Building the Capacity of Capacity Builders
How Funders Can Strengthen Organizations that Provide Consulting, Training, and Other Management Assistance Services to Nonprofits

Grantmakers for Effective Organizations  •  March 14, 2012

Fred Ali  Kit Gillem  Paul Connolly
Learning Objectives

• Obtain practical advice on how to support capacity builders’ efforts to enhance their program quality and business models.

• Learn about research methods for assessing nonprofit capacity-building needs and services.

• Learn about effective strategies for funders to build the capacity of capacity-building organizations.
Agenda

• **Overview of Key Nonprofit Capacity-Building Concepts** (Paul Connolly)

• **L.A.’s Experience** (Fred Ali)

• **Pacific Northwest’s Experience** (Kit Gillem)

• **Group Discussion and Q&A**
Background

- Weingart Foundation
- M.J. Murdock Charitable Trust
Overview of Nonprofit Capacity Building
What Is Capacity Building?

Any activity that strengthens nonprofit performance & impact.

“...A process of developing and strengthening skills, instincts, processes, and resources that organizations and communities need to survive, adapt, and thrive in a fast changing world."

-Ann Philbin
Nonprofit Organization Capacity

External Environment

Political and Regulatory Forces

Resources

Social and Demographic Forces

Human Resources

Organization

Facilities

Adaptive Capacity
the ability of a nonprofit organization to monitor, address, and respond to internal and external changes

Leadership Capacity
the ability of all organizational leaders to create and sustain the vision, inspire, model, prioritize, make decisions, provide direction, and innovate, all in an effort to achieve the organizational mission

Management Capacity
the ability of a nonprofit organization to ensure the effective and efficient use of organizational resources

Technical Capacity
the ability of a nonprofit organization to implement all of the key organizational and programmatic functions

Organizational Culture

Structure

History

Rituals

Beliefs

Language

Values

Time

Economic Forces

Funding

Key Resources
the one or more critically needed resources that most directly support programs and services

Technology

Program Design and Model

Technological Forces

tcc group
Nonprofit Capacity-Building Needs

Four Core Capacities:

- Adaptive
- Leadership
- Management
- Technical

Crucial, but often overlooked
The Nonprofit Sustainability Formula

Leadership + Adaptability + Program Capacity = Sustainability

Fundraising skills matter… but visionary and adaptive leadership matter more
## Capacity-Building Activities

<table>
<thead>
<tr>
<th>Capacity Building Activities</th>
<th>Means of Capacity Building</th>
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<tbody>
<tr>
<td>• Organizational assessment</td>
<td>• Referrals</td>
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<tr>
<td>• Business planning</td>
<td>• Research</td>
</tr>
<tr>
<td>• Evaluation</td>
<td>• Publications</td>
</tr>
<tr>
<td>• Facilities planning</td>
<td>• Training and education</td>
</tr>
<tr>
<td>• Financial systems</td>
<td>• Coaching</td>
</tr>
<tr>
<td>• Fund development</td>
<td>• Convening</td>
</tr>
<tr>
<td>• Board development</td>
<td>• Facilitation</td>
</tr>
<tr>
<td>• Technology upgrades</td>
<td>• Consulting</td>
</tr>
<tr>
<td>• Collaborations/strategic restructuring</td>
<td></td>
</tr>
</tbody>
</table>
Reasons for Funders to Invest in Capacity Building

- **Enhance** program impact
- **Increase** organization and community sustainability
- **Leverage** philanthropic dollars
Capacity-Building Strategies

- Program Grants that address organizational effectiveness
- General Operating Support Grants
- Grants specifically to increase organizational effectiveness
- Direct Technical Assistance
- Capital Financing to NGOs
- Capital Financing to capacity builders & intermediaries
- Grants to capacity builders
- Grants to researchers, educators, & conveners

Knowledge and information is shared

Researchers, educators, and conveners conduct research, evaluate, educate, train, organize peer networks & convene NGOs

Knowledge and information is shared

Capital Financing to nonprofits

Capacity-building services to nonprofits
Management Support Organizations (MSOs) Vary in Size

Typical MSO has an annual operating budget of almost $1 million, about 4 full-time and 2 part-time staff, and approximately 250 clients annually. Average age is 16 years-old.

