

# Supporting Nonprofit Capacity: Three Principles for Grantmakers

by Lori Bartczak

When Grantmakers for Effective Organizations traveled cross-country to meet with funders and nonprofits and learn more about their capacity-building experiences, the effort led to their development of an approach to capacity building that may help grantmakers be better positioned to support nonprofits in achieving lasting impact.

**A**S THE DEMAND FOR SERVICES FROM nonprofits continues to rise in communities everywhere, more funders are recognizing capacity building as a critical way to support strong organizations that are equipped to rise to the challenge. A recent survey from Grantmakers for Effective Organizations (GEO) found that 65 percent of foundations in the United States provide some type of capacity-building support to grantees, through investments in such areas as leadership development, fundraising capacity, evaluation capacity, communications, and technology.<sup>1</sup> Some foundations, like the Edna McConnell Clark Foundation and the Deaconess Foundation, have it as a core strategy; others, like California's Evelyn and Walter Haas, Jr. Fund, either have specialized capacity-building grant initiatives or programs in-house; and still others provide funding for local management support organizations.

Over the past year, GEO traveled across the country to meet with dozens of funders and leaders of nonprofits of

all shapes and sizes and conduct "listening sessions" to learn more about their capacity-building experiences. We wanted to get a sense of how capacity-building practice has evolved since GEO's founding, fifteen years ago,<sup>2</sup> and what new trends are on the horizon.<sup>3</sup>

We learned that some of the most basic challenges that led to GEO's founding still exist today. Questions persist about how to build strong nonprofit boards that really add value; how to build and track budgets in uncertain times; and how to look at questions of decision making and leadership. One "right way" solution does not fit every problem, because each leader and organization is unique, and circumstances are always changing. The good news is that as a field we know more than we used to about what it takes for funders to do capacity building well. Research over the past fifteen years has added much to the knowledge base for funders, consultants, and organizational leaders designing and participating in capacity building, and the field has matured considerably.

What follows are our observations about some basic principles that emerged as pivotal to success.

## The Three Cs for Providing Capacity-Building Support

### 1. Make It Contextual

One of the hardest-won lessons in this field is that capacity building must be tailored to meet the unique characteristics and needs of each organization. For instance, a small dance company that is losing its audience and a large multiservice center in an urban setting that has depended upon political relationships that are aging out may have different things to consider. Organizational issues flow from such stuff as the geographic community, the field of practice, age and stage of development of the organization, and the fit of its revenue mix and budget to the current and coming environment.

GEO found that grantmakers are providing tailored and contextual approaches through a number of

different ways. National Arts Strategies (NAS) has worked to contextualize capacity-building support for arts organizations for more than twenty-five years. Through its Chief Executive Program, NAS partners with business schools of three universities to contextualize their curricula for leaders of cultural organizations, with an end goal of building personal leadership capacity. The program's curriculum relies heavily on the case study method, using arts organizations as case examples. "If people believe there will be utility, they can learn better," said NAS president and CEO Russell Willis Taylor. "NAS serves as the 'editor' to help make the curriculum more nuanced for the cultural sector."

In a different model, recognizing that strong leadership is the most critical capacity for nonprofits, the Evelyn and Walter Haas, Jr. Fund established the Flexible Leadership Awards program, which provides long-term, customized leadership support to grantees. Designed out of the recognition that there is no one-size-fits-all approach to leadership development, the award allows the nonprofit board and staff to step back and think expansively about what their organization wants to achieve and the leadership challenges they have to meet to get there.

#### *Ideas for Providing Contextual Support*

Developing a contextual approach to capacity building requires a great amount of trust and relationship building, both of which take time to develop. The nonprofit leaders we spoke to in the GEO 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."

Another nonprofit leader described an exemplary relationship with one particular program officer. "She will have lunch with us, she visits, she'll call us because she heard something that might be of relevance to our work. I see her in the community, at coalition meetings, in city meetings. She's not just sitting in her office. I'm impressed with her because she cares about what we—her funded organizations—are doing. That's big. We have a relationship, and because of this I am more likely to call her with a concern or a problem, or to let her know what we're up to so she won't be blindsided."

A key way to build an open, trusting relationship is for grantmakers to make themselves accessible to grantees. Consider how even your application and reporting requirements may create barriers for open exchange. "More and more, I'm finding online applications. There's no discussion; there's no one you can reach at the foundation to answer your questions," one nonprofit leader said. "It is not only impersonal and a tough way to engage someone in your work, but I think the foundations are losing out on an opportunity to learn."

