

Trends in Nonprofit Capacity Building

by Fio Partners, LLC | December 2020

Sponsored by the Berkshire Taconic Community Foundation, Connecticut Community Foundation, Foundation for Community Health, and the Northwest Connecticut Community Foundation.

In late 2020, Fio Partners reviewed recent literature on nonprofit capacity building on behalf of four regional funders. The insights feature meaningful shifts in how the practice is framed and offerings are considered and designed. Capacity builders are being called upon to develop more holistic, equitable, and collaborative approaches that are rooted in trusting relationships, appropriately scoped, and thoughtfully layered, and to foster a cohesive capacity building ecosystem that can support these aims. The following paper is shared with permission.

Defining Capacity Building and Its Scope

While there is no universal definition of capacity building, it is traditionally recognized as an investment in nonprofit effectiveness and sustainability that aims to strengthen key domains such as vision and mission, governance and leadership, program delivery, resource generation, internal operations and management, evaluation and learning, and strategic relationships (Learning for Action, 2017). In recent years, several authors have moved away from this kind of function-based definition in order to emphasize process and acknowledge the more intangible and intersectional elements involved. For example, Castillo (2019) incorporates a capital lens, describing capacity building as manifesting latent tangible (financial, natural, and human) and intangible resources (relational, symbolic, and structural) across multiple levels (individual, organizational, network, and community) for mission fulfillment. She asserts that “To effectively build capacity, we must pay attention to operating contexts and relational issues such as niche, influence, and accountability, as we operate in increasingly complex and interdependent environments” (para. 3). Similarly, in the *Stanford Social Innovation Review*, Nishimura, Sampath, Le, Sheikh, and Valenzuela (2020) described capacity building as “the process of building and strengthening the systems, structures, cultures, skills, resources, and power that organizations need to serve their communities” (p. 32). Accordingly, they call upon capacity builders to work with nonprofits to overcome the internal and external barriers to mission fulfillment.

The literature also recognizes the influential variables of duration and scope in capacity building initiatives. Castillo (2019) notes that capacity building initiatives “generally fall into three categories: (1) short-term planning and training; (2) longer-term organizational effectiveness initiatives; and

(3) sector-strengthening programs that develop systemic knowledge and encourage information exchange” (para. 10). Initiatives can be designed to produce multiple benefits simultaneously, but it is important to remember that while short-term or *focused interventions* can address a particular problem, a longer-term *developmental approach* can more holistically strengthen an organization in the context of its range of capacities and stage of development (Learning for Action, 2017). Several authors draw a comparison to the difference between a treatment plan and a wellness plan, and maintain that while the latter takes more time, it ultimately yields more effective and lasting results. For example, Taylor and Bartczak (2019) from Community Wealth Partners make the analogy of capacity building as a “personal healthcare plan for nonprofits” and encourage funders to commit to ongoing, long-term attention and investment. For their part, nonprofits are encouraged to see capacity building not as a stand-alone process, rather as integral to strategy and mission delivery (Weingart Foundation, 2013).

5 Elements for Success in Capacity Building

(Community Wealth Partners, 2019)

1. Commit for the long term.
2. Co-create solutions with stakeholders.
3. Strengthen the ecosystem.
4. Support both technical and adaptive capacities.
5. Ground capacity building in equity.

Moving from White Professionalism to Transformative Capacity Building

While capacity building is intended to help strengthen nonprofits, there is increasing recognition that common standards and practices often create different kinds of barriers. Taylor and Bartczak (2019) note that capacity building can feel paternalistic when foundations make assumptions about grantee needs and do not involve them in co-creating solutions. Nishimura et al. (2020) more plainly call out paternalism as white professionalism. They identify a number of barriers created by conventional capacity builders, from the high cost of consultants and the jargon used, to the notion of “readiness” for traditional capacity building, which assumes having attained a level of budget size, staffing, leadership, and infrastructure. Often, these barriers mean that nonprofits seen as effective are, in fact, those most able to navigate funder bureaucracy and use the right jargon. Furthermore, the emphasis on standards rooted in white professionalism can come “at the expense of other values that are often central to nonprofits of color, such as building trusting relationships and honoring multiple ways of sharing information” (p. 32). Where Castillo (2019) urges capacity builders to recognize that “intangible assets such as knowledge, relationships, and reputation are equally essential to value creation and organizational success” (para. 5), Nishimura et al. (2020) caution in turn that pushing conformity to traditional standards undermines the innovative potential of small nonprofits of color.