Source: 2003 TCC Study of 86 MSOs as part of Packard Foundation Study and 2005 Alliance for Nonprofit Management Survey
Management Support Organizations (MSOs) Vary in Size

A Typical MSO:
- Annual operating budget of almost $1 million
- About four full-time and two part-time staff
- Approximately 250 clients annually
- Average age is 16 years-old

Source: 2003 TCC Study of 86 MSOs as part of Packard Foundation Study and 2005 Alliance for Nonprofit Management Survey
A Comprehensive Range of Ongoing, Blended Solutions Contribute to MSO Sustainability

- Referrals
- Publications, Tools, and Resources
- Training Workshops
- Peer Exchange
- Coaching
- One-on-one Consulting

Less individualized and expensive

More individualized and expensive
Diverse Mix of Revenues for MSOs

Data on MSO Earned Revenues

- Consulting is most profitable service & workshops break even or have losses.
- 33% of MSOs charge full price for consulting, 48% offer discounts, and 19% provide consulting for free.
- Average full-price day rate for consulting is $1,193.

Source of approximate distributions above: 2003 TCC Survey of 86 MSOs and 2009-10 evaluation of Pacific Northwest MSOs for Murdock Trust

Source: Alliance for Nonprofit Management 2005 Survey.
## Revenues and Staff Sizes of Select MSOs

<table>
<thead>
<tr>
<th>Name and Location</th>
<th>Annual Revenues</th>
<th>% Contrib.</th>
<th>% Earned</th>
<th># Staff or Affiliates</th>
</tr>
</thead>
<tbody>
<tr>
<td>CompassPoint (San Francisco)</td>
<td>$5,082,762</td>
<td>60%</td>
<td>40%</td>
<td>22</td>
</tr>
<tr>
<td>Community Resource Exchange (NYC)</td>
<td>$3,592,259</td>
<td>80%</td>
<td>20%</td>
<td>25</td>
</tr>
<tr>
<td>MAP for Nonprofits (St. Paul)</td>
<td>$2,120,248</td>
<td>50%</td>
<td>50%</td>
<td>20</td>
</tr>
<tr>
<td>Center for Nonprofit Management (Nashville)</td>
<td>$1,373,367</td>
<td>30%</td>
<td>70%</td>
<td>9</td>
</tr>
<tr>
<td>Center for Nonprofit Management (Los Angeles)</td>
<td>$1,246,611</td>
<td>30%</td>
<td>70%</td>
<td>9</td>
</tr>
<tr>
<td>Nonprofit Assoc. of Oregon (formerly TACS)</td>
<td>$1,202,115</td>
<td>30%</td>
<td>70%</td>
<td>16</td>
</tr>
<tr>
<td>Nonprofit Assoc. of Oregon (Portland, OR)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Center for Nonprofit Effectiveness (Miami)</td>
<td>$177,043</td>
<td>95%</td>
<td>5%</td>
<td>8</td>
</tr>
</tbody>
</table>

*Data from most recent 990 and web sites and revenue type breakdown is approximate*
Needed for Sustainability:
A Delicate Balance of Earned and Contributed Revenues

Balancing Mission and Money
Varying Degrees of Engagement by Funders

- Provide ad hoc support to select capacity builders
- Invest to strengthen existing ecosystem of capacity builders
- Create new entity to serve as central access point, clearing house, and coordinating body
- Create new management support organization
- Create and operate management support program

Hands-Off to Hands-On
Flexible General Operating Support Allows an MSO to Be Healthy

How restricted is a funder’s support?

**LOW**
- Unrestricted general operating support

**HIGH**
- Contract-like support for a particular set of nonprofits

- Pooled funds for services (let MSO decide which clients to subsidize, based on certain criteria)
The Cyclical “Chicken and Egg” Nature of Building a Financially Sustainable MSO

- Talented staff and board and community leadership
- Healthy revenue generation
- High-quality, innovative, and high-impact services
In 2009, Weingart began a study to understand:

- The organizational strengths and challenges of L.A. nonprofits
- The capacity-building needs of these groups, as well as their access to and experiences with capacity-building services
- The availability and types of capacity-building services available in the region
Study Methodology

- **Core Capacity Assessment Tool (CCAT)** online survey completed by 260 L.A. nonprofits
- Supplemental survey completed by 263 nonprofits that assessed their capacity-building needs and experiences with capacity-building services
- Interviews with 12 foundations, 9 capacity-building providers, and 14 nonprofit leaders
- Focus groups attended by 25 nonprofit leaders
Location of Survey Participants
Key Findings of the Study
Organizational Strengths

The nonprofit sector in L.A. has many organizational strengths

- Resilient and resourceful
- Deeply knowledgeable about communities served
- Visionary and motivating leaders
Most nonprofits were not strong in areas that are key predictors of organizational sustainability:

- Organizational learning through needs assessments and program evaluation
- Motivating and developing staff and board
- Securing the resources needed to succeed in fundraising
Organizational Weaknesses

Other shortcomings:

• Adapting to internal and external changes
• Cultivating “next generation” leaders and planning leadership transitions
• Marketing and outreach
• Financial management
• Not well-informed consumers of capacity-building services
Self-Awareness of Need for Organizational Strengthening

Self-Reported Capacity-Building Needs

- Communication & Outreach: 62%
- Fundraising: 58%
- Program Evaluation: 56%
- Board Leadership: 55%
- Organizational Assessment: 53%
- Information Technology Systems: 49%
- Knowledge Management: 47%
- Strategic Planning: 47%
- Executive Leadership Development: 45%
- Financial Management: 38%
- Facilities Management: 26%
- Human Resource Management: 19%
The Capacity-Building Field in L.A. County

- Disjointed and fragmented
- Insufficient amount of services to meet need
- Little coordination
- Many providers are not organizationally and financially strong
Gaps in Content, Format, and Geographic Access

- Few services for program evaluation, communications, outreach, and information technology
- Inadequate coaching and peer exchange services
- Need for more culturally-competent consulting services
- Lack of services depending on in-person meetings outside of downtown, Pasadena, and Long Beach
Map of Capacity-Building Providers

- Valley Non-Profit Resources Center
- Executive Services Corps of Southern California
- Grantsmanship Center
- Nonprofit Finance Fund
- Center for Nonprofit Management, Community Partners, Taproot Foundation
- Deloitte Center for Leadership and Community
- Long Beach Nonprofit Partnership
Mixed Quality of Capacity-Building Services

- Only 15% of respondents strongly agreed that the consulting services they received incorporated best practices.
- Just one-third of nonprofit leaders reported that they strongly agreed that they would recommend a consultant they had worked with to a colleague.
- Only 10% of respondents said that the workshops and peer exchanges they had participated in were of high quality.
Funders support nonprofit capacity-building now by:

- Providing general operating support
- Funding for capacity-building activities for nonprofits
- Funding intermediaries and capacity-building providers
- Providing capacity-building services directly
Funders hinder nonprofit organizational capacity-building by:

- Providing much restricted and short-term financial support to nonprofits
- Giving inadequate support to capacity-building service providers in the region
- “Doing their own thing” and not communicating or collaborating well with other funders
What We Have Achieved So Far

Increased coordination among capacity builders

- Formation of the Los Angeles Capacity Building Roundtable (CNPM)

- Joint submissions of Information Exchange planning grant proposals
Increased coordination among funders

- Sponsored convening's through the USC Center on Philanthropy and Public Policy
- Southern California Grantmakers Annual Conference
- Alchemy Gold (Annenberg Foundation)
- Building MSO Sustainability (CCF)
- Joint funding of Capacity Building Information Exchange
In general, the findings and recommendations of the TCC Study has renewed interest among nonprofits, funders, and service providers in developing a more effective system of capacity building, not only in Los Angeles County, but in other Southern California counties including San Diego.
The Weingart Foundation continues to support the development of organizational capacity and sustainability by:

• Using at least 60% of its available grant dollars to fund unrestricted core operating support grants
• Sponsoring targeted capacity building initiatives in underserved communities
• In conjunction with the California Wellness Foundation, supporting a re-granting/capacity building initiative through the Liberty Hill Foundation for community-based and minority led organizations
• Funding grantee initiated capacity building projects
• Providing core operating support to Management Support Organizations
In February, a group of nine funders awarded a planning grant to a consortium of three organizations, the Nonprofit Finance Fund (lead agency), the Center for Nonprofit Management, and the Taproot Foundation, to develop a comprehensive plan for a capacity-building Information Exchange. The plan is scheduled to be completed by September, 2012.
Purpose

• Build upon the findings of the TCC report by assisting nonprofit organizations serving Los Angeles County to become better consumers of capacity-building services.

• Create an innovative, technology-based Information Exchange that will connect Los Angeles nonprofits to appropriate and quality capacity-building services.

• Serve as a regular forum for nonprofit organizations, capacity builders, and funders to plan and coordinate a capacity-building strategy for Los Angeles.
Key Components

- Initial intake and organizational assessment
- Service directory
- Referral assistance
- Marketing and communications
- Resources
- Coordination and strategy development
Pacific Northwest
Overview of the Murdock Trust’s Nonprofit Support Organizations Capacity-Building Initiative

2007 – 2008: Trust Study, which found that state-wide nonprofit support organizations played an important role in strengthening nonprofits and could be strengthened themselves.

2008 – 2011: Core support to five nonprofit support organizations in different states, along with peer convenings and ongoing evaluation.

2011 – 2013: Core support (extension) to four nonprofit support organizations in different states, along with peer convenings.
Our Theory of Change

Inputs

- Murdock funding, staffing & resources
- Grantee readiness, knowledge, and time
- Evaluation learnings

Strategies

- Assessment
- Core Support- New staff, service & tech. enhancements.
- Program expansion, consulting services, staff development
- Peer learning and convenings

Outcomes

- Stronger adaptive, leadership, management and technical capacity of NSOs.
- Improved services

Impact

- Greater impact on NSOs
- Greater impact of nonprofits
Where We Invested

The Foraker Group

The Nonprofit Center

Idaho Nonprofit Center

Montana Nonprofit Association

Technical Assistance for Community Services (TACS)
## How We Invested $1.8 Million Over Three Years

<table>
<thead>
<tr>
<th>State</th>
<th>Organization</th>
<th>Annual Budget in 2008</th>
<th>Core Support Grant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alaska</td>
<td>The Foraker Group</td>
<td>$2,900,000</td>
<td>$200,000/year</td>
</tr>
<tr>
<td>Idaho</td>
<td>Idaho Nonprofit Center</td>
<td>$277,000</td>
<td>$30,000/year</td>
</tr>
<tr>
<td>Montana</td>
<td>Montana Nonprofit Association</td>
<td>$506,000</td>
<td>$56,000/year</td>
</tr>
<tr>
<td>Oregon</td>
<td>Technical Assistance for Community Services (TACS)</td>
<td>$1,966,000</td>
<td>$250,000/year</td>
</tr>
<tr>
<td>Washington</td>
<td>The Nonprofit Center</td>
<td>$373,000</td>
<td>$53,175/year</td>
</tr>
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## Two Year NSOI Extension

<table>
<thead>
<tr>
<th>State</th>
<th>Organization</th>
<th>Core Support 2008-2011</th>
<th>Core Support 2011-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alaska</td>
<td>The Foraker Group</td>
<td>$200,000/year</td>
<td>$150,000/year</td>
</tr>
<tr>
<td>Idaho</td>
<td>Idaho Nonprofit Center</td>
<td>$30,000/year</td>
<td>$40,000/year</td>
</tr>
<tr>
<td>Montana</td>
<td>Montana Nonprofit Association</td>
<td>$56,000/year</td>
<td>$60,000/year</td>
</tr>
<tr>
<td>Oregon</td>
<td>Nonprofit Association of Oregon (TACS)</td>
<td>$250,000/year</td>
<td>$150,000/year</td>
</tr>
<tr>
<td>Washington</td>
<td>The Nonprofit Center</td>
<td></td>
<td>Not invited</td>
</tr>
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Ongoing Evaluation

- NSOs did annual organizational assessments (CCAT)
- Annual business model assessments
- Murdock grant progress reports
- Site visits
- Convenings
Results So Far: NSO Capacity

<table>
<thead>
<tr>
<th># of NSOs</th>
<th>Progress on Achieving Capacity Goals</th>
<th>Sustainability of Capacity Improvement</th>
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<tbody>
<tr>
<td>3</td>
<td>√√√ -- substantial</td>
<td>√ -- likely</td>
</tr>
<tr>
<td>1</td>
<td>√√ -- significant</td>
<td>√ ?– likely &amp; possible</td>
</tr>
<tr>
<td>1</td>
<td>√ -- limited</td>
<td>closed</td>
</tr>
</tbody>
</table>
Results So Far: NSOs Going to Scale

2008  2009  2010

1  3  3

Impact Expansion

4  2  2

Infrastructure Development

Core Program Development
Results So Far: A Few Specific Examples

- **Alaska, Idaho, and Oregon** organizations expanded to become state nonprofit associations.
- **Alaska**, Foraker Group launched and grew “shared financial services” for nonprofits that have become successful.
- **Oregon**, the Nonprofit Association of Oregon has expanded its Executive Transitions Services and has a presence in Salem.
- **Montana**, launched its Public Policy Program benefiting Montana nonprofits and the NSO cohort.
Initiative Insights

• About 2/3 of all NSO goals were accomplished.
• The economic recession slowed the pace of progress.
• The initiative helped most of the NSOs “weather the storm” and come through stronger, with increases in contributed and earned income.
• Most of the capacity built appears to be sustainable.
• The learning-based cohort approach was seen by the NSOs as one of the most valuable parts of the initiative.
Murdock Lessons Learned - The Spill Over Effect

• Rigorous outside evaluation
• Convening and peer learning
• Nonprofit leadership transitions
• Capacity building organizations and grants
• Murdock staff and trustee ongoing education
### Strengthening Nonprofits: A Tale of Two Regions

#### Ecosystem

<table>
<thead>
<tr>
<th>Los Angeles County</th>
<th>Pacific Northwest</th>
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<tbody>
<tr>
<td>• 30,000 nonprofits concentrated in one county, urban and suburban county</td>
<td>• 82,000 nonprofits spread throughout five large states that are mostly rural. A variety of funders, with few large ones and few focusing on nonprofit capacity building</td>
</tr>
<tr>
<td>• A large number of funders, including some very large ones, but not many focusing on nonprofit capacity building.</td>
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#### Needs Assessment

<table>
<thead>
<tr>
<th>Los Angeles County</th>
<th>Pacific Northwest</th>
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<tbody>
<tr>
<td>• Capacity-building field fragmented and MSO services are of mixed quality</td>
<td>• Nonprofits rely on nonprofit support organizations (NSOs)</td>
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<tr>
<td></td>
<td>• NSOs should be supported</td>
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#### Strategy for Improvement

<table>
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<tr>
<th>Los Angeles County</th>
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<tbody>
<tr>
<td>• Improve the connection between “supply and demand” by planning capacity-building clearinghouse exchange</td>
<td>• Enhance the “supply side” by strengthening the capacity builders</td>
</tr>
<tr>
<td>• Joint funding of capacity-building initiatives</td>
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#### Results So Far

<table>
<thead>
<tr>
<th>Los Angeles County</th>
<th>Pacific Northwest</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Increased coordination among funders and capacity builders</td>
<td>• Some stronger NSOs providing more and better services to nonprofits</td>
</tr>
<tr>
<td>• Information Exchange Planning Grant</td>
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Questions and Group Discussion

Fred Ali
Kit Gillem
Paul Connolly