

NONPROFIT CAPACITY BUILDING

Nonprofit Capacity Building *for What?*

by Ruth McCambridge

Capacity builders
should help groups
consider the
unconsidered and
the unthinkable.

AS WITH NONPROFITS IN CITIES ACROSS THE country, the Detroit Symphony Orchestra has struggled with its business model. It recently declared an \$8.8 million deficit for 2010. Since early October, the orchestra's musicians have been on strike and conducting their own performances. Recently the symphony board rejected a mediator's proposed compromise solution. Unfortunately, this picture isn't unusual.

Meanwhile, the relatively small Detroit Chamber Winds and Strings organization has collaborated with other organizations to expand its capacity and the capacity of partners. It has established operational collaborations with six nonprofits and plans to collaborate with two more by 2011.¹ These organizations even share leadership and musicians.² Recently Detroit Chamber Winds and Strings received a \$200,000 grant from the Michigan Nonprofit Association to extend its

marketing, fundraising, and other services to two incoming partners.

This isn't to suggest that one of the two organizations cited above is more desirable than the other. Indeed, our assumption is that Detroit could cite both nonprofits as examples of its attempts to reassert itself as a world-class city.

But the world is changing, and the way a nonprofit delivers value to its constituency may also need to change. During this time of economic and social pressure, business and program models, interorganizational relationships, and networks should all be up for examination so that nonprofits can adapt operations to meet the needs of those they serve. But of course, this is often easier said than done. Preexisting commitments—such as debts, fixed costs, and contracts—can create rigidity, whereas nonprofits may need malleability to adapt. And old habits and assumptions may play into the picture as well. Capacity builders should be there to help groups consider the unconsidered and the

RUTH MCCAMBRIDGE is NPQ's editor in chief.



In difficult economic times, nonprofit capacity building can be downright dangerous.

unthinkable as well as the incremental. At its most fundamental level, nonprofit capacity building helps an organization to become better able to serve its constituencies and fully accomplish its envisioned outcomes.

But the nonprofit organization that serves as the vehicle for the mission requires its own care and feeding to carry out its work in the best possible ways. As a result, much of capacity building is often focused on the sustainable health of the nonprofit vehicle. Is this the appropriate focus? Is the organization's long-term survival the goal, or is the goal to build the accomplishment of mission? These two purposes don't always completely align.

Reassessing Capacity Building

As organizational forms change largely driven by our technological age and the environment becomes more difficult, the "Capacity building for what?" question becomes increasingly important. Of course, in this sector, we have always organized ourselves in various forms.

Some organizations have stalwartly refused to formalize, while others have become bastions of organizational self-reference. There's nothing new there. But as we watch developments with the small journalism site WikiLeaks—which has forced society to engage with secrecy in large, powerful institutions—we can see that social change requires the small, intensely focused rogue organization as well as more traditional organizations that work toward gradual change.

No nonprofit organization is the same as any other, but sometimes our methods for intervening in their progress through pains of maturation are standardized down to the letter. Some of this standardization comes from understanding past patterns, but some just seem to flow from product-marketing motives.

In this light, nonprofit capacity building sometimes seems like its own cottage industry, with consultants, attorneys, accountants, and funders all seeking to retool and improve organizations. This steady supply of outside perspectives and expert advice is often useful, particularly in times of stress and change. At the same time, we must admit that this can also result in some

hucksterism, where nonprofits are provided with prepackaged products and preconceived solutions by consultants, who because they do not engage sufficiently in ongoing professional improvement, are unclear about how well these products work or under which conditions they should be applied.

In good economic times this inappropriate help is annoying or a time waster. But in difficult economic times like today's, it can be downright dangerous. Consider this unfortunate example: a domestic-violence organization contracted a consultant to devise a strategic plan and board development. After six months, the consultant had diligently addressed some relationship issues that blocked progress. But then the group had its accounts frozen and was forced to declare bankruptcy. This organization served a particularly marginalized community. Before it went hurtling off the precipice, it would have been wiser for the board to consider a plan B. But the consultant—who had some leeway and affirmative duty—focused on her project rather than on the endeavor as a whole.

During these times, when so many organizations seeking service hover on the brink, is this kind of misdirection of energy acceptable? As the nonprofit operating environment changes, has capacity-building work changed in response, or is it still, as one consultant noted, trying to apply the same old solutions to new problems?

Clearly the situation varies a great deal from place to place and among nonprofit activity areas. But many of the problems we now see in an intensified state existed prior to the downturn; the extended recession did not cause them but has brought them into stark relief. This presents an opportunity to consider anew two questions: (1) what outcomes should nonprofits expect from capacity-building work, and (2) how can nonprofits achieve these outcomes?

Changing Capacity-Building Needs?