## **2. Make It Multiyear and Continuous**

Grantmakers should take a long-view approach to building capacity, because organizational transformations will not happen overnight. One-time workshops on fundraising or management, and even many short-term consulting engagements, cannot be expected to produce significant changes in capacity.

One of the most frequent challenges we heard from nonprofit leaders in the listening sessions was that funders were not providing capacity-building funding with an appropriate time horizon. We

heard many stories of partially completed capacity-building projects that ended up not meeting their original objectives due to the lack of funding to cover costs required to implement and maintain the work. "Funders build our capacity, and then what?" one leader asked. "The funders are going to walk away, and we have to be able to sustain whatever they helped us build. A lot of the challenge with capacity building is the question of how we're going to sustain the work after the funders are done helping us."

"If you really want to support an organization's capacity building, it has to be over a longer time frame, at least three years," another leader said. "That time horizon allows me to think about this year's internal capacity building in a larger context."

#### *Ideas for Providing Continuous Support*

Those grantmakers who do this work well devote a considerable share of their time and resources to capacity building and endeavor to establish a strong and open relationship with grantees. Through its Impact Partnership program, the Deaconess Foundation, in St. Louis, provides four years of significant investment to help build the capacity of youth-serving organizations providing critical services in the city. According to Elizabeth George, co-vice president of the foundation, it takes six to twelve months for relationships to solidify and for the partners to create their capacity-building plans.

In addition to making long-term commitments to grantees, continuous capacity building also means sticking with an approach long enough to be able to learn from it. As a place-based funder, the Eugene and Agnes E. Meyer Foundation, in Washington, DC, has developed long-term relationships with its grantees, and capacity building is a central part of its work. Rick Moyers, vice president for programs and communications at the

foundation, advises funders to take the long view in their capacity-building work.

“Be willing to stick with programs longer than three years,” Moyers said. “While it’s always good to be open to new ideas, funders can sometimes jump from one fad to the next without giving programs enough time to produce results or taking the time to learn from both success and failure. At the Meyer Foundation, we’ve been running essentially the same management assistance program for more than fifteen years. Some nonprofit organizations have used the program many times. The program’s longevity has given us a body of experience that has informed adjustments and improvements over time.”

Lynn Coriano, deputy director at Social Venture Partners (SVP) Seattle, has the same observation from her experience. SVP Seattle funds fifteen organizations with up to \$225,000 in general operating support over a five-year period, with additional access to about \$10,000 per year for capacity-building support. They have been using this model for fifteen years.

“Over the years, we’ve observed that many of the same issues affect a variety of the nonprofits we’ve funded,” Coriano said. “For example, we’ve seen executive transitions over and over again, as well as organizations struggling to really understand and articulate their financial position. Given what we’ve learned and what our nonprofits continue to ask for guidance on, we could potentially play a more active role in advocating for what’s worked well and sharing those tools more proactively. This has the potential to lead us to a more blended capacity-building approach, combining both responsive and prescriptive tools. An example might be that our grant guidelines could outline that, in the first three years of a funding relationship, we’d want to see the advancement in certain capacity-building

areas dependent on the particular needs and life cycle of that organization—a succession plan, the ability to produce cash flow projections, or maybe a clearer understanding of their business model and programmatic outcomes, etc.—recognizing how much these particular areas can influence success in the long term.”

### 3. Make It Collective

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. They pay attention to the role and influence of other funders supporting individual grantees, and, in this environment of greater board accountability, to the role and capacity of the community being served.

Many successful capacity-building programs reach beyond the executive director role to engage a team that is drawn from multiple levels of the organization. “People respond to and remember information better when they are learning it in a group,” said Russell Willis Taylor of National Arts Strategies. “When working with organizations, we try to find ways to educate the team to help ensure the learning sticks.”

#### *Ideas for Providing Collective Support*

Because building capacity requires a significant, ongoing investment, grantmakers should look for opportunities to collaborate with other grantmakers to leverage investments in capacity and provide more comprehensive support to grantees. One nonprofit leader shared a story of when this worked well: “One funder made us the largest grant in the history of the foundation, and said if we received money from other funders for capacity building they would match it. We were able to go to other funders and ask for funding to grow our staff, our board,

our technology. We could say, ‘If you give us \$50,000 for Salesforce[.com], this other foundation will give us another \$50,000 to make sure it’s implemented properly.’ For the first time in ten years, I’m able to think about how to spend money wisely, and it’s because of the capacity building.”

When designing capacity-building offerings, grantmakers should look for methods to engage whole systems in a change process. In Memphis, Tennessee, the Alliance for Nonprofit Excellence’s intensive Program for Nonprofit Excellence starts every engagement with an assessment that involves input from diverse organizational actors, including boards and multiple levels of staff. The expectation is that the three years of consulting that follow the introductory session will maintain this high level of engagement.

