



# Deeper Capacity Building for Greater Impact

## Designing a Long-term Initiative to Strengthen a Set of Nonprofit Organizations

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The cities and towns of Genesee County, Michigan, have struggled with unemployment, economic stagnation, and poverty since the General Motors plant in Flint closed in the 1990s. With nonprofits lacking the resources to deal adequately with the mounting problems, funders stepped in with a significant infusion of dollars to support ongoing projects. But it soon became evident that more was required.

In 2002, four funders -- C. S. Mott Foundation, Ruth Mott Foundation, Community Foundation of Greater Flint, and Genesee County United Way -- teamed up to supplement program grants with support to help nonprofit organizations adapt to changing environments and increase their impact.

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## Foreword

Like many other funders, The James Irvine Foundation has been experimenting over the past decade with ways to support the organizational capacity building of our grantees. We believe in the inherent value of capacity building for grantees and our grantmaking demonstrates that strong and stable organizations are a critical component of program impact, and, ultimately, advancing our mission. And although Irvine's belief in the importance of organizational capacity building is seen in our day-to-day work, we continually search for how to more effectively focus and structure capacity-building assistance for our grantees.

Long-term capacity-building (LTCB) initiatives represent one way in which Irvine has organized such assistance. Through LTCB initiatives, a foundation directs support to a cohort of organizations over a defined time period to address specific capacity-building needs. By working across multiple organizations and sites, the foundation achieves economies of scale and also provides additional benefits to participating grantees by linking them through meetings, peer exchange, and training opportunities. LTCB initiatives, however, introduce greater complexity into the underlying grantmaking processes because of the need for a longer time horizon, multiple sites, issues of confidentiality, and movement beyond project-based support that such efforts entail.

Irvine is pleased to have provided major funding to create and publish this paper by TCC Group to provide tangible examples of design options, best practices, and common challenges of LTCB initiatives. We hope that the paper will stimulate thinking about issues with this approach to capacity building and inform your own decision-making in designing and managing any LTCB initiative.

Martha Campbell  
Vice President for Programs  
The James Irvine Foundation

The resulting Flint Funders Collaborative grew out of a shared concern about the quality and focus of grant proposals and the capacity of local nonprofit organizations to achieve their missions and meet critical community needs. Through this five-year, \$1.8 million initiative, 14 nonprofits are receiving grants and intensive training and consulting assistance to enhance their organizational effectiveness.

Although many of the challenges in the community remain, this joint effort has enabled the grantmakers to better understand local funding priorities and needs. Also, a recent evaluation found that the participating organizations believed they had strengthened their organizational capacity and program quality as a result of the support. In particular, one of the nonprofits that was previously in crisis created a formalized succession plan that resulted in a leadership transition.

"Now, the organization is operating on a much stronger footing and poised for growth," observes Ann Glendon, the consultant who helped design the initiative.

### Why Invest in Capacity Building?

Today, other funders are investing in the organizational capacity of nonprofit groups to enhance their program outcomes. They too want to leverage their philanthropic dollars and believe that strong nonprofit organizations lead to strong programs and, ultimately, greater social impact. As Paul Light explains in *Sustaining Nonprofit Performance: The Case for Capacity Building and the Evidence to Support It*, "no matter where the organization might be in time and place,



capacity building is a potentially high-yield investment that can improve program success dramatically."<sup>1</sup>

Funders can support capacity building through a variety of means. (See Exhibit 1 on page 4, "What is Nonprofit Organizational Capacity and How do You Build It?") Typical strategies include:

- Changing the terms of program grants to emphasize organizational effectiveness;
- Awarding on a case-by-case basis grants specifically to enhance the management and governance of individual nonprofits;
- Providing general operating support and capital financing; and
- Investing in management support organizations and intermediaries that provide management assistance to nonprofit groups on an ongoing basis.

While these strategies are frequently worthwhile and effective, they can sometimes be scattershot and inadequate.

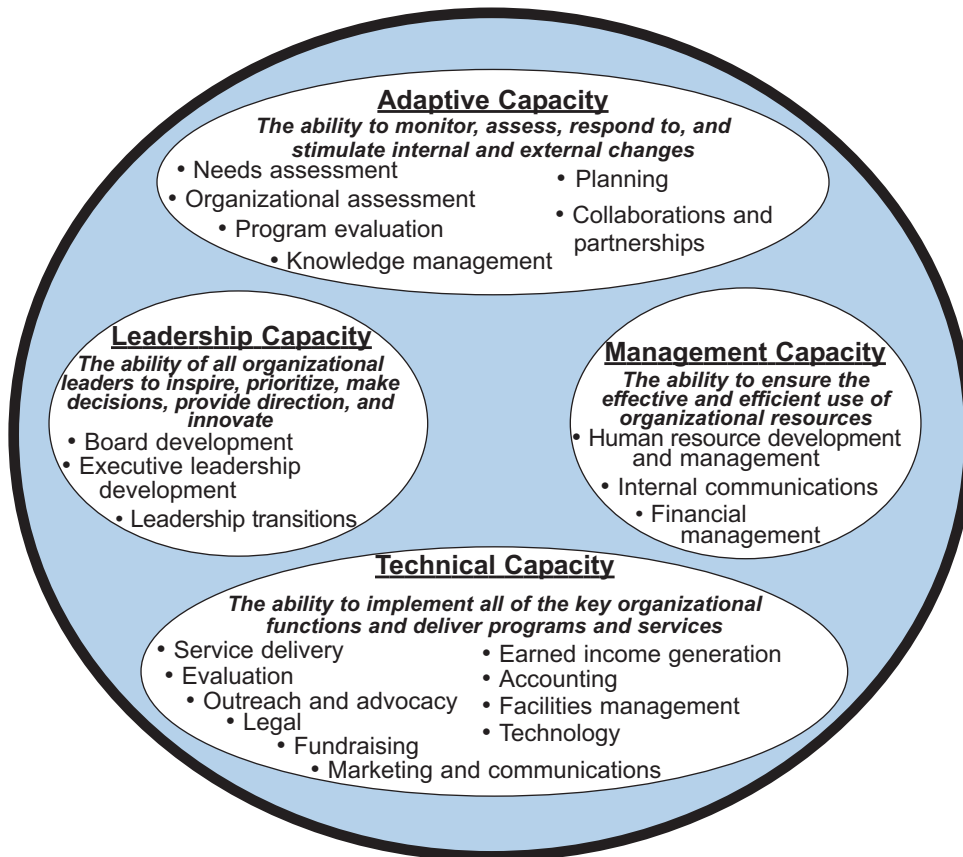
## What is a Long-Term Capacity-Building Initiative and Why Pursue One?

After a decade of increasing investment in capacity building by funders, more grantmakers want to make a greater impact by going deeper and pursuing a more intensive method -- a long-term capacity-building initiative to enhance the management, governance, and performance of a particular set of nonprofit organizations.

A focused initiative enables a funder to form lasting, trusting relationships with a select group of nonprofits and take them to the next level of organizational development and program effectiveness. This allows the grantmaker to maximize its impact in a particular area to which it is committed for the long range. The initiative typically lasts for several years, entails grant support and management assistance to the organizations involved, and includes multiple elements such as convening, peer exchange, training, coaching, and consulting. These initiatives not only benefit each participating organization, but can also strengthen group



## Exhibit 1: What is Nonprofit Organizational Capacity and How do You Build it?



Nonprofit organizational capacity encompasses a range of capabilities, knowledge, and resources that a nonprofit organization needs to be effective in achieving its mission. Organizational capacity is multifaceted and continually evolving. As Exhibit 1 shows, there are four types of capacity: adaptive, leadership, management, and technical.<sup>2</sup>

Leadership and adaptive capacities are the most critical. They usually drive an organization, and management and technical capacities follow. Adaptive capacity is the ability to monitor, assess, respond to, and stimulate internal and external changes. It enables an organization to be reflective, innovative, flexible, and resilient. A nonprofit can strengthen its adaptive capacity by conducting periodic needs assessments, organizational assessments, and program evaluations; engaging in knowledge management and planning; and pursuing collaborations and partnerships. Leadership capacity is the ability of all organizational leaders -- both senior executives and board members -- to inspire, prioritize, make decisions, and provide direction in a concerted effort to achieve the organizational mission. Leadership capacity can be enhanced through board development, executive leadership development, and leadership transition planning.

Capacity building is any activity -- such as strategic planning, board development, operational improvements, and technology upgrades -- that strengthens the ability of a nonprofit to achieve greater performance and impact. Nonprofit groups build their capacity on their own all the time as part of their everyday leadership and management work. Sometimes, they partner with others who provide publications, conduct research, offer training and peer exchange opportunities, or provide coaching and consulting services.

relationships and contribute to cross-fertilization and learning within a community and field as a whole.

As competition, scrutiny, demands for accountability, and service needs mount, nonprofit organizations must continually adapt and strengthen their capacity to survive and thrive. By providing concentrated capacity-building support for the long haul, funders can enhance organizational performance for a set of nonprofits and help their programs to become more sustainable.

## Who Can Benefit From Reading This Paper?

This paper explains how to design a long-term capacity-building initiative. It is based mostly on TCC Group's extensive experience working with funders to plan, implement, and evaluate these kinds of programs. It is written for all sizes and types of funders -- including private foundations, corporate community involvement departments, and public agencies -- that want to pursue an initiative.

For grantmakers who have little background in capacity building, this paper spells out the main design elements of a long-term capacity building initiative. (If you are brand new to the topic and want to learn about basic reasons to invest in capacity building and a full range of approaches, see "Building to Last: A Grantmaker's Guide to Strengthening Nonprofits," available online at [www.tccgrp.com](http://www.tccgrp.com).)<sup>3</sup> For those who have more experience, it can serve to confirm fundamental approaches and highlight more specific and nuanced issues. Management support organizations that design or manage these capacity-building initiatives and participating nonprofit groups may also benefit from reading this paper.