Nishimura et al. (2020) explain that funders and consultants can begin to move away from white professionalism and toward transformative capacity building with small

nonprofits, especially agencies led by people of color, by first building trusting relationships with humility. Broadly summarizing their article, they emphasize the importance discovery, time, and recognizing value:

- Discovery – “A transformational approach typically begins with the capacity builder first showing up in community and organizational spaces before any formal capacity-building work begins” (p. 33). Understanding and mutual trust must be built first for real change to happen.
- Time – “Building trusting relationships takes an ongoing investment of time and resources by capacity builders and organizations, including staffing capacity, emotional labor, and funding” (p. 33), and eventually enables honest conversations about strengths and vulnerabilities.
- Recognizing value – Funders should emphasize “right-sizing” capacity building, recognizing that remaining small can enable deeper community relationships and more nimble responses to community needs.

These concepts and their implications are consistent with the principles of trust-based philanthropy, which seeks to confront the power imbalance between funders and grantees and similarly puts the onus for discovery, understanding, and relationship building on funders (Trust-Based Philanthropy Project, 2019). In both frameworks, honest and ongoing relationships are recognized as critical to mission fulfillment, and Nishimura et al. (2020) remind that they must be fostered at multiple levels as well.

What About DEI Training?

In the Litchfield County nonprofit survey, 26% of respondents identified equity as a strategic interest or need and 39% expressed interest in DEI training for their staff and board.

Hill and Curry-Stevens (2017) note that “the research regarding the effectiveness of equity-related training shows it is unlikely to produce sustained positive effects if implemented without broader accountability mechanisms and organizational leadership” (p. 26). In other words, a training can be a good start, but it is not enough. Leaders

must be ready to sustain a comprehensive and long-term effort in order to achieve lasting organizational change.

But if only about a quarter of Litchfield County nonprofits identify equity as a strategic interest, how can committed funders begin advancing broader change? Rather than treating equity as a separate initiative, the research supports “embedding racial equity solutions in the overall fabric of the organization” (Hill & Curry-Stevens, p. 27), including in capacity building and organizational change efforts.

6 Principles of Trust-Based Philanthropy

(Trust-Based Philanthropy Project, 2019)

1. Provide Multi-Year, Unrestricted Funding – Unrestricted funding over time is essential for creating healthy, adaptive, effective organizations.
2. Do the Homework – It's the funder's responsibility to get to know prospective grantees, not the other way around.
3. Simplify & Streamline Paperwork – Nonprofit staff spend an inordinate amount of time on funder-driven paperwork; they will be more effective if they are freed up to concentrate on mission.
4. Be Transparent & Responsive – Open, honest, and transparent communication minimizes power imbalances and helps move the work forward.
5. Solicit & Act on Feedback – Grantees provide valuable perspective that can help inform a funder's support and services.
6. Offer Support Beyond the Check – Responsive, adaptive, non-monetary support helps foster healthier organizations by bolstering leadership and capacity.

Excerpts from “The New Normal: Capacity Building During a Time of Disruption”

(Sacks, McLeod & Wilkinson, 2018, pp. 14, 17)

Nonprofit leaders and funders “must simultaneously juggle building internal organizational and external system capacities... thinking systemically while being proximate to their constituencies... [and] responding to immediate constituent needs, while continuing to invest in the long-term infrastructure necessary for future work—and are having to make hard choices about what to prioritize.” Juggling these complexities also means that the line between strategy and capacity building has become blurred, necessitating “more flexible strategies, adaptive leadership, unrestricted funding, and short-term feedback loops.” Nonprofits need flexible funding and more investment in infrastructure. “To be clear, nonprofits see current efforts as necessary but not sufficient, and want to reframe capacity building as including more flexible financial support for organizations and funding the full cost of social change.”

