

## Strengthening Nonprofit Capacity

### Introduction: Capacity Building Matters

*In America, 24 million children are growing up without their fathers. These children are nine times more likely to not graduate from high school, 10 times more likely to use illegal drugs and 20 times more likely to end up in prison.*

*Fathers' Support Center of St. Louis works to change these statistics by giving fathers the resources and skills they need to become involved parents. Since its founding in 1997, Fathers' Support Center has helped more than 9,000 fathers reconnect with their children and be able to support them financially and emotionally.*

*From 2008 to 2012, Fathers' Support Center went through a period of organizational transformation, growing its annual budget from \$1 million to more than \$3 million, attracting federal funding and receiving recognition as a national model. CEO Halbert Sullivan credits much of this transformation to a single source — a four-year capacity-building investment from Deaconess Foundation in St. Louis, that included significant financial support as well as a range of consulting, peer exchange and training opportunities. Sullivan says this partnership enabled the organization to add and elevate administrative staff positions — including the position of a development director — to significantly improve its fundraising and marketing strategies, beef up the organization's 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. Of the fathers who have participated in the program, 62 percent have obtained a job, a notable outcome in a bleak job market. Of those, 75 percent were able to retain it for more than a year, 75 percent financially support their children and 80 percent interact with their children on a regular basis. All of this means the children of these fathers will be significantly more likely to stay in school, stay away from drugs and grow up to become responsible, caring adults.*

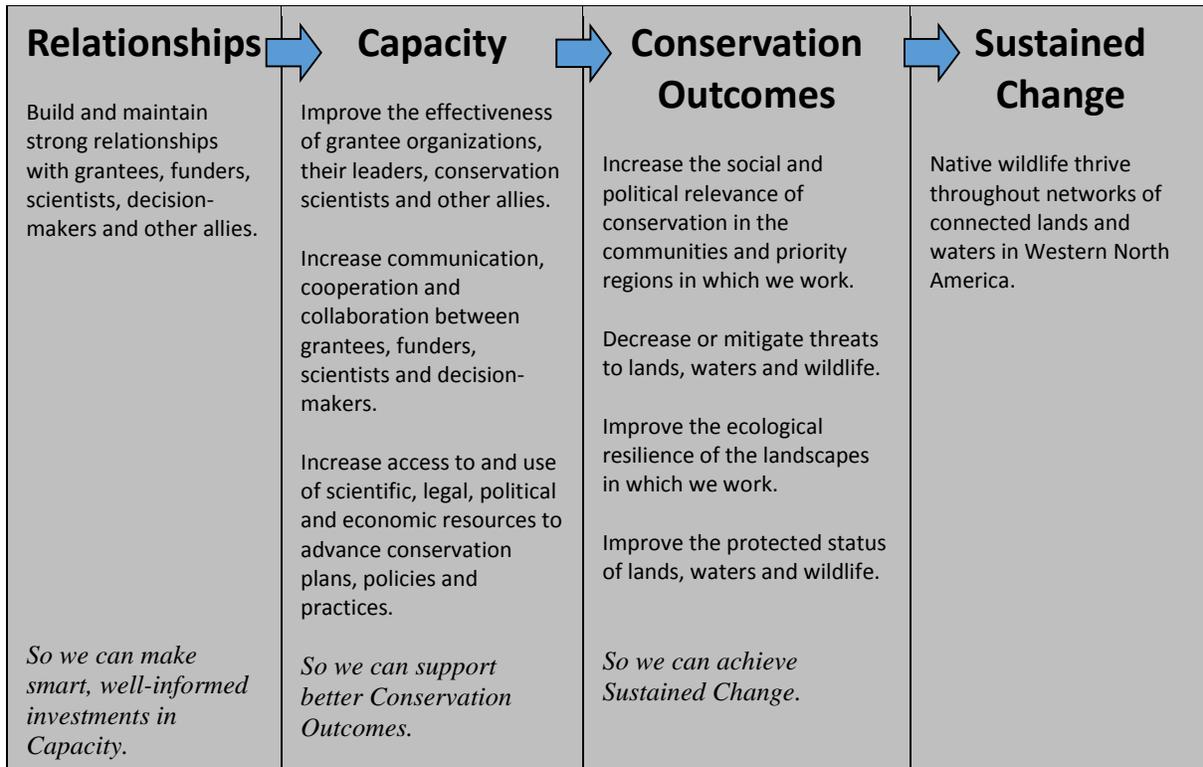
*"Capacity building gave us the chance to do some things we wanted to do since we began," Sullivan said. "If we are going to succeed and grow over another decade, Fathers' Support Center is going to need to last beyond my vision. I am trying to help others become leaders in our organization so that I know that Fathers' Support Center will be around for a long, long time, and the support from Deaconess Foundation has been instrumental in making that happen."*