## The Planning Process and Key Decisions

At the outset, you need to develop your plan. Begin by assessing your funding organization's readiness and capabilities to pursue a long-term capacity-building initiative. What is your organization's commitment to this work? How does it support your mission and priorities and fit with your abilities? What resources, financial and otherwise, are you able and willing to devote to it? What values and assumptions will influence your decisions? You also need to take stock of nonprofit and community needs and resources. You may already have a clear sense of the external situation, or you could need to do some more formal research to better comprehend the specific needs and identify what others are doing and where the gaps are. After you decide your organization is ready to move forward, you should articulate your major intended outcomes and create a detailed plan to accomplish them through your initiative.

There are nine critical decisions that you must make when designing an initiative:

1. Set goals for the initiative;
2. Establish the duration of the initiative;
3. Ascertain the level of resources you will devote to the initiative;
4. Clarify your role in the initiative;
5. Decide if you will work alone or collaborate with other funders;
6. Determine the selection process for participants;
7. Choose what type of assistance will be offered to participants;
8. Decide how you will evaluate the initiative; and
9. Figure out what will happen to participant organizations after the initiative.

(See Exhibit 2 on page 6 for a summary of the nine key decisions explained in this paper and the major choices to make.)

While you definitely need to start by clarifying your goals, all of the subsequent deci-



## Exhibit 2: Designing a Long-term Capacity-Building Initiative -- Summary of Key Decisions to Make and Options to Consider

Use the list below to keep track of the tasks you need to complete and the decisions you need to make as you plan your capacity-building initiative.

### 1. Set goals for the initiative.

- Base your initiative goals on your funding organization's overall mission and program theory of change.
- Consider other types of goals, such as ones related to exit strategies, public relations, or tapping core competencies.

### 2. Establish the duration of the initiative.

- Devote at least three years to support and see organizational change.
- If you can make a longer commitment, consider having more than one cycle of participants who are involved on a staggered basis.

### 3. Ascertain the level of resources you will devote to the initiative.

- Determine the key factors that will influence your budget, such as availability of dollars, desired impact, duration, number of participants, and amount of support for each group.
- Account for capacity building (direct and indirect), planning, management, and evaluation costs.

### 4. Clarify your role in the initiative.

- Plan and manage the initiative in-house if your organization has expertise in organizational development, can dedicate substantial staff time and can develop trusting relationships with the participants, or...
- Use an outside intermediary if you lack knowledge about capacity building, are short of time, or seek greater objectivity.

### 5. Decide if you will work alone or collaborate with other funders.

- Work alone if you want to tailor your initiative to support your organization's specific goals or avoid the possible extra effort involved in a joint effort, or...
- Collaborate with other funders if they share your objectives and you can devote the time needed for the partnership.

### 6. Determine the selection process for participants.

- Decide on the number and mix of participants.
- Select participants through a closed process if you want to build the capacity of a set of nonprofits you already know well, or...

- Use an open and competitive process if you need to learn more about the applicants' track records, needs, or plans.
- Take into account the pros and cons of using organizational assessments during the selection process.
- Determine the readiness of potential participants to be in the initiative and receive capacity-building assistance.
- Emphasize expectations to participants about time investment, meeting attendance, and other obligations at the outset.

### 7. Choose what type of assistance will be offered to participants.

- Consider a full range of types of assistance, including tools, listservs, education and training, peer exchange, convening, coaching, consulting, and grants.
- Decide what capacity building is needed through an organizational assessment process.
- Help participating organizations develop capacity-building plans.
- Mix and match services based on need.
- Determine what limits you may put on who provides assistance.
- Make grants to support the capacity-building activities.
- Allow for possible different levels of participation, such as one tier that gets more intensive support and another that gets less.

### 8. Decide how you will evaluate the initiative.

- Plan the evaluation upfront.
- Figure out who will conduct the evaluation, whether it is a management assistance provider, foundation or intermediary staff, or an external evaluator.
- Measure the different levels of success, from short-term to long-term outcomes, as well as the quality of the strategies.
- Use both program evaluation and organizational assessment when evaluating your long-term capacity-building initiative.
- Learn from and share your evaluation findings.

### 9. Figure out what will happen to the participating organizations after the initiative.

- Ensure that advisors transfer skills and provide tools.
- Help participating nonprofits attract other funding to support their post-initiative work.
- Consider offering program grants and maintaining a learning network after the initiative is over.

sions are inter-related and not necessarily in sequential order. Once you begin to address each one, your choices will inform your approaches to the other ones in a dynamic and iterative manner. Just like a property owner who is planning to develop a new building, you need to simultaneously take into account your objectives, schedule, budget, role and resources as you create a preliminary design and then refine it.

Determine who will be involved in the decision-making process while you develop your plan. You may want to form a planning committee of key staff and consider hiring an outside consultant to provide planning and facilitation assistance as the process can be quite time-consuming. Consider getting input on the initiative design from the nonprofits that may be involved. Encourage thoughtful dialogue and sort out your alternatives. Narrow your options based on what helps you best achieve your stated goals, is congruent with your organization's mission and culture, addresses the most pressing needs, and is feasible.

Below is specific advice on how to approach each of these nine decisions and consider various alternatives. Examples from different initiatives are used throughout the paper to illustrate choices and highlight insights. Major design elements of seven key cases are summed up in Exhibit 5, a table on pages 12 and 13.<sup>4</sup> Finally, some overarching key success factors for long-term capacity-building initiatives are shown in Exhibit 12 on page 26.

## 1. Set Goals for the Initiative

### *Basing Initiative Goals on Your Overall Program Theory of Change*

Begin by stating and prioritizing your goals clearly so that you can create an initiative to meet them and measure your progress and success. By answering the question "build capacity for what?," you can clarify your aims. The purpose of your long-term capacity-building initiative depends on your funding organization's overall mission and theory of

change. As Exhibit 3 shows, a capacity-building initiative should serve to improve the organizational performance of a set of grantees so that they are better able to effectively deliver programs and achieve their missions.<sup>5</sup> This enables your grantmaking organization to enhance its impact. If, as a funder, your program theory of change is vague, spend the time upfront to express it more clearly -- involving key staff as well as board members -- so that your capacity-building program can better support it.

Use a logic model to articulate inputs, strategies, short-term outcomes, long-term outcomes, and impact, as Deaconess Foundation did for its Impact Partnership. Inputs are the resources the foundation employed, such as funding, staff, expertise, and skills. Strategies are what happen during the initiative, such as organizational assessment, capacity-building planning and activities like consulting and peer exchange to strengthen the capacity of the eight child-serving nonprofits in the St. Louis region. Outputs are the direct results of the strategies, including increased knowledge, interest, and skill related to enhancing organizational effectiveness. Outcomes are the changes the activity will help create in the short and long term. Impact is the end results related to how the participating organizations achieve their mission and the health status of disadvantaged children in the area is improved.

Some capacity-building initiatives are a structured component of a comprehensive program initiative, while others have capacity building as the main activity and goal. A case in point: The James Irvine Foundation's Families Improving Education Initiative provides support to organizations in California's Central Valley to mobilize and engage families -- particularly those in low-income, ethnic, and immigrant communities -- in educational policymaking concerning their local schools. The initiative provides grant support to an intermediary to provide a range of program supports and organizational capacity-building services to grantees. On the other hand, the San Francisco Department of Public Health's LEAP initiative focused only

on strengthening the management and governance of a cohort of AIDS service organizations that serve minorities in the San Francisco Bay Area and did not provide additional program support.

### **Other Objectives**

You may have other types of goals. Maybe you want your initiative to act as part of an exit strategy to increase self-sufficiency for grantees that will no longer receive program funding in the next several years. Or you could strive to strengthen a particular type of nonprofit capacity, such as board development or earned income generation. Perhaps you would like to create a signature program that can help meet some of your organization's political and public relations objectives. Some corporate funders want to concentrate their capacity-building work for nonprofits on the company's core competency, such as financial planning or marketing, to achieve their goal of actively engaging employees in the community.

## **2. Establish the Duration of the Initiative**

### **Investing for the Long Haul**

The length of your initiative will depend mostly on your goals and resources -- building an entire emerging field can take longer than strengthening a small set of mature nonprofits. Be prepared to devote enough time.

Organizational development takes a long time since systems and people evolve gradually. Three to four years is a good time frame to consider. In fact, the three Northern California funders that supported the Organizational Capacity Grants Initiative (OCGI) began by planning a schedule for two years and then extended it to three when they realized that it would take more time for organizational change to take place in the set of agencies in which they were investing.

