BUILDING THE CAPACITY OF CAPACITY BUILDERS:
A STUDY OF MANAGEMENT SUPPORT AND FIELD-BUILDING
ORGANIZATIONS IN THE NONPROFIT SECTOR

SUPPORTED BY FUNDING FROM
THE DAVID AND LUCILE PACKARD FOUNDATION

WITH ADDITIONAL ASSISTANCE BY
THE ALLIANCE FOR NONPROFIT MANAGEMENT
AND
GRANTMAKERS FOR EFFECTIVE ORGANIZATIONS

by
Paul Connolly and Peter York,
with
Sally Munemitsu, Catalina Ruiz-Healy, Anne Sherman and Cindy Trebb

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I. EXECUTIVE SUMMARY

It is clear that nonprofit organizations want and need to improve their performance and impact. And it is also apparent that capacity building activities—such as strategic planning, board development and technology upgrades—help enhance nonprofit organizational effectiveness. But the specific nature of the demand for capacity building, the quality and value of capacity building services provided, and the health of the groups that provide this assistance are less clear.

What particular type of management and governance assistance do nonprofit organizations in the United States most need and want? What kind of capacity building help is available, and what are the most promising practices? How do capacity building organizations’ own organizational capacities affect the quality of their services and how can they strengthen their own performance? And what can funders, management support organizations, field-building organizations and researchers all do to build the capacity of capacity builders and improve the field of nonprofit management? The Conservation Company strives to address these questions and provide some helpful answers in this report.

This study began as an evaluation of The David and Lucile Packard Foundation’s grantmaking program to support management support organizations (MSOs) and infrastructure organizations in the nonprofit management field. Midway through the assignment, the Foundation significantly reduced its work in this area, so the primary audience for this study shifted from the foundation trustees and staff to the broader field of MSOs, field-building organizations (including national infrastructure organizations, intermediaries, consulting and training groups, and publishers that provide both “retail” services directly to nonprofits, as well as “wholesale” services to MSOs, such as the Alliance for Nonprofit Management, BoardSource, or NPower) and other interested funders. The focus of The Conservation Company’s research and analysis shifted as well, from impact data that would influence future grantmaking by the Packard Foundation, to lessons learned and promising practices that would be useful to a wider audience in the field. The study findings were primarily based on a survey of MSOs and numerous interviews and discussion groups with experts and practitioners in the field.

Since the full report is long and dense, this Executive Summary offers some “headlines” up front to provide an overall sense of the most critical—if not always the most surprising—observations and conclusions. By doing so, readers with limited time should be able to at least gain a reasonable understanding of what was learned and how it was interpreted, so that they can begin considering how the findings and recommendations can apply to their own work.
**THE STATE OF THE CAPACITY BUILDING FIELD:**
**MATURING, COMPLEX, AND MIXED QUALITY**

The field of nonprofit management in the United States is a complex system made up of funders, capacity builders, funder associations, researchers, educators, national associations, field-building organizations, and nonprofits. Capacity builders can be categorized according to at least one of four criteria: 1) type of capacity builder (e.g., independent consultant, for-profit firm or nonprofit organization); 2) intended target (geographic, outcomes, and/or sub-sector); 3) focus of engagement (capacity-specific or multi-capacity); and 4) revenue source (earned, contributed or both). Most MSOs serve a local region, provide multiple capacity building services to all types of nonprofits, and generate a mix of earned and contributed revenues.

The field of capacity building, which emerged in the early 1960s and grew rapidly in the 1990s, is now in the early stages of maturation and still has not reached its full potential. Although the quantity of nonprofit management and governance assistance services has increased greatly over the past decade, the quality of capacity building service providers varies widely. A few are especially innovative, offer excellent services, and are very well managed and governed. A larger number provide services of mixed quality and, like their nonprofit clients, have more work to do to strengthen their own organizational capacity. Over the past several years, field-building organizations have recognized this need for improvement and made progress in developing an infrastructure that will support a higher and more consistent level of quality across the field.

**ADAPTIVE AND LEADERSHIP CAPACITY:**
**CRUCIAL FOR NONPROFITS, BUT OFTEN OVERLOOKED**

There are four core capacities essential to any nonprofit organization: adaptive capacity, leadership, management, and technical capacity. The most critical dimension of capacity for a nonprofit organization is adaptive capacity—the ability of a nonprofit organization to monitor, assess, and respond to internal and external changes. This entails explicating goals and activities and the underlying assumptions that link them, evaluating organizational and programmatic effectiveness and programs, and flexibly planning for the future. Adaptive capacity also encompasses improving the level and quality of creating strategic alliances, collaborating and networking with others in the community, and increasing the extent to which nonprofits share knowledge with colleague organizations.

Nonprofits struggle the most with adapting to changes in the external and internal environment. Leadership issues and using resources effectively and efficiently are also significant challenges. Many nonprofits have strong technical capacities to develop, support and deliver programs and services. Yet nonprofits tend to focus their capacity building efforts on building their technical and management capacities, even though the need for adaptive and leadership capacity building is greater.
Most of the capacity building that nonprofits conduct is completed without outside help. When nonprofits seek assistance, the typical MSO offers a broad range of capacity building services. For the most part, however, these MSO services don’t tend to focus enough on building the adaptive and leadership capacities of nonprofit organizations.

**PROMISING PRACTICES: THE MOST EFFECTIVE MSO SERVICES ADDRESS ADAPTIVE AND LEADERSHIP CAPACITY, EMPLOY COACHING AND PEER EXCHANGE, TRANSFER EXPERTISE, AND CREATE INCENTIVES TO FOLLOW THROUGH**

The most effective capacity builders do the following:

- Address a basic level of adaptive and leadership capacities, first
- “Leave something behind” by transferring their technical expertise to the client
- Create incentives for nonprofits to follow through
- Usually require a monetary commitment from the nonprofit to pay for the capacity building services
- Establish credibility and influence in the community
- Serve as knowledge “curators” for the community
- Begin by assessing organizational “readiness”
- Take a “holistic” approach—integrating the benefits of any capacity building intervention into the functioning of the whole organization
- Clearly understand the level of service that best addresses the nonprofit’s needs
- Engage with real “change agents” within the organization
- Assess and accommodate organizational culture
- Ensure the proper fit between the capacity builder and the organization

Coaching appears to be a particularly promising strategy for improving executive leadership. MSOs that provide “blended solutions” (i.e., combining consulting, coaching, training and/or peer exchanges) to a nonprofit organization also seem especially effective.