While few foundations provide capacity-building support in a model as intensive as that of Deaconess Foundation, more funders are recognizing 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 grantees, 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 their capacity-building support in the past three years.

Many grantmakers who invest in capacity building have articulated clear connections to organizational strategy. For example, the Wilburforce Foundation, a conservation funder in the Pacific Northwest, believes capacity building is an integral link in the foundation's strategic framework.

“We recognize that the only way we can achieve our mission and vision is if we have strong grantee partners,” said Paul Beaudet, associate director, Wilburforce Foundation. “Because the work we are collectively doing may take many years, and our grantees need to be resilient and effective over time, long-term capacity investments are a key part of our outcome map.”

### Wilburforce Foundation Outcome Map



Even though the rationale for prioritizing capacity building may be clear, grantmakers often feel uncertainty around best practice. Ultimately, capacity building is about giving leaders the skills and resources they need to take their organizations and work to the next level.

In doing this work, grantmakers need to decide what they hope to accomplish through capacity-building investments and how to provide the appropriate resources to produce and assess the desired outcomes.

Each leader and organization is unique, and circumstances are always changing, so there is not a one-size-fits-all approach. However, no matter what approach a grantmaker takes, there are some considerations that apply to any situation — capacity building needs to be *contextual*, *continuous* and *collective*. This publication offers practical guidance and considerations for grantmakers to tailor a capacity-building approach that best suits the needs of their grantees and communities. The literature on capacity building in the grantmaking field is rich and extensive. Once you have decided which approach is best for you, this publication offers other resources from a range of content experts that can provide more in-depth guidance on specific aspects of capacity-building work.

## Key Concepts from the Field

The idea of building nonprofit capacity or enhancing organizational effectiveness is not new. In listening sessions with nonprofit leaders and grantmakers, GEO heard varying ways of defining *capacity* and *capacity building*. Some participants said the term *capacity building* is not compelling enough to get more grantmakers to invest in it, and a few grantmakers and nonprofit leaders were even unfamiliar with the term. Despite the various reactions to language, there was an overall consensus that grantmakers play an important role in investing in grantees' ability to operate more effectively and efficiently.

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* is a wide range of capabilities, knowledge and resources that nonprofits need in order to be effective.<sup>1</sup> Others in the field have offered similar definitions:

- [TCC Group](#) defines *adaptive capacity* as “the ability to monitor, assess, respond to, and create internal and external changes.”<sup>2</sup> Adaptive capacity along with leadership, management and technical capacity and organizational culture make up the core capacity framework of nonprofit effectiveness.
- [Venture Philanthropy Partners](#) outlines a capacity framework that includes seven essential elements of nonprofit capacity: aspirations, strategies, organizational skills, human resources, systems and infrastructure, organizational structure and culture.<sup>3</sup>
- [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.

GEO defines *capacity building* as the funding and technical assistance to help nonprofits increase specific capacities to deliver stronger programs, take risks, build connections, innovate and iterate. *Technical assistance* 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. Technical assistance is a term sometimes used interchangeably with capacity building.