### **Staggering Cycles for Participation**

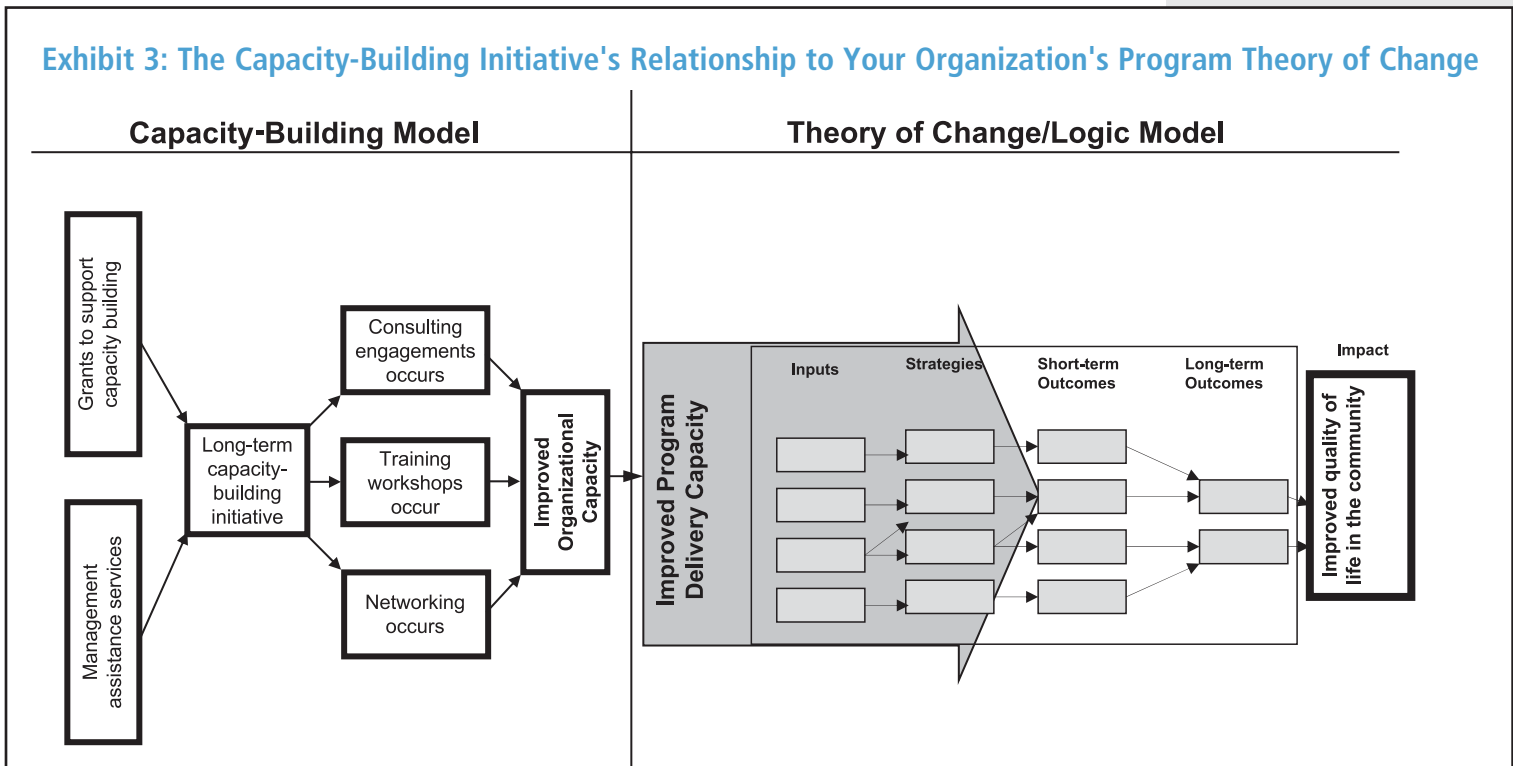
If you want to work with a large set of potential grantees but can not support them all at once, you may want to have staggered rounds of participation. You could begin with a "pilot" phase during which you work with an initial set of nonprofits that are most ready. If you choose to continue the initiative, you could then roll it out with one or more successive "classes" of participants, improving upon the previous cycles as you go along.

Consider how long sets of nonprofits will be involved in the initiative if you are planning to have more than one cycle of participants. The James Irvine Foundation, for instance, committed early on to devote seven years to its Arts Regional Initiative and plans to launch a cohort of grantees in a new California region each year for the first three or four years. Each cohort will then participate for three years. In another example, the funders of the Challenge Fund for Journalism, which provides matching grants to increase individual donations to journalism organizations, limited nonprofits to two non-consecutive years of participation in a one-year matching grant program. The waiting period between grants enabled grantees to solidify their fundraising and organizational advancement and cultivate donors.

If you have greater resources and want to go beyond a time-bound initiative, you can institutionalize capacity-building support through an ongoing effort. This is what the Pew Charitable Trusts did when it established the Philadelphia Cultural Management Initiative (PCMI), which fosters organizational learning, effective management, and leadership development. Since its inception, PCMI has provided more than \$2 million in funding and capacity-building support to 75 arts, culture, and heritage organizations.



**Exhibit 3: The Capacity-Building Initiative's Relationship to Your Organization's Program Theory of Change**



### 3. Ascertain the Level of Resources You Will Devote to the Initiative

You may know from the outset the amount of money that can be devoted to an initiative and begin by asking a question like "What can we do well for \$300,000?" Or you may first assess needs and design the program before asking, "What will this cost?"

#### Key Factors that Influence a Budget

Whatever your budgeting approach, the total cost of the initiative will be driven by the availability of dollars, your desired impact, duration, number of participants, and amount of support for each group.

Expenses can also vary according to the kind of capacity-building assistance provided, the size and type of organizations, and how experienced the nonprofits are in receiving capacity-building assistance.

The overall cost of a multi-year initiative can be as little as under a few hundred thousand to more than several million dollars. Here are some examples of total initiative costs:

- \$160,000 for the Sierra Health Foundation Organization Assessment Program (two-year pilot)
- \$1.85 million for the Challenge Fund for Journalism (two years)
- \$7.65 million for the Deaconess Impact Partnership (four years)

See Exhibit 5 on pages 12 and 13 for information about the factors that influenced these price tags and more examples of initiative expenses.

#### Accounting for Capacity-Building, Planning, Management, and Evaluation Costs

There are three main types of expenditures for a funder: capacity building for participating nonprofits, planning and managing the initiative, and evaluation.

#### Capacity building for participating nonprofits

You can provide funding directly to consultants, trainers, and others to support the involved nonprofits. These expenses depend on the availability and cost of capacity-building service providers. You can also award grants to nonprofits in the initiative to cover their particular capacity-building needs, as well as programs, human resources, general operations, or endowment.

The Pfizer Foundation Southern HIV/AIDS Prevention Initiative, for example, provided program grants ranging in size from \$20,000 to \$55,000 to 22 nonprofit groups in the South that provide innovative HIV/AIDS prevention programs. In addition, the foundation paid a pre-qualified set of consultants to provide capacity-building support to the nonprofits, with costs ranging from \$1,200 to \$29,000 per grantee. The James Irvine Foundation provided three to four-year grants of \$200,000 to \$400,000 to 12 arts organizations in the initial cycle of its Arts Regional Initiative to cover capacity-building, program, and general operating costs.

■ **Planning and managing**

In addition to using staff at your own funding organization, you may want to use outside assistance to help plan, manage, and implement the initiative. (See the section below on "Clarify Your Role in the Initiative" for more advice about getting external help). These expenses as a percentage of total initiative costs can range from less than 5% to more than 35%, depending on the extent of assistance.

■ **Evaluation**

Be sure to also include any costs related to evaluating the initiative. This can range from under 5% to more than 10% of the total initiative costs. Deaconess Foundation, for example, spent \$250,000 (3%) to assess its Impact Partnership program.

Also keep in mind other non-monetary costs, such as the time of staff and volunteers at your funding organization. Your employees will definitely need to devote time to oversee the initiative. You may want to enlist the support of volunteers as well. A corporate funder, for example, hopes to enable employees to provide *pro bono* capacity-building support to participants in its initiative. Finally, consider making in-kind donations, as Pfizer did when it donated refurbished computers to organizations that were a part of the Foundation's Southern HIV/AIDS Prevention Initiative.

## Exhibit 4: Weighing the Pros and Cons of Using an Intermediary

### Pros

- **Provide additional human resources and save time and money.**  
An intermediary can help funders with lean staffs to supply the human resources to manage a labor-intensive initiative, handle irregular workloads, and avoid adding and eliminating staff when the initiative begins and ends. It can also relieve a funder of time-consuming administrative burdens and help lower staff costs.
- **Tap expertise and credibility.**  
An intermediary can offer greater expertise related to capacity building or a particular program area that a funder has or wishes to have. Also, it can bring other specialized capabilities, legitimacy, and networks critical to the initiative's success.
- **Obtain neutrality.**  
An intermediary can be a neutral "third party" that acts as a buffer between the grantmaker and grantee. If the funder does not have a very open or trusting relationship with the set of participants, the intermediary can examine grantees more closely, understand their needs better, and provide more appropriate capacity-building support. It may also be better able than a grantmaker to "level the playing field" and create partnerships with nonprofits, particularly smaller ones.

### Cons

- **Increase management oversight responsibility and certain costs.**  
Although the funder's administrative and transactional burdens decrease, the management responsibility increases. Also, the intermediary's overhead costs may be high.
- **Miss opportunity to strengthen funder capacity and develop relationships with grantees.**  
Using an intermediary may mean that a funder does not have the opportunity to build internal capacity-building expertise or learn about grantees' experiences. In particular, since the funder is more removed from interactions with grantees, it may not hear about grantee problems, especially those related to the intermediary. Incentives for the intermediary to demonstrate success may coincide with a similar interest in grantees to hide difficulties. In addition, grantees may resent the intermediary for breaking a direct relationship between them and the foundation.
- **Create confusion about roles and accountability.**  
The intermediary can become a funder's "public face" and roles or lines of accountability can be misperceived by grantees unless they are negotiated, established, and clearly communicated upfront.

## 4. Clarify Your Role in the Initiative

Your job as a capacity-building initiative funder goes beyond just cutting the check. You also need to play a part in the design and implementation of the initiative. The function can range from being hands-on to hands-off, depending on the amount of time you have to devote to the work, your financial resources for hiring outside help, and the type of expertise you have or may need to tap from others.

Another key factor is how close or distant you, as a funder, want to be from the capacity-building work with the participating nonprofits. While some grantmakers prefer a directly engaged role, others want the buffer of a neutral intermediary to work with participants on sensitive organizational development matters.

### ***Managing the Initiative In-house***

If your grantmaking organization has expertise in organizational development and can dedicate substantial staff time, you could plan and supervise the initiative yourself. If you choose this engaged approach, aim to develop mutually respectful relationships with the involved nonprofits and avoid being heavy-handed. The Hartford Foundation for Public Giving has an experienced capacity-building staff that worked closely with program staff to devise and manage a multi-year initiative to improve the management and governance of key multi-service agencies in Greater Hartford, Connecticut. Although it used outside consultants to help conduct organizational assessments, provide management assistance, and evaluate the program, the Foundation staff actively partnered with the participating organizations.

Some funders go so far as to provide direct management assistance to grantees. Due to the power imbalance between a funder and nonprofit, this can be potentially difficult and requires a significant amount of openness, trust, and reciprocity between the funder and nonprofit.