The following are promising practices for specific methods MSOs use to deliver capacity building services.

- **Consulting**
  
  Factors positively associated with high quality consulting services include:
  
  - engaging all key organizational stakeholders in defining issues to be addressed through the intervention;
  - a clear contracting process;
  - establishing clear criteria for assessing the success of the engagement and mechanisms for soliciting client feedback during the engagement;
  - reaching consensus on confidentiality issues;
• providing staff with skills that will help them sustain the capacity building efforts when the engagement ends; and,
• engaging in ambitious, yet realistic projects that have a high probability of success.

• Training
  Numerous factors contribute to high quality trainings, including:
  ➢ the capacity building experience of leaders and facilitators;
  ➢ development of a formal curriculum and associated relevant materials that help participants apply the principles being taught;
  ➢ the extent to which the training incorporates adult learning principles;
  ➢ time allowed for general peer sharing and networking;
  ➢ mention of resources that offer opportunities for additional related learning opportunities; and,
  ➢ available follow-up engagements and opportunities for participants.

• Peer Exchange
  Promising practices for this method include:
  ➢ planning and facilitating “round table” discussions, “case study groups,” and/or “learning circles;”
  ➢ planning and implementation done by experienced facilitators;
  ➢ engaging the same group of similarly motivated individuals, with the same facilitator, on an ongoing basis and asking participants to assess the process; and,
  ➢ providing time for informal sharing and networking.

• Referrals
  Factors positively associated with high quality services in this area include:
  ➢ making referrals to workshops, seminars or trainings that the MSO does not provide;
  ➢ directing clients to relevant websites, research publications, and consultants; and,
  ➢ following up with nonprofits that have received a referral to determine if the nonprofit received the assistance they needed.

• Conducting Research
  Promising practices in this area include:
  ➢ focusing specifically on understanding the relationship between different capacity building engagements and outcomes at various levels;
  ➢ engaging and collaborating with highly experienced and respected researchers in the field;
  ➢ taking steps to avoid duplication of research agendas;
  ➢ developing practical applications that can improve capacity building interventions; and,
  ➢ disseminating findings field-wide.
**DOCTOR, HEAL THYSELF: MSOs NEED TO BECOME MORE REFLECTIVE AND RESPONSIVE**

MSOs need to “walk their talk,” that is, engage in the same capacity building practices that they recommend to their clients. Many MSOs already formally strengthen their own capacity on an ongoing basis, but there is still room for more improvement.

The best MSOs are highly reflective and flexible. It is particularly important that MSOs maintain a high level of adaptive capacity through such practices as formally evaluating the quality and impact of their services regularly, as well as conducting community needs assessments, customer satisfaction surveys, and formal organizational assessments of particular nonprofit organizations. Effective MSOs use these data, as possible, to serve as community conveners and local network coordinators. Strong MSOs also tend to engage in strategic planning and business planning.

Strong leadership capacity is also a hallmark of an effective MSO. High-performing MSOs usually have effective MSO leaders -- both board members and executives -- who inspire and motivate their staff by supporting activities that further staff reputation as “thought leaders” in the community. Strong MSO leadership helps attract resources too.

With respect to management capacity, hiring and retaining the “best and brightest” staff appear to be critical characteristics of effective MSOs. The ongoing professional development and assessment of staff -- whether permanent, contracted, or volunteer -- is also a priority among high-performing MSOs. Technical capacity is enhanced by hiring staff who have the proper technical capacity to perform their jobs effectively. Furthermore, MSOs with a high level of technical capacity maintain the skills and staff needed to support the development, management and use of their knowledge base.

**IMPROVING MSO BUSINESS MODELS: NEED FOR MORE EARNED REVENUES, QUALITY CONTROL, AND VALUE-ADDED SERVICES**

To become more sustainable, MSOs, in many cases, need to charge more for their services and increase their earned revenues. All MSOs can and should generate some percentage of their revenue by charging a fee for service. (And, interestingly, those MSO’s that generate a higher proportion of earned revenues have a more positive perception of the quality of their services.) While most already generate fees for services, some charge fees that are artificially low. This practice is due in large part to adherence to a “charity-based” model (i.e., the belief that services should be accessible and available to all nonprofits) that generates most resources from grantmakers, rather than a more formalized “business model” that generates a significant amount of earned revenues from customers. While the two models are not necessarily mutually exclusive, it is likely that the former encourages the MSO to be accountable to the funder, whereas the latter encourages accountability to the nonprofit client.
To maintain quality control, MSOs should not rely too much on contractors and/or volunteers. The weaker the connection between the capacity builder and MSO (i.e., a contractor or volunteer), the less likely the MSO will learn from its experience. It is also more difficult to generate “fees” when capacity builders are not on staff at an MSO.

Finally, the “value-added” element of capacity building services varies according to the mix of services offered. Business models that rely heavily on consulting combined with peer exchange processes result in more “bang for the buck.”

**RECOMMENDATIONS FOR FUNDERS, MSOS, FIELD-BUILDING ORGANIZATIONS, AND RESEARCHERS TO IMPROVE THE CAPACITY BUILDING FIELD**

The economic downturn has created a tough environment for MSOs and field-building organizations. Funders that provide philanthropic support to them are cutting back. Meanwhile, many nonprofits are reducing their budgets and have less to spend on capacity building at a time when they need to enhance their organizational effectiveness even more. Some MSOs may need to shut down or merge with other groups. **The most effective capacity builders will be the most resilient during these difficult times.**

The following is a set of recommendations related to how MSOs and field-building organizations can improve their performance. Recommendations are also included for funders and researchers, who play a critical role in supporting capacity builders and advancing the development of knowledge for the field.

**Funders: Support High-Performing MSOs and MSO Evaluation and Business Planning Tool Development**

Funders should more actively support effective MSOs, especially by providing flexible working capital that will enable them to innovate and expand. This funding could be tied to the MSOs’ achievement of business planning objectives and support their work in providing combinations of services -- such as consulting, peer exchange, and training -- to cohorts of nonprofits on a long-term basis. Grantmakers should specifically support MSOs that assess client needs and readiness; use a holistic approach to providing “seamless” services; ensure the transfer of skills to clients; formally evaluate their own services; serve under-served regions and communities; have culturally sensitive staffs that reflect the diversity of their clients; and have strong business plans. Likewise, funders should invest less in MSOs that are not performing well.