When *NPQ* scans the horizon for nonprofit headlines for its online Nonprofit Newswire, it looks for stories that have already risen to the "newsworthy" level elsewhere in the media. So these stories are exceptions to the nonprofit

norm—positive and negative; an organization that against all odds far exceeded its own ambitious goals in a mid-recession capital campaign and a nonprofit that has dissolved in infamy after a 120-year history of lauded service. The Nonprofit Newswire also finds smaller successes and failures: new creative ideas applied to old problems, on the one hand, and damning audits on the other. In these efforts, we try not to lose sight of the day-to-day lives of nonprofit organizations that keep their shops stable despite the tumultuous environment.

When a management assistance organization asked me to spend the day with 60 consultants to nonprofits, I jumped at the chance. What did these consultants see in their practices? The city that I visited has a funding community that is relatively positive about investing in capacity building, so the assembled consultants worked with stable organizations, not just those in crisis. Foundations in this city support capacity building projects from the more comprehensive organizational development to discrete, siloed endeavors, such as fundraising, creating a strategic plan, or shepherding a leadership transition. The attending consultants were a mix of seasoned and those new to the field.

While this was a session in just one Midwestern city and by no means scientific, the discussions resonated with what *NPQ* has noted from other sources.

A Conversation with Capacity Builders

At the event, most in the room agreed that they had encountered enormous pressure among nonprofits, even among organizations that are not under immediate financial stress. In the context of declining resources and increased demand, attendees said that nonprofit groups receive messages from all sides about what they “ought to do.” Some of this “advice” involves the incursion of business ideas into the sector—lots of talk about social enterprise, but also some discussion about what these attendees termed “increased funder scrutiny.” Some scrutiny, they suggested, was simply about agencies needing to “get their act together” administratively, but in other cases it involved additional

requirements to demonstrate outcomes as prescribed by the funding source. One consultant referred to it as an “outcomes on steroids” environment. Attendees also cited a “narrowing of funder interests” and a fund scarcity that creates mission creep.

Attendees also said that increased stress is not exclusive to nonprofit executives but has also affected nonprofit boards. Board members have encountered more challenging problems, and expectations to address these problems quickly and productively have only heightened. A few consultants said that they saw boards scrambling to reorganize and produce more because it was necessary for agency survival. In turn, this restructuring has created friction and even animosity between staff and board as joint decision making with high stakes becomes an increasing reality.

On the positive side, consultants said that it is a buyer’s market in terms of nonprofit employment, where hiring nonprofits can “get more value for their personnel dollar.”

Several consultants said nonprofits are more focused on “how they interact with the public.” They have more closely considered how to engage constituents and stakeholders in program makeup and in supporting the work. This was related to better branding: ensuring that nonprofit staff “get” the nonprofit and its work. A few of attendees said they saw an uptick in the use of volunteers.

Some consultants said that they sensed nonprofits’ greater willingness to change (perhaps, said one, born of desperation) and to “reorganize, reconfigure, and reinvent” but that collaboration was still not a priority. A few mentioned that in discussions of mergers, their nonprofit clients often asked that a more accurate word, *acquisition*, be used.

Later in the day, a longer discussion ensued about leadership and, in particular, older leaders hanging on even in the face of serious problems. Some attendees suggested that a combination of age and stress has worn down previously functional leaders and that staff is left holding the bag with this unraveling reality. Meanwhile, boards—even in the face of behavior that approaches the clinically

Many of today’s
nonprofit pressures
are associated with
running a marathon
at a sprinter’s pace.

While consultants
urge clients to do
things differently,
they themselves are
sometimes guilty of
stagnant practices
and formulas that
do not fit the new
environment.

diagnosable—remain blissfully unaware of these problems.

These pressures, one attendee noted, are associated with people running a marathon at a sprinter's pace. Finally, as is frequently the case, many attendees noted the search for magic bullets. Sometimes these panaceas are envisioned as technology related, but the time frames required for implementing such solutions are longer than a sprinter's pace allows.

In a telling sign of the times, consultants said they are increasingly asked to pitch in on the work as an extra pair of hands: that is, to help implement their advice. This, some said, comes from funder unwillingness to support staff implementation under the rubric of capacity building. But when staff numbers have shrunk and the work has expanded, the formula of providing only advice does not always compute.

At the end of the day, one consultant suggested that consultants need to consider their own "tendency to apply old solutions to new problems." While consultants urge clients to do things differently, they themselves are sometimes guilty of stagnant practices and formulas that do not fit the new environment.

So What?

A member of *NPQ*'s editorial team recently took it upon herself to look at the Form 990s of nonprofits around the country that have recently closed. From what she could discern, there was no consistent cause for these closures. In many cases, the problems proceeded—but were also intensified by—the recession, but they varied. Putting the issue of closures aside and considering the situation in a more affirmative way, how can capacity builders, funders, and nonprofit leaders learn quickly about new approaches to address this new environment? How can consultants free themselves from an inappropriate preconceived product to work more creatively with the complicated dynamics unfolding before them?