The Call for Multilayered Supports and Flexible Funding

As Sacks, McLeod, and Wilkinson (2018) so aptly put it, nonprofit leaders “no longer have the luxury of thinking of capacity building in a sequential fashion,” therefore, “they need funders to support capacity building at many different levels simultaneously” (p. 15). High-performing organizations develop a mix of technical capacities like fundraising and adaptive capacities like the ability to collaborate (Taylor and Bartczak, 2019). They also invest concurrently in people, place, and practice at the organizational, community, and systems levels (Nishimura et al., 2000). But to do that, they need the freedom to use funds where needed—and to decrease the administrative burden typically associated with those funds (Nishimura et al., 2020) (Trust-Based Philanthropy Project, 2019).

Multilayered supports and flexible, long-term funding recognize the complexity of nonprofits and lean into trust-based philanthropy. But what do these kinds of programs and investments look like? Castillo (2019) suggests that “it can be helpful to think of capacity building through the lens of *who* (e.g., people, organizations, and networks), *what* (e.g., knowledge, skills, processes), and *how* (e.g., training, peer learning, technical assistance)” (para. 9). Combining relevant who, what, and how in different ways can help inspire intentional, comprehensive, and integrated designs. For example, one of the multilayered supports raised in the literature involved a new look at an old model: fiscal sponsorships.

New, more holistic approaches to fiscal sponsorship offer centralized administrative services (legal, accounting, HR) and shared purchasing (benefits, retirement savings). Doing so, Nishimura et al. (2020) explain, can promote equity and reframe success “by allowing [small] nonprofits to specialize, outsource operations and infrastructure building, and focus on serving their community. This approach revamps how work is organized and consolidated among small nonprofits of color while also increasing the resources available to them” (p. 34). Moreover, some of the fiscal sponsors they highlighted incorporate ongoing capacity building supports like coaching, strategic planning, grant writing, and training, providing small agencies with unique access to “right-sized” technical expertise. Conceptually extending this approach to networks, funding for collective infrastructure (shared services, platforms, etc.) and capacity could similarly strengthen the way organizations collaborate, enabling movements to effect both proximate and systemic change (Sacks, McLeod and Wilkinson, 2018).

Harnessing the Power of Networks

Just as community conditions are interdependent, so is the ultimate success of community nonprofits. Cultivating networks enables both funders and their grantees to consider the larger ecosystem and foster collaboration, innovation, increased impact, and systems change. Sacks, McLeod, and Wilkinson (2018) note that nonprofit leaders “must see the system of which they are a part and understand their role, while simultaneously staying proximate to the needs on the ground” (p. 15). They also challenge funders to “see themselves IN the system, not apart, as capital sitting on the sidelines” (p. 16). Nishimura et al. (2020) similarly encourage funders to cultivate networks of leaders and community organizations, which can “have more resilient and powerful community responses to root causes than any solo leader or organization can” (p. 34).

Collaboration is itself an area for capacity building as well. Funders regularly encourage strategic alliances, up to and including mergers, to increase impact and sustainability. Yet, Learning for Action (2017) notes that organizations and networks “may lack the skills for effective collaboration” or may require technical assistance (p. 26). The literature raised fellowship programs, peer cohorts, and organized convenings as some of the potential means of developing the adaptive capacities for leadership and collaboration. Such means are more broadly known as communities of practice.

The Support Center (2017) defines a community of practice as “a group where members learn from each other and have an opportunity to develop personally and professionally... [They] create a safe space where nonprofit leaders can gather around a shared issue or common challenge, laying the groundwork for strategic conversations and network building” (pp. 1-2). Communities of practice can take a range of forms, including cohorts and peer networks, and are supported by techniques such as “individual coaching; structured conversations; shared problem solving; and networking” (p. 2). Increasingly, cohorts are specifically recognized as a way to break executive isolation, increase network relationships, and foster organic collaboration and strategic alliances (Nishimura et al., 2020) (Support Center, 2017). They have also proven to be quite effective. Learning for Action (2017) found that cohort-based programs and long-term workshops or classes were the “two service types

Common Approaches to Model Capacity Building

The exemplar funders of capacity building interviewed by Learning for Action (2017), including the Hartford Foundation for Public Giving:

1. Conduct organizational assessments to discern which interventions to use
2. Develop the core operating functions of nonprofits
3. Use cohorts to increase the quality of the experience and the connection between leaders
4. Infuse leadership development throughout their offerings and have a leadership development program
5. Take a long-term, developmental approach and try to right-size offerings to the stage of development.

that have a statistically significant relationship to high impact capacity building engagements” (p. 76)—Thus, they recommend avoiding “one-off” engagements as much as possible.