Furthermore, funders should also support the local and national capacity building infrastructures, which contribute to the strengthening of the field as a whole. Specifically, funders can support field-building organizations’ efforts to provide more leadership development opportunities for MSO executives and create evaluation and business planning tools for MSOs.
In addition, program officers, many of whom understand the importance of supporting capacity building, need to better educate their executive directors and boards about the importance of capacity building since strong organizations lead to strong programs. This can be done, in part, by advocating for capacity building as an investment rather than an expense.

**MSOs: Enhance Services Related to Adaptive and Leadership Capacity and Increase Earned Income**

MSOs should focus more of their efforts on services related to adaptive and leadership capacity building. They should also begin all engagements by assessing the clients’ readiness; conduct higher quality needs assessments; provide more coaching services to nonprofit leaders; use a more holistic approach with clients that includes a “seamless” set of services; ensure that, before the engagement ends, the client has learned new skills that will help them implement the strategies; and conduct additional research.

With respect to their own organizational capacity, MSOs should increase their level of collaboration with colleague organizations and strive to establish themselves as leaders in their respective communities. They also need to formally evaluate their own services, develop and implement their own business plans, and diversify their staff and boards.

**MSOs, as a field, should increase the percentage of revenues generated through fees-for-service.** In addition, strong business models are supported by treating the nonprofit as the client, not the funder. Strategies for ensuring quality control are also critical.

**Field-Building Organizations: Focus on MSO Leadership Development, Business Planning and Evaluation Tools**

There are numerous roles that field building can play to help increase the effectiveness of MSOs. *Specifically, field-building organizations can:*

- provide more leadership development opportunities for MSO leaders, such as running an Institute for Emerging Leaders and creating mentoring programs;
- provide “nuts and bolts” business planning tools for MSOs, such as a business planning guide that describes the typical lifecycle stages of an MSO, explicates business and revenue models, and explains how to set prices and establish billing and cost accounting systems;
- create an organizational assessment instrument that is research-based and customized for MSOs;
- enhance tools and systems for evaluating MSO work that are standardized, and disseminated widely;
- help MSOs communicate their value to clients and funders;
- spread knowledge of innovative practices; and
- provide funder education and outreach.
Researchers: Concentrate on Adaptive Capacity and Readiness Factors

The capacity building field is still maturing and there are numerous theories to test, models to refine, outcomes to demonstrate, and ideas to explore. Researchers can play a pivotal role in advancing the field by conducting research that:

- examines what works, what doesn’t, and under what circumstances, with respect to adaptive capacity building;
- identifies the factors that make an organization “ready” to receive different types and levels of capacity building assistance;
- looks at the effectiveness of coaching for building each of the four core capacities;
- identifies the appropriate balance between percent of MSO revenues generated through fees, the pricing structure, and serving many groups in the nonprofit community;
- explores the impact of organizational culture on organizational effectiveness, and the impact of capacity building efforts on organizational culture;
- examines the relative impact of capacity building that is funder-driven, versus that which is client-driven.
II. INTRODUCTION

PURPOSE AND HISTORY OF THE STUDY

The David and Lucile Packard Foundation had long been committed to supporting and strengthening the organizational effectiveness of nonprofit organizations. Through the Foundation’s Organizational Effectiveness and Philanthropy (OEP) Program, the Foundation formalized its philosophy that “capable leaders, effective management, and good governance all contribute to the success of an organization.” Key to the OEP program’s grantmaking was its support of Management Support Organizations (MSOs)—organizations that provide organizational capacity building services to nonprofits as well as support to field-building organizations in the nonprofit management arena. (See appendix A for The Theory of Change of the Foundation’s work in this area and see Appendix B for a summary of the grantees in this area examined for this study.)

In 2001, the Foundation sought the assistance of an evaluator who would help the Foundation determine the impact of the OEP program by “design(ing) and conduct(ing) an evaluation that (would) provide timely information useful for understanding the effect of our funding, refining our program theory, and providing some baseline data for future studies.” More specifically, this evaluation project was originally intended to further one of the OEP program’s four goals: to develop and sustain a dynamic infrastructure in the field of nonprofit management.

There were two primary objectives for the original assignment: 1) the refinement and strengthening of the OEP grantmaking strategy; and 2) and the collection of data that would provide a baseline for future studies. A third objective was to seek evidence of the influence of OEP funding on MSOs and field-building organizations. OEP program staff and the Packard Foundation’s Board of Trustees were identified as the two primary audiences for the study, although, if warranted, the Foundation also considered strategies for documenting promising practices and lessons learned that would be of value to the wider field, particularly MSOs, field-building organizations and other foundations. The Foundation contracted with The Conservation Company (TCC), a 24 year-old management consulting firm that serves nonprofits, foundations, and corporate community involvement programs, to conduct the evaluation.

In the Fall of 2002, approximately midway through this assignment, the Packard Foundation, like many of its peer philanthropies across the country, was forced to scale back its grantmaking in light of a weak economy and significant losses to its endowment. The OEP program was reduced significantly as of the end of 2002, and thus, the purpose and audience for this study changed significantly. Under the guidance of OEP staff, the study, and plans for the final report, were modified, as possible, to reflect the interests of

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2 Ibid.
the new primary audience—the broader field of MSOs and other interested funders. The second phase of TCC’s research and analysis shifted emphasis to documenting lessons learned and promising practices that would be useful to a wider audience. The Alliance for Nonprofit Management and Grantmakers for Effective Organizations helped to review drafts of this report and will assist in disseminating the findings. In particular, the following people reviewed a draft of this report and provided very helpful feedback:

- Thomas Backer, Human Interaction Research Institute
- Kathleen Enright, Grantmakers for Effective Organizations
- Cynthia Gibson, Carnegie Corporation
- Rick Green, Rick Green Consulting
- Heather Iliff, Alliance for Nonprofit Management
- Barbara Kibbe, formerly of The David and Lucile Packard Foundation
- Carol Lukas, Wilder Center for Communities
- Jan Masaoka, CompassPoint Nonprofit Services
- Stephanie McAuliffe, The David and Lucile Packard Foundation

STUDY METHODOLOGY

TCC’s approach to this assignment was informed by several core assumptions:

- This evaluation would ultimately enable OEP staff and Packard Foundation Trustees to increase their knowledge of the OEP program and offer data that would help improve, refine, and enhance it.
- OEP staff, and, as appropriate, other experts in the field, would play an important role in the evaluation design process.
- A “theory of change” approach would inform the evaluation design. In fact, OEP staff had already developed a model that articulated the critical components of the program—what and how resources (inputs) were applied toward program strategies; the expected quality of these program strategies if they were to effect the desired outcomes; and what short- and long-term outcomes could be expected if the program was successfully implemented. We worked closely with staff to build on this existing work. (See Appendix A for the Theory of Change).
- In the still-emerging field of organizational effectiveness, there were no definitive “best practices” that Packard or the evaluators could use to benchmark or otherwise measure the diverse set of theories, strategies, and tools MSOs were utilizing. Therefore, our aim was to collect data from as diverse and representative group of stakeholders as possible that would provide useful insights into the environmental context surrounding and influencing the OEP program (with respect to the broader field of organizational effectiveness) and would also shed light on MSOs’ and funders’ perceptions of so-called best practices, compared with actual practice.