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. Here is a sampling:

- GEO's [Smarter Grantmaking Playbook](#) offers additional resources for grantmakers on nonprofit capacity building.
- [GrantCraft](#) is researching and publishing on the breadth of funder and grantee experiences with capacity building to help funders determine what works best for their goals.
- [TCC Group](#) examined how our field has evolved in thinking about the who, how and what of building nonprofit capacity.

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<sup>1</sup> Kevin Bolduc et al., edited by Lori Bartzczak, *A Funder's Guide to Organizational Assessment* (Washington, D.C.: GEO and Fieldstone Alliance, 2005), 6.

<sup>2</sup> Peter York, “[The Sustainability Formula: How Nonprofit Organizations Can Survive in the Emerging Economy](#),” TCC Group, 2009, 2.

<sup>3</sup> “[Effective Capacity Building in Nonprofit Organizations](#),” Prepared for Venture Philanthropy Partners by McKinsey & Company, 2001.

- Nonprofit Finance Fund conducts a yearly [State of the Sector](#) survey to assess finance and other trends in nonprofit organizations.
- Innovation Network's [Point K Learning Center](#) is an online hub for tools to build nonprofit evaluation and assessment capacity.
- [CompassPoint](#) is a national, nonprofit leadership and strategy practice that conducts research to inform leaders, fellow capacity builders and funders on emerging practices.
- The [Alliance for Nonprofit Management](#) is a national knowledge sharing community committed to advancing the field of capacity building and create a stronger social sector.
- The David and Lucile Packard Foundation has documented its experiences with nonprofit capacity building on its organizational effectiveness team's [wiki](#).

## Options for Providing Capacity-Building Support

Just as there are a range of capacities that contribute to organizational effectiveness, there are a range of ways grantmakers can support capacity building. Change is hard, so it is critical to ensure that grantees are ready and committed to starting the process. Organizational assessments and candid conversations are two key ways to gauge grantee readiness.

The following table highlights five of the most common ways grantmakers support capacity building, along with some of the benefits and limitations of each approach.<sup>4</sup> Regardless of the type of support, it is important to consider grantee readiness before awarding funding.

Type of Support	Benefits	Limitations	Example
<b>Unrestricted support</b> — general operating grants	<ul style="list-style-type: none"> <li>Provides much-needed multiyear unrestricted funding</li> <li>Grants are paid in full and up front, and grantees can use the funds to support their priorities and needs</li> <li>Allows grantees to drive the timing and pacing of capacity-building work</li> </ul>	<ul style="list-style-type: none"> <li>Some nonprofits may find it difficult to prioritize investing in organizational capacity building, likely a result of a historic underinvestment by funders in this area</li> <li>Measuring impact requires different models</li> </ul>	<a href="#">Weingart Foundation</a> in Los Angeles gives the majority of its grants as unrestricted support and has found that most grantees use this funding for organizational capacity building.
<b>Organizational capacity-building grants</b> — grant support focused on building specific organizational capacities, such as leadership, fundraising, communications, evaluation, collaborative capacities and more	<ul style="list-style-type: none"> <li>Targeted support to meet specific needs that may not be funded from other sources</li> <li>May help set the stage for organizational growth and development</li> </ul>	<ul style="list-style-type: none"> <li>It can be difficult to determine which capacities to prioritize and to ensure grant timing and readiness for the work</li> <li>Organizations may have multiple needs that a targeted capacity-building grant can't address</li> </ul>	The <a href="#">Meyer Foundation's</a> Management Assistance Program provides capacity-building grants of up to \$25,000 targeted at activities to strengthen management and leadership skills.

<sup>4</sup> This table draws upon the work done by Paul Connolly and Carol Lukas in [Strengthening Nonprofit Performance: A Funder's Guide to Capacity Building](#) (St. Paul: Fieldstone Alliance, and Washington, D.C.: GEO, 2004), 60–61.