We hope that consultants will consider developing local study circles: that is, groups of colleagues who can review and discuss new ideas and research as well as their own practice. In

some cases, management support organizations can convene these peer-review groups, but the purpose should be to challenge current practices and dissect—as we have asked some nonprofits to do—some rigid approaches in capacity building and ways forward.

Funders can support these consultant groupings, as well as gathering spaces for nonprofit leaders. By many accounts, such groups help executives immensely, reducing isolation and adding unexplored perspectives to leadership thinking. They also build relationships between leaders so that organizational relationships are ultimately easier to forge.

At the same time, nonprofits ought to feed their reactions to capacity building up the chain to management support organizations and to funders. Too many nonprofits grouse that their definition of "Capacity building for what?" doesn't factor into program design, but they often complain among themselves rather than communicate these issues to the powers that be. Their experiences constitute the "data" that consultant groupings could in turn discuss.

These groups can take up many topics—even beyond the most immediate issues of burned-out nonprofit leadership and impending budget snafus. If one preconceived framework should be hurdled, it is the focus on capacity building that targets single organizations to the exclusion of networks and systems. In a seminal article that has been reprinted in this issue of *NPQ*, David Renz of the Midwest Center for Nonprofit Excellence notes the importance for organizations to see themselves as part of, and taking cues from, networks or broader constellations of nonprofits (see page 50). Renz suggests that experts haven't caught up with the new forms of nonprofit governance in which boards see themselves as part of broader structures and dynamics rather than as isolated, self-governing entities.

"With changes in the complexity, pace, scale, and nature of community problems and needs, and the emergence of strong fields of practice and funders with disproportionate influence, the domain of 'governance' has moved beyond the domain of the 'board,'" he writes. Renz further contends that many organizations' work

is “planned, organized, resourced and coordinated—in other words, governed—through a web of overarching and integrating relationships. . . . And in these settings, organizations must either work through this larger whole or fail to remain viable.”

These questions transcend individual organizations and address the effectiveness of systems to meet social needs. Over the next decade, as our world reorders itself, nonprofits must insert themselves into this sphere individually and collectively. But to do so, they need the skills of advocacy and network building.

In sum, capacity building among nonprofits is not a mechanistic exercise and should be even less so now than ever. It requires vigilance and constant retooling on the part of capacity builders. It is a profession in which the “Capacity building for what?” and the “To what end?” questions should be asked often and in which constant scanning of an organization’s internal and external environment becomes part and parcel of the work.

“The job is not always about changing organizations so they are built to last,” one capacity builder says. “It is, however, always about creating organizations that are built to change.”

“The job is not always about changing organizations so they are built to last,” one capacity builder says.

ENDNOTES

1. Collaborative projects include sharing staff and back-office services, providing joint promotional programs that offer tickets and passports to the arts, and creating cultural exchanges.

2. Maury Okun, for example, is the executive director of Detroit Chamber Winds, the Great Lakes Chamber Music Festival, and Eisenhower Dance. He also plays trombone at Detroit Chamber Winds and Strings and the Michigan Opera Theatre’s orchestra. Various partners participate in this effort, including Great Lakes Chamber Music, Eisenhower Dance Ensemble, Rackham Symphony Choir, and the Cultural Alliance of Southeastern Michigan.

To comment on this article, write to us at feedback@npqmag.org. Order reprints from <http://store.nonprofitquarterly.org>, using code 170402.

Collected Wisdom from the *Nonprofit Quarterly*

MEDIA **Mission Message**

How do we communicate effectively with the media? 57 pages

GOVERNANCE **Board with Care: Perspectives on Nonprofit Governance**

Existing governance systems are seldom built to fit each organization as well as they could. 48 pages

COHEN **Classic Cohen**

The urgent need for transparency and public accountability by both foundations and nonprofit organizations is the leitmotif of Cohen’s reporting. 78 pages

ETHICS **Doing the Right Thing: The Nonprofit Ethicist**

Ethical conduct is the bedrock of trust, which is the common currency of the nonprofit sector. 34 pages

HUMAN RESOURCES **Heroes, Liars, Founders, and Curmudgeons: How Personal Behavior Affects Organizations**

Why do we expect all of us passionate people to act in emotionally reasonable and neutral ways? And why are we blind to the more destructive effects of our own quirks? 45 pages

FINANCE **It May Be Hard Times: How to Navigate a Financial Downturn**

Surviving and thriving in a recession. 46 pages

FINANCE **Strange Accounts: Understanding Nonprofit Finance**

Exploring the peculiarities of nonprofit finance and provides best-practice approaches. 49 pages

All \$14.95 | Available from
Shop NPQ @ <http://store.nonprofitquarterly.org>