Organizations are accepted in rounds, and members of that class not only work to improve their own organization but also work together for three years as part of a learning and knowledge-sharing group. The program engages chief executives, board members, and emerging leaders from each participating organization to ensure the capacity-building work is well integrated into the organization. Peer networking across organizations and at various organizational levels is an important part of the program as well.

Nancy McGee, chief executive officer at the Alliance, said they have seen some exciting changes take place since the program began engaging emerging leaders a few years ago. “The emerging leaders are starting to realize they can push change from underneath,” she said. “And the executive directors are recognizing ways they can and should give up control of certain things, which can be freeing and frightening at the same time.”

Grantmakers should walk the talk when it comes to encouraging collective

work, and consider ways to work with other funders to coordinate capacity-building support, thereby streamlining the process and freeing up time for grantees. The Edna McConnell Clark Foundation makes large, long-term investments in nonprofits with a potential for growth, in order to help them reach thousands more economically disadvantaged young people than they could have had they been forced to seek out more funding sources and diverted more attention away from mission fulfillment toward fundraising. For many of these investments, the foundation works to aggregate funding from other foundation partners, thereby leveraging the foundation's own investment and helping to ensure their grantees have what they need to deliver on their goals. At a smaller scale, the Lumpkin Family Foundation, in Illinois, provides funding for small grants for board and staff professional development that is matched by four local community foundations.

In addition to considering how to collaborate with other grantmakers, collective approaches to capacity building include considering the overall capacity of the set of organizations that are vital to the issue you work to address—whether that set is bound by a geographic area or an issue area.

The mission of the Sherwood Trust in Walla Walla, Washington, for example, is to build the Walla Walla Valley community's capacity. The trust provides funds for leadership, organization, community, and economic development. "You can't have a healthy economy unless all those levels are healthy—everything is interconnected," said its president, Jock Edwards. In addition, the trust funds infrastructure to convene appropriate stakeholders around multiple issues, creating and sustaining conditions through which stakeholders can come together and take responsibility for addressing an

issue in an integrated and comprehensive manner.

The trust is also part of Washington's Statewide Capacity Collaborative, a collective effort of nine funders working to build the capacity of the nonprofit ecosystem across the state. The funders came together in 2009 in response to the challenges facing the nonprofit sector as a result of the economic recession, with the intent to understand the grantmaker's role in supporting a thriving nonprofit sector. They commissioned an assessment of capacity building in Washington State, which found a disinclination for thinking systematically about capacity building at a state or community level and recommended specific investments and strategies—from providing more general operating support to filling gaps in knowledge and service delivery.<sup>4</sup> Since 2010, investments from the collaborative include an online directory of vetted consultants and resources related to capacity building, targeted funding to rural areas in the state, and the creation of an organization that aims to provide a voice for nonprofits across the state through advocacy, education, capacity building, and networking.

"Building the capacity of the statewide sector is not necessarily appealing or attractive to individual donors," said Sally Gillis, senior program manager of collective action at SVP Seattle. "Therefore, a collaborative such as ours must be made up of community-oriented funders who are already brought into the value of capacity building. We understand the power of working as a group, and no one funder can drive or invest in this alone."

### The End Result: Capacity

Grantmakers want to support their grantees in having the greatest impact possible, and capacity building is a key means of achieving that end. But the diversity of the organizations grantmakers support

makes it difficult to be clear on best practice. Based on fifteen years of experience with our members and conversations with nonprofit leaders, GEO believes that by taking an approach that is *contextual* (tailored to the unique needs of the grantee), *continuous* (taking the long view), and *collective* (considering how the parts add up), grantmakers will be well positioned to provide capacity-building support in ways that effectively support nonprofits to achieve lasting impact.

### NOTES

1. J McCray, *Is Grantmaking Getting Smarter?: A National Study of Philanthropic Practice* (Washington, DC: Grantmakers for Effective Organizations, 2011), 10.
2. Grantmakers for Effective Organizations was founded in 1997, when a group of foundation program officers saw a need for a place where grantmakers committed to improving organizational effectiveness could convene to share knowledge and best practices and inspire their colleagues to act. Today, GEO is a community of nearly 3,700 individuals representing more than 430 grantmaking organizations committed to building strong and effective nonprofit organizations.
3. Melinda Tuan of Melinda Tuan Consulting conducted the landscape review and listening sessions on behalf of GEO.
4. The Giving Practice, *An Assessment of Capacity Building in Washington State* (Seattle, WA: Philanthropy Northwest, 2009).

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