Type of Support	Benefits	Limitations	Example
<p><b>Organizational capacity-building grants plus technical assistance</b> — grant support plus technical support from consultants or foundation staff that is focused on building specific organizational capacities; can include technical assistance programs, training, organizational assessments, peer learning groups or consulting engagements</p>	<ul style="list-style-type: none"> <li>● Targeted support to meet specific needs that may not be funded from other sources</li> <li>● Grantmakers are involved in designing the technical assistance engagement (with varying degrees of involvement from grantees)</li> <li>● Grant funds can be used to help with implementation or follow-up after the technical assistance</li> <li>● Technical assistance from an outside provider can allow for a more objective approach</li> </ul>	<ul style="list-style-type: none"> <li>● It can be difficult to determine which capacities to prioritize</li> <li>● Grantmakers may not have the expertise to design technical assistance or assess skills of consultants</li> <li>● Technical assistance that is too funder driven will be less effective — input from grantees is critical</li> <li>● Off-the-shelf capacity-building interventions can be less effective; customized support is more time and resource intensive</li> </ul>	<p><a href="#">The Pierce Family Foundation</a> supports capacity building through grants and technical assistance opportunities such as workshops, peer skill sharing and access to nonprofit coaches and consultants.</p>
<p><b>Grants to build capacity collectively</b> — grants to build the capacity of a group of grantees, networks or other collaborative efforts, instead of the capacity of individual grantees</p>	<ul style="list-style-type: none"> <li>● Recognizes the need for multiple actors working to address social issues</li> <li>● Provides critical funding to help strengthen collaborative efforts</li> <li>● Encourages grantees and partners to work together</li> </ul>	<ul style="list-style-type: none"> <li>● It can be difficult to determine how best to structure the support</li> <li>● Outcomes may be unclear given multiple actors and efforts</li> <li>● Grantmakers must make multiyear commitments in order for the support to be meaningful</li> </ul>	<p><a href="#">The Greater New Orleans Foundation's Stand Up for Our Children</a> initiative works to build the capacity and advocacy skills of organizations that are key to attaining positive outcomes for children in Southeast Louisiana.</p>

Type of Support	Benefits	Limitations	Example
<b>Grants to technical service providers, intermediaries or researchers</b> — grants or contracts to build the capacities of capacity-building providers or develop knowledge and practice in the field	<ul style="list-style-type: none"> <li>● Helps ensure nonprofits have access to knowledge, experience and resources to best build their capacity</li> <li>● Can offer economies of scale</li> <li>● Can offer expertise the grantmaker doesn't have on staff</li> </ul>	<ul style="list-style-type: none"> <li>● Grant decisions may require a different set of knowledge or experience than the grantmaker possesses to make grant decisions</li> <li>● Some potential grant or contract recipients may fall outside the foundation's funding guidelines</li> <li>● Technical assistance alone can be less effective for grantees than when combined with funding</li> </ul>	A key component of <a href="#">Wilburforce Foundation's</a> capacity-building strategy is supporting Training Resources for the Environmental Community, which provides capacity-building training, organizational effectiveness services and leadership coaching to conservation organizations in the North American West.

**Questions to Consider Your Options**

As the table above shows, there are a range of ways grantmakers can support capacity building. Consider the following questions to help you assess which strategy (or strategies) is the best fit for your organization and capacity-building objectives:

- **What portion of your grantmaking budget will go toward capacity building?** Weigh the amount of funds needed versus what you have available for the effort.
- **Do you have the internal capacity and expertise to manage the initiative, including organizational assessments and technical assistance if needed?** If not, consider using external capacity builders or offering unrestricted support or combined program and capacity-building support.
- **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 want to strengthen specific organizations or build the overall capacity of a set of organizations?** 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 build expertise on a specific capacity?** Some grantmakers have prioritized supporting leadership or fundraising capacities, for example, and designated grants programs and technical assistance focused specifically on those capacities.

## The Three Cs: Considerations for Any Type of Support

While there are various options for how to provide capacity-building support and no clearly defined “best practice,” the range of experiences across the GEO community over more than 15 years does point 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 — such as governance and leadership, financial oversight, fundraising and others — how grantees achieve these capacities will differ according to a variety of factors such as life cycle stage, program model, geographic location or revenue base. To be 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 can help the organization address real-time challenges and opportunities.