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3 As a result, the theory of change, described in Appendix A, was not used as an ongoing framework for this evaluation since the grantmaking strategy articulated in it essentially ended.
TCC’s specific strategies included the following:

- Extensive evaluation planning that explicated the Theory of Change, solicited buy-in to the evaluation from key stakeholders, and discussed and clarified evaluation methodologies;
- A brief literature review examining outcomes and impact of organizational effectiveness work in the nonprofit sector (see Appendix D for a bibliography of publications that informed this study);
- A review of the strategies of the Packard OEP grantees;
- Interviews with more than 30 experts in the field of organizational effectiveness, such as practitioners, other experts, Packard OEP staff, and other funders engaged in organizational effectiveness as a grantmaking focus (see Appendix C for a list of interviewees);
- A national survey of MSOs (see Appendix E for the survey and Appendix F for a summary of the survey results) conducted online in July, 2002. Approximately 115 surveys were sent to all Alliance for Nonprofit Management members that self-identified as MSOs and 86 surveys (representing about a 75% response rate) were completed;
- Interviews and focus groups with over a dozen MSO executives and their staff;
- Development of case profiles of four MSOs (CompassPoint, Institute for Conservation Leadership, Maryland Nonprofits, and the Nonprofit Finance Fund), based on interviews with MSO staff and their funders and clients (see Appendix G for these profiles, which are referred to throughout the report).

It is also important to point out the limitations of the methodology. They include:

- The survey data are biased by respondents’ self-reporting;
- While TCC is confident that the pool of respondents is fairly representative of the larger universe of MSOs in the United States, the sample was drawn from the Alliance for Nonprofit’s database, and therefore did not include MSOs which are not in the database;
- This study did not focus on capacity building work led, managed, or performed primarily by funders;
- TCC emphasized the work of MSOs that appear to be applying promising practices; however, the study may have overlooked some strong MSOs or its presentation may not provide an entirely balanced view of the MSO field overall; and
- As noted earlier, the early stages of the study focused on Packard grantees. As the audience for the study broadened, so did the pool of MSOs of interest to TCC.

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4 This literature review was not exhaustive, but rather served to fill in gaps in TCC’s and Packard’s knowledge about organizational effectiveness in order to ensure that the evaluation design and data collection tools were relevant to answering the core evaluation questions.
5 Thomas Backer’s *Strengthening Nonprofits: Capacity Building and Philanthropy* provides an excellent analysis of funders’ work in capacity building for nonprofit organizations. Also see Connolly and Lukas’ *Strengthening Nonprofit Performance: A Funder’s Guide to Capacity Building* for more information on this topic.
During the design and implementation of the evaluation, TCC staff consulted regularly and worked closely with Packard’s OEP staff. Their interest, knowledge, and expertise greatly informed all stages of our work.

**OVERVIEW OF THE REPORT**

This report includes the following sections:

- An overview of the national management assistance landscape;
- The capacity building needs and efforts of the nonprofit sector;
- An overview of promising capacity building practices, based on the findings from the study;
- A discussion of the ways in which MSOs own capacity building efforts have impact on the quality of their services; and
- Recommendations for the field, specifically targeted to funders, MSOs, researchers, and field-building organizations.

**WHO CAN BENEFIT FROM THIS REPORT**

This report is written primarily for nonprofit capacity building practitioners and funders who support this work. The authors believe that it will be helpful to practitioners who are interested in broadening their perspective of the nonprofit capacity building field and in learning about promising practices that can help improve the quality of their work. Funders can use the information related to nonprofit needs and quality to help strengthen the effectiveness of their grantmaking in this area. They can also use the study to identify the qualities of effective MSOs it may seek to support.

Readers of this report will note that it poses nearly as many questions as it attempts to answer. While the authors hope that this report will add to the base of knowledge concerning nonprofit capacity building, it also challenges field-building organizations to continue to build an infrastructure that will help the field thrive, and researchers to pursue an agenda that increases the current level of knowledge related to quality and effectiveness in nonprofit capacity building.
III. THE NATIONAL MANAGEMENT ASSISTANCE LANDSCAPE

THE GROWTH OF THE FIELD

Over the past several decades, the number of nonprofit organizations in the United States has grown at a rapid pace. Between 1977 and 1997, the revenues of American nonprofit organizations increased 144% after adjusting for inflation—almost double the 81 percent growth rate of the national economy. By the mid-1990s, there were at least 1.2 million nonprofit 501(c)(3) and 501(c)(4) organizations in the country.

During this period, the field of nonprofit management and the number of organizations that promote the nonprofit sector’s infrastructure has also grown. Nonprofit management emerged as a distinct field in the late 1960s, and until 1980, the field was still small and fragmented. But during the next two decades, the number of academic and other research centers focusing on the nonprofit sector and organizations providing management assistance to nonprofits increased significantly. Recent studies have identified close to 700 nonprofit management support organizations that receive support from philanthropies. These groups were providing services to over 250,000 nonprofit managers.

As Lester Salamon notes in *The State of Nonprofit America* (2002), “what was once a scattersation of largely overlooked institutions has thus become a booming cottage industry dedicated to the proposition that nonprofit organizations are distinctive institutions with enough commonalities, despite their many differences, to be studied, represented, networked, serviced, and trained as a group.” Yet, Alan Abramson and Rachel McCarthy observe in the same book that “nonprofit infrastructure organizations experienced a golden era of growth starting in the 1970s, but … this era is drawing to a close, with a major new challenge -- the challenge of consolidating the gains of recent decades -- demanding increased attention from nonprofit and other leaders.

A TAXONOMY OF ENTITIES IN THE FIELD

The field of nonprofit management in the United States is a complex system encompassing a wide range of people and organizations. As Exhibit A shows, there are six major categories of entities in the field: 1) funders, 2) capacity builders, 3) nonprofit organizations, 4) funder associations, 5) nonprofit-oriented researchers and educators, and 6) national associations and other groups that support nonprofits.