Cohorts can be organized around a sector, issue, or field of practice (Learning for Action, 2017). Often, field-building starts with peer learning cohorts and deepens over time (GEO, 2016). The Support Center (2017) stresses the importance of the composition of the community, as well as “leveling the power-dynamic and balancing the needs of the group with the individual needs of participating organizations” (p. 3). They note that “In our most successful communities of practice, organizations are able to get one-on-one coaching or consulting support to meet their unique needs. Each organization needs customized support to reinforce the benefit of the community of practice” (p. 5). To this end, it is worth noting that while cohorts may offer some cost savings, they also require more orchestration. Taylor and Bartczak (2019) point out that overall, “tailored approaches to capacity building tend to be the most effective, but they also make supporting capacity building more resource-intensive for foundations” (para. 3).

Building the Ecosystem

When the Weingart Foundation (2013) commissioned a study of Los Angeles county's capacity building needs and services, it became clear that the complexities of a holistic approach require an ecosystem that cultivates and connects the range of players involved. The resulting report identified the key characteristics of a cohesive capacity building ecosystem, as detailed to the left. Like capacity building itself, the ecosystem requires multilayered and coordinated efforts that are reinforced and grown over time. Inspired by these insights, this section explores the role of system navigators, consultants, and collective capacity building initiatives.

Develop System Navigators

One of the key recommendations coming out of Learning for Action's (2017) landscape analysis for the Chicago area was to invest in a system navigator function that could provide a holistic understanding of a nonprofit's capacity needs and match them to available resources. Their suggested approach starts with an online organizational assessment, which a navigator could then interpret and use to connect the nonprofit with written resources and professional services. The importance of giving context to organizational assessment results was highlighted the Weingart Foundation's (2013) study as well. Having a coach interpret, lend insights to, and discuss the results with organizational leadership not only clarifies strengths and areas to develop, but also creates shared understanding of "what may be most useful in addressing the issue or issues at hand" (p. 2). Over time, the navigator can also help area-specific consultants understand an organization's overall needs and ambitions, resulting in more integrated strategies. In the way, one can think of a navigator the way health and human service organizations think of wrap-around services—They serve as capacity building case managers and coaches for nonprofit organizations.

Navigators can also uphold a focus on equity by prioritizing investments in under-resourced communities, ensuring that organizational capacity building takes a long-term developmental approach, and supporting strategic/systemic connectivity between leaders and organizations (Learning for Action, 2017). It is also possible that trusted navigators can help foster more honest conversations about organizational struggles and needs. As Taylor and Bartczak (2019) explain,

Key Characteristics of a Cohesive Capacity Building Ecosystem

(Weingart Foundation, 2013, p. 9)

- A strong, centralized resource with the capacity to provide initial needs assessments and function as a resource and referral maker for capacity building services.
- A robust set of nonprofit capacity builders that provide a diverse range of high quality, in depth, culturally competent, coordinated and comprehensive services.
- Nonprofits that are well informed consumers of capacity building services.
- Funders' widespread provision of explicit and coordinated support for capacity building, including sufficient funding and general operating support, to support a thriving cohort of high-quality capacity builders.
- A regular forum for funders, capacity builders, and nonprofits to discuss key trends and issues in nonprofit capacity building.

"Nonprofits may be reluctant to share information about their capacity-building needs with funders because they're not sure whether such sharing will have repercussions on future funding decisions" (para. 3). Sharing their concerns with a third party may help leaders feel more able to speak to weaknesses or vulnerabilities.

Drawing from themes in the literature, one can pause to consider how to guard against white professionalism in this model. To avoid navigators promoting standardization, they would need to be trained to deliver guidance and supports that are culturally relevant, strengths based, and truly designed to advance mission success. For example, if a small nonprofit of color would be most effective staying small and developing its leadership, network governance, and communications capacities, the navigator should be empowered to focus there and explore whether other administrative functions like finance and human resources could be outsourced to free the agency to focus on mission-critical work.