### ***Using an Outside Intermediary***

If you are short of time, lack in-house competencies in organizational development and management, seek greater objectivity, or otherwise want more of a hands-off role, you can delegate the design and management to an intermediary.<sup>6</sup> An intermediary can coordinate all aspects of the initiative, provide "case management" services to grantees, monitor and maintain quality control, and communicate about the initiative to internal and external audiences.

There are pros and cons associated with using an intermediary, as shown in Exhibit 4. The potential benefits include providing additional human resources, saving time and money, tapping expertise and credibility, and obtaining neutrality. The possible drawbacks are increasing management oversight responsibility, avoiding strengthening funder capacity and developing and creating confusion about roles and responsibilities.<sup>7</sup>

The James Irvine Foundation decided to use MDRC, a nonprofit social policy research organization, as an intermediary to manage and evaluate the Student Support Partnership Integrating Resources and Education (SSPIRE) Initiative. This three-year, \$3.5 million initiative, which began in 2005, provides grant support and capacity-building assistance to nine community colleges in California to integrate instructional reforms with student-support services, with the goal of improving academic achievement and degree completion among 16 to 24-year old low-income and minority students.

"Irvine views MDRC as an ideal partner to manage the SSPIRE Initiative and provide technical assistance to selected community colleges," Marty Campbell, Vice President for Programs at the Irvine Foundation, com-





## Exhibit 5: Seven Long-term Capacities

Initiative	Funder(s)	Goal(s)	Initiative Commitment (in Years)	Participant Involvement (in Years)
<b>Arts Regional Initiative</b>	James Irvine Foundation	To improve the financial sustainability, management, governance, and growth capacity of mid-sized leading arts organizations outside of large metropolitan areas in order to enhance these organizations' artistic leadership	7 (2006 start)	3-4
<b>Building Excellence, Sustainability, and Trust (BEST)</b>	Flint Funders Collaborative: C.S. Mott Foundation, Community Foundation of Greater Flint, Ruth Mott Foundation, United Way of Genesee County	To increase the sustainability of nonprofit grantees in the Flint, Michigan area and to develop a pool of skilled consultants to help them	5 (2004 start)	3
<b>Challenge Fund for Journalism</b>	Ford Foundation, Knight Foundation, and Ethics in Excellence Journalism Foundation	To increase the long-term sustainability of journalism organizations through revenue diversification, specifically individual donations	5 (2004 start)	2
<b>Deaconess Impact Partnership</b>	Deaconess Foundation	To increase the sustainability of a set of vital child-serving nonprofits in the St. Louis region	3-5 (2004 start)	4
<b>Multi-service Agency Initiative</b>	Hartford Foundation for Public Giving	To help key human service agencies in Greater Hartford improve their operations in six core organizational areas, to produce better client and community outcomes	6 (2001 start)	6
<b>Organizational Assessment Program</b>	Sierra Health Foundation	To support mid-sized health service organizations in the greater Sacramento region to assess their capacity-building needs and develop a capacity building action plan	2 (for pilot, 2002 start)	0.5
<b>Southern HIV/AIDS Prevention Initiative</b>	The Pfizer Foundation	To stabilize multi-cultural communities in the urban and rural areas in nine states in the South and to build the capacity of the nonprofit sector, especially small- to mid-sized organizations, providing HIV/AIDS prevention services in the South	3 (2004 start)	3

# Capacity-Building Initiatives, At a Glance

Total Initiative Cost, in millions (Capacity-building portion)	Range of Per Participant Capacity-Building Investment	How Participants Are Selected (percentage represents number of selected out of applicants)	Number of Organizations in Cohort	Assistance Provided
\$4.54 (\$4.05) (for first 4 year cycle)	\$200,000 - \$400,000	28 invited, based on budget size and other qualifications 26 applied 12 proposals 12 selected (46%)	12	<ul style="list-style-type: none"> <li>■ Core, Program, and Capacity-building Funding</li> <li>■ Convening</li> <li>■ Training</li> <li>■ Coaching</li> <li>■ Peer Exchange</li> <li>■ Consulting</li> <li>■ Tools</li> </ul>
\$1.80 (\$.88)	\$5,000 - \$50,000	16 invited 15 completed assessment and applied 14 selected (87.5%)	14	<ul style="list-style-type: none"> <li>■ Capacity-building Funding</li> <li>■ Convening</li> <li>■ Training</li> <li>■ Coaching</li> <li>■ Peer Exchange</li> <li>■ Consulting</li> <li>■ Tools</li> </ul>
\$1.85 (\$1.26) (for year 2 & 3)	\$7,500 - \$100,000	16-24 invited, based on funder nomination of former grantees 16-20 applied 15-16 selected (79%-100%) (for years 2 and 3)	15-16	<ul style="list-style-type: none"> <li>■ Capacity-building Funding</li> <li>■ Convening</li> <li>■ Training</li> <li>■ Coaching</li> <li>■ Consulting</li> <li>■ Tools</li> </ul>
\$7.65 (\$7.4) (for years 1-4)	\$50,000 - \$400,000	200 attended community meetings 51 invited to complete initial application 21 selected for extensive application 8 selected (16%)	8	<ul style="list-style-type: none"> <li>■ Capacity-building Funding</li> <li>■ Convening</li> <li>■ Training</li> <li>■ Coaching</li> <li>■ Peer Exchange</li> <li>■ Consulting</li> <li>■ Tools</li> </ul>
\$4.4 (for first 3-year cycle)	\$100,000 - \$300,000	15 invited 15 completed organizational assessments 12 selected (80%)	12	<ul style="list-style-type: none"> <li>■ Core and Capacity-building Funding</li> <li>■ Convening</li> <li>■ Training</li> <li>■ Consulting</li> </ul>
\$.16 (2-year pilot)	\$10,000	20 applied 10 selected (50%)	10	<ul style="list-style-type: none"> <li>■ Organizational Assessment Funding</li> <li>■ Convening</li> <li>■ Training</li> <li>■ Consulting</li> <li>■ Tools</li> </ul>
\$3 (\$0.6) (for years 1-3)	\$1,200 - \$29,000 (indirect)	440 letters of interest, based on HIV prevention work in 9 Southern states 64 Invited 63 submitted competitive proposal 24 selected (38%) (but convenings and computers to all 63 applicants)	24	<ul style="list-style-type: none"> <li>■ Capacity-building Funding</li> <li>■ Convening</li> <li>■ Training</li> <li>■ Coaching</li> <li>■ Consulting</li> <li>■ Tools</li> </ul>

mented. "MDRC has a long history of providing technical assistance and implementation support for programs, deep technical expertise in field-testing program innovations before they are widely adopted, and an ability to leverage this work with Irvine with what it is learning through its national programs that also focus on community colleges: Opening Doors, and Achieving the Dream." Likewise, John Funabiki, former Deputy Director for Media, Arts, and Culture at the Ford Foundation, and his initiative funding partners decided to use TCC Group as an outside intermediary to help plan the Challenge Fund for Journalism and handle the day-to-day operations and grantee interactions. "Most of the grantees needed advice, training, and monitoring in order to restructure their fundraising strategies to meet their goals," he observed. "It was clear to us that we would need an intermediary that had the appropriate expertise and technical capacity to work with the grantees. Ultimately, we decided that a private consulting firm could perform this function." In this case, the firm has the primary relationship with the participants and re-grants monies to the grantees on behalf of the funders.

If you decide to work with an outside intermediary, you need to manage the relationship well. Begin by clearly articulating your reasons for using one. Consider several prospects and choose the one with the most appropriate knowledge and skills and with whom the chemistry is best. Once you make your selection, create a formal, written agreement that defines a clear scope of services and mutual expectations. Spell out your respective roles carefully and clearly explain to grantees who has the authority and will be the primary contact. Throughout the initiative, manage the intermediary well by keeping the lines of communication open and providing continual feedback on performance.

The funder, intermediary, and nonprofit organizations participating in the initiative frequently become engaged in a triangular relationship. The funder must strike the right balance of confidentiality and openness appro-

priate to each of the three sides in the partnership, respecting boundaries while encouraging communication. Information is power, and it must be distributed appropriately to keep this delicate relationship functioning well.

The nonprofit and the intermediary need to trust each other, exchange information freely, and establish clear expectations about confidentiality. To improve its management and governance, a nonprofit often must "air its dirty laundry" to the intermediary. This leaves the nonprofit exposed. The intermediary must respect the vulnerability in accounting to the funder. In most cases, the nonprofits' activities can be reported in a restricted or summary form, providing relevant material about organizational needs, capacity-building services, and outcomes, without revealing privileged information.

Whomever is involved in the initiative, create deliberate opportunities for you and the others to learn as the initiative evolves. The Flint Funders Collaborative Building Excellence, Sustainability, Trust (BEST) initiative was designed as a learning laboratory to help both participating agencies and foundations better understand organizational capacity building. The grantmakers, nonprofit executives, and involved consultants met regularly during each initiative to reflect on their progress.

## 5. Decide if You Will Work Alone or Collaborate With Other Funders

You may choose to pursue a long-term capacity-building initiative on your own in order to tailor it to support your organization's specific goals or avoid the possible extra effort involved with a joint effort. If you are working alone, at a minimum find out what types of capacity-building funding and support the nonprofits in your initiative are receiving from other grantmakers and sources so you can all coordinate your efforts.

Keep in mind how the nonprofits you select will interact in a learning community.



Consider collaborating with other funders who may share your objectives, such as to build a particular field or community. There are various models for a funder collaboration to consider. One grantmaker may provide the program grants, while the other supports the capacity-building work. Or, you can work with other funders to form a joint pool, as a set of environmental grantmakers recently did. In 2005, the Chesapeake Bay Trust began helping to organize a group of funders (including The Campbell Foundation, The Rauch Foundation, and The Morris and Gwendolyn Cafritz Endowment) to create a pooled fund to strengthen nonprofits that work to protect and restore the Chesapeake Bay and its watershed. The three-year collaborative aims to provide programmatic and organizational capacity-building support to strengthen and link nonprofits.