Developing a contextual approach to capacity building requires a great amount of trust and relationship building. 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.”

In order for grantees to feel comfortable sharing organizational needs and challenges, grantmakers need to make a concerted effort to get to know grantees and how they operate, and to build a foundation of trust. A key way to build an open, trusting relationship is for grantmakers to make themselves accessible to grantees. Consider the signals you may inadvertently be sending with every interaction with grantees. For example, do your application and reporting processes and requirements help instill feelings of openness and trust, or do they send a different signal?

The Bayview Hunters Point Community Fund was a private fund focused on building the capacity of youth development programs in San Francisco’s Bayview Hunters Point area from 2001 to 2014. In reflections on its 13 years of capacity-building grantmaking, staff found that the fund’s contextual approach to capacity building was key to its success. “Our efforts were highly individualized according to each grantee’s specific needs as they defined them,” said Sai Seigel, executive director. “Because our grantees were at different stages of organizational development, we quickly learned that a one-size-fits-all model of capacity building would not be effective. We conducted assessments to identify each grantee’s organizational and programmatic strengths and needs, then developed individual work plans to accomplish capacity-building goals.”

Grantees quoted in the foundation's reflections report found this contextual approach to be more effective than other forms of capacity building. "Other programs were one or two-day trainings on certain topics, and sometimes the workshops were a mismatch as to where we were and what we really needed," one grantee said.

### *Questions for Grantmakers*

- How do you discover what your grantees need? What do you do to ensure an open and honest relationship with them?
- How can you tailor capacity-building support in response to what you hear from grantees?

### **Make It *Continuous***

Grantmakers should consider a long-view approach to building capacity within an organization or across a portfolio because organizational transformations will not happen overnight and 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 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 on fundraising or management 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.

Participants in nonprofit listening sessions often said 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 and 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.

The New Hampshire Charitable Foundation invests in the infrastructure of 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. "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.”

### *Questions for Grantmakers*

- How long do your investments in grantee capacity usually last?
- How are you ensuring that grantees have what they need through the entire change process?

### **Make It Collective**

Many grantmakers recognize that taking a collective approach to capacity building can help ensure greater buy-in across the organization, build deeper leadership within organizations and, in some cases, streamline capacity-building investments. Collective approaches to capacity building can take one 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 or across organizations.
- *Working with other grantmakers* — coordinating capacity-building support, thereby streamlining the process and maximizing resources.
- *Paying attention to the capacity of a set of actors* that are vital to the issues — whether that set is bound by a geographic area or an issue area.

This publication focuses on collective methods for providing capacity-building support. For more information on how funders can build the capacity of nonprofits to be better collaborators themselves, see GEO’s publication [\*Working Better Together\*](#).

### *Focusing on Leadership at Multiple Levels*

While leaders and boards of organizations are powerful, they are not the only powerful actors, and so funders are paying much more 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 a team that is drawn from multiple levels of the organization or across organizations.

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 typically provides a consultant to work on a project with teams from the organization, to help ensure that the learning is applicable. For example, the Board Leadership Program is composed of two workshop sessions for agency teams and follow-up consultation with a consultant who works one-on-one with an organization to improve governance practices of particular interest to each organization. That program requires the team from each nonprofit to include the executive director, the board chair and at least two other board members.

### *Working With Other Grantmakers*

Grantmakers should walk the talk when it comes to encouraging partnership, and consider ways to work with other funders to coordinate capacity-building support, thereby streamlining the process and bringing more resources to grantees as well as grantmakers. The Pierce Family Foundation developed its Peer Skill Share program to match grantees 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 and board transitions. Since there is time involved for both the trainer and the trainee, the foundation provides a small stipend to both parties to cover their 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. Today, Pierce partners with 15 other foundations in the area, greatly increasing the pool of potential matches.