Spotlight: The Support Center's Organizational Navigator Program

The Support Center in New York launched an Organizational Navigator program in 2018 and did a formative assessment of the program in 2020. Its approach was similar to the one recommended by Learning for Action (2017) in that it started with an organizational assessment that was used to inform a developmental approach—but then it went much deeper than sharing resources and referrals to professional services. In the Support Center's (2020) model, after taking the Impact Capacity Assessment Tool (iCAT), Support Center staff would identify three to four priority areas for development. Then, the organization was connected with their navigator, an experienced nonprofit leader, who would develop action items and progress indicators. Then, the navigator and organization would meet for four hours each month for general coaching, problem solving, and progress check-ins.

Feedback on the program has been overwhelmingly positive, with the long-term coaching relationship seen as the most valuable aspect by far. Having a trusted thought-partner was a critical resource for participating nonprofit leaders, helping them solve problems and put plans into action. Like cohorts, there also is an important psychological element to long-term coaching for nonprofit executives, especially new ones. For example, a young executive participating in the program shared that their relationship with their coach “is the reason I’m able to hold it together and keep going. If it hadn’t been for our navigator, I might have packed it in” (p. 9).

Program concerns focused on the burden and limited usefulness of the data collection and analysis required to adequately report on progress indicators. Participants appreciated the value of accountability in spurring progress toward their goal but felt that the regular check-ins and relationship with their coach/navigator was a more effective means to accomplishing that end. There was also feedback that the iCAT should be used as a conversation “guide rather than a mandate on which issues to work on” (p. 10).

Strengthen and Train the Trainers

Consultants and capacity building providers are often the individuals and agencies tasked with delivering supports; therefore, fostering their collective skills, diversity, and connectivity helps strengthen the nonprofit ecosystem (Taylor & Bartczak, 2019). To this end, funders might host consultants' networks or communities of practice. Not only do such networks benefit consultants and the nonprofits they serve, but also the capacity building strategy of the funder(s) convening them. Grantmakers for Effective Organizations (2016) explains that consultant networks can increase coordination and “grow the number of consultants in the community that use practices of knowledge that the funder believes would be beneficial to the field” (p. 22). Locally, funder-hosted consultant roundtables exist in Hartford, New Haven, Fairfield, and Rhode Island—and there are surely more. Some funders, like the Hartford Foundation for Public Giving, provide training to consultants as well. The Hartford Foundation is also paying increasing attention to creating a more diverse consulting pool, so that organizations and leaders of color can be met with culturally relevant supports.

Promote Collective Capacity Building

Field-building, multilayered approaches to capacity building—like communities of practice, system navigators, and fiscal sponsorships with capacity building supports—lend themselves to collaborative investment. Working with other grantmakers can not only increase resources, but also make it easier for nonprofits to access support (GEO, 2016). Powell and Ditkoff (2019) at the Bridgespan Group found that collaboration enabled funders to deepen their field expertise, make more effective investments, and get specific results that change the field. However, the grantees they surveyed and interviewed reported deriving less value: “For grantees, collaboratives fell short in delivering the hoped-for access to funder relationships, longer funding arrangements, and larger grants” (p. 2). To benefit both the funder and the grantee, Powell and Ditkoff (2019) conclude that “strong collaboratives require clarity around the primary investment thesis and value proposition” so funders understand what they are buying and grantees understand the strategy (p. 3).

Powell and Ditkoff (2019) classify funder collaboratives for capacity building as “Field Builders,” which “Build resilient fields by changing a defined field or set of practices over time, enabling organizations in that field to execute their strategies more effectively” (p. 3). The primary investment thesis for Field Builders prioritizes strengthening enabling

The idea of a common application to submit to collaborating foundations for capacity building and funding was raised in the feasibility study funded by the Weingart Foundation (2013).

environments and providing consistent support. Additionally, “A key element of the value proposition is the ability to identify field gaps and act—as well as provide funding—to develop and help execute the strategy. These collaboratives often employ or contract experts to carry out activities that individual funders cannot do on their own” (p. 26). Navigating questions around strategy ownership is one of the main challenges faced by Field Builders. Funders run the risk of excessively controlling the strategy, to the detriment of grantees. And if the strategy is executed by a third party, it can also have higher operational costs. “However, they get relatively high marks for effectiveness, so clearly there is value in this type of intervention” (p. 26).