## 6. Determine the Selection Process for Participants

The process for choosing organizations to participate in a long-term capacity-building initiative depends mostly on what your grant-making organization ultimately wants to accomplish. As shown on the right side of the logic model in Exhibit 3, as a funder, you need to first be clear about why you want to strengthen the performance of a particular set of nonprofits. This will inform your approach to the selection process. For example, if you want to build the field of substance abuse nationally, you may want to choose those groups in the field that demonstrated best practices in programs and focus on enhancing their organizational effectiveness.

### *The Number and Mix of Participants*

You first need to determine how many groups you want to participate in the initiative. Some funders choose to concentrate support for a small set of nonprofits, such as Deaconess Foundation, which has only nine nonprofit partners in its initiative. On the other hand, some grantmakers elect to work with a larger number, such as the Pfizer



Foundation, which had 22 participants that received intensive support and 39 more that got other help.

Keep in mind how the nonprofits you select will interact in a learning community. You may want to choose groups that are similar or different from one another in certain ways, so that they can better learn from each other. Since Deaconess Foundation participants don't compete with each other directly in the program and fundraising arenas, they feel comfortable sharing with each other during peer exchanges.

#### ***Inviting Participants Through a Closed Process***

How open or closed do you want the selection process to be? Do you want to increase the organizational effectiveness of an existing cadre of nonprofits that you already know well and to which you currently award program grants? Then you may want to invite all or some of the grantees in your portfolio and choose to provide capacity-building support through an organized initiative. Frequently, funders that are aiming to benefit a specific geographic area invite a set of well-known anchor organizations in the community. The foundations that supported the Organizational Capacity Grants Initiative, for instance, invited 16 leading human social service agencies in San Mateo County to apply to be part of the initiative and accepted all of them.

#### ***Using an Open and Competitive Selection Process***

On the other hand, you may want to use a more open and competitive process if you need to learn more about the grantseekers' track record, needs, or plans. In this case, you could have an initial brief application process through which a large number of nonprofits state their capacity-building needs and why they would like to participate in the initiative. Then, you could invite a subset of these groups to submit a more comprehensive proposal before making a selection.

This is the process that the James Irvine Foundation followed for its Arts Regional Initiative. The Foundation wished to provide

targeted capacity-building support to mid-sized arts organizations in three non-metropolitan regions in California. A RAND study had recently revealed that mid-sized arts groups were more financially vulnerable than smaller ones that did not yet have fixed operating costs and were more flexible and larger ones that were better able to attract foundation and government funding. And Irvine knew that arts groups outside of the major metropolitan areas had limited access to these sorts of funding streams. So, the foundation identified arts groups in its first target region with annual operating budgets between \$500,000 and \$5 million, asked 28 nonprofits to submit an application, and then chose the top 12 (based on the criteria of arts leadership, community connectedness, readiness to build capacity, and financial sustainability) to submit a more comprehensive proposal with detailed capacity-building plans and budgets. The Foundation decided to award grants to all 12.

#### ***The Pros and Cons of Using Organizational Assessments During the Selection Process***

Some funders invite applicants to undergo an organizational assessment process and develop a capacity-building plan before choosing which groups to participate in the initiative. In 2001, the Hartford Foundation for Public Giving asked 15 mid-sized multi-service agencies around Hartford, Connecticut -- such as Hispanic Health Council and the local Urban League and YWCA -- to apply to a capacity-building initiative. Outside consultants conducted in-depth organizational assessments for the participants and worked with them to develop plans for enhancing their organizational capacity. The Foundation then chose 12 applicants who demonstrated that they had solid plans and were ready to receive assistance. For the first three years of the initiative, these groups received up to \$100,000 per year for implementation, peer learning sessions, and technical assistance.

However, if you do not have a long-term trusting relationship with the applicant organizations, it may be best to avoid conducting an in-depth organizational assessment as part of the screening process. Groups may

Leaders must be self-reflective and willing to change their organization to some degree when joining an initiative, just as an individual in counseling needs to want to change for the therapy to be effective.

not answer questions honestly if they believe that revealing organizational shortcomings may prevent them from being chosen. In this case, you can employ a formal organizational assessment *after* groups have been chosen, as a way to help them take stock, determine their organizational development needs, and refine their capacity-building plans. (See Section 7 on page 18 for more information on how to use organizational assessments following the selection process.)

### **The Question of Readiness**

As you review candidates, it is important to assess not only their needs, but also their readiness to partake in a long-term initiative. Exhibit 6 shows a checklist of critical factors that indicate readiness and likelihood to gain the most from participating.<sup>8</sup> Keep in mind that degree of readiness will depend on the lifecycle stage of the nonprofit organization. A prospective participant does not have to check off every box to qualify, but think twice before selecting an organization with mostly blanks. If you are uncertain, consider making a lower level of investment and service provision to the nonprofit and help it become better prepared to receive more support later on.

An organization requires a *practical ability* with sufficient stability and resources to participate and make the most of the initiative. It may not be prepared if it has high staff turnover, lacks strong programs and basic systems and processes, exhibits a dysfunctional organizational culture, is too busy with other priorities, or faces a pending change in the external environment that will greatly influence its future direction. Staff and board leaders also need to be able to devote adequate time and attention to the capacity-building work. If this is uncertain, a funder can try to time the support so that the organization can absorb it well.

Furthermore, organizations that have some previous positive experience in capacity building and working with consultants, coaches, or trainers will probably be more likely to gain. Those who resist outside help or have had prior negative experiences with consultants may have trouble.

An organization should also have a clear plan to strengthen its capacity and manage change. But that is probably not enough. It also needs enough

## **Exhibit 6: Checklist to Determine Readiness of a Nonprofit Organization to Participate in a Long-term Capacity-Building Initiative**

### **Practical ability to participate and benefit:**

- Board and staff leaders understand change management processes, are focused on capacity building for program success and have a track record of success.
- Key board and staff members have sufficient time available to devote to capacity-building work.
- Senior staff has recently been stable and has not turned over quickly.
- Organization has a strong set of core programs or services.
- Organization has established basic organizational systems and processes, such as data-driven decision making, human resource management, fund development, and technology.
- Organization is not in the midst of a crisis.
- Organization demonstrates mutual respect and cooperation among staff and board.
- Organization has some previous experience in capacity-building and working with external advisors.
- The organization's leadership has a clear sense of the organization's needs and future priorities, a plan to strengthen its capacity, and an explicit strategy for change management.
- Organization has adequate financial and human resources to implement and sustain some of the capacity-building strategies it identifies.
- The organization can offer something from which other initiative participants can benefit, including guidance, tools, and information.

### **Motivation and willingness to participate and benefit:**

- Key board and staff members exhibit a desire to self-reflect, learn, and develop.
- Key board and staff members are motivated to change.
- Board and staff leaders have a shared commitment to enhance the organization's effectiveness.
- Organization has had some previous positive experience with organizational change.



potential resources to execute some of the strategies it identifies during the initiative to enhance its management or governance.

Strong leadership is critical. Weak leaders will have more difficulty taking advantage of the initiative. If you do select an organization with leadership difficulties, be sure to address this core capacity first through coaching or consulting.

Furthermore, a nonprofit should be able to "bring something to the table" from which other participants in a cohort can benefit. For example, a staff leader who is too green may not be able to contribute much to a learning community.

Prospective organizations need more than just these practical abilities to benefit. They also need to be *motivated* to participate. Leaders must be self-reflective and willing to change their organization to some degree when joining an initiative, just as an individual in counseling needs to want to change for the therapy to be effective.

Board and staff leaders should share a commitment to organizational change. Usually, there is a driving force -- such as the need to manage growth, make a leadership transition, reverse stagnation, or respond to external funding or market shifts -- that make change imperative, not just useful. Nonprofits that have been pushed unwillingly by a grantmaker to take part in a long-term capacity-building initiative typically and up having negative experiences.

### ***Emphasizing Expectations at the Outset***

Participating in an initiative can be not only beneficial for a nonprofit, but also burdensome. During the selection process, clearly state expectations to potential participants about the time investment and other obligations, such as an organizational assessment or meeting attendance. You may even go so far as to have an organization sign a contract that states that they will meet certain requirements. If it can not make these commitments, then you could resolve to not let the nonprofit join. Additionally, if a group does not meet these expectations during the

course of the initiative, then you may decide to end its engagement in the initiative.

## **7. Choose What Type of Assistance Will be Offered to Organizations**

Offer a range of kinds of assistance to nonprofits that are part of your capacity-building initiative. A menu of possible offerings is shown in Exhibit 7 on page 19.

The assistance you choose to provide will depend mostly on your goals and available financial resources. Tools and publications are the least expensive options. Convening and training tend to cost less than one-on-one coaching and consulting. Consider adding peer exchange to the mix as it has a big bang-for-the-buck. Blended solutions that reinforce each other tend to be most effective. For example, you may offer a training workshop and publication on strategic planning to 20 organizations, provide ongoing Executive Director coaching to six of the groups, and underwrite the consulting costs for intensive strategic planning for two nonprofits.

### ***Who Decides What Capacity Building is Needed?***

The menu of options you present should also be influenced by the organizational development needs of the participating organizations. Focus your efforts on strengthening leadership and adaptive capacities, since those are the most critical. Who decides what capacity building is needed is critical. Although a thoughtful funder or capacity builder can play an important role in helping guide a group to determine its needs, ultimately the organization needs to decide its organizational development priorities. An effective organizational assessment process will help an organization recognize that some issues, such as fundraising problems, may be symptoms of deeper underlying organizational difficulties, like ineffective programs or weak leadership.

## Exhibit 7: A Menu of Types of Assistance

### *Tools and Resources:*

You can provide tools -- such as board self-assessment instruments, personnel policy manual templates, financial management software, or computers -- to participating organizations. You may also want to give them publications related to nonprofit management and governance. In addition, you could refer them to other resources that can help them address organizational challenges and opportunities, such as consultants, useful web sites, and other nonprofits that have faced similar challenges.

### *Listserve:*

A listserv enables a group of nonprofits to share and discuss information through a single e-mail address. An e-group provides a website for groups to share calendars, pictures, documents, membership lists, and links. You can create a listserv or e-group for the organizations in your initiative using a major Internet service provider, such as Yahoo, MSN, or Google. They are most effective when they are initiated after a group of people have already met in person and someone is responsible for maintaining and moderating the list and facilitating online conversation.

### *Education and Training:*

Training and educational opportunities facilitate individual employees, trustees, and volunteers to develop skills to help them do a better job managing, overseeing, and supporting their organization. Offerings can range from brief, one-shot seminars, to regularly scheduled online training webcasts, to year-long, university-based courses on such topics as strategic planning, board development, or program evaluation. Whatever the setting, adults learn best when there is a clear agenda with specific goals and when there is an opportunity to apply new skills and concepts to real-life work situations. It is critical that key change agents receive the training and are accountable for implementing what they learned.

### *Peer Exchange:*

Peer exchanges -- including round tables, case-study groups, and learning circles -- are based on the premise that participants can be both teachers and learners. To be most successful, peer exchanges need

a skilled facilitator, a safe environment in which a consistent array of participants can express and modify their beliefs, a clear set of learning objectives, and a balance of structure and flexibility. Peer exchanges can lessen participant isolation, increase confidence, and heighten awareness of diverse views and alternative situations.

### *Convening:*

You could multiply the power of your initiative by convening the involved nonprofits regularly. Conferences can be used to develop a learning community through customized trainings and clinics, peer exchange, and informal networking. These forums can also facilitate discussions about issues in the field or community, as well as joint actions related to funding, policy advocacy, and programs.

### *Coaching:*

You may offer one-on-one coaching to nonprofit executives. In this relationship, the coach offers new ideas and perspectives, asks challenging questions, and helps the client to process information and adapt behavior.

### *Consulting:*

Consulting is a broad term that describes a wide array of relationships between a nonprofit client and a professional advisor, whether an independent consultant, nonprofit management support organization, or private consulting firm. Consulting roles vary depending on the consultant's style and background, the needs of the client, and the type of project. In some cases, a consultant acts as a directive expert, conveying information and prescribing solutions related to programs, organizational development, or specialized areas such as accounting or fundraising. In other situations, a consultant serves as a facilitator, guiding a process and helping the client to reflect on options and make decisions.

### *Grants:*

As part of the initiative, you can provide grants to support specific capacity-building efforts, programs, general operations, or endowment, as explained more on page 21.

As noted in Section 6 on the selection process, an organizational assessment can help determine what sort of help is most needed. You can employ an organizational self-assessment using a standard instrument.<sup>9</sup> Or, you can support an outside consultant to perform a more in-depth qualitative organizational assessment by conducting confidential interviews with key stakeholders and producing a written report for the nonprofit.

Consider the case of the Flint Funders Collaborative, which built in a first phase for each of the 14 participating organizations to assess their organizations over four months using grants from \$8,000 to \$20,000. Assisted by outside consultants, each agency took stock of such areas as financial management, fund development, and staff and board leadership. Based on these assessments, the groups devised plans to build their capacity and were collectively awarded \$880,000 over two years for implementation.

As another example, the Sierra Health Foundation runs a program that focuses on enabling health-related nonprofit groups to assess their organizations and develop capacity building action plans. Participating organizations are awarded \$10,000 to have an outside consultant conduct an organizational assessment and help board and staff leaders to set capacity-building goals and strategies together. The foundation has found that the plans have been so solid that most participating organizations have been able to attract other financial support for implementation.

**Helping Participants Develop Capacity-Building Plans**

Each participating organization should create a plan to address its capacity-building needs. Both board and staff leaders should contribute to this effort. The plan should be prioritized and not try to tackle too many problems at once. You can let the group define this plan on its own, or you or an intermediary can work with the group to develop the plan, act as a sounding board, and ensure that it is sound.

**Exhibit 8: Mixing and Matching Services**

Participating Organizations	Consulting	Coaching	Peer Exchange	Training	Convening
Mesa Grande Multi-service Center	■			■	■
Big Brothers-Big Sisters	■	■		■	■
YWCA		■	■	■	■
YouthForce		■	■		■

If you follow this course, it is critical that the funder or intermediary does not force a prescription that the nonprofit does not support, since without buy-in it is unlikely to be implemented. After you approve the plan, be flexible about letting the group modify it as the initiative unfolds if this will increase the likelihood of strengthening the organization.

**Mixing and Matching Services Based on Need**

Consider tailoring services, based on need, as shown in Exhibit 8. For the Pfizer Southern HIV/AIDS Prevention Initiative, TCC Group conducted quantitative and qualitative organizational assessments for all of the participating organizations and found that board development, executive coaching, and website development services were high priorities and subsequently offered assistance to meet these needs.

Focus mostly on building the crucial leadership and adaptive capacities. Remember that certain methods of assistance are better suited for building particular types of capacity. Consulting and coaching, for instance, are the most effective ways to strengthen leadership capacity, while training and tools are best for increasing technical capacity.



Bear in mind which assistance will be done independently and which collectively. Be sure to have enough joint elements so that the cohort of organizations can learn from each other through peer exchanges, trainings, and convenings. You should cluster sub-sets of organizations based on their need for inter-organizational learning and other commonalities, such as program model, size, or stage of development. Exhibit 9 below shows how the set of 22 Pfizer grantees were grouped and provided customized services according to their lifecycle stage.<sup>10</sup>

### Putting Limits on Who Provides Assistance

Will you provide coaching or consulting help through the initiative? If so, figure out what constraints you may put on who provides the assistance. On one hand, you can simply let the groups select their own professional advisors and provide financial support to pay for them, as the Irvine Foundation did for the Arts Regional Initiative and the Hartford Foundation for Public Giving did for its Multi-service Agency Capacity Building Initiative.

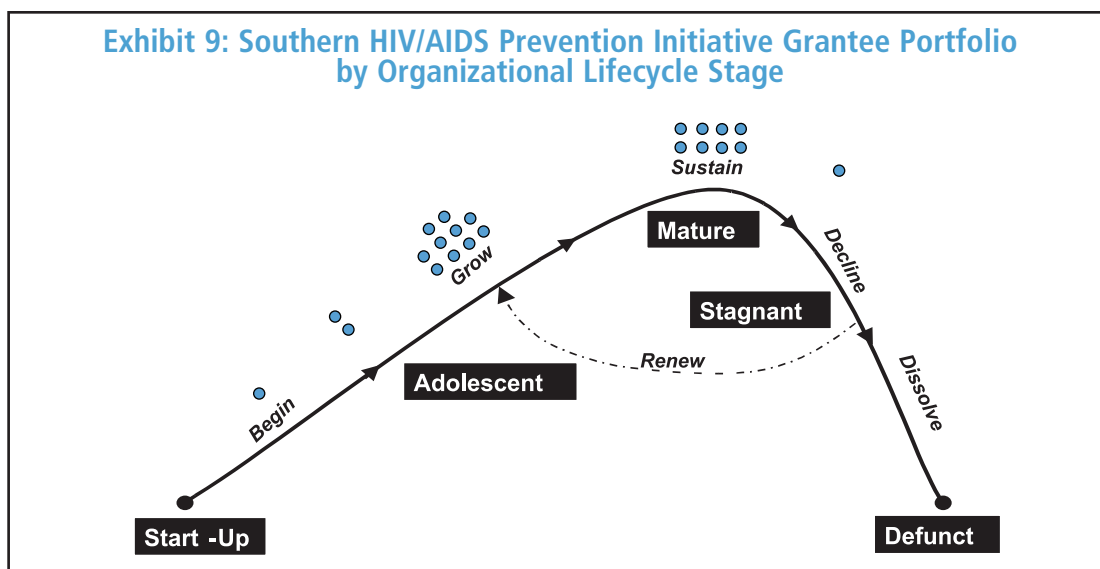
On the other hand, you can pre-screen consultants and, acting as a broker, offer a collection of possible helpers from which the participants can select ones with which to work, as the Pfizer Foundation did for the Southern HIV/AIDS Prevention initiative. In this case, some groups may not know of high-quality providers and will appreciate the sug-

gestions and advice on how to be good consumers of consulting services. Be sure to offer a range of choices, so that you are not imposing just one or two providers onto the groups. Enable them to consider a variety of options to ensure they get the right fit in terms of chemistry, reputation, and technical expertise. If the quality of management assistance providers is mixed in your field or area, you could add a component to your initiative to strengthen the capacity builders.

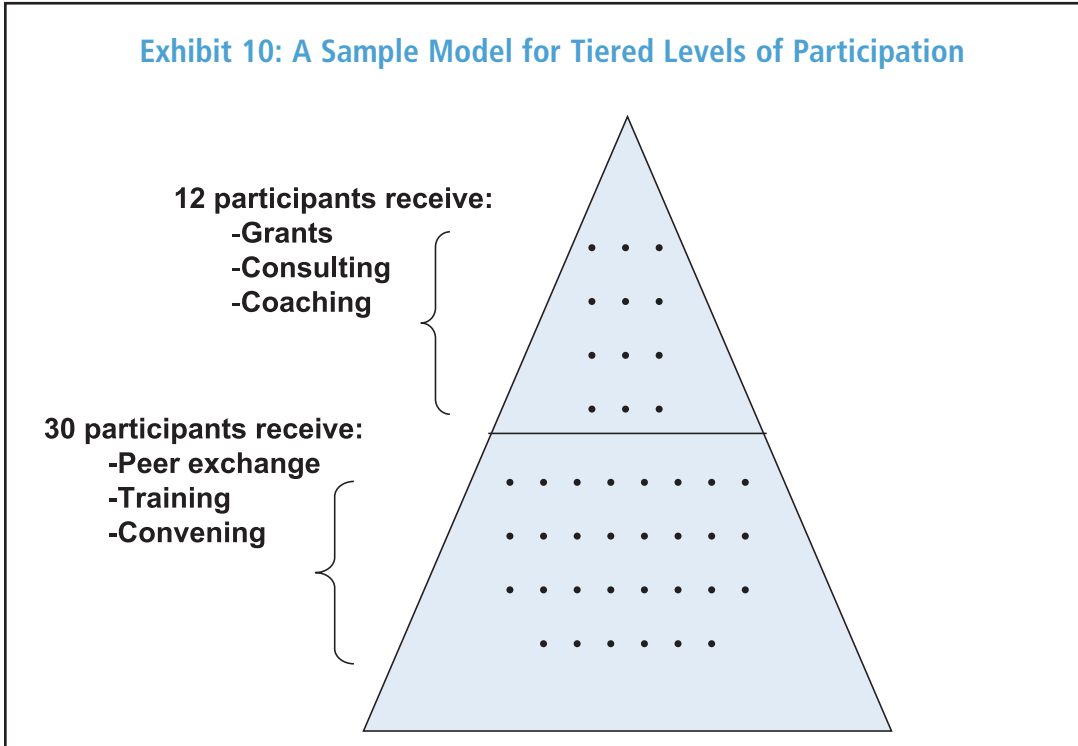
### Making Grants to Support Capacity-Building Activities

You will need to award grants to participating nonprofits as part of the initiative, unless you are providing all the capacity-building services and paying the providers directly. If you let the groups select their own outside helpers, then you probably want to provide funding to support the implementation of their capacity-building plans.

Consider providing grant support to cover not only consulting expenses, but also to hire staff and implement organizational development strategies. Additionally, you could provide program grants to participating organizations, like the Pfizer Foundation did for its Southern HIV/AIDS Prevention Initiative, when it awarded multi-year grants of up to \$55,000 annually, to complement its capacity-building supports. Even more, you could provide unrestricted general operating support



**Exhibit 10: A Sample Model for Tiered Levels of Participation**



Plan the evaluation at the outset so that it can be a formative process that periodically influences program design revisions.

grants, in addition to other types of funding, as another way to try to enable the organizations to strengthen themselves.

Offer matching grants if you are trying to provide incentives to generate certain types of revenues, much like the Challenge Fund for Journalism. After the Internet bubble burst and the attacks of September 11th occurred, most nonprofit organizations in the journalism field experienced a sharp drop in corporate and foundation revenues and became financially unstable. John Funabiki realized that many of the journalism grantees in his portfolio at The Ford Foundation had limited capacity to generate revenues in this tough operating environment. So, he came up with an idea to help them broaden their base of financial support and build the organizational infrastructure needed to continue their programs well into the future.

The Challenge Fund for Journalism -- a multi-year initiative that provides matching grants, professional development opportunities, and organizational development coaching ser-

vices to a cadre of journalism nonprofits -- was launched in 2003. The Knight Foundation and Ethics and Excellence in Journalism Foundation joined forces with Ford to support the effort. In 2006, a cohort of 16 participating organizations successfully raised \$1.24 million to match \$674,000 in grant awards. According to Eric Newton, Director of Knight's Journalism Initiatives, "many have made significant organizational advancements."

**Different Levels of Participation**

Finally, you can design an initiative that entails different levels of participation if you want a large group of nonprofits to be involved but are not sure if certain groups deserve or are ready for intensive support. As Exhibit 10 shows, you could have one tier of participants that receive more intensive support (including grants, consulting, and coaching) and another tier that gets less intensive support (such as peer exchange, training, and convening).

You may also want to plan your initiative so that groups could begin in the first tier and

then advance to the second tier after a year or two in the initiative. Groups that seem less prepared to take advantage of advanced capacity-building services could initially get less demanding support and then qualify for more once they had proven themselves.

The Pfizer Foundation used a two-tiered structure in its capacity-building initiative. The Foundation invited HIV prevention organizations in nine southern states to submit a letter of interest and over 440 organizations applied. Sixty-four of the applicants with the most innovative programs were then selected to submit a proposal. Of these, 24 were chosen to receive programmatic grants and then offered organizational assessments, one-on-one consulting and coaching, and peer exchange. The remaining finalists were invited to participate in an annual training conference and receive computer donations from Pfizer Inc.

## 8. Decide How You Will Evaluate the Initiative

Many compelling reasons exist to evaluate your initiative. Systematic evaluation helps your funding organization measure the use of resources and results and be more accountable. Evaluation findings can inform how you refine the initiative as it progresses. Evaluation also generates new knowledge and determines what works, for whom, and in what circumstances. It can help the participating nonprofits learn from their efforts, individually and as a group. Plan the evaluation at the outset so that it can be a formative process that periodically influences program design revisions. If you conduct a summative evaluation at the end of the initiative, it is too late to make mid-course corrections along the way.

### *Who Will Conduct the Evaluation?*

Depending on the specific circumstances, evaluations of capacity-building activities can be conducted by the nonprofit organization itself, a management assistance provider, foundation or intermediary staff, or

an external evaluator. The decision about who conducts an evaluation should be based on available skills and resources, the ability to be objective, and how the findings will be used. Often, an outside evaluator is used to ensure that the evaluation is unbiased and its design, methodology, data collection, and analysis are sound and valid.

An external evaluator is able to function more autonomously, avoid politics, dig deeper, and share information with a nonprofit more candidly than might be possible or appropriate for a funder or capacity builder. Nonprofit organizations may find external evaluations threatening as staff and trustees may fear revealing information about sensitive organizational issues. At the outset, it is important for all parties -- evaluator, capaci-



ty builder, nonprofit, and funder -- to explicitly agree about what information can be shared and with whom.

### **Measuring the Different Levels of Success**

How success is specifically measured will depend on the nature of the particular organizational development work that is being carried out in the initiative. Evaluation can usually be conducted on many levels from usage to short-term outcomes, to long-term impact. At a basic level, one can simply count number, duration, and satisfaction -- how many individuals and groups used the initiative capacity-building services for what duration and their level of satisfaction.

Moving deeper, one can assess the quality of the capacity-building strategies through participant ratings, comparison with research-based practices, and expert observation. Beyond this, one can attempt to determine what participants learned, how they applied the knowledge, and how they changed their behavior. Ultimately, one can strive to determine the long-term impact of capacity building on the organization and its clients, community, or field. It becomes increasingly difficult, however, to assess impact as one goes from the organizational to the community level.

A logic model can help bring order to these levels and questions and articulate the underlying assumptions of your capacity-building initiative, as explained in Section 1, "Set Goals for the Initiative," on pages 7-8. It can serve as the evaluation framework from which all evaluation questions, data collection tools, methodologies, and data analysis are derived. It also provides a frame of reference for testing assumptions and having a dialogue about ways to make improvements. This approach begins by spelling out the initiative's inputs, strategies, outputs, and outcomes. Using the logic model as a framework, the questions that need to be addressed in the evaluation should be carefully crafted, remembering that good questions lead to good answers. Then, indicators of success for each question can be stated, and sources of the necessary data can be identified.

Focus on whether the organization achieved outcomes most directly related to the goals established in the capacity-building plan. Also, have realistic expectations -- if all you are funding is a workshop, do not expect outcomes more than increased knowledge and awareness. Furthermore, do not limit the evaluation to what can be counted or is easy to collect. Keep in mind that anecdotal evidence and unintended consequences can be meaningful too.

### **Combining Program Evaluation and Organizational Assessment**

A combination of program evaluation and organizational assessment is critical for evaluating a capacity-building initiative. Organizational assessments can be repeated periodically to measure capacity changes. It also is important to conduct high-quality, ongoing program evaluations to gather data about how organizational capacity improvements may contribute to programmatic impacts on clients and communities. As shown in Exhibit 11, the participating nonprofits in the Flint Funders Collaborative initiative believed that they increased their leadership, adaptive, and management capacity, as well as program quality. Half of the executives reported gains in their ability to make organizational decisions and solve problems as a result of being in the initiative.

### **Learning From and Sharing Your Findings**

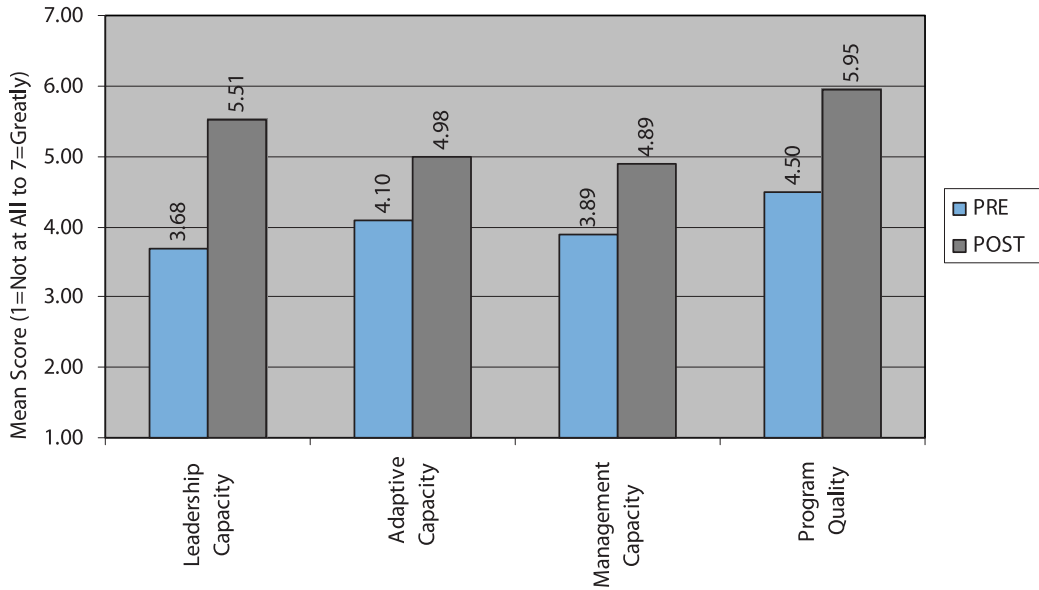
Use cross-grantee findings from your evaluation to better understand the common and unique strengths and weaknesses, as well as successes and failures. Utilize findings to evaluate capacity-building resources, strategies, and activities -- not just outcomes. Finally, share evaluation findings broadly. There is a dearth of information about what works, and especially what an effective organization looks like within a particular field.<sup>11</sup>

## **9. Figure Out What Will Happen to the Participating Organizations After the Initiative**

Many changes at participating nonprofits resulting from your work will outlive the initiative, such as a new donor tracking system,



**Exhibit 11: Organizational Change in Flint Funders Collaborative Grantees**



evaluation processes, or a revised organizational structure. To maximize the extent of positive change after the initiative is finished, be deliberate about your exit strategy at the start of the initiative and be open to changing it as the initiative evolves. You can enable participating organizations to institutionalize capacity building and sustain aspects of the work after the initiative is completed. Prevent the nonprofits from becoming dependent on outside help by ensuring that advisors transfer skills and provide tools -- such as organizational assessment and program evaluation instruments, manuals, templates, and systems -- for further use.

Money also matters. Avoid making a grant so large that it exceeds a tipping point at which the organization, even after developing its capacity, may find it difficult to absorb or replace the bulk of it when the initiative funding dries up. Afterwards, you may offer continued grant support just for programs. You can also help participating nonprofits attract other funding. This is what happened to Our Piece of the Pie (OPP), a youth service provider that was involved in the Hartford Foundation for Public Giving's Multi-service Agency Capacity Building Initiative. After taking advantage of an orga-

nizational assessment and strategic planning process through the initiative, OPP was able to enhance its organizational effectiveness and attract the attention of the Edna McConnell Clark Foundation, a national funder that screens for programmatic and organizational effectiveness, and receive significant additional support.

The Pfizer Foundation aimed from beginning of its Southern HIV/AIDS Prevention Initiative to create a network of stronger HIV/AIDS service organizations working in the South that would outlast the duration of the initiative. The Foundation has created a web portal to help keep the network alive after the initiative ends. As one of the grantees comments, "long after Pfizer Foundation's funding relationship has concluded, the skills and expertise culled from these capacity-building efforts will continue to make us a trusted and well-respected organization."

It will probably take at least several months to make all the decisions about the design of your initiative. As you think about your choices, consider the overarching key success factors for long-term capacity-building initiatives summed up in Exhibit 12.

## Exhibit 12: Key Success Factors for a Long-Term Capacity-Building Initiative

### ***Ground your capacity-building initiative in your funding organization's mission and program theory of change.***

Do not plan the initiative in a vacuum, in a "ready, fire, aim" mode. Instead, be clear at the outset how the capacity-building initiative will support your funding organization's goals and know the answer to the question: "build capacity for what?" Usually, your response will be to help the participating nonprofits achieve better program outcomes. By basing the initiative on a clear program theory of change, you will be able to articulate your intentions and evaluate your progress better.

### ***Be realistic about what you strive to achieve.***

Match your expectations to your level of investment. Regardless of the resources you devote to the initiative, do not expect the capacity building to be transformative for all of the participating organizations. Organizations evolve slowly and it can take many years to see significant changes. Frequently, the process follows a "two steps forward, one step back" pace. Expect challenges to arise that will slow the rate of progress, such as turnover among the board and senior staff or external factors like an economic recession or regulatory changes.

### ***Use your power wisely.***

There is a natural imbalance of power between funders and nonprofits. When pursuing a capacity-building initiative, use your power carefully and avoid being overly meddlesome and giving advice about how a nonprofit should manage or govern itself. Build trusting relationships with participating nonprofits and consider using an objective third party intermediary or consultant to relate more directly with them.

### ***Build on nonprofits' strengths.***

A long-term capacity-building initiative should concentrate on capitalizing upon assets, not just on correcting weaknesses. Meet nonprofits where they are and build on what is present and possible. Use organizational assessments throughout the initiative to diagnose groups, identify capacity-building priorities, and evaluate progress over time.

### ***Set priorities for what type of organizational capacity you intend to build.***

Invest mostly to increase leadership and adaptive capacity since they drive organizational development. A nonprofit that has strong management and technical capacity but is weak in terms of leadership and adaptive capacity can be doing things well, but they may be the wrong things. Also, do not let involved nonprofits take on too many issues at once. Make the capacity building that matters most for programs and mission attainment the highest priority.

### ***Focus on enabling people to learn and change.***

Organizations are collections of people, so organizational capacity building is about influencing a set of individuals and accelerating their learning. The people involved matter a lot. Keep in mind that most people naturally resist change, so you want to design an initiative that helps overcome that barrier and creates a culture that values learning and transformation. Staff and board members need to be ready, willing, and able to change and benefit from the capacity-building support. Staff leaders are especially critical. If the leaders are incompetent or disengaged or, even worse, an executive director leaves midway during an initiative, all bets are off.

### ***Try to make the sum of the strategies and services greater than the individual parts.***

Together, your set of capacity-building strategies in an initiative creates an organic, multi-dimensional process. As you go along, creatively leverage everything and take advantage of unexpected circumstances.

### ***Learn about which strategies are working best and invest more in those strategies.***

Along the way, use evaluation to measure the quality of capacity-building assistance and what is - and is not - effective. Based on what you find, alter your strategies to focus more on what is working. The key to learning which strategies work best is to not limit your evaluation efforts to counting units of capacity-building activities. Rather, dig deeply into measuring the quality of the capacity building and how certain experiences seem more or less likely to facilitate some type of individual, organizational, community, or field level impact.

## Turning Your Plan into Reality

Once you set your strategies and commit resources, you are ready to launch your initiative. Now the hard work begins: implementation. Develop more specific action plans, carry out all of the work, and monitor, evaluate, and refine your efforts as you go along.

It is likely that the implementation of your initiative will not be easy. By their very nature, long-term capacity-building initiatives are complex, time-consuming, and prolonged

endeavors. But they are usually worth all of the hard work.

By making this deep investment, you can leverage your philanthropic dollars and enable a set of nonprofits to better help their constituents and communities for a long time to come.

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## Endnotes:

1. Light, Paul C. *Sustaining Nonprofit Performance: The Case for Capacity Building and the Evidence to Support It*. Brookings Institution Press. 2004. p. 174.
2. This model was initially presented in a June 2003 report by TCC Group, *Building the Capacity of Capacity Builders*, which was prepared with support from the David and Lucile Packard Foundation. TCC Group based this model on a synthesis of the perspectives of many researchers and leaders in the nonprofit and governance field who have put forth definitions of nonprofit organizational effectiveness.
3. Also refer to *Strengthening Nonprofit Performance: A Funder's Guide to Capacity Building* by Paul Connolly and Carol Lukas (Fieldstone Alliance, 2002.) Parts of this paper, especially related to the planning process and types of capacity-building services, were adapted from this book.
4. These cases were selected because TCC Group was involved with the initiatives in some way and therefore we possessed knowledge about them. They also were chosen to show variations of the different design elements.
5. This diagram was developed by Peter York, Director of Evaluation at TCC Group.
6. According to Peter L. Szanton in "Toward More Effective Use of Intermediaries" (*Practice Matters*, Foundation Center, September 2003), "an intermediary funds a grantee or grantees directly; performs a function so important to a funder that, absent an intermediary, the funder would have to perform it itself; or relates to a grantee, grantees, or a field of interest in any other way that makes it a potential significant advisor as to further grantmaking."
7. Many thanks to Martha Campbell of the James Irvine Foundation for her input on the development of this exhibit.
8. Special thanks to Peter York of TCC Group and Linda Wood and Paula Morris of the Evelyn & Walter Haas, Jr. Fund for their input on these factors.
9. Some of the more popular ones are distributed by Venture Philanthropy Partners, the Leader-to-Leader Institute, and Maryland Association of Nonprofits. TCC Group's Core Capacity Assessment Tool is a 146-question online survey that is taken by at least the staff leader, program director, and board chair and can be interpreted by a consultant. See *Funders' Guide to Organizational Assessment: Tools, Processes, and Their Use in Capacity Building* (Fieldstone Alliance, 2006), edited by Lori Bartczak, for more information about organizational assessment tools.
10. This model is from *Navigating the Organizational Lifecycle: A Capacity-Building Guide for Nonprofit Leaders* (BoardSource, 2005) by Paul Connolly. Aspects of this model are adapted from the models described in Susan Kenny Steven's essay, "Growing Up Nonprofit," and *Nonprofit Lifecycles: Stage-Based Wisdom for Nonprofit Capacity* (2001), as well as Karl Mathiasen and the Management Assistance Group's writing on this topic.
11. For more information on evaluating capacity-building activities, see "Evaluating Capacity-Building Efforts for Nonprofit Organizations" by Paul Connolly and Peter York in *OD Practitioner*, Vol. 34, No. 4. 2002.

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*Other colleagues at TCC Group provided valuable input, including Richard Mittenenthal, Tom Knowlton, Sally Munemitsu, Susan Misra, and Alexandra Ravenelle.*

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strategies to achieve social impact

For more than 27 years, TCC has provided strategic planning, program development, evaluation and management consulting services to nonprofit organizations, foundations, corporate community involvement programs and government agencies. In this time, the firm has developed substantive knowledge and expertise in fields as diverse as community and economic development, human services, children and family issues, education, health care, the environment, and the arts.

From offices in New York, Philadelphia, and Chicago, the firm works with clients nationally and, increasingly, globally. Our services include strategic planning, organizational assessment and development, feasibility studies, long-term capacity building, program evaluation and development, governance planning, restructuring and repositioning, as well as grant program design, evaluation, and facilitation. We have extensive experience working with funders to plan, design, manage and evaluate long-term capacity-building initiatives.

Our approach is governed by the need to establish a clear and engaging consulting process that offers structure and predictability as well as flexibility to meet unforeseen needs. Working in multidisciplinary teams, we tailor each new assignment to meet the individual needs and circumstances of the client. We develop a scope of work that responds to the particular challenges, timetable and budget for the assignment.

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