“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 — and be compensated for their time rather than paying a workshop fee,” said Marianne Philbin, executive director. “For the foundation, this a low-cost way to provide targeted technical assistance, and a way to partner with other funders to create more value for our grantees. From our evaluation responses, we see an important additional benefit coming from the relationships that are developed across nonprofits. More than half of the participants have reported keeping in touch with their peer match afterwards. The program is enabling participants to become much more familiar with each other than they might otherwise be and build relationships.”

### *Paying Attention to the Capacity of a Set of Actors*

Recognizing that single organizations alone can't achieve the levels of change needed on most of the issues we seek to address, some grantmakers are looking across communities or networks and considering the overall strength of the set of organizations or leaders working in a community or on an issue. This perspective sometimes also extends to encompass whole systems or fields and is characterized by thinking beyond the individual organization.

The Boston Foundation is building the overall strength of Greater Boston's nonprofit sector through special initiatives and grants ranging from \$2,500 to \$100,000 aimed at increasing the capacity of nonprofits and leaders to act collectively and collaboratively, and to deliver on their missions. “It is critical for the organizations 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, senior director, program and nonprofit effectiveness. “With over 40,000 nonprofits accounting for 16 percent of jobs and representing \$245 billion in annual income, our state's nonprofit sector is so ubiquitous and important that it is to Massachusetts as water is to fish. As Greater Boston's community foundation, we feel a responsibility to make sure the quality of that water is as strong as possible.”

In another example, the Edna McConnell Clark Foundation launched an initiative called PropelNext, 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 currently receive funding as well as access to peer learning, coaching and technical assistance from consultants.

This approach has been a natural extension of the Edna McConnell Clark Foundation’s long-standing strategy to strengthen the field of youth-serving nonprofits. “The foundation had been implementing a strategy to help scale successful youth-serving organizations,” said Danielle Scaturro, director of program operations for PropelNext. “This worked well for certain organizations that were ready for growth, but there were many organizations still building their infrastructure and not quite ready for scaling efforts. As we considered our role in helping build the field over time and how best to work with these organizations, we saw an opportunity to invest in capacity to strengthen program delivery, youth outcomes and evaluation functions.” The first cohort will wrap up in mid-2015, and the foundation plans to launch a second cohort for California-based youth-serving organizations at that time.

Grantmakers are also considering how nonprofits can learn to better collaborate with each other and the communities they serve. This takes a special set of skills and competencies that nonprofits need support to develop, including the ability to be open and share power and responsibility, adaptability and flexibility, and stronger connectivity.

#### *Questions for Grantmakers*

- To what extent do you engage multiple levels of the organizations and networks you are supporting to help strengthen collective leadership? How might you increase efforts to strengthen collective leadership?
- Where do you see opportunities to work with other grantmakers to better support your grantees?
- 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 their capacity to collaborate and their collective strength?

## Learning from Capacity Builders

A key player in the work of capacity building is the practitioner, consultant or service provider who works directly with the nonprofit organization. Often, he or she has a lot of knowledge and experience about what could make or break a particular change effort. Practitioners can also provide the technical expertise necessary to guide the project. However, one consultant does not fit all, and many factors go into selecting the right capacity builder for the job, including fit with the nonprofit being served.

GEO asked a small group of expert capacity builders about what funders can start and stop doing in order to best support a capacity-building effort.

### **Funders need to start:**

- **Listening early and deeply** — “Funders need to listen before investing in capacity building and really understand how the nonprofits themselves think about their needs,” said Don Crocker, Support Center | Partnership in Philanthropy.
- **Being clear about what funders mean by capacity** — “Funders need to understand and be transparent about their own assumptions of what capacity looks like in a well-functioning nonprofit in their field,” said Jared Raynor, TCC Group.
- **Funding staffing when needed** — “Oftentimes, especially with evaluation, the issue truly is staff bandwidth or capacity, so funders need to start funding positions, not just training,” said Johanna Morariu, Innovation Network.
- **Thinking beyond the single organization** — “We work to build individual and organizational capacity, 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, Management Assistance Group.

### **Funders need to stop:**

- **Using one-size-fits-all approaches** — “Taking a cookie-cutter approach decontextualizes capacity building, but our experience and the data indicate that capacity is a highly contextualized outcome,” said Jared Raynor, TCC Group.
- **Misusing their power** — “Sometimes funders fail to understand that there is power in recommending or supporting different types of capacity-building efforts. These choices need to be made thoughtfully in order to best support the recipient, and can be nuanced and challenging,” said Robin Katcher, Management Assistance Group.
- **Thinking there’s a quick fix** — “You can’t find quick changes or solutions; capacity building takes time and is complex,” said Don Crocker, Support Center | Partnership in Philanthropy.

## Assessing the Impact of Capacity Building

One of the biggest barriers that funders perceive to supporting capacity building is knowing whether the investments are having the desired impact. Many times, appropriate accountability mechanisms can help assure the capacity-building project was completed, and other times, the grant may be too small to warrant evaluation. For longer-term, higher dollar investments, assessing impact of capacity-building grants becomes more important, but measuring improvements in organizational capacity, and further connecting those to organizational outcomes can be challenging.

The following four steps can help grantmakers assess the impact of more significant capacity-building support:

1. Start with baseline information
2. Set goals and clarify expectations
3. Have honest conversations for maximum learning and sharing
4. Make evaluation a two-way street

### Start with Baseline Information

If you want to measure changes in organizational capacity, you need to have a sense of your starting point. Many grantmakers use organizational assessment tools to identify and discuss grantee capacity needs and provide new insights that the leaders themselves may not have recognized. These tools can be custom made or off the shelf,<sup>5</sup> and they often require an entire nonprofit leadership team — senior staff and board — to complete the assessment in order to be thorough. These tools give a comprehensive 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. Other grantmakers use simpler ways to get a sense of capacity, such as surveys or conversations with grantees. While these methods are less comprehensive than the more robust tools, they are also less of a burden on the grantee.

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 the assessment 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. If grantmakers want to use assessment tools, it is important to make sure the assessment process is a useful learning experience for the nonprofit as well as for the grantmaker. If grantee feedback and your own experience suggest this isn't the case, it is time to revise the approach.

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.

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<sup>5</sup> A couple of options include the [Core Capacity Assessment Tool](#) developed by TCC Group and the [Organizational Capacity Assessment Tool](#) developed by McKinsey & Company.

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, so now the assessment process is optional, not required, for grantees. However, TBF'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.

### Set Goals and Clarify Expectations

With a baseline understanding of capacity strengths and challenges, grantmakers and nonprofits can work together to set goals for capacity-building support. Working together to set goals is key. Grantees must have ownership of the goals, 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 include: What capacity improvements do you 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 the organization more recognition and additional new funders.

Assessing impact is critical for *PropelNext*, the initiative of the Edna McConnell Clark Foundation, and its work with cohorts of youth-serving organizations. The foundation uses three questions to help assess the work:

1. Do grantees make progress in the initiative?
2. What contributes to and detracts from that progress?
3. What does it cost — for both the foundation and the grantee?

“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 check in on progress toward these milestones periodically and at the end of the engagement.

When setting goals for capacity building, there are a couple of essential considerations to keep in mind. First, the nonprofit’s organizational life cycle stage is an important factor in considering what’s realistic to expect. It is also important to be realistic about what the support can truly 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 not the sole factor. Also, funders 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, since they also indicate progress.

### Have Honest Conversations for Maximum Learning and Sharing

Talking about capacity challenges with funders can feel intimidating to nonprofit leaders. It's never easy to talk about areas for improvement with people outside the organization, and having these conversations with a program officer who can approve or deny funding to your organization can feel especially risky. Yet, in order for grantmakers and nonprofits to build effective partnerships for capacity building, the grantmaker has to have a clear understanding of the organization — warts and all. It is important for the grantmaker to be proactive and intentional about building a strong foundation of trust between grantmaker and grantee. Grantees should never feel like sharing organizational challenges might put them at risk of losing funding.

The Bayview Hunters Point Community Fund found trust to be an important factor in its 13 years of capacity-building grantmaking. “We believed that honest dialogue was necessary for us to support effective capacity building, and so we made concerted efforts to convey to grantees that information shared in candid discussions would not jeopardize their funding,” Seigel said.

In addition, foundation staff solicited regular feedback from grantees and made an effort to attend community meetings and social gatherings in order to better understand the context in which they worked. “All of our longest-term grantees have shared that the key difference between the Bayview Fund and other funders is the depth of personal connection with fund staff and consultants,” Seigel said. “Grantees felt that they could be honest, ask for help, and not worry about diminished funding or reputation if they didn't put their best foot forward at all times.”

### Make Evaluation a Two-Way Street

Assessing the impact of capacity-building support is not an exercise of putting grantees under a microscope. Grantmakers should ask for feedback (which requires honest conversation) and take time to reflect on the overall strategy for capacity building. Questions to ask grantees at the end of a capacity-building grant include the following:

- What worked well with this grant? What could have gone better?
- What difference did this support make to your organization?
- What unexpected challenges did you face?
- How could we as your funder provide better support?

Additionally, 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. While this might happen at the staff level fairly frequently, the board should be brought into these conversations periodically as well to consider how investments in capacity advance the foundation's overall strategy.

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

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

GNOF's organizational effectiveness initiative began with a needs scan report to identify the challenges its grantees face. GNOF has used these findings to tailor its approach to capacity building. Nonprofits agreed that partnerships and working with other organizations was 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." That's where GNOF 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 LaPiana Consulting. Recognizing the need to build the bench strength of local consultants, GNOF invited five consultants to work with the LaPiana consultant and to participate in a community of practice as well.

As a needs scan focus group member stated, "we need to look forward rather than back and prepare for moments of change," so GNOF has sponsored hands-on clinics in sustainability, assisting nonprofit organizations to better understand their business models and adapt accordingly.

In addition to the needs scan, GNOF 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 organizations recognized that mid-level managers needed help in moving into a new role in supervising others, and GNOF was able to respond with a training session titled "Supervisor Roles and Responsibilities: Helping People Succeed" 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.

## Conclusion

In listening sessions, nonprofit leaders shared stories of capacity-building grants that were transformational, such as:

- “We received funding for technology, including money to do plans, implement the plans, research the best companies to provide the technology, pay for the installation, and then train our staff because this was a real culture change to have all our client files on a Web-based system. We’ve been able to maintain all this and couldn’t have gotten over the hump without that grant.”
- “We received a grant for a part-time major gifts position. We were able to make a current staff person’s position full time to focus on major donors. We increased our funding in that area by 100 percent in one year and that gave me the resources to maintain that person the following year.”
- “When I transitioned into the position 1.5 years ago, a funder gave us some capacity-building grant money for our executive director transition. Instead of a brain dump for one week, it was a well-thought-out process over time so I could absorb the information. The ED left me a flash drive with things I needed to read now, soon, and later. We had two weeks together before she left, but we also did weekly calls or meetings for a period of time afterward. We were able to use the capacity-building money to keep her on.”

Grantmakers want to support their grantees to have the greatest impact possible, and capacity building is a key means of achieving that end. But the diversity of the organizations that grantmakers support makes it difficult to be clear on best practice. Here are a few things grantmakers can do to help determine the right approach:

- Think through the range of ways to support capacity building and consider what would fit your own organization’s capacity and goals.
- Invite conversation with a couple of your most trusted grantees or local capacity-building practitioners to get a sense of what is needed by your grantees and in your community and how your foundation can best support the work.
- Look to what other funders are doing in your community and see how you might leverage or add to their efforts to build nonprofit capacity.

Ultimately, by taking an approach that is *contextual*, *continuous* and *collective*, grantmakers will be well positioned to provide capacity-building support in ways that effectively enable nonprofits to achieve lasting impact. And partnering with grantees to understand the impact capacity-building support has made will generate learning and improvement for grantmakers and nonprofits alike.

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GEO is a diverse community of more than 500 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](http://www.geofunders.org).

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