Keep at It

Capacity building is complicated, long-term work for both nonprofits and their funders. But it works. Learning for Action (2017) found that “Organizations that received any type of capacity grant grew about 10% in the three years following their grant” (p. 24). And when funders take the time build trusting relationships with nonprofits and really listen to what they need to fulfill their missions, the work becomes not only more effective, but also transformative. Accordingly, GEO (2016) encourages funders to “Keep the conversation going over the long term with grantees about what’s working, what’s not and where they may need added capacity-building support. Some efforts take longer to pay off or may do so in unexpected ways. Continue learning together” (p. 49).

Three Characteristics of Successful Funder Collaboratives

(Powell & Ditzkoff, 2019, pp. 2-3)

1. A clear investment thesis on how the collaborative will create impact and the goals for which it will hold itself accountable, including its value proposition to funders and grantees;
2. Shared expectations among participants; and
3. An operating model and leadership structure designed to achieve the collaborative’s goals.

Questions for Funder Collaboratives to Ask

Excerpts from Powell and Ditzkoff (2019, pp. 46)

1. What goals and primary investment thesis best describes our work?
2. How do we want to work together? What do we need to deliver this value? What timeline should we set?
3. How will we know we are delivering this value? How will we use this knowledge to improve our work—and the work of others?
4. If we are a funder-driven collaborative, are we effectively and authentically engaging diverse communities where we are seeking impact, in all aspects of our work?

References

- Castillo, E. A. (2019). Nonprofit Capacity Building: A Multiple-Capitals Approach. *Nonprofit Quarterly*. Retrieved from <https://nonprofitquarterly.org/nonprofit-capacity-building-a-multiple-capitals-approach/>
- Grantmakers for Effective Organizations. (2016). Strengthening Nonprofit Capacity: Core Concepts in Capacity Building. Retrieved from https://philanthropynewyork.org/sites/default/files/resources/geo_2016_strengtheningnonprofitcapacity.pdf
- Learning for Action. (2017). Point the Way: Chicago-area Capacity Building Landscape Study Final Report. Retrieved from https://www.hfnlc.org/wp-content/uploads/2017/02/Point-the-Way-Final-Report_Final-version_02-22-17.pdf
- Nishimura, A., Sampath, R., Le, V., Sheikh, A. M., & Valenzuela, A. (2020). Transformational Capacity Building. *Stanford Social Innovation Review*, 18(4), 30–37.
- Powell, A., Ditkoff, S. W. (2019). Are Funder Collaboratives Valuable? A Research Study. The Bridgespan Group. Retrieved from <https://www.bridgespan.org/bridgespan/Images/articles/value-of-collaboration-study-2019/bridgespan-2019-value-of-philanthropic-collaboration-research-study.pdf>
- Sacks, A., McLeod, H., Wilkinson, K. (2018). The New Normal: Capacity Building During a Time of Disruption. Open Impact. Retrieved from <https://www.openimpact.io/new-normal>
- Support Center. (2017). Can Communities of Practice Foster Greater Impact, Stronger Organizations and More Collaboration?
- Support Center. (2020). Evaluating Support Center’s Organizational Navigator Program: Lessons from the Field. Retrieved from https://supportcenteronline.org/wp-content/uploads/2020/09/SCNavigator2020_Evaluation.pdf
- Taylor, C., Bartczak, L. (2019). Five Elements for Success in Capacity Building. *Philanthropy News Digest* by Candid. Retrieved from <https://philanthropynewsdigest.org/columns/the-sustainable-nonprofit/five-elements-for-success-in-capacity-building>
- Trust-Based Philanthropy Project. (2019). Trust-Based Philanthropy: An Approach. Retrieved from <https://static1.squarespace.com/static/5c12acc8af209676c74c9961/t/5dceec66ab89427a158c55f/1573842121644/TBPP-two-pager-111419.pdf>
- Weingart Foundation. (2013). Collaborative Capacity Building: Lessons Learned from the Los Angeles Information Exchange Feasibility Study. Retrieved from <https://www.weingartfnd.org/files/Collaborative-Capacity-Building-Lessons-Learned-Report.pdf>