Impact of Capacity Building	
CONCLUSION	49
APPENDIX	51
Additional Resources	
Acknowledgments.....	52



77%
of staffed
foundations
in the United
States provide
some type of
capacity-building
support

INTRODUCTION: CAPACITY BUILDING MATTERS

Grantmakers across the United States and around the world increasingly recognize the value of supporting nonprofit capacity. A 2014 survey from Grantmakers for Effective Organizations found that 77 percent of staffed foundations in the United States provide some type of capacity-building support to nonprofits through investments in things such as leadership development, fundraising capacity, evaluation capacity, communications or technology. Additionally, 27 percent of respondents that support capacity building said they have increased this support in the past three years.¹

Why the stepped-up attention to capacity building? Because time and again, grantmakers have seen how capacity-building support can help grantees get better results. By supporting organizations to strengthen their leadership and improve the ability of their staff and board members to perform at their best, philanthropy can help ensure that nonprofits have what they need to deliver on their missions over the long haul. Rea Carey, executive director of the National Gay and Lesbian Task Force, said that supporting leadership development is like adding “protein powder” to other foundation support.² The same goes for other forms of effective capacity building. It helps maximize the impact of all philanthropic support and increases the likelihood that nonprofits will be successful.

But even as philanthropy is paying new attention to nonprofit capacity, creating strong, sustainable organizations remains a sectorwide challenge. According to the Nonprofit Finance Fund’s 2015 State of the Sector survey, a majority of nonprofits (53 percent) reported three months or less of cash on hand. Among the top challenges reported by the organizations in the survey

¹ Grantmakers for Effective Organizations, *Is Grantmaking Getting Smarter?* (Washington, D.C.: GEO, 2014). Available at <http://www.geofunders.org/smarter-grantmaking/field-study>.
² Ira Hirschfield, “Investing in Leadership to Accelerate Philanthropic Impact,” *Stanford Social Innovation Review*, September 11, 2014. Available at http://ssir.org/talent_matters/entry/investing_in_leadership_to_accelerate_philanthropic_impact.

were the following: achieving long-term sustainability (32 percent), offering competitive pay or retaining staff (25 percent), and raising funding that covers full costs (19 percent).³ These challenges have led to important field conversations about how funders and nonprofits can partner to understand and support what it takes for organizations to achieve impact, given long-standing underinvestment by public agencies and private grantmakers.⁴

The bottom line is that many grantmakers continue to prioritize project support instead of the general operating and capacity-building support that can help nonprofits succeed over the long haul. In addition, some grantmakers that have embraced capacity building have done so in ways that don't necessarily help grantees — and that can actually do harm. Prescriptive approaches and “mandatory” capacity building based on the belief that a grantmaker knows best how a nonprofit can become stronger and more effective can undermine grantmaker-grantee relationships. These approaches can also require nonprofits to spend precious time and resources addressing issues that may not be core to improving performance over time. Similarly, efforts that are too short term may raise expectations (of both grantmakers and nonprofits) without the potential for lasting change.

In this publication, GEO offers background on what capacity building is, what approaches are working for grantmakers and their grantees, and how to tailor an approach that best suits the needs of nonprofits and communities. The publication is based on facilitated listening sessions with more than 100 grantmakers, nonprofits and providers of capacity-building support; interviews with over 25 grantmakers who support capacity building and 20 technical assistance providers; a scan of the nonprofit capacity-building literature; discussions with GEO's nonprofit advisory council and former capacity-building advisory group; and other research conducted between 2012 and 2016.⁵ This publication will be most useful for grantmakers who are ready to start providing capacity-building support or are looking to find new ways to be more effective in the support they offer.

27%
of staffed
foundations that
support capacity
building said they
have increased
this support
in the past
three years

³ Nonprofit Finance Fund, “State of the Nonprofit Sector 2015.” Available at http://www.nonprofitfinancefund.org/sites/default/files/docs/2015/2015survey_brochure.pdf.

⁴ See The Real Cost Project (<http://www.realcostproject.org>), Forefront's “Increase Funding for Real Costs” (<https://myforefront.org/increase-funding-real-costs>) and The Overhead Myth (www.overheadmyth.com).

⁵ GEO released an earlier, online-only version of *Strengthening Nonprofit Capacity* in January 2015. This new version includes additional content, as well as refreshed information where needed.

A LOOK AHEAD: HOW TO USE THIS PUBLICATION



SECTION ONE:

CORE CONCEPTS IN CAPACITY BUILDING

First, let's get some definitions out of the way:

- GEO defines **nonprofit effectiveness** as the ability of an organization or a network to fulfill its mission through a blend of sound management, strong governance and a persistent rededication to assessing and achieving results.
- **Capacity**, in turn, refers to a wide range of capabilities, knowledge and resources that nonprofits need in order to be effective.⁶
- GEO defines **capacity building** as the funding and technical assistance necessary to help nonprofits increase specific capabilities to deliver stronger programs, take risks, build connections, innovate and iterate. Another definition of capacity building comes from the Washington Statewide Capacity Collaborative: “Any service that enhances the organization’s (or group of organizations’) internal effectiveness at achieving mission sustainability — in other words, services which strengthen the foundation or engine of the organization, not its specific programs.”⁷
- **Technical assistance** is a term sometimes used interchangeably with capacity building. It is the process by which organizations obtain the necessary knowledge, tools and other resources to develop, implement and assess targeted improvements in their work. This process is often supported by a consultant or expert.

So what specific “capacities” are we talking about? An organization’s capacity needs will vary depending on a range of factors, such as its size, age, program models, revenue base, or the capacities of complementary organizations working in the same community or field. A list of common capacities follows.⁸ While all of these capacities are important, it may not

⁶ Lori Bartczak and Vince Hyman, eds., *A Funder’s Guide to Organizational Assessment: Tools, Processes, and Their Use in Building Capacity* (Washington, D.C.: GEO, and St. Paul, MN: Fieldstone Alliance, 2005), 6.

⁷ The Giving Practice, *An Assessment of Capacity Building in Washington State* (Seattle, WA: Philanthropy Northwest, 2012).

⁸ Some of this content is adapted from Paul Connolly and Carol Lukas, *Strengthening Nonprofit Performance: A Funder’s Guide to Capacity Building* (St. Paul, MN: Fieldstone Alliance, 2002), 140.

be necessary for one organization to be equally strong on all capacities, and certain capacities may be more critical at certain points in the organization's development than others.

- **Leadership** — staff and board leadership skills, capacity to support talent development for all staff, executive transition planning, ability to steward effective organizational culture⁹
- **Mission, Vision and Strategy** — organizational planning, assessment and strategy development
- **Diversity, Equity and Inclusion** — attention to equity throughout the organization's practices and work
- **Program Delivery** — capacity to design and deliver effective programs
- **Fund Development** — fundraising strategy and planning, plus skills and internal systems for fundraising and other revenue-generating activities
- **Financial Management** — skills and systems for accounting, budgeting, financial planning and other activities to ensure financial health
- **Communications** — skills and capacities in marketing, online presence, media relations and social media to raise awareness and attract attention and resources to the organization or issue
- **Technology** — information technology systems, digital data and infrastructure, and staff skills to use technology to facilitate the work
- **Collaboration** — skills and mindset to create and sustain strategic relationships with colleague organizations, stakeholders and decision-makers that can help advance the mission and possibly spark collaboration¹⁰
- **Evaluation and Learning** — capacity to gather data, measure impact, close feedback loops and assess lessons learned in order to strengthen the organization's work over time¹¹

To understand needs in their communities, some grantmakers undertake field scans or discussions with their nonprofit partners. For example, a

⁹ GEO has created a range of resources on leadership development for nonprofits. Please see www.geofunders.org.

¹⁰ While there is growing attention in philanthropy and across the social sector to capacity building for movements and networks, this publication focuses primarily on supporting the capacity of individual organizations. For more information on how funders can build the capacity of nonprofits to be better collaborators themselves, see Grantmakers for Effective Organizations, *Working Better Together: Building Nonprofit Collaborative Capacity* (Washington, D.C.: GEO, 2013). Available at www.geofunders.org.

¹¹ See Grantmakers for Effective Organizations, "How Can We Help Grantees Strengthen Their Capacity for Evaluation?" in *The Smarter Grantmaking Playbook* (Washington, D.C.: GEO, 2015). Available at http://docs.geofunders.org/?filename=evaluation_capacity_building.pdf.

2015 Bridgespan survey commissioned by JPMorgan Chase & Co. set out to identify specific capacity areas in which nonprofits believe they need the most support. Fundraising and communications/marketing topped the list. A separate question asked organizations to assess their performance across a range of operational areas. Those areas in which organizations said they were also challenged included volunteer strategy, executive succession planning, technology and human resource management.

TCC Group, a consulting practice serving the nonprofit sector, has highlighted the importance of *adaptive capacity*, which it defines as “the ability to monitor, assess, respond to and create internal and external changes.”¹² Adaptive capacity, in TCC Group’s view, is one of four core capacity areas that contribute to nonprofits’ effectiveness and impact. The other three are leadership, management and technical capacities. In their view, organizational culture also has implications for organizational capacity and, while all four of the core capacities listed above are equally critical to building a strong and sustainable organization, “adaptive” and “leadership” capacity are considered the “leaders among equals.”

Others in the field have embarked on similar efforts to describe the core capacities needed by nonprofits:

- Venture Philanthropy Partners, working with McKinsey & Company, outlines a capacity framework that includes ten essential elements of nonprofit capacity: aspirations; strategy; leadership, staff and volunteers; funding; values; learning and innovation; marketing and communication; advocacy; managing processes; and organization, infrastructure and technology.¹³
- The Bridgespan Group posits that highly effective organizations are strong in five key areas: leadership, decision-making and structure, people, work processes and systems, and culture.¹⁴
- The Performance Imperative Campaign has created a framework identifying seven pillars of high performance for social-sector organizations, from “courageous and adaptive executive and board leadership” to “internal monitoring for continuous improvement.”¹⁵

ADAPTIVE CAPACITY:

The ability to monitor, assess, respond to and create internal and external changes.

¹² Peter York, *The Sustainability Formula: How Nonprofit Organizations Can Survive in the Emerging Economy* (New York: TCC Group, 2009), 2.

¹³ McKinsey & Company, “Organizational Capacity Assessment Tool: OCAT 2.0,” Available at <http://mckinseysociety.com/ocat/>.

¹⁴ The Bridgespan Group, “Organizational Effectiveness.” Available at <http://www.bridgespan.org/Publications-and-Tools/Organizational-Effectiveness.aspx>.

¹⁵ See Leap of Reason, “The Performance Imperative Campaign.” Available at <http://www.leapofreason.org/performance-imperative/>.

A FOCUS ON NONPROFIT RESILIENCE

When GEO was brainstorming about how to describe its advocacy on behalf of nonprofit capacity building and flexible funding (including general operating support and multiyear grants), it settled on the term “Supporting Nonprofit Resilience.”

The concept of resilience (or resiliency) has gained increasing cachet in fields from psychology to business as researchers and others explore the key facets of what makes people and organizations successful over time. Some grantmakers in the human services field may recognize parallels between developing individual resilience and developing organizational resilience.

In philanthropy, the S.D. Bechtel, Jr. Foundation has called for a fieldwide focus on resiliency for nonprofit organizations. As the foundation defines it, resiliency is “the capacity to respond effectively to change, to bounce back from unexpected shifts, to adapt to new and unforeseen conditions and circumstances — and to seize opportunity.”¹⁶

The S.D. Bechtel, Jr. Foundation has an important motive for making resiliency a priority. It is a “spend-down” foundation and will close its doors in 2020. As a consequence, the foundation has made a commitment to building the capacity

of grantees to continue their work for the long haul. “We want to be as certain as possible that our grantees will be able to withstand the loss of our funding and continue their excellent work,” said Barbara Kibbe, director of organizational effectiveness with the foundation. “That has caused us to be very thoughtful and strategic about what propels organizations to be more effective over time.”

To support the resiliency of its grantees, the S.D. Bechtel, Jr. Foundation is in an “ongoing conversation” with them to flag issues and challenges that may affect their long-term effectiveness, according to Kibbe. Based on this work, the foundation has published a *Resiliency Guide* identifying seven factors that contribute to an organization’s resiliency: a culture of learning, talent and leadership, context (outside-in thinking), planning and execution, reputation and communications, partnerships and alliances, and financial footing.¹⁷

Other grantmakers with plans to spend down face similar concerns about how to set grantees up for longer-term success, but they’re not alone. Even grantmakers planning to exist in perpetuity go through changes in strategy or portfolios that result in ending relationships with grantees. They too can consider how to build the strength of these organizations to withstand those changes.

¹⁶ S.D. Bechtel, Jr. Foundation, “Resiliency Guide,” March 2016. Available at <http://www.sdbjrfoundation.org/resiliency/>.

¹⁷ Ibid.

SECTION TWO:

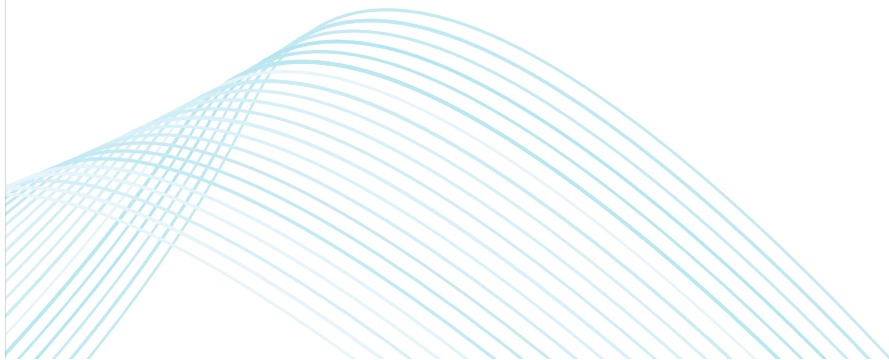
BUILDING TRUST ON THE WAY TO BUILDING CAPACITY

The many perspectives across the field about the essential capacities nonprofits need in order to be effective can provide useful frameworks and ideas as grantmakers explore how to best support nonprofits. Funders may have an outside perspective on grantee needs, and we need to talk with nonprofits to understand the view from inside. “Funders need to listen before investing in capacity building and really understand how the nonprofits themselves think about their needs,” said Don Crocker, senior fellow at the Support Center | Partnership in Philanthropy, a management support organization based in New York and New Jersey.

Strengthening nonprofit capacity therefore starts with asking questions and engaging grantees in a continuing conversation about how they are doing and where they may need help. Given the power differential between grantmakers and nonprofits — grantmakers with money to invest for impact and nonprofits that need that money to accomplish their work — expecting nonprofits to open up in this way can be a tall order.

Nonprofits are accustomed to trumpeting their achievements and successes in their communications and relationships with funders, but capacity building turns these conversations to vulnerabilities and areas of weakness. Cindy Rizzo, evaluation and strategy senior advisor at the Arcus Foundation, said that, “Often, in discussion with funders, grantees limit their capacity building needs to fundraising support so that they can expand their reach and do not mention other issues that they fear the foundation will perceive as concerns in relation to future funding.” Supporting and encouraging grantees to be honest and open in these conversations means building a high degree of trust.

Strengthening nonprofit capacity starts with asking questions and engaging grantees in a continuing conversation about how they are doing and where they may need help.



“
It’s hard for any leader
to say, ‘These are our
deficits.’ To share that
internally is hard; to share
that with someone who’s
not in the family is painful.
But you need to have one
funder with whom you can
share your dirty secrets.
Otherwise, it’s just smoke
and mirrors.

– nonprofit leader

Nonprofit leaders participating in GEO’s listening sessions discussed the challenges of and opportunities for communicating their capacity-building needs with funders. “It’s hard for any leader to say, ‘These are our deficits,’” one nonprofit leader said. “To share that internally is hard; to share that with someone who’s not in the family is painful. But you need to have one funder with whom you can share your dirty secrets. Otherwise, it’s just smoke and mirrors.”

“There has to be a real dialogue,” said Barbara Kibbe, who, as the director of organizational effectiveness at the S.D. Bechtel, Jr. Foundation, provides coaching and resources on capacity building to program officers. “Supporting organizations to be more sustainable and more effective is an ongoing process where you have to make a deep commitment to learning about them and understanding their work and asking about their challenges on an ongoing basis.”

While many grantmakers are exploring how to structure these kinds of honest conversations, others have found they can build trust and openness — and reduce the effects of the power differential — through the simple act of allowing the conversation to happen without their direct involvement. These grantmakers effectively let go of some control as grantees work with consultants and technical assistance providers to address their day-to-day challenges and shape solutions. Some grantmakers, in fact, deliberately create a high degree of autonomy and confidentiality for consultants so grantees feel they can work on tough challenges without everything getting back to their funder.

The Evelyn & Walter Haas, Jr. Fund, for example, created the role of plan consultant as part of its Flexible Leadership Awards program so that organizations could have a “confidential thought partner” in their journey to stronger leadership and better results. (For more on the FLA program, see page 38). Similarly, The Cricket Island Foundation creates a “firewall” between itself and grantees through the work of consultants. “We just don’t feel it is realistic to think that grantees will be totally honest with us about things,” acknowledged the foundation’s executive director, Elizabeth Sak. In Pittsburgh, The Forbes Funds uses retired nonprofit executives to work with grantee leaders to analyze the situation. Depending on their needs, the executives will offer free mentoring services for up to six months and work with grantees to craft a capacity-building plan that meets their unique needs.

These solutions (sometimes paired with assessment tools) can help grantmakers provide needed assistance and outside perspectives for nonprofits

to diagnose their needs, without becoming too directive. A key to building trust is making sure that nonprofits don't feel steamrolled into capacity building. When it first started its capacity-building work, St. David's Foundation in Austin, Texas, tried to make capacity building a required activity for grantees. "We held several retreats for executive directors where we provided trainings on a broad set of topics, such as developing logic models and using social media. The trainings were of high quality, but with such a diverse set of grantees at various stages of readiness for integrating what they learned, it was hard to provide the right level of information for everyone. In addition to retreats, on occasion we would make it a condition of a grant that an organization had to 'do capacity building' such as board development work," said Becky Pastner, senior program officer with the foundation.

But over time, the foundation, which is a joint owner of a regional health system and makes grants to health-related organizations and initiatives, came to see that its approach wasn't delivering what grantees truly needed. In an effort to be more responsive to grantee capacity needs, and factoring in their readiness for engaging in capacity building, the grantmaker launched the CapacityWorks program. As part of the program, current grantees of the foundation can apply for grants for capacity-building consulting and other support. Grantees are asked to discuss these projects with their program officers before applying for the grants. They also are asked to complete an online organizational capacity survey — TCC Group's Core Capacity Assessment Tool — which helps them pinpoint key needs.

Another component of the CapacityWorks program is the Capacity Academy, which launched in 2014 and provides a select group of St. David's Foundation grantees with more intensive capacity-building support over the course of three years. Each organization works with consultants to develop and execute its own plan for strengthening capacity, based in part on the CCAT. The academy participants get grants and coaching help to work on their capacity-building initiatives, and they are part of a learning community that participates in periodic skill-building workshops and gathers every other month to troubleshoot issues they are facing in their work.

There are many different ways to engage nonprofits to determine where they need support and to build the trust that is critical for long-term success. From third-party consultants to assessment tools, grantmakers have a variety of options when it comes to understanding the needs of nonprofits. Grantmakers can then use this information to work with grantees to develop a plan for strengthening capacity.



QUESTIONS FOR GRANTMAKERS:

- » To what extent is your capacity-building support driven by your organization's interests and priorities versus those of the nonprofits you are supporting?
- » Are staff and trustees at your organization well informed about the challenges faced by nonprofits? Do they have opportunities to engage in shared learning and conversations about internal and external factors that can affect organizational success and development?
- » What can you do to ensure an open and honest relationship with nonprofits and to encourage them to share key capacity challenges?
- » How can you build in systems for autonomy and confidentiality so grantees feel comfortable working on the toughest issues they face?

SECTION THREE:

CONNECTING CAPACITY BUILDING AND GRANTMAKER STRATEGY



QUESTIONS FOR GRANTMAKERS:

- » What is the connection between capacity building and your broader mission and strategies? How can capacity building increase the impact of your organization's overall work? How would you answer the question: capacity building to what end?
- » How would your organization's mission be advanced if nonprofits had stronger leadership and improved capacity in core functional areas such as evaluation, fundraising, communications, technology, finances, governance and so forth?
- » How can you use the answers to the previous questions to make a strong case for capacity building to trustees, staff and other stakeholders? What other information might these stakeholders find compelling?

Some grantmaking staff or board members may perceive that capacity-building support comes at the cost of seemingly more direct opportunities to make progress on their missions. The St. David's Foundation is one of many grantmakers investing in capacity building *because* they see a clear connection between these investments and their broader strategies and goals. To the extent that they support grantees to be more effective in key areas, from leadership to fund development to communications, these grantmakers believe their other investments in these organizations will deliver better and more lasting results. On its website, the St. David's Foundation draws a straight line between the Capacity Academy and its broader mission, stating that the academy exists to support “the organizations and leaders that improve the health and well-being of our community.”

Another foundation that sees a clear link between capacity building and its broader strategy and theory of change is the Wilburforce Foundation, a conservation funder in the Pacific Northwest. The foundation is the major funder of Training Resources for the Environmental Community, a New Mexico-based nonprofit that provides free, customized capacity-building services to the foundation's grantees. The grantmaker believes so strongly in this work that it developed an “outcome map” that places capacity building at the heart of its broader strategy and mission (see following page).

While some may question the link between capacity building and supporting the mission-focused work of nonprofits, grantmakers who provide capacity building support believe that this type of funding leads to better and more sustainable results.

“
 We recognize that the only way we can
 achieve our mission and vision is if we
 have strong grantee partners.

– Paul Beudet, Associate Director,
 Wilburforce Foundation

WILBURFORCE FOUNDATION OUTCOME MAP

RELATIONSHIPS

Build and maintain strong relationships with grantees, funders, scientists, decision-makers and other allies.

→ So we can make smart, well-informed investments in capacity.

CAPACITY

Improve the effectiveness of grantee organizations, their leaders, conservation scientists and other allies.

Increase communication, cooperation and collaboration between grantees, funders, scientists and decision-makers.

Increase access to and use of scientific, legal, political and economic resources to advance conservation plans, policies and practices.

→ So we can support better conservation outcomes.

CONSERVATION OUTCOMES

Increase the social and political relevance of conservation in the communities and priority regions in which we work.

Decrease or mitigate threats to lands, waters and wildlife.

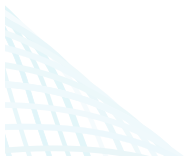
Improve the ecological resilience of the landscapes in which we work.

Improve the protected status of lands, waters and wildlife.

→ So we can achieve sustained change.

SUSTAINED CHANGE

Native wildlife thrive throughout networks of connected lands and waters in western North America.



SECTION FOUR: UNDERSTANDING NONPROFIT “READINESS”

Every nonprofit organization may not be ready for the kind of multiyear, strategic capacity-building support that GEO and many grantmakers agree can be most effective. Maybe the nonprofit is facing leadership issues that will prevent it from making the most of its capacity-building support. Or perhaps it lacks the staffing and systems to seriously take on the challenge of strengthening its capacity in key areas.

Some might say that many nonprofits face a “Catch-22” scenario when it comes to capacity-building support: They may not be ready for this kind of effort because they’re too strapped for capacity to step back from the day-to-day pressures of their work. It is important for grantmakers to pay close attention to the issue of readiness, both to make sure we are investing in organizations where capacity building can deliver real gains in effectiveness and to identify how we might tailor our support in ways that make the most sense for each organization.

Venture Philanthropy Partners was founded in 2000 to help nonprofit leaders strengthen their organizations and grow proven programs for greater results. VPP’s high-engagement form of capacity building uses a venture capital model to identify nonprofits that President and CEO Carol Thompson Cole calls “high-performing organizations.” Finding these organizations is a process that requires deep analysis and due diligence to confirm that organizations can, as Cole put it, “develop the leadership, the systems and the capacity to match their will and determination.”

Determining readiness is not an exact science. VPP recently launched an effort to identify nonprofit partners for an initiative to prepare youth in Prince George’s County, Maryland, for college and careers. Initially, it established criteria stating that its nonprofit partners had to have budgets in excess of \$3 million, have a strong leader and have been in existence for five years. Before long, the grantmaker revised these criteria because it was seeing organizations with strong programs that didn’t necessarily meet the other conditions.

“When we see a smaller organization doing something innovative and important, we now are asking how we can help them build their capacity to fit into this larger work we are doing,” Cole said. “And if the fit is right, we will work with them so they develop what they need to go to the next level.”

Organizational assessments and candid conversations are two key ways to gauge grantee readiness for capacity building. Many grantmakers interviewed for this publication use the TCC Group’s Core Capacity Assessment Tool as an initial screen; others have developed their own assessment surveys and mechanisms.¹⁸ Assessment tools can serve multiple purposes, such as to assess readiness, identify needs and provide baseline information that can help in evaluation efforts.

One caution to consider: Readiness assessments should not be another time-consuming “hoop” that grantees must jump through to get funding or other support. Get feedback from nonprofits about how much time and effort your assessment processes require and whether or not they result in new insights. The Forbes Funds has found multiple check-ins to be beneficial because capacity building is a process, and benefits or challenges may emerge over time.

Once grantmakers have information on the organization’s readiness, they can begin planning for how to move forward with capacity-building support.



QUESTIONS FOR GRANTMAKERS:

- » What can you do to make sure you are accurately assessing grantees’ readiness for and interest in capacity-building support, as well as their capacity to “absorb” that support?
- » Do you have information about past capacity-building efforts undertaken by your grantees? What were the results of those efforts, and how might they inform future work?
- » Is there a shared understanding at your organization about how you will use information gleaned from readiness assessments?
- » What can you do to ensure that any readiness assessments you develop or ask grantees to undergo do not pose an undue burden? How might you leverage readiness assessments as an opportunity to build trust and partnership?

¹⁸ For more on organizational assessments, see page 44 and Grantmakers for Effective Organizations, “What Are the Key Things We Need to Know About Organizational Assessments?” in *The Smarter Grantmaking Playbook* (Washington, D.C.: GEO, 2014). Available at http://docs.geofunders.org/?filename=organizational_assessments.pdf.

WHAT IS ABSORPTIVE CAPACITY?

As grantmakers assess a nonprofit's readiness for capacity-building support, we should also consider the question of how much of this support organizations can "absorb" at any given time. This is what "*absorptive capacity*" means, and the term increasingly is coming up in conversations across the field.

William P. Ryan, a consultant and Harvard University researcher who has evaluated the leadership development investments of the Evelyn & Walter Haas, Jr. Fund, said the grantmaker originally planned to support organizations in its Flexible Leadership Awards program to the tune of \$100,000 per year. But the program's grantees, who work with a consultant to identify how to strengthen their leadership, ended up spending half that amount of money or less.

According to Ryan, "This suggests ... that the impact (of this support) lies with changing teams and boards and leaders, and there are only so many of each in an organization, however big it is."¹⁹ Another likely explanation is that nonprofits and their leaders have so much on their plates that they can only carve out so much time and attention for capacity building and leadership development, as important as they are. This isn't a reason for grantmakers to invest less in capacity building, as it is still a chronically underfunded need across the social sector. Rather, thinking about absorptive capacity can help grantmakers and grantees prioritize and phase capacity-building investments for maximum impact. For example, Kate Dewey of The Forbes Funds said that pairing change management coaches with nonprofit leadership teams can help those teams implement, sustain and continuously refine new practices or approaches resulting from capacity-building efforts.

¹⁹ Evelyn & Walter Haas, Jr. Fund, "Absorptive Capacity: What Is the Optimal Grant Size?" video, 2013. Available at www.haasjr.org/resources/absorptive-capacity.

SECTION FIVE:

FUNDER READINESS AND OPTIONS FOR PROVIDING CAPACITY-BUILDING SUPPORT

Ultimately, capacity building is about assisting nonprofit leaders, their staffs and their boards to develop the skills and resources needed to create and sustain effective, efficient and resilient organizations. It sounds straightforward enough, but grantmakers often are unsure how to get started and what the options are for providing this kind of support.

Just as there is a range of capacities that contribute to organizational effectiveness, there is a range of ways grantmakers can support capacity building. Change is hard and requires broad buy-in across our organizations; therefore, it is critical to first clarify why we want to do this work. How will strengthening the capacity of nonprofits help us meet our mission? As noted above, another important consideration before jumping in is ensuring that grantees are ready for this kind of support and are committed to starting the process with us. Once we have addressed the “why” of supporting capacity building and assessed the readiness of grantees for this support, it’s time to weigh our own readiness for providing it, as well as our options.

Capacity building is long-term work that can require significant investments of time and resources, so we need to look inward to assess our ability to sustain such investments. Conversations with board and staff members can help surface the degree of commitment that grantmakers are willing to make to capacity building, as well as how well-prepared we are as funding organizations to do it justice. For example, relatively few funders have people on staff with deep backgrounds in organizational development or particular expertise in nonprofit capacity building. Consider how existing skills, competencies and relationships already present in your organization will enable you to proceed. Also, consider where you might need to build,

Just as there is a range of capacities that contribute to organizational effectiveness, there is a range of ways grantmakers can support capacity building.

“
 We didn’t want to start anything that reinvented the wheel, wasn’t collaborative with other funders or ... couldn’t be sustained over time.

– Sidney Hargro,
 Executive Director,
 Community Foundation of
 South Jersey

contract out or hire for new skills. Check for shared understanding that capacity-building programs aren’t likely to succeed as short-term initiatives. Are organizational leaders comfortable with making a long-term investment in this work?

Importantly, this is an area where grantmakers don’t have to go it alone and be all things to their grantees. Grantmakers in a number of regions have partnered with fellow funders to undertake landscape scans to prevent redundancies and address gaps in the capacity-building offerings available in their communities. Funders seeking to begin or expand capacity-building programs can speed their progress by understanding what’s already being done. In designing its program, the Community Foundation of South Jersey (founded in 2009) spent time listening to nonprofit organizations, learning about the local landscape, and examining existing training and technical assistance offerings. “We didn’t want to start anything that reinvented the wheel, wasn’t collaborative with other funders or ... couldn’t be sustained over time,” said Sidney Hargro, the foundation’s executive director. For example, foundation staff attended board and executive trainings offered by another grantmaker. The foundation also sought opportunities to discuss nonprofit capacity building more broadly with other area funders; it has since partnered with the Campbell Soup Foundation and the Geraldine R. Dodge Foundation.²⁰

The table on the following pages highlights five common ways in which grantmakers support capacity building, along with some of the benefits and limitations of each approach.²¹ This is, of course, just one way to organize considerations around designing a capacity-building strategy. Grantmakers can also consider factors such as the level of intervention (individual, team, organization, community, ecosystem)²² and how capacity-building efforts will be internally staffed and resourced (as a stand-alone program, woven into existing initiatives, etc.). The field has not coalesced around a single “best” model; rather, grantmakers acknowledge that implications and trade-offs come with different approaches.

²⁰ For more on this example, see Grantmakers for Effective Organizations, “Who Is Successfully Building Nonprofit Capacity? Community Foundation of South Jersey.” Available at http://docs.geofunders.org/?filename=cfsj_capacity_building.pdf.

²¹ This table draws upon Paul Connolly and Carol Lukas, *Strengthening Nonprofit Performance: A Funder’s Guide to Capacity Building* (St. Paul, MN: Fieldstone Alliance, and Washington, D.C.: GEO, 2004), 60-61.

²² For an example, please see Kathleen Enright, *Investing in Leadership, Volume Two: Inspiration and Ideas from Philanthropy’s Latest Frontier* (Washington, D.C.: GEO, 2006), 19. Available at <http://www.geofunders.org/resource-library/all/record/a0660000003YTYyAAO>.

“

Capacity building has given us
the tools, time and resources
to make sure we grow in a way
that is sustainable and will have
significant positive impact
for the youth we serve.

– Flint Fowler, President,
Boys & Girls Clubs of Greater St. Louis²³

”

²³ Quote taken from Deaconess Foundation, *Deaconess Impact Partnership*. Available at <http://www.deaconess.org/grantmaking/deaconess-impact-partnership>.

OPTIONS FOR PROVIDING CAPACITY-BUILDING SUPPORT

While there is no one-size-fits-all solution for providing capacity-building support, the table below summarizes many of the strategies available to grantmakers. Once funders have determined they are ready to move forward, they can select the types of support that make the most sense for their organization and for their grantees.

TYPE OF SUPPORT	BENEFITS
<p>Unrestricted support Multiyear, general operating grants.</p>	<ul style="list-style-type: none"> » Provides needed unrestricted funding. » Grants are paid in full and up front, and grantees can use the funds to support their priorities and needs. » Allows grantees to drive the timing and pacing of capacity-building work.
<p>Organizational capacity-building grants Grant support focused on building specific organizational capacities, such as leadership, fundraising, communications, evaluation, collaborative capacities and more. Sometimes paired with program grants or general operating grants.</p>	<ul style="list-style-type: none"> » Targeted support helps meet specific needs that may not be funded from other sources. » May help set the stage for organizational growth and development.
<p>Organizational capacity-building grants plus technical assistance Grant support plus technical assistance from consultants or foundation staff that is focused on building specific organizational capacities. This can take the form of technical assistance programs, training, organizational assessments, peer learning groups or consulting engagements. It can be provided to cohorts of grantees or one by one to individual organizations.</p>	<ul style="list-style-type: none"> » Targeted support helps meet specific needs that may not be funded from other sources. » Grantees can drive the process of identifying capacity-building needs and designing the technical assistance engagement. » Grant funds can be used to help with implementation or follow-up after technical assistance. » Technical assistance from an outside provider can allow for a more objective approach.
<p>Efforts to build capacity collectively Grants and/or support to build the capacity of a field, group of grantees, networks or other collaborative efforts, instead of, or in addition to, the capacity of individual grantees (see page 35 for more on this type of capacity building).</p>	<ul style="list-style-type: none"> » Recognizes the reality of multiple actors working, sometimes in silos, to address social issues. » Provides critical funding to help strengthen collaborative efforts. » Encourages grantees and partners to work together.
<p>Grants to technical service providers, intermediaries or researchers Grants or contracts to build the capacities of capacity-building providers or develop knowledge and practice in the field.</p>	<ul style="list-style-type: none"> » Helps ensure that nonprofits have access to the knowledge, experience and resources to best build their capacity. » Can offer economies of scale. » Can offer expertise the grantmaker doesn't have on staff.

LIMITATIONS	EXAMPLE
<ul style="list-style-type: none"> » When access to operating funds is limited, some nonprofits may find it difficult to prioritize investing in organizational capacity building. » Measuring the impact of general operating grants requires different models. 	<p>Weingart Foundation in Los Angeles gives the majority of its grants as multiyear unrestricted support and has found that most grantees use this funding to build and strengthen organizational capacity. Weingart Foundation has also developed a learning and assessment framework to understand how unrestricted support furthers the organizational effectiveness of grantees (see page 46).</p>
<ul style="list-style-type: none"> » It can be difficult for nonprofits to decide which capacities to prioritize and to align those priorities with grant timing and any potential readiness efforts. » Organizations may have multiple and interrelated needs that a targeted capacity-building grant can't address. 	<p>The Eugene and Agnes E. Meyer Foundation's Organizational Effectiveness Program provides capacity-building grants of up to \$30,000 (for one year) and \$60,000 (for multiyear projects). Grants primarily cover the costs of consultants who work with organizations on key leadership, management and planning issues.</p>
<ul style="list-style-type: none"> » It can be difficult to determine which capacities to prioritize. » Grantmakers may not have the expertise to design technical assistance or assess skills of consultants. » Technical assistance that is too funder driven will be less effective; input from grantees is critical. » Off-the-shelf or one-time capacity-building interventions can be less effective; customized support is more time and resource intensive. 	<p>The Pierce Family Foundation supports capacity building through grants and technical assistance opportunities such as workshops, peer skill sharing, and access to nonprofit coaches and consultants.</p>
<ul style="list-style-type: none"> » It can be difficult to determine how best to structure the support. » Outcomes may be unclear given multiple actors and efforts. » Grantmakers must make multiyear commitments for the support to be meaningful. » By emphasizing collaborative capacity, grantmakers may overlook other needs of participating organizations. 	<p>The Boston Foundation provides grants aimed at increasing the capacity of nonprofits and leaders to act collectively and collaboratively. The grantmaker is a founding funder and leading supporter of the Massachusetts Nonprofit Network, a key infrastructure and membership organization that represents and supports the state's entire nonprofit sector by developing capacity-building initiatives and networking events and by serving as an advocate and unified voice for the sector.</p>
<ul style="list-style-type: none"> » Grant decisions may require a different set of knowledge or experience than the grantmaker possesses. » Some potential grant or contract recipients may fall outside the foundation's funding guidelines. » Requires consideration of the relationship grantmakers want to convey: Is funding a seal of approval for capacity-building providers? Will grantees perceive pressure to work with funded entities? » Technical assistance alone can be less effective for grantees than it is when combined with funding. 	<p>Vitalyst Health Foundation created the Consultants Community of Practice to increase coordination and knowledge sharing among consultants working with its capacity building recipients. The foundation would like to grow the number of consultants in the community that use practices and knowledge (e.g., Emergent Learning) that the funder believes would be beneficial to the field. It also provides training opportunities (e.g., Interim Executive Director Training) to select consultants to cultivate additional knowledge.</p>



QUESTIONS FOR
GRANTMAKERS:

ASSESSING FUNDER READINESS AND DETERMINING STRATEGY

As the table on the preceding pages shows, there is a range of ways grantmakers can support capacity building. Consider the following questions to help you assess your own readiness and to determine which strategies may offer the best fit for your organization and your capacity-building objectives:

How central is capacity building to your work?

- » What portion of your grantmaking budget will go toward capacity building?
- » Are the funds you have available sufficient to meet your ambitions?
- » How much appetite exists for a long-term investment in capacity building?

What internal capacity (skills, knowledge, relationships, time, etc.) will you need to effectively manage the initiative?

- » Does this internal capacity and expertise exist now, or will you need to develop or contract out for it?
- » How much technical assistance do you want to provide directly (versus through external sources)?
- » *If you don't have and can't build internal capacity, consider using external capacity builders or offering unrestricted support or combined program and capacity-building support.*

How much do you know about other capacity-building programs and resources in your field or region?

- » Are there opportunities for you to partner with other grantmakers or to join an existing effort?

Do your grantees have access to quality technical assistance?

- » *If not, consider grants or contracts to build the capacity of capacity-building providers in your area.*

Do you and your grantees have access to information about the quality of technical assistance providers and consultants?

- » Do you and/or they need help identifying providers?

Do you want to strengthen a few specific organizations or build the overall capacity of a larger field?

- » *If you are interested in supporting capacity building more broadly, a stand-alone grants program may be the right approach.*
- » *If you are focused on a specific organization or a few organizations, a stand-alone program may not be necessary.*

Do you want to focus on a specific type of capacity?

- » *Some grantmakers have prioritized supporting nonprofit leadership or fundraising capability, for example. Assess grantee needs and what else is available in your community to determine if this type of focus makes sense.*

SECTION SIX:

THE THREE C's: CONSIDERATIONS FOR ANY TYPE OF SUPPORT

Every organization and every leader is unique, and circumstances are always changing; there is no one-size-fits-all approach to strengthening nonprofit capacity. However, no matter which approach a grantmaker takes, some considerations apply to any situation. The range of experiences across the GEO community over more than 15 years points to three basic principles that are relevant, no matter what your capacity-building support looks like:

1

MAKE IT CONTEXTUAL

2

MAKE IT CONTINUOUS

3

MAKE IT COLLECTIVE

Make it contextual.

While certain core capacities are critical for any nonprofit — governance and leadership, financial oversight, fundraising and others (see page 7) — how grantees achieve these capacities will differ according to a variety of factors, such as organization age, size, mission, program model, geographic location or revenue base. To be most effective, capacity building must be contextualized to meet the unique characteristics and needs of each organization. A contextual approach to capacity building means designing support that is tailored to meet the specific needs of a grantee and to help the organization address real-time challenges and opportunities. As noted above, this necessitates building trust with grantees so they are open and honest about the capacity challenges they face (see page 10).

“
Taking a cookie-cutter approach
decontextualizes capacity building,
but our experience and the data
indicate that capacity is a
highly contextualized outcome.

– Jared Raynor, Director of Evaluation, TCC Group

Consider what happens when capacity-building support is *not* contextualized. When funders or technical assistance providers adopt one-size-fits-all approaches to capacity building, participants may see it as a waste of time and not applicable to their specific circumstances. This can subsequently reduce their appetite for or interest in *any* kind of capacity building. If it is not going to support them as they continue to struggle with all the challenges faced by their organizations, they may think, “What’s the use?” Jenny Callans, director of early childhood at the United Way for Southeastern Michigan, said that making capacity building contextual is related to another “c”: being considerate. She explained, “Grantors need to be considerate of grantee needs and experiences, before, during and after these efforts to help ensure success.”

“Taking a cookie-cutter approach decontextualizes capacity building, but our experience and the data indicate that capacity is a highly contextualized outcome,” stated Jared Raynor, director of evaluation with TCC Group. This doesn’t mean that grantmakers shouldn’t ever provide general offerings in group settings, such as workshops and trainings. After all, some grantees may have common questions that can be easily addressed in these formats, and good trainers seek to understand the needs of their audiences. Still, real and lasting organizational change requires more individualized attention to grantees.

“
Grantors need to be
considerate of grantee
needs and experiences,
before, during and after
these efforts to help
ensure success.

– Jenny Callans,
Director of Early Childhood,
United Way for
Southeastern Michigan

When JPMorgan Chase & Co. recently set out to strengthen the communications capacity of local community groups in eight cities across the country, it paired intensive training sessions with 120 cumulative hours of follow-up, one-on-one coaching for participants. “We wanted to make sure people could take the content from those training sessions and apply it to the day-to-day work of their organizations,” said Naomi Camper, who heads the company’s Office of Nonprofit Engagement.

Among the many grantmakers modeling a contextual approach to capacity building is Cedarmere Foundation in Seattle. Its mission is to support “the development and sustainability of effective governance and leadership in small nonprofit organizations that focus on education, health or human services in the Puget Sound region.”

Kathy Edwards, co-founder and president of the Cedarmere board of trustees, said the foundation is committed to providing capacity-building support in a way that responds to the real, day-to-day needs of smaller nonprofits. “These organizations have a hard time finding resources for things like board development, executive coaching and strategic planning, and yet those kinds of activities can be absolutely crucial to their ability to succeed and grow,” she said.

Cedarmere Foundation provides capacity-building grants ranging from \$5,000 to \$15,000 for organizations to work with consultants and facilitators on capacity issues that the organizations say they want to focus on. Edwards said that, over the years, grants have gone to everything from executive coaching and board training to strategic planning support and fundraising training. One of the foundation’s grantees is the Program for Early Parent Support, which offers support, information and networking opportunities to new parents.

LB Kussick, former executive director of PEPS, said Cedarmere's support was critical as the organization struggled with the challenge of building a strong board. "Like a lot of small organizations, we were having trouble getting people to renew their terms on the board or step into leadership positions," Kussick said.

In an effort to make board service more rewarding and more "comfortable" for people, PEPS used Cedarmere Foundation funding to create a comprehensive and customized board training program. The focus was on helping board members understand their role in the organization and how to fill that role as efficiently and effectively as possible. Kussick said there has been a night-and-day difference in the work of the PEPS board since the organization launched the training.

"Two years after we started this, we had 100 percent of board members extend their terms, we had people volunteering for leadership positions, and the board became very thoughtful about its role and how to recruit other board members who could really drive the work," Kussick said. By considering grants in context, Cedarmere Foundation allowed PEPS the flexibility to make the right decisions for its organization and to achieve tangible results.

Make it continuous.

It's helpful to take a long-view approach to building capacity within an organization or across a portfolio. The reason is that organizational transformations will not happen overnight; the need for attention to capacity never goes away. One-year investments in capacity-building projects are rarely enough to cover the full costs of the change taking place inside an organization.

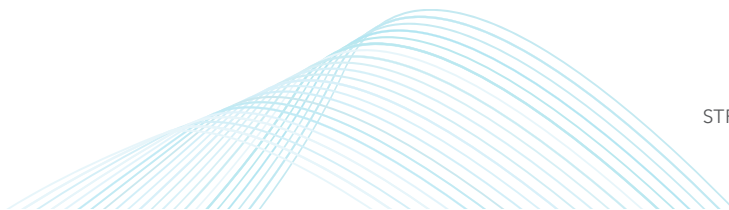
"A commitment to multiyear capacity building is needed," one nonprofit leader said during a GEO listening session. "We're dealing with complex societal issues, and if there's a leadership change or staff turnover, it's a long-term issue. Capacity building can't be just that we'll fund you to do this for a year and then you're good."

One-time workshops cannot be expected to produce significant changes in capacity. Additionally, grantmakers who want to have a clear understanding of the impact of capacity-building funding will need to stay engaged throughout the duration of the change.



QUESTIONS FOR GRANTMAKERS:

- » What can you do to make sure that any capacity-building support you provide is based on the real, day-to-day needs of individual nonprofits? Do you have sufficient time and strong enough relationships to get to know grantee needs?
- » How can you track trends across organizations and regularly assess how nonprofit needs might change over time?
- » What can you do to ensure that nonprofits have the tools, as well as the time and space, to consider what their most urgent capacity needs are, perhaps with the support of expert consulting help or tools?



“

There is a connection between the stability of an organization’s funding stream and the quality of programs and ability to retain strong leaders. We want to provide the critical organizations in our community funding that is predictable, multiyear and of significant scale.

– Katie Merrow, Vice President, Community Impact,
New Hampshire Charitable Foundation

”

Participants in the nonprofit listening sessions often said that their funders were not providing capacity-building support with an appropriate time horizon. They shared stories of partially completed capacity-building projects that ended up not meeting their original objectives due to lack of funding to cover costs required to implement and maintain the work. “The capacity-building grant usually pays for the consultant but not the staff time to work with the consultant,” one nonprofit leader said.

Those grantmakers who do this work well understand that change takes time; they thus stick with grantees for the duration of the process or, if that’s not feasible, partner with other grantmakers to ensure grantees are getting what they need to fully support the capacity-building work. For example, The David and Lucile Packard Foundation and The William and Flora Hewlett Foundation sometimes coordinate with each other to make grants to support phases of a common grantee’s capacity-building work.

In another example of continuous, longer-term support, the New Hampshire Charitable Foundation invests in the infrastructure of those grantee organizations that play a critical role in the sector or in foundation initiatives through multiyear annual commitments. The foundation gives the grants in the form of general operating support, and grantees often use the funds for capacity building.

“Sticking with grantees is more important than anything,” said Katie Merrow, vice president of community impact at the New Hampshire Charitable Foundation. “There is a connection between the stability of an organization’s funding stream and the quality of programs and ability to retain strong leaders. We want to provide the critical organizations in our community funding that is predictable, multiyear and of significant scale.”

One example of a longer-term investment paying off comes from St. Louis, where the nonprofit organization Fathers’ Support Center credits organizational transformation to a four-year capacity-building investment from Deaconess Foundation (MO). The foundation provided significant financial support, as well as a range of consulting, peer exchange and training opportunities. Fathers’ Support Center CEO Halbert Sullivan said this partnership enabled the organization to grow its annual budget from \$1 million to more than \$5 million, attract federal funding and receive

recognition as a national model. Fathers' Support Center was able to add staff positions, beef up its evaluation capacity (which helped it raise more funding), and create a new website and enhanced communication materials. These upgrades have contributed to some tangible results and enabled the organization to expand its reach. An outside evaluation found that the center returned \$11.9 million to the St. Louis community on an investment of \$4.1 million in 2015. "Capacity building gave us the chance to do some things we wanted to do since we began," Sullivan said, adding that Fathers' Support Center continues to receive annual funding opportunities through the Deaconess Foundation.

Another foundation committed to sticking with grantees over the long haul is The Cricket Island Foundation. In 2009, the foundation began providing what it thought would be eight years of general operating support, but which became 10 years of support to cohorts of grantees working on youth-led social change in New York City and Chicago; it later added the state of New York and more recently started working with a new cohort in New Orleans. These grants represent 10 – 20 percent of organizational budgets. Recognizing that true general operating support grants should not be directed to any specific activities and aren't enough to ensure that organizations invest in their own internal capacity to address core organizational development needs, the foundation also provides small capacity-building grants for everything from board development to fundraising. All of their grantee partnerships begin with the completion of a brief organizational assessment survey by applicants, which serves as the roadmap for their capacity building work over the course of their relationship. All of the organizations in the local cohorts also meet as a group with a consultant to provide space for peer coaching and address issues of shared concern.

Elizabeth Sak, executive director of The Cricket Island Foundation, said that an unanticipated benefit of providing grantees with multiyear support is that it can bring more honesty and transparency to the relationship between grantmaker and grantee. When an organization knows that a grantmaker is going to stick with it for an extended period, its leaders are more open to acknowledging challenges they are facing in their work and to seeking additional support and guidance to address those challenges. "We have found that you cannot have an honest conversation with a grantee if they think you might decide to pull money from them in one year," Sak said. This sentiment underlines the need for continuous capacity-building support.



QUESTIONS FOR GRANTMAKERS:

- » How long do your investments in grantee capacity usually last?
- » How can you ensure that grantees have the capacity-building support they need through the entire change process?
- » Is your support covering the full cost of the desired changes and not just external consulting services or start-up costs?

Make it collective.

Time and again, grantmakers have seen how building the capacity of a single leader or organization can deliver great results. But the ultimate impact can be even more significant and long-lasting to the extent that grantmakers pursue more collective approaches to capacity building. These collective approaches can take one or more of three possible directions:

- *Focusing on leadership at multiple levels* — reaching beyond the executive director to engage a team that is drawn from multiple levels of the organization (including trustees, as appropriate) or across organizations
- *Working with other grantmakers* — coordinating capacity-building support, thereby streamlining the process and maximizing resources
- *Building collaborative capacity among nonprofits and networks* — thinking beyond individual organizations to pay attention to the capacity of a set of actors and their ability to work together

Funders increasingly are paying attention to how learning and change happen at multiple levels inside organizations and networks.

Focusing on Leadership at Multiple Levels

While executive directors and boards play a crucial role in the success of nonprofit organizations, they are not the only powerful actors. This is why funders increasingly are paying attention to how learning and change happen at multiple levels inside organizations and networks. Many successful capacity-building programs reach beyond the executive director to engage teams drawn from multiple levels of the organization or across organizations.

Jenny Callans of the United Way for Southeastern Michigan noted that this can also be helpful in ensuring that capacity-building work continues to bear fruit even if an individual leader moves on from an organization. “The importance of spreading capacity building across levels of an organization becomes all the more important if we don’t want the loss of one key decision-maker to sideline a nonprofit,” she explained.



QUESTIONS FOR GRANTMAKERS:

- » To what extent are your organization's current capacity-building efforts focused solely on the top leadership of grantees (e.g., the executive director) or engaging only one person at a grantee organization?
- » How can you support capacity building so it engages a range of board and staff leaders to strengthen their skills and to help them become more effective?

The Hartford Foundation for Public Giving has designed most of its capacity-building workshops and training series for teams within nonprofit organizations. Teams are typically composed of the executive director along with board members and key staff, depending on the topic. In addition to the educational component, the foundation often provides a consultant to work on a project with organizational teams from the organization to help ensure that the learning is contextual. For example, the foundation's Board Leadership Program is comprised of two workshop sessions for agency teams followed by consultant support for a project on governance practices of particular interest to the agency. This program requires the team from each nonprofit to include the executive director, the board chair and at least two other board members. By investing in the combined work of board members and staff, grantmakers can magnify the impact of their support.

Working with Other Grantmakers

Grantmakers regularly encourage grantees to collaborate. When it comes to building nonprofit capacity, philanthropy can follow our own advice and explore how to coordinate capacity-building support with other funders. This can help streamline the process — for example, by making it easier for nonprofits to navigate available support — and bring more resources to the table to help grantees address key capacity challenges.

The Pierce Family Foundation created the Peer Skill Share program in 2010 to match grantee staff with fellow nonprofit professionals for one-on-one advice and coaching on specific technical questions. Topics are wide ranging and have included effective use of social media, volunteer retention, fundraising strategies and board transitions. Since there is time involved for both the trainer and the trainee, the program provides a small stipend to both participating organizations to cover staff time (usually two to three hours per session). The program originally was for Pierce Family Foundation grantees only, but soon other foundations in the Chicago area asked if their grantees could join the pool. Over time, the program attracted 15 foundation partners and was serving more than 700 nonprofits in the area. In early 2016, Peer Skill Share became a program of Forefront, a statewide membership association of nonprofits, philanthropy, public agencies and other partners working to strengthen the social sector in Illinois.

“The Peer Skill Share program enables grantees to get the kind of help they most value — focused, tailored to their specific needs and typically on-site,” said Marianne Philbin, executive director of the Pierce Family Foundation. “We’re excited that Forefront will be the new home for Peer Skill Share, and we’re confident that this will lead to even broader participation by both funders and nonprofits.”

Another example of funders coming together to strengthen and coordinate capacity-building support and services is the Statewide Capacity Collaborative in Washington state. The funders in the collaborative came together in 2009 in response to the challenges facing the nonprofit sector as a result of the economic recession; their intent was to understand philanthropy’s role in supporting the sector to get back on its feet. They commissioned a capacity-building assessment in the state of Washington. The assessment found a disinclination for thinking systematically about capacity building at a state or community level and recommended specific investments and strategies, from providing more general operating support to filling gaps in knowledge and service delivery. Since 2010, investments from the collaborative include an online directory of vetted consultants and resources related to capacity building; targeted funding to rural areas in the state; and the creation of an organization that aims to provide a voice for nonprofits across the state through advocacy, education, capacity building and networking.

“Building the capacity of the statewide sector is not necessarily appealing or attractive to individual donors,” said Sally Gillis, former director of collective action at Social Venture Partners Seattle, which is a member of the collaborative. “Therefore, a collaborative such as ours must be made up of community-oriented funders who are already bought in to the value of capacity building. We understand the power of working as a group, and no one funder can drive or invest in this alone.” This coordinated approach helps to deliver more resources to grantees when and where they need them.



QUESTIONS FOR GRANTMAKERS:

- » Are you “going it alone” in your organization’s capacity-building work?
- » What opportunities are there to join with other grantmakers to strengthen the capacity of grantees in your geographic area or in the fields you support? How can you start the conversation with other funders about these opportunities?
- » Are you sharing what you are learning in your capacity-building work with other funders? If not, what can you do to make this happen?

Building Collaborative Capacity among Nonprofits and Networks

Some grantmakers want to invest in field-building in addition to providing support to individual organizations. Collective action is an effective way for nonprofits to increase their impact; however, organizations often lack the key capacities that enable these types of partnerships to thrive. “Building individual and organizational capacity is important, but we also need to recognize that these players operate within larger and complex ecosystems that cannot be controlled and that affect their impact. Therefore, it’s key that we also support their ability to adapt, innovate and align with others,” said Robin Katcher, senior program advisor with Management Assistance Group, an organization that works to strengthen social justice nonprofits.

Developing nonprofits’ collaborative capacities can be difficult in a competitive funding environment. “The reality of the current funding system for nonprofits is that these organizations find themselves competing against the very organizations with whom they might collaborate,” according to Carol Thompson Cole, president and CEO of Venture Philanthropy Partners. “To consider teaming up with a competitor requires a whole new way of thinking and behaving. It requires developing trust — which takes time — and additional organizational capacity, and time and capacity are as scarce to nonprofit leaders as capital.”²⁴

Grantmakers can support grantees to collaborate more effectively in two important ways. First, we can provide capacity-building support that focuses on strengthening collaborative skills among individual leaders and organizations. The GEO publication *Working Better Together* identifies several core capacities that support nonprofits to work effectively in partnership with other organizations: strong leadership and an open mindset, the ability to share power and responsibility, adaptability and flexibility, and strong connectivity and relationship building.²⁵

Second, grantmakers can work to build the *collective capacity* of nonprofit collaboratives or networks. This approach can include providing critical support for the development, logistics and operations of partnerships,

²⁴ Carol Thompson Cole, “Towards a New Kind of Collaboration: A Networked Approach to Social Change,” Venture Philanthropy Partners, 2010.

²⁵ Grantmakers for Effective Organizations, *Working Better Together: Building Nonprofit Collaborative Capacity* (Washington, D.C.: GEO, 2013). Available at www.geofunders.org.

“
Building individual and organizational capacity is important, but we also need to recognize that these players operate within larger and complex ecosystems that cannot be controlled and that affect their impact. Therefore, it's key that we also support their ability to adapt, innovate and align with others.

– Robin Katcher, Senior Program Advisor,
Management Assistance Group

including everything from facilitation and research to meeting space and resources for convening. Some grantmakers transition to this form of capacity building after hearing from grantees that they see opportunities to deepen relationships and explore partnerships with other nonprofits as valuable results of peer learning programs or of technical assistance offered to grantee cohorts.

The Community Foundation for Monterey County in California is committed to supporting grantees to increase their capacity to work collaboratively. The foundation recently supported a local environmental nonprofit's efforts to organize partner organizations to push for a ban on single-use plastic bags in the region surrounding the Monterey Bay National Marine Sanctuary. With 90 members, the Central Coast Sanctuary Alliance has presented data on plastic pollution, initiated public petition drives, and met with city and county officials to advocate for the ban.

The Community Foundation for Monterey County also offers grants to support organizations to work in a more networked way, as well as classes on facilitation, “network weaving” and other skills that are essential to collaboration. “We want to keep the question of what it means to work

in networks on the front burner for everyone,” Senior Program Officer Janet Shing explained.²⁶ The foundation, Shing added, is a strong believer that nonprofit organizations need dedicated resources to enable them to collaborate effectively.

Another foundation committed to building the collaborative capacities of nonprofits, at both the organization and the network levels, is The Boston Foundation. As the region’s community foundation, the grantmaker is working to build the overall strength of Greater Boston’s nonprofit sector through special initiatives and grants aimed at increasing the capacity of nonprofits and leaders to act collectively and collaboratively.

As one example, the grantmaker is a leading supporter of the Massachusetts Nonprofit Network, which uses advocacy, public awareness and capacity building to strengthen the state’s nonprofit sector. The Boston Foundation also invests in programs that support emerging social-sector leaders to develop skills and networks that will serve them through their careers. An example is the Institute for Nonprofit Management and Leadership at Tufts University.

“It is critical for the organizations and leaders we partner with as well as the overall sector to be strong and sustainable, and that’s why the multi-pronged work of our Nonprofit Effectiveness Group is so vital,” said Jennifer Aronson, associate vice president for programs with the foundation.



QUESTIONS FOR GRANTMAKERS:

- » How well are you able to assess the overall strength of the group of actors that are most central to advancing your vision?
- » What can you do to better build not only their individual capacity to collaborate but also their collective strength?

²⁶ Janet Shing quote and additional information on the Community Foundation for Monterey County are from: The David and Lucile Packard Foundation, “Moving Ideas Into Action: Reflecting on the First Three Years of Building Network Effectiveness at the Packard Foundation,” 2013. Available at <https://www.packard.org/what-were-learning/resource/moving-ideas-into-action-reflecting-on-the-first-three-years-of-building-network-effectiveness-at-the-packard-foundation/>.

WORKING WITH CONSULTANTS

More often than not, the work of strengthening nonprofit capacity means working with consultants. In communities across the country, the number of consultants working with nonprofits has grown along with the capacity challenges facing the sector. Many larger communities also have management support organizations and other entities that offer a suite of consulting, technical assistance and other capacity-building support for nonprofit organizations.

Consultants and MSOs bring a wealth of expertise and knowledge to nonprofits, as well as battle-tested tools and strategies for helping them build capacity in key areas. But not every consultant is going to be a perfect fit for every nonprofit or for every capacity-building assignment, for reasons ranging from skillset to cultural competence. This is why many of the grantmakers interviewed for this publication put consultant selection squarely in the hands of grantees. In GEO's listening sessions with nonprofits, leaders expressed appreciation for grantmaker support in identifying high-quality consultants (i.e., vetted lists or suggestions about consultants who have worked well with similar organizations). But nonprofits also shared stories of frustration and wasted resources when funders *required* them to work with preselected providers.

One-on-one consulting for grantees is a key component of the Evelyn & Walter Haas, Jr. Fund's Flexible Leadership Awards program. Since its launch in 2005, the program has provided substantial leadership support to more than 45 grantees of the San Francisco-based funder. Organizations may receive up to \$50,000 per year for up to three years that they can use to pay for coaching, training or specialized consulting on issues from senior team development to strategic planning and board development.

Over the years, the Haas, Jr. Fund has developed relationships with a large number of what it calls "content consultants" — those with expertise in key issues that often are the focus of its leadership support. However, Director of Strategy & Special Initiatives Julia Ritchie said the FLA program does not have a preferred list of consultants, and the decision of whom to work with is solely up to the grantee. "We provide grants to the grantee to manage that relationship with the consultant. We can certainly help and offer referrals, but part of this work is about supporting grantees to be good consumers of consulting help, so it is really up to them," Ritchie said.

Of course, in communities that lack a large number of consultants or that don't have MSOs or similar organizations, grantmakers may need to become more involved in vetting what's available and connecting nonprofits to consulting support. Grantmakers also may need to invest in developing the capacity of local or regional consultants (see, for example, the Vitalyst Health Foundation example in the table on page 22).

SECTION SEVEN: ASSESSING THE IMPACT OF CAPACITY BUILDING

One of the biggest perceived barriers to increased capacity-building support among funders is uncertainty about how to measure impact.²⁷ Grantmakers may lean toward supporting specific programs where it may seem easier to identify indicators of success. Organizational change often can be harder to measure, however, and it can take time to translate into better results on the ground.

Of course, over the long haul, what we as grantmakers do to strengthen an organization or network can have a far greater impact than a time-limited program grant. So when it comes to measuring that impact, we need to keep a few guiding principles in mind:

Be real about expectations.

The key to assessing the impact of capacity building is to keep things in perspective and manage expectations. Sometimes, a capacity-building activity may be too short term or small in scope to warrant an evaluation. Basic mechanisms to ensure the activity was completed can suffice. For longer-term, higher-dollar investments, however, assessing impact becomes more important. But we need to enter the process fully realizing that measuring improvements in organizational capacity, and then connecting those to organizational outcomes, can be challenging and may require a longer-term perspective. We also need to make sure that evaluation and assessment don't become overly burdensome for grantees — and, in the process, possibly limit the impact we are after because these activities are taking too much time and attention from organizational leaders.

²⁷ Two older resources that note this difficulty and yet provide helpful guidance are:
- Deborah Linnell, *Evaluation of Capacity Building: Lessons from the Field* (Washington, D.C.: Alliance for Nonprofit Management, 2003). Available at www.issuelab.org/resource/evaluation_of_capacity_building_lessons_from_the_field.
- Paul Connolly and Peter York, "Evaluating Capacity-Building Efforts for Nonprofit Organizations," *OD Practitioner* 34 no. 4 (2003). Available at http://www.tccgrp.com/pdfs/per_art_evaluating.pdf.

In 2012, The Boston Foundation required grantees to participate in an organizational assessment at the start of a capacity-building engagement in an effort to identify root-cause capacity challenges and opportunities for growth. After several experiences using this approach with grantees, the foundation hired an external evaluator to look at whether it was achieving its intended impact.

The evaluator found mixed reviews. For many grantees, the process provided new insight, but it was also time consuming and expensive. Foundation staff concluded that the benefits did not always outweigh the cost of time and resources; now, the assessment process is optional — not required — for grantees. However, the foundation’s commitment to continuous improvement informed by grantee feedback continues in the form of a set of simple pre- and post-project surveys that help track the quality and usefulness of the engagements.

Another foundation that continues to refine its expectations for evaluation is St. David’s Foundation. Senior Capacity Building Officer Becky Pastner said the grantmaker has conducted fairly extensive formal evaluations of its capacity-building work (for more on this work, see page 12). As part of this effort, the foundation has worked with an evaluation consultant to measure the change in participants’ various organizational capacities over the course of the three-year Capacity Academy. In addition to more traditional methods, such as in-depth interviews and an online survey, the consultant has helped to develop a measure of a nonprofit’s “cost per outcome” before and after its participation in Capacity Academy. This is based on the belief that capacity-building support should make an organization more cost-efficient and/or effective.

As St. David’s Foundation implemented this tool with a sample of grantees, it found it to be a challenging process. “The work of these organizations is more complicated than this one measure can capture,” said Pastner. “We are grateful to have a variety of ways to see the impact of their hard work. The truth is that while some organizations welcomed the cost-per-outcome tool and we were ready to make meaning of it, others found the measurement process to be overly laborious and without clear value. It has thus become an intervention in itself to walk through the process of determining outcomes and the costs associated with achieving them.” She said St. David’s continues to explore the most meaningful way to capture the impact of capacity building on the clients it serves, since this is what this work is about at the

Formal assessment processes aren’t a substitute for sitting down with grantees and engaging in an open conversation about how things are going and what grantees are able to achieve as a result of capacity building.

end of the day. While challenging to capture, it is worth pursuing in order to make the case for continued funding, and — from the grantee perspective — to see that the hard work has a tangible benefit. For the foundation’s decision makers, having an external evaluator lends a level of credibility that ensures they are looking at outcomes from multiple perspectives. At the same time, the foundation has come to realize that these formal assessment processes aren’t a substitute for sitting down with grantees and engaging in an open conversation about how things are going and what grantees are able to achieve as a result of capacity building.

“We ask them what’s working and what isn’t, what do you like about the support we are providing, and what don’t you like,” Pastner said. These conversations, paired with the quantitative and qualitative evaluation findings from the external evaluation, have resulted in important changes in the foundation’s capacity-building support. Among these changes is increased support for one-on-one coaching, which grantees consistently have told the foundation is the most valuable form of capacity building they receive. The foundation is also considering expanding its support for peer convenings for executive directors and other cohorts of nonprofit leaders, such as chief financial officers. “People keep telling us they feel very lonely and siloed in their positions, so we want to do more to connect them to peers,” Pastner said.

“

**We ask them what’s working and
what isn’t, what do you like about
the support we are providing,
and what don’t you like?**

*– Becky Pastner, Senior Capacity Building Officer,
St. David’s Foundation*

”

Make sure everyone's clear on goals and expected outcomes.

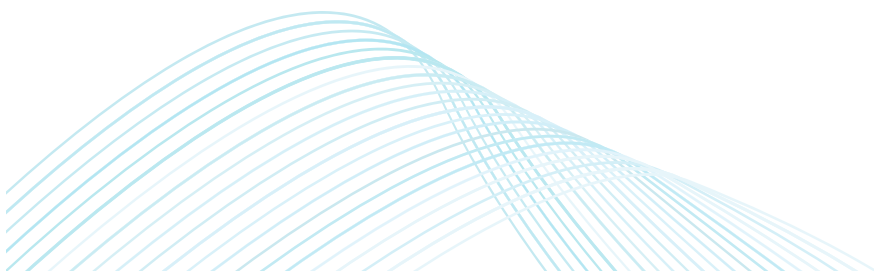
With capacity-building support, the goal is to support the nonprofit's broader mission by increasing the effectiveness of the organization's board and staff. Assessing the impact of this support therefore requires us to work with grantees to identify clear goals we can measure against.

An important note: Grantees must have ownership of the goals for capacity building, among both leadership and those responsible for implementing them, or else change is unlikely to happen. At the same time, grantmakers experienced in providing capacity-building support and service providers will have helpful knowledge and instincts to share.

Questions to consider when setting goals for capacity building include the following: What capacity improvements does the nonprofit hope to see as a result of this funding? What organizational outcomes will this contribute to? For example, funding from Deaconess Foundation to strengthen evaluation systems at Fathers' Support Center enabled the organization to qualify for federal funding, which in turn brought more recognition and the ability to explore social enterprise by expanding its program services to practitioners interested in the model.

The Forbes Funds awards management assistance grants for nonprofits to hire consultants. The grantmaker meets with the executive director and board chair of the grantee organization and the consultant in the beginning to make sure that everyone is on the same page and confirm the timeline. The group meets again at the midpoint of the project to allow for adjustments and to discuss other needs that may have arisen, as well as how to leverage progress. Kate Dewey, president of The Forbes Funds, said that engaging nonprofit trustees in these conversations about goals and progress is critical for buy-in. "We found that the boards are often left out of the process of setting outcomes/ metrics and understanding the purpose of the intervention," she said. This can result in confusion between trustees and staff and a missed opportunity for the board to support capacity-building efforts.

Grantees must have ownership of the goals for capacity building, among both leadership and those responsible for implementing them, or else change is unlikely to happen.



“
 To us, progress is asking,
 is the group learning,
 and are the supports
 we’re providing helping
 organizations really
 institutionalize the
 changes they’re making?”

– Danielle Scaturro,
 Director of Program
 Operations for PropelNext,
 Edna McConnell
 Clark Foundation

Counterpart International has been researching ways to understand the impact of their capacity-building work, which consists of pairing funding for capacity building with program funding. The grantmaker works with grantees to conduct a capacity assessment and a capacity-building action plan that connects nonprofit capacity needs to the programmatic outcomes they are working to achieve. Teresa Crawford, who leads Counterpart’s Social Sector Accelerator, noted that they are considering how the other work they do as a grantmaker offers opportunities to build nonprofit capacity. “We’re thinking about how our evaluation, finance and communications staff, for example, could apply a capacity-building lens to the interactions they have with grantees, and how we might set goals around and understand the impact of that,” she said.

The Edna McConnell Clark Foundation has been deliberate about setting goals for its capacity-building work. Through its PropelNext initiative, the grantmaker is working with a cohort of youth-serving nonprofits to help build, over a period of three years, capacity around program design and implementation, developing a theory of change, and collecting and using data for programmatic improvement. Participating organizations receive funding, as well as access to peer learning, coaching and technical assistance from consultants.

According to Danielle Scaturro, director of program operations for PropelNext, the foundation uses three questions to help assess this work:

1. How are grantees progressing through the PropelNext program?
2. What facilitates or supports grantees’ progress in the PropelNext program? What hinders grantees’ progress?
3. How and to what extent are grantees infusing PropelNext learnings and practices into their organizations?

“To us, progress is asking, is the group learning, and are the supports we’re providing helping organizations really institutionalize the changes they’re making?” Scaturro said. The foundation uses a diagnostic tool at the beginning of the cohort to assess each grantee’s overall capacity in program design, theory of change, data collection and organizational capacity. Based on those results, each grantee agrees to a set of programmatic milestones it hopes to achieve during the three years. Foundation staff and the grantees periodically check in on progress toward these milestones and at the end of the engagement.

When setting goals for capacity building, it is crucial to be realistic about what the support can accomplish. For example, in making the link between investments in evaluation for Fathers' Support Center and the new funding streams, the support from Deaconess Foundation was a significant factor contributing to the organization's success — but it was not the sole factor. Funders also need to set realistic time frames for outcomes commensurate with the funding provided. The majority of grants are still one-year terms. Funders are unlikely to see major capacity transformations in an organization within a 12-month period.

Additionally, some changes resulting from capacity-building efforts can be small and even seem subtle or intangible, such as increased leader confidence or openness. Funders and grantees need to be looking out for those types of changes, even if they are not the primary goal, because they can also indicate progress. All of these factors are important to consider when setting clear goals to measure against.

Find or co-create reliable measures that don't overburden grantees.

Evaluating the impact of capacity building on an organization requires a baseline assessment of where an organization stands before an intervention, together with follow-up assessments to measure changes in capacity. As noted above, many grantmakers use organizational assessment tools to identify and discuss grantee capacity needs and to provide new insights that the leaders themselves may not have recognized. These tools can be custom made or off the shelf,²⁸ and they often require an entire nonprofit leadership team — senior staff and board — to complete the assessment in order to be thorough. These tools can give a comprehensive, before-and-after view of how leadership perceives the organization's strengths and challenges on a range of capacity areas, usually including management, financial oversight, fundraising, communications and governance, among others. These tools should be used as a catalyst for conversation rather than a "report card" if the organization is to glean the most benefit from the process. The sense of ownership and commitment to moving from knowledge to action is often related to a nonprofit's comfort with discussing the assessment results.

²⁸ A couple of options include the Core Capacity Assessment Tool developed by TCC Group and the Organizational Capacity Assessment Tool developed by McKinsey & Company. For more on organizational assessments, see: Grantmakers for Effective Organizations, "What Are the Key Things We Need to Know About Organizational Assessments?" 2014. Available at http://docs.geofunders.org/?filename=organizational_assessments.pdf.

Other grantmakers use simpler ways to get a sense of capacity, such as surveys or conversations with nonprofits. While these methods are less comprehensive than the more robust tools, they may also be less of a burden on nonprofits.

In GEO's listening sessions, some nonprofit leaders found the assessment process to be helpful. Many said they appreciated the opportunity to work with a third party to conduct assessments, because that helps ensure transparency and buy-in. Some leaders were less enthusiastic about assessment tools, seeing them as another hoop to jump through in order to get funding. As noted above, if grantmakers want to use assessment tools, it is important to make sure the process is a useful learning experience for both the nonprofit and the grantmaker. If grantee feedback and your own experience suggest this isn't the case, it is time to revise the approach.

One grantmaker that set out to find good metrics and tools to show the impact of capacity building is The Cricket Island Foundation. With 15 years of grantmaking under its belt by 2015, the foundation decided to take a closer look at what it had supported grantees to achieve. As described above, the foundation has made a deep commitment to nonprofit capacity building as part of its efforts to support youth-led social change in selected cities. Through the evaluation, it wanted to assess the impact of that work on organizations in its nonprofit cohorts in New York and Chicago.

Working with an outside evaluator, the foundation used a range of data sources. The first was the foundation's own organizational capacity assessment survey, which it started using with grantees in 2008. The tool covers 12 organizational capacity "domains" and is completed by staff, board members and youth representatives of the organizations to elicit a holistic perspective of the organization. Using the tool allowed for "pre-post" comparisons to identify changes in capacity and trends across the cohorts.

Among the other data sources for the evaluation were consultant reports on the Chicago grantees. Although they represented one-time snapshots, these reports described grantees' progress in building capacity and ranked their

organizational capacity across a variety of dimensions on a three-point scale: low, medium and high. The foundation also analyzed the New York and Chicago grantees' 990 forms for data on their finances and changes in their financial health over time. Finally, grantees in both cities participated in focus groups with the evaluator to discuss the impact of the foundation's support on their capacity.

The foundation's executive director, Elizabeth Sak, emphasized the importance of gathering qualitative as well as quantitative information to assess the impact of capacity building. "As for focus groups and other softer information, it provides critical context for the work that took place and captures the nuances of culture shifts within organizations that are often the key to developing more sustainable models for their work," she said.

Weingart Foundation in Los Angeles gives the majority of its grants as unrestricted support and has found that most grantees use this funding for capacity building. Working with Harder+Company and consulting with other grantmakers and grantees, the foundation has developed a learning and assessment framework²⁹ to understand how unrestricted support furthers the organizational effectiveness of grantees. This framework includes gathering information about specific areas of organizational effectiveness at the point of grant application, an assessment to establish baseline information at the beginning of the grant, a survey completed by grantees at the close of the grant (in lieu of a final report)³⁰ and a conversation with a program officer to inform a close-out assessment.

Belen Vargas, vice president of programs, said that benefits of this approach include strengthened opportunities for grantees and foundation staff to discuss organizational effectiveness and to access quantitative and qualitative data about changes in grantee capacity over time. Whether grantmakers use assessment tools, surveys, conversations or a combination of approaches, the ultimate goal is to arrive at a set of reliable measures that the grantmaker and grantee can agree on and that are not overly cumbersome to collect or analyze.

Whether grantmakers use assessment tools, surveys, conversations or a combination of approaches, the ultimate goal is to arrive at a set of reliable measures that the grantmaker and grantee can agree on and that are not overly cumbersome to collect or analyze.

²⁹ Weingart Foundation, "Learning and Assessment Framework." Available at www.weingartfnd.org/Learning-and-Assessment.

³⁰ Weingart Foundation has made the survey available on their website at www.weingartfnd.org/files/Weingart_Foundation_Grantee_Survey.pdf.

Make evaluation a two-way street.

Assessing the impact of capacity-building support is not an exercise of putting grantees under a microscope. Evaluation efforts can provide an opportunity for grantmakers to improve our practice as well. As grantmakers, we should ask for feedback on our own work (which requires honest conversation) and take time to reflect on the overall strategy for capacity building. Questions to ask grantees include the following:

- What is working well with this grant? What's not working? What can we do better?
- What difference is this support making to your organization?
- What unexpected challenges are you facing?
- In what ways are you learning from this work?
- How could we, as your funder, provide better support?

Asking these questions along the way and not just at the end of the effort can allow grantmakers, providers and grantees the opportunity to clarify expectations, assess progress, and refocus or change course as needed.

In addition, grantmakers should periodically assess the overall impact of capacity-building portfolios to assess whether the work is having the desired effect and to identify possible improvements. Grantmakers can also assess the amount of time, resources and effort required to achieve the desired outcomes. While this might happen at the staff level fairly frequently, the grantmaking board should be brought into these conversations periodically as well to consider how investments in capacity building advance the foundation's overall strategy and mission.

Two questions guide the organizational effectiveness initiative at the Greater New Orleans Foundation:

1. How can we best serve grantees and other community nonprofits to help them better achieve their missions?
2. How can we become a better grantmaker?

The foundation's organizational effectiveness initiative began with a needs scan to identify the challenges its grantees face. The foundation has used these findings to tailor its approach to capacity building. Nonprofits agreed

that partnerships and working with other organizations were key to addressing community challenges, though competition for resources and few successes hindered their progress. As one grantee noted, “Peer networking is important, but we need to work with a facilitator and understand good practices in partnering.” In response to comments like these, the foundation stepped in and offered a webinar, sponsored a workshop, and then hosted a six-month community of practice in strategic partnering and collaboration in partnership with La Piana Consulting. Recognizing the need to build the bench strength of local consultants, the foundation invited five consultants to work with the La Piana consultant and to participate in a community of practice.

In addition to the needs scan, the Greater New Orleans Foundation assesses its capacity-building programming through multiple touch points, ranging from one-on-one check-ins with workshop participants to a third-party evaluation of the foundation’s communities of practice. Joann Ricci, vice president of organizational effectiveness, reflected that the learning harvested from formal and informal evaluation helps the foundation adjust to the ever-changing needs among grantees and area nonprofits and to respond quickly.

For example, youth-serving grantees of the foundation recognized that midlevel managers needed help moving into a new role in supervising others; the foundation was able to respond with a training session, “Supervisor Roles and Responsibilities: Helping People Succeed,” offered in conjunction with CompassPoint Nonprofit Services. “Being flexible and responsive to our grantees’ needs is the key to their success and, in turn, ours,” Ricci said.

Grantmakers increasingly are coming to view evaluation and assessment less as a compliance exercise — and a way of finding out if grantees do what they say — and more as a tool for learning. The focus is on working with grantees to explore what’s working and what isn’t and to use that information as the basis for continuous improvement.³¹ The same approach applies to evaluating capacity building. This is an opportunity to develop a sharper understanding of the capacity challenges grantees are facing, how capacity-building support is helping (or not) and what types of additional support grantees may need. As long as evaluation doesn’t create unwarranted burdens for nonprofits, it is also an opportunity to build a stronger grantmaker-grantee relationship based on openness, trust and a shared commitment to learning.

“

**Being flexible
and responsive to our
grantees’ needs is
the key to their success
and, in turn, ours.**

– Joann Ricci, Vice President,
Organizational Effectiveness,
Greater New Orleans
Foundation

”

³¹ For more, see Grantmakers for Effective Organizations and Council on Foundations, *Evaluation in Philanthropy: Perspectives from the Field* (Washington, D.C.: GEO and COF, 2009). Available at <http://www.geofunders.org/resource-library/all/record/a06600000056W4sAAE>.

CONCLUSION

Grantmakers want to support nonprofits to have the greatest impact possible, and capacity building is a key means of achieving that end. Based on the interviews and research for this publication, here are some recommended actions grantmakers can take to help make sure we are doing capacity building right:

- Engage the grantmaking board and staff in conversations about the potential benefits of capacity building and how capacity building connects to your broader mission, values and strategy.
- Be intentional in creating regular opportunities to learn about the current challenges faced by your grantees and other nonprofits in your field.
- Reach out to some of your trusted grantees and local capacity-building practitioners to assess the types of capacity-building support that are most needed in your local community or the fields in which you work. Brainstorm with them about how your organization can play a part in meeting those needs.
- Reach out to other funders to explore what they are already doing to support capacity building and to explore how partnering could leverage your collective efforts.
- Use the “contextual, continuous, collective” framework explored in this publication to assess whether your current or prospective capacity-building support adheres to time-tested principles about what works.
- Don't impose capacity building on nonprofits; instead, build trust, engage grantees and make sure they are driving the decisions about what capacities to build and how.
- Be realistic and strategic when it comes to assessing nonprofits' readiness for capacity building and, later, assessing its impact — and be careful not to make assessment an overlarge burden for grantees or grantmaking staff.
- Keep the conversation going over the long term with grantees about what's working, what's not and where they may need added capacity-building support. Some efforts take longer to pay off or may do so in unexpected ways. Continue learning together after specific grants or projects end.

Supporting capacity building is one of the most important things grantmakers can do to accelerate and broaden our impact on grantees and communities — and thus ultimately on our missions. But like anything else, it's vital that we do it in ways that truly support nonprofit success. Let's get to work — together!

Supporting capacity building is one of the most important things grantmakers can do to accelerate and broaden our impact on grantees and communities — and thus ultimately on our missions.

APPENDIX:

ADDITIONAL RESOURCES

Today many in the field are researching and publishing about what nonprofits need most in order to be effective. GEO has compiled a list of resources on the topic of nonprofit capacity building, including links to field reports, assessment tools and online hubs — see www.geofunders.org. Here is a sampling:

Publications

Smarter Grantmaking Playbook

Grantmakers for Effective Organizations, 2014

In the section on capacity building, GEO outlines why and how many grantmakers are making investments to help nonprofits build and maintain their core infrastructure and other capacities. *Where Can We Go to Dig Deeper on Nonprofit Capacity Building* contains resources and websites that can assist grantmakers in exploring, designing or assessing nonprofit capacity-building programs. An additional section on leadership development outlines the practices grantmakers are employing to strengthen nonprofit talent.

Capacity Building 3.0: How to Strengthen the Social Ecosystem

By Jared Raynor with Chris Cardona, Thomas Knowlton, Richard Mittenenthal and Julie Simpson
TCC Group, 2014

This briefing paper examines how our field has evolved in thinking about the who, how and what of building nonprofit capacity.

Performance Imperative

By the Leap of Reason Ambassadors Community
Leap of Reason, 2015

This report focuses on ways that nonprofits and public-sector organizations can have a greater impact by becoming higher-performing organizations.

More than Money

Center for Effective Philanthropy, 2008

This report examines the types of “beyond the grant” assistance grantees receive from grantmakers and their perceptions of it and features three grantmaker case studies.

Resource Collections

Capacity Building Strategies

GrantCraft

This compilation of blog posts, case studies and more provides insight into the breadth of funder and grantee experiences with capacity building to help funders determine what works best for their goals.

Organizational Effectiveness Knowledge Center

The David and Lucile Packard Foundation, 2016

This site documents the Packard Foundation’s experiences with nonprofit capacity building.

Resiliency

S.D. Bechtel, Jr. Foundation, 2016

These resources focus on preparing grantmakers and grantees to assess their ability to adapt and be successful in the long term. The Resiliency Guide may be of particular interest.

Capacity Building Resources

Innovation Network, *Point K Learning Center*, 2016

This online hub contains tools to build nonprofit evaluation and assessment capacity.

CompassPoint

This national nonprofit leadership and strategy practice conducts research to inform leaders, fellow capacity builders and funders on emerging practices.

Alliance for Nonprofit Management

This national knowledge sharing community is committed to advancing the field of capacity building and creating a stronger social sector.

Talent Philanthropy Project (Fund the People)

Talent Philanthropy promotes intentional investment in grantee talent systems — as a part of every grant — to advance the performance of nonprofits and nonprofit professionals.

Stronger Orgs

This library of tools focuses on nonprofit organizational development and includes several capacity-building resources.



ACKNOWLEDGMENTS

In addition to the many grantmakers, nonprofits and technical assistance providers who participated in listening sessions and conversations, GEO would like to thank the following people for their input and feedback on this publication and our other work on capacity building:

Jennifer Aronson, The Boston Foundation
 Linda Baker, The David and Lucile Packard Foundation
 Jessica Bearman, Bearman Consulting
 Paul Beaudet, Wilburforce Foundation
 Jen Bokoff, GrantCraft
 Jenny Callans, United Way for Southeastern Michigan
 Naomi Gendler Camper, JPMorgan Chase & Co.
 Chris Cardona, Ford Foundation
 Albert Chung, The Edna McConnell Clark Foundation
 Jill Coleman, The Cameron Foundation
 Teresa Crawford, Counterpart International
 Don Crocker, Support Center | Partnership in Philanthropy
 Kate Dewey, The Forbes Funds
 Jane Donahue, formerly of Deaconess Foundation (MO)
 Laura Duty, Carl B. & Florence E. King Foundation
 Kathy Edwards, Cedarmere Foundation
 Tom Fuechtmann, Community Memorial Foundation
 Elizabeth George, formerly of Deaconess Foundation (MO)
 Michelle Gilliard, Venture Philanthropy Partners
 Sally Gillis, Seattle Foundation
 Raquel Gutierrez, Vitalyst Health Foundation
 Sidney Hargro, Community Foundation of South Jersey
 C.R. Hibbs, Stanford Center on Philanthropy and Civil Society
 Robin Katcher, Management Assistance Group
 Michael Kelly, Paso Del Norte Health Foundation
 Barbara Kibbe, S.D. Bechtel, Jr. Foundation
 Lindsay Louie, The William and Flora Hewlett Foundation
 Katie Merrow, New Hampshire Charitable Foundation
 Syla Obagi, formerly of Annenberg Foundation
 Becky Pastner, St. David's Foundation
 Marianne Philbin, The Pierce Family Foundation
 Allie Chang Ray, Deaconess Foundation (MO)
 Jared Raynor, TCC Group
 Kathy Reich, Ford Foundation
 Joann Ricci, Greater New Orleans Foundation
 Annemarie Riemer, Hartford Foundation for Public Giving
 Julia Ritchie, Evelyn and Walter Haas, Jr. Fund
 Cindy Rizzo, Arcus Foundation
 Elizabeth Sak, The Cricket Island Foundation
 Danielle Scaturro, The Edna McConnell Clark Foundation
 Maegan Scott, Eugene and Agnes E. Meyer Foundation
 Sai Seigel, formerly of Bayview Hunters Point Community Fund
 Janet Shing, The Community Foundation for Monterey County
 Julie Simpson, TCC Group
 Ellen Solowey, Virginia G. Piper Charitable Trust
 Halbert Sullivan, Fathers' Support Center, St. Louis
 Carol Thompson Cole, Venture Philanthropy Partners
 Belen Vargas, Weingart Foundation
 Gladys Washington, Mary Reynolds Babcock Foundation
 Linda Wood, Evelyn & Walter Haas, Jr. Fund
 Omar Woodard, formerly of Venture Philanthropy Partners
 William H. Woodwell, Jr.
 Denise Zeman, formerly of Saint Luke's Foundation of Cleveland, Ohio



GEO NONPROFIT ADVISORY COUNCIL

Understanding that grantmakers are successful only to the extent that their grantees achieve meaningful results, GEO has convened this group to help identify, elevate and promote the strategies and practices that contribute to grantee success.

The council is made up of 14 nonprofit leaders, representing a wide array of nonprofit types, sizes, locations and missions across the country. They provide timely thought leadership and feedback to shape GEO's work.

Sarita Gupta, Jobs With Justice

Nicole Hurd, College Advising Corps

Kierra Johnson, URGE: Unite for Reproductive & Gender Equity

Christina Livingston, ACCE: Alliance of Californians for Community Empowerment Action

Steven McCullough, Communities In Schools

Donna Murray-Brown, Michigan Nonprofit Association

Rob Riley, Northern Forest Center

Johng Ho Song, Koreatown Youth & Community Center

Cathy Tisdale, Camp Fire National Headquarters

Arturo Vargas, NALEO: National Association of Latino Elected Officials Educational Fund

Wes Ware, BreakOUT!

Melinda Wiggins, Student Action with Farmworkers

Kate Williams, 1% for the Planet

Mary Zanotti, Colorado Youth for a Change

2016 GEO CAPACITY BUILDING CHAMPIONS

GEO's network of volunteer Capacity Building Champions celebrates GEO members who are passionate about nonprofit capacity building and are actively motivated to see change.

Champions independently and collectively engage in catalytic movement-building activities, serving as GEO's frontline advocates and thought leaders and expanding their own networks and reach.

Champions also convene virtually to learn, share resources and apply insights to their outreach efforts.

Marselle Alexander-Ozinskas, S.D. Bechtel, Jr. Foundation

Jennifer Aronson, The Boston Foundation

Diane Benjamin, Otto Bremer Trust

Jenny Callans, United Way for Southeastern Michigan

Jessica Monge Coria, First 5 LA

Taylor Craig, National Arts Strategies

Teresa Crawford, Counterpart International

Kate Dewey, The Forbes Funds

Anand Dholakia, Root Cause

Eileen Egan, First Nations Development Institute

Tom Fuechtmann, Community Memorial Foundation

Anne Goodman, Saint Luke's Foundation of Cleveland, OH

Stephanie Guidry, The Boston Foundation

Michael Kelly, Paso Del Norte Health Foundation

Barbara Kibbe, S.D. Bechtel, Jr. Foundation

Jamaica Maxwell, The David and Lucile Packard Foundation

Diane Parnes, Northern California Grantmakers

Becky Pastner, St. David's Foundation

Denise Patton, Nonprofit Management Fund

Allie Chang Ray, Deaconess Foundation (MO)

Joann Ricci, Greater New Orleans Foundation

Libby Richards, Triangle Community Foundation

Cindy Rizzo, Arcus Foundation

Elizabeth Sak, The Cricket Island Foundation

Valerie Stewart, Blue Cross and Blue Shield of North Carolina Foundation

Nicole Thomas, Cuyahoga Arts & Culture

Edward Wang, Tides Foundation

Lee Werbel, First 5 LA

GEO SUPPORTERS

GEO is grateful to the following organizations that provided grants to support this work:

The Annie E. Casey Foundation
JPMorgan Chase & Co.
S.D. Bechtel, Jr. Foundation

In addition, GEO would like to extend a special thank-you to the foundations that have supported us with major unrestricted support, including:

Bill & Melinda Gates Foundation
The California Wellness Foundation
Conrad N. Hilton Foundation
The David and Lucile Packard Foundation
Evelyn & Walter Haas, Jr. Fund
Ford Foundation
The Kresge Foundation
Lumina Foundation
Robert Wood Johnson Foundation
Rockefeller Brothers Fund
S.D. Bechtel, Jr. Foundation
Surdna Foundation
W.K. Kellogg Foundation
Weingart Foundation
The William and Flora Hewlett Foundation



**FOR MORE INFORMATION AND RESOURCES,
VISIT WWW.GEOFUNDERS.ORG.**

1725 DeSales Street NW, Suite 404
Washington, DC 20036
202.898.1840 | www.geofunders.org

Published 2016. This publication is covered by a Creative Commons Attribution-ShareAlike 4.0 International License. To obtain permission for additional uses not covered in this license, please contact GEO at 202.898.1840 or info@geofunders.org.