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7 Ibid., p. 7.
8 Ibid., p. 337.
9 Ibid., p. 336.
10 Ibid., pp. 336-337.
11 Ibid., p. 42.
12 Ibid., p. 332.
Exhibit A: The Field of Nonprofit Management

**Funders**
- Vary by type (e.g., private foundations, corporate giving programs, government agencies, federated giving organizations, and intermediaries); geographic scope (e.g., local, regional, national, international); areas of sub-sector support (e.g., human services, arts and culture, education, etc.); size; and degree of interest in nonprofit capacity building.
- Grants, capital financing, and direct management assistance are provided.

**Funder Associations**
- Vary by geographic scope (e.g., local RAGs, national/international Council on Foundations); size; primary purpose (e.g., RAGs that support local funders, Grantmakers for Effective Organizations which is dedicated to increasing the effectiveness of nonprofits and funders); and sub-sectoral focus (e.g., Grantmakers in the Arts, Grantmakers in Health).
- Knowledge and information is shared.

**Nonprofit-Oriented Researchers and Educators**
- Vary by size (e.g., small to large); geographic scope (local to international); and sub-sector (e.g., arts and culture, human services, health, environment, advocacy, community development, education, religious).
- Knowledge and information is delivered; knowledge exchange is facilitated; and management assistance is provided.

**National Associations & Other Groups that Support Nonprofits**
- Vary by type (e.g., private foundations, corporate giving programs, government agencies, federated giving organizations, and intermediaries); geographic scope (e.g., local, regional, national, international); areas of sub-sector support (e.g., human services, arts and culture, education, etc.); size; and degree of interest in nonprofit capacity building.
- Knowledge and information is shared.

**Capacity Builders**
- Vary by type of capacity builder (independent consultants, for-profit firms, nonprofit organizations); intended target (geographic focus, outcomes focus, sub-sector focus); focus of the engagement (capacity, service delivery); and revenue source (earned, contributed) (see exhibit B for more details).
- Knowledge and information is shared.

**Nonprofit Organizations**
- Vary by size (e.g., small to large); geographic scope (local to international); and sub-sector (e.g., arts and culture, human services, health, environment, advocacy, community development, education, religious).
- Knowledge and information is shared.

Exhibit A depicts how these groups generally interact with each other, explains the basic variation within each category, and provides examples of specific organizations. Most nonprofit organizations can fit into one of these six categories in terms of their primary identity. However, the categories are not mutually exclusive, as some organizations can fall into more than one. For example, many capacity builders are nonprofit organizations. Likewise, some grantmakers provide direct management assistance to nonprofits, and might be better categorized as “capacity builders” rather than “funders.” Similarly, some national associations of nonprofits may consider their primary identity to be that of a capacity builder.

**Categorization of Capacity Builders**

Capacity builders can be described according to four main characteristics:

1. Type of capacity builder (independent consultant, for-profit firm, or nonprofit organization)
2. Intended target (by geographic, outcomes, or sub-sector focus)

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13 There are other characteristics of capacity builders, such as size, age, stage of organizational lifecycle, and quality of work, that are not included in this classification system.
3. Focus of the engagement (capacity-specific or multi-capacity)
4. Revenue source (earned, contributed, or both)

From a tax-status perspective, capacity builders can be organized into three main categories: self-employed independent consultants, for-profit firms, and nonprofit organizations. Nonprofit capacity builders fall into three classifications: management support organizations (primarily using staff, volunteers, or a network of affiliated independent contractors), state and regional nonprofit associations, and national field-building organizations (with local sites, and with a central base and no local sites.) While most MSOs and private consulting firms have an impact primarily in a particular community, some have regional and national reach and influence. On the other hand, national field-building organizations (including national infrastructure organizations, intermediaries, consulting and training groups, and online resources and publishers) might provide services directly to nonprofits (following a retail model), as well as provide services to management support organizations (following a wholesale, “business-to-business” model).

Exhibit B shows in detail the three main dimensions of the intended target. The first is geographic focus, including local, regional, national, and international levels. The second is outcomes focus, including individual, organization, community, field/sector, and civil society. For instance, while some management support organizations may focus primarily on affecting individuals through training efforts, others concentrate mostly on creating an impact at the community level.

The third is sub-sector focus. One consulting firm, for example, may specialize in working with nonprofits of a particular sub-sector (such as arts and culture, human services, health, environment, advocacy, community development, education, or religious), while another may serve all sub-sectors.

**EXHIBIT B: CATEGORIZATION OF CAPACITY BUILDERS BY INTENDED TARGET**
Exhibit C illustrates the dimensions of the focus of the engagement. The capacity focus is one axis. While some capacity builders focus on a particular component of organizational capacity (such as business planning, evaluation, facilities, or leadership), others focus on the whole organization, including all of the interrelated elements of organizational capacity. The other axis is the service delivery focus. A group might provide only one type of service, such as knowledge development (including conducting research and developing theories, models, and tools) or knowledge delivery and exchange (including consulting, coaching, training, education, convening, peer exchange, and publications), or it can provide a full range of services.

**EXHIBIT C: CATEGORIZATION OF CAPACITY BUILDERS BY INTENDED TARGET**

Exhibit D (on the following page) depicts the various aspects of this taxonomy of capacity builders, shows how prevalent the different characteristics are for various types of capacity builders, and provides examples of each type. (The chart does not indicate the number of different types of entities in the field.)
### EXHIBIT D: TAXONOMY OF CAPACITY BUILDERS:
### A SYNTHESIS OF TYPE, INTENDED TARGET, FOCUS, AND REVENUE SOURCE

#### Key for Level of Characteristic Prevalence:
- √ = very low
- √√ = low
- √√√ = medium
- √√√√ = high
- √√√√√ = very high

(note that this chart does not indicate the number of different types of entities in the field.)

<table>
<thead>
<tr>
<th>TYPE OF CAPACITY BUILDER</th>
<th>INDEPENDENT CONSULTANTS</th>
<th>FOR-PROFIT FIRMS</th>
<th>NONPROFIT ORGANIZATIONS</th>
<th>NATIONAL FIELD-BUILDING ORGANIZATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Local</td>
<td>Regional</td>
<td>National</td>
<td>International</td>
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<tr>
<td>Geographic Focus</td>
<td></td>
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<td></td>
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<tr>
<td>Individual</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
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<tr>
<td>Organization</td>
<td>√√</td>
<td>√√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>Community</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
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<tr>
<td>Field/Sector</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>Civil society</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>Sub-sector Focus</td>
<td>Sub-sector-specific</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>All nonprofits</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>Focus of the Engagement</td>
<td>Capacity-specific</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td></td>
<td>Multi-capacity</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>Service Delivery Focus</td>
<td>Single service</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td></td>
<td>Multi-service</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>Revenue Source</td>
<td>Earned</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td></td>
<td>Contributed</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
</tbody>
</table>

#### Examples
- A strategic planning consultant
- A fundraising consultant
- A technology consultant
- McKinsey
- Brody Weiser Burns
- Volunteer Consulting Group
- IT Resource Center
- Center for Nonprofit Management Assistance (Kansas City)
- Nonprofit Management Solutions (San Diego)
- Executive Service Corps
- MAP for Nonprofits
- Management Consulting Services (Boston)
- Maryland Nonprofits
- Minnesota Council on Nonprofits
- Arts and Business Council
- NPower
- Foundation Center
- Wilder Center for Communities
- Alliance for Nonprofit Management
**Weak Links in the Field of Nonprofit Management**

There are many opportunities for the various types of players in the field of nonprofit management to perform better and interact more effectively and efficiently. Exhibit E compares the ideal way for different types of entities to interact with the current reality of the situation.

**Exhibit E: Interactions Among Nonprofit Management Stakeholder Groups: Opportunities for Improvement**

<table>
<thead>
<tr>
<th></th>
<th>Ideal</th>
<th>Reality</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Funders-Capacity Builders</strong></td>
<td>• Funders provide grants and capital financing efficiently and effectively to support and collaborate with management support and field-building organizations.</td>
<td>• More funders are providing increased support to capacity builders, but…</td>
</tr>
<tr>
<td></td>
<td>• More funders are providing increased support to capacity builders, but…</td>
<td>• Most funders still prefer to support nonprofit programs directly, rather than to provide indirect support through capacity builders.</td>
</tr>
<tr>
<td></td>
<td>• MSOs are undercapitalized and don’t have strong capacity.</td>
<td>• MSOs need better business planning tools and evaluation systems.</td>
</tr>
<tr>
<td></td>
<td>• Some funders are reconsidering capacity building investments as their endowments and grantmaking budgets decline.</td>
<td>• Some funders are reconsidering capacity building investments as their endowments and grantmaking budgets decline.</td>
</tr>
<tr>
<td></td>
<td>• New funders, such as the Blank and Omidyar Foundations, are coming on the scene.</td>
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</tr>
<tr>
<td><strong>Funders-Nonprofits</strong></td>
<td>• Funders efficiently and effectively provide nonprofits with adequate grants, capital financing, and direct management assistance to enhance nonprofit organizational effectiveness.</td>
<td>• There is growing interest in capacity building among funders, but…</td>
</tr>
<tr>
<td></td>
<td>• There is growing interest in capacity building among funders, but…</td>
<td>• Most funders continue to limit funding to special programs and short-term projects, creating disincentives to good management.</td>
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<td></td>
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<td>• Some funders meddle too much in nonprofit organizations’ management and governance issues, causing harm.</td>
</tr>
<tr>
<td></td>
<td>• Funders seldom evaluate and document what kinds of capacity building strategies get the best results.</td>
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</tr>
<tr>
<td></td>
<td>• More funders need to “walk their talk” and improve their own organizational effectiveness.</td>
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</tr>
<tr>
<td><strong>Capacity Builders-Nonprofits</strong></td>
<td>• Capacity builders, independent consultants, and other field-building organizations effectively and efficiently deliver knowledge and information, facilitate knowledge exchange, and provide management assistance to nonprofits, which then develop a deeper understanding of exemplary practices, use model techniques and methods, and improve their performance.</td>
<td>• The MSO and nonprofit consulting field has recently grown and improved, but…</td>
</tr>
<tr>
<td></td>
<td>• The MSO and nonprofit consulting field has recently grown and improved, but…</td>
<td>• Many nonprofits, especially in certain regions, are underserved and there is still an inadequate supply of highly qualified consultants and MSOs.</td>
</tr>
<tr>
<td></td>
<td>• The quality of MSO and consultant services is mixed. There are few barriers to entry into the field, and competition is limited, particularly in certain regions.</td>
<td>• Most nonprofits do not have the resources to access MSO services and use them effectively.</td>
</tr>
<tr>
<td></td>
<td>• The impact of MSO and consultant services on nonprofits is not well documented.</td>
<td>• The majority of state and regional associations are young organizations struggling to build financial support and membership.</td>
</tr>
<tr>
<td></td>
<td>• The majority of state and regional associations are young organizations struggling to build financial support and membership.</td>
<td>• Field-building organizations could distribute their knowledge and innovative practices to local MSOs more effectively.</td>
</tr>
<tr>
<td></td>
<td>• Field-building organizations could distribute their knowledge and innovative practices to local MSOs more effectively.</td>
<td>• Many nonprofit groups remain poorly managed and governed.</td>
</tr>
</tbody>
</table>

(Chart continued on next page)
(Exhibit E Continued)

<table>
<thead>
<tr>
<th>Ideal</th>
<th>Reality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Researchers - Nonprofits/ Funders/ Capacity builders</td>
<td>• The amount and quality of nonprofit management research and academic degree programs have increased and more nonprofit executives have formal management training, but…</td>
</tr>
<tr>
<td>• Researchers and educators efficiently and effectively provide knowledge (e.g., theories, models, tools, and curricula) to nonprofits, MSOs, field-building organizations, and funder and nonprofit associations.</td>
<td>• Some research is of low quality and duplicative.</td>
</tr>
<tr>
<td>• There is limited research concerning what kinds of capacity building services get the best results.</td>
<td>• Nonprofit management-related research is not coordinated or disseminated effectively.</td>
</tr>
<tr>
<td>• Little research is available in formats that are pragmatic and useful to practitioners.</td>
<td></td>
</tr>
</tbody>
</table>
IV. What are the Capacity Building Needs and Efforts of the Nonprofit Sector?

In order to identify nonprofit capacity building needs and efforts, TCC:

- Surveyed the membership listserv of The Alliance for Nonprofit Management; and
- Interviewed capacity builders, nonprofit leaders, researchers, funders and other experts.

One of the first findings from this study is that a single, commonly accepted definition of organizational effectiveness does not exist. Many of those interviewed for this study articulated a very wide range of nonprofit capacity needs. For example, some interviewees stated that nonprofit organizations are struggling with core functions like fundraising, board development, staff retention, and use of technology. Others argued that nonprofits need to improve how they set priorities and manage, share and use their knowledge, act as “social entrepreneurs,” reflect on their work, and empower staff. As these responses indicate, there were many different levels and types of nonprofit capacity needs identified. To make sense of this wide range of capacity needs, TCC synthesized the perspectives of researchers, experts and leaders in the field who have begun to put forth definitions of organizational effectiveness in order to frame the capacity building needs of the nonprofit sector. Exhibit F presents a synthesized model of organizational effectiveness that derives from some of the best thinking to date. This model is not being proposed as the only or best model, but rather as a framework for explicating the capacity needs of the nonprofit sector. As Exhibit F shows, there are four core capacities for any nonprofit organization:

1. **Leadership Capacity**: the ability of all organizational leaders to inspire, prioritize, make decisions, provide direction and innovate, all in an effort to achieve the organizational mission.

2. **Adaptive Capacity**: the ability of a nonprofit organization to monitor, assess and respond to internal and external changes.

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

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

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14 These experts include Thomas Backer, Barbara Kibbe, Christine Letts, Paul Light, Carol Lukas, William Ryan, and Carl Sussman. See the bibliography in Appendix G for references to particular publications.

The field has yet to determine a common set of indicators for each of these four capacities that would demonstrate that a nonprofit is very effective. This is due, in large part, to the reality that there are likely no “static” benchmarks that all nonprofits should achieve. Rather, ideal leadership, adaptive capacity, management and technical capacity depend heavily on the following factors:
• The external environment: There are many factors in the external environment that affect how nonprofits function, among them: 1) the economy including changes in the private sector; 2) constituent needs and demands; 3) available funding including competition for funds; 4) policy changes related to government and nonprofit; 5) the available pool of highly qualified nonprofit professionals; 6) the availability of non-monetary resources; and 7) the strengths and challenges of the nonprofit sector as a whole. Each of these factors has a potential affect on each of the core capacities for any given nonprofit. Therefore, when one attempts to discern whether an organization is effective, he or she needs to take the relevant environmental influences into consideration.

• The key organizational resource: There are certain critically needed resources that most directly support and affect the quality of the delivery of programs and services. Without these resources, the organization could not function. Key organizational resources most often include the skills, knowledge, and experience of those delivering the services, as well as the resources provided directly to clients (e.g., financial assistance (loans, housing, etc.), in-kind resources, equipment, etc.).

• The supporting organizational resources: Each nonprofit organization has a unique set of supporting resources (or assets) at its disposal that all serve to support the key resource(s). These resources include: human resources (i.e., the knowledge, experience and skills of board members, the executive director, managers, support staff and volunteers); technology; program support materials; finances/funding; facilities; time; and other resources like equipment, vehicles, and supplies. An organization’s level of resources at a given point in time will greatly affect how leadership, adaptive capacity, management, and technical capacity will manifest themselves.

• The organizational culture: Often overlooked, the organizational culture of a nonprofit has a significant impact on each of the core capacities. Each organization has a unique history, language, organizational structure, rituals, values and beliefs. These cultural elements all serve as the context through which organizations define, assess and improve their effectiveness. For example, when an organization talks about leadership, it may describe it as “empowerment” or “transformation.” The organization would likely maintain that to be effective, all staff members, regardless of position, must inspire, innovate, and make decisions. This definition of leadership may not be valid for other, more hierarchical organizations, but that does not necessarily make it less effective.

• The organizational life cycle: An organization’s phase of its lifecycle will affect its core capacities. The typical nonprofit lifecycle is depicted in Exhibit G:
The core organizational capacities look different during the start-up, growth, and maturity phases of the nonprofit life cycle. Additionally, it is important to note that the stagnation and/or shut down phases in the lifecycle might reflect capacity challenges that are not being addressed. The way to address stagnation or avoid a potential shut down is to improve upon the core capacities in order to affect a turnaround.

- **Financial health**: Financial resources are critical to supporting all of an organization’s core capacities. Leadership requires making tough decisions about how to use the finite financial resources available to the organization as well as provides direction for how to raise additional funds. Part of an organization’s adaptive capacity function is the need to identify opportunities and challenges in the funding environment that are and will impact upon an organization and its programs and services. Management capacity is all about making efficient and effective use of resources, and this includes financial resources. Lastly, financial stability will affect the ability of an organization to support its technical capacities. (See Appendix G for a case profile that describes how the Nonprofit Finance Fund relates capital structure—the distribution of assets and liabilities such as cash, receivables, debt, and facilities—to organizational capacity.)

When defining organizational effectiveness, especially for the purposes of developing benchmarks of effectiveness for each of the core capacities, it is important that the definition is applied in relation to the external environment, the organizational resources, the organizational culture, the organizational lifecycle, and the financial stability of an organization.

Using this framework of the core organizational capacities that make an effective nonprofit, the remainder of this section of the report will provide an assessment of the organizational capacities of the nonprofit sector. What follows is a presentation of the survey and interview findings describing the greatest capacity challenges facing nonprofits.
MSOs’ ASSESSMENT OF NONPROFIT CAPACITIES

TCC asked MSOs to tell how many nonprofits, in their opinion, were effective with respect to 15 organizational capacities (see Exhibit H for a summary of responses). There are many experts in the field, including nonprofit leaders themselves, who note that it is incorrect to label nonprofits as “broken.” Rather, it is typical for any organization to have ongoing management, leadership, and governance challenges. Therefore, the following findings about nonprofit capacities should not lead to the assumption that nonprofits are “broken;” they are facing common challenges.

EXHIBIT H: NONPROFIT ORGANIZATIONAL CAPACITIES: A SUMMARY OF MSOS’ ASSESSMENT OF THEIR PREVALENCE

Please estimate how many of the nonprofit organizations that you serve are very effective with respect to the following organizational capacities:

<table>
<thead>
<tr>
<th>Nonprofit Capacity</th>
<th>Scale: 1 = Very few</th>
<th>2 = Some</th>
<th>3 = Many</th>
<th>4 = Most</th>
<th>5 = All</th>
</tr>
</thead>
<tbody>
<tr>
<td>High quality programs</td>
<td>3.0</td>
<td>3.0</td>
<td>2.7</td>
<td>2.4</td>
<td>2.9</td>
</tr>
<tr>
<td>Strong leader</td>
<td>3.0</td>
<td>3.0</td>
<td>2.4</td>
<td>2.4</td>
<td></td>
</tr>
<tr>
<td>Align strategies with mission</td>
<td>2.2</td>
<td>2.2</td>
<td>2.2</td>
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</tr>
<tr>
<td>Strong financial management</td>
<td>2.1</td>
<td>2.1</td>
<td>2.1</td>
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</tr>
<tr>
<td>Strong human resource development</td>
<td>2.1</td>
<td>2.1</td>
<td>2.1</td>
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<tr>
<td>Strong operations</td>
<td>2.1</td>
<td>2.1</td>
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<tr>
<td>Effective partnering</td>
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<tr>
<td>Ongoing community needs</td>
<td>2.0</td>
<td>1.9</td>
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<tr>
<td>Effective use of technology</td>
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<tr>
<td>Strong revenue base</td>
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<td>Strong board</td>
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<td>2.1</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Strong board</td>
<td>2.1</td>
<td>2.1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effective planning</td>
<td>2.1</td>
<td>2.1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strong human resource development</td>
<td>2.1</td>
<td>2.1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strong financial management</td>
<td>2.1</td>
<td>2.1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Align strategies with mission</td>
<td>3.0</td>
<td>3.0</td>
<td>2.7</td>
<td>2.4</td>
<td>2.9</td>
</tr>
<tr>
<td>Strong leader</td>
<td>3.0</td>
<td>3.0</td>
<td>2.4</td>
<td>2.4</td>
<td></td>
</tr>
<tr>
<td>Align strategies with mission</td>
<td>2.2</td>
<td>2.2</td>
<td>2.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strong financial management</td>
<td>2.1</td>
<td>2.1</td>
<td>2.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strong human resource development</td>
<td>2.1</td>
<td>2.1</td>
<td>2.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strong operations</td>
<td>2.1</td>
<td>2.1</td>
<td>2.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effective partnering</td>
<td>2.2</td>
<td>2.2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ongoing community needs</td>
<td>2.0</td>
<td>1.9</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effective use of technology</td>
<td>2.1</td>
<td>2.1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strong revenue base</td>
<td>2.1</td>
<td>2.1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strong board</td>
<td>2.1</td>
<td>2.1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effective planning</td>
<td>2.1</td>
<td>2.1</td>
<td></td>
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</tr>
<tr>
<td>Strong human resource development</td>
<td>2.1</td>
<td>2.1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strong financial management</td>
<td>2.1</td>
<td>2.1</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Numbers represent the respondents’ ranking of each listed nonprofit capacity.

Nonprofits are weakest with respect to their adaptive capacity. More specifically, about half of MSO survey respondents stated that only “some” of the nonprofits employed practices typical of organizations with strong adaptive capacity—that they used evaluation to serve as a planning tool, conducted outcome-based evaluations, performed ongoing community needs assessments, were effective at engaging in regular and results-oriented strategic planning, and were effective at participating in strategic alliances, partnerships and collaborative activities. Building on these survey findings, the management support organizations, nonprofit leaders, researchers, experts, and funders TCC spoke with identified the following key adaptive capacity needs among nonprofits:

- Addressing the need for accountability while still remaining proactive. Many interviewees stated that, for many nonprofit organizations, changes in funder requirements are the primary, if not sole, catalyst for making organizational changes. This attribution of
“accountability to funders” as the reason for adapting is “reactive” in nature. Many of the
field leaders TCC spoke with noted that if nonprofits did a better job of evaluating their
programs, assessing their organization’s effectiveness, and assessing community needs, they
would be much better prepared to develop “proactive” strategies that could anticipate and
address potential changes both inside and outside their organization.

• Improving the level and quality of creating strategic alliances, collaborating and networking
  with others in the community. Many leaders stated that some nonprofits are often so focused
  on how to use their own resources more effectively and efficiently that they tend to overlook
  untapped resources that exist in their community, such as funding, time, knowledge,
  expertise, space, and equipment that might be available from a wide variety of sources, such
  as other nonprofit organizations, government, the private sector, and educational institutions.
  In order to tap these resources, nonprofits often have to give up some level of autonomy,
  which many interviewees said, is not easy for some nonprofit leaders. There are two benefits
  nonprofits can receive from creating strategic alliances, collaborating and networking: 1) an
  increase in resources; and 2) better information and knowledge about challenges in the
  community. Both of these benefits allow nonprofits to be much more adaptable.

• Improving the quality of nonprofit organizational knowledge development, management and
  sharing. Currently, many nonprofit organizations do not have formalized strategies and
  activities for capturing, reflecting on and sharing what they learn within their organizations.
  According to MSO survey respondents, “very few” nonprofit organizations:
  
  • use technology as a knowledge management tool;
  • develop and use evaluation systems to reflect on/learn about what is working, how
    well, and why;
  • conduct ongoing periodic community needs assessments; or
  • conduct organizational assessments.

Additionally, competing demands facing nonprofit leaders and staff, often prevent
opportunities to reflect on what is being learned. As a result, much of the adaptive capacity of
an organization depends on an intuitive sense of what is going on and what is working, rather
than on a strategic or systematic approach, which is a barrier to learning and planning.

• Making the implicit explicit. Many experts in the field stated that too few nonprofit
  organizations have an explicit “theory of change” that paints a picture of what they are doing
  and how it will achieve the desired outcomes and mission. More specifically, some
  interviewees felt that all nonprofit organizations need to develop a “theory of change” in
  order to help communicate internally and externally what the organization is doing and what
  it hopes to achieve, as well as to provide a more explicit framework for assessing strengths
  and challenges in order to more effectively adapt to changes. Additionally, by developing a
  “theory of change,” there is a greater likelihood that organizations will document the
  evolution of their programs so they can build on lessons learned as they move forward. Too
often, nonprofits do not consider thinking about the “big picture” of their growth and change over time; a “theory of change” can be a useful tool for facilitating this thinking.

- **Improving planning.** Many interviewees commented that nonprofits need to become more strategic in their planning. They can do this by making better choices about resource allocation, becoming more reflective, and making better use of existing community resources. Additionally, this planning needs to be informed by more formalized learning mechanisms (i.e., program evaluation, organizational assessments and community needs assessments), and it needs to happen more regularly.

**The next weakest capacity is leadership.** While the MSOs that completed the survey noted that “many” nonprofits have leaders who effectively communicate the mission and vision of their organizations (40% of survey respondents), and that organizational and programmatic strategies are aligned with organizational goals and mission (43%), they also stated that only “some” of the nonprofits have an engaged and representative board that effectively oversees policies, programs and organizational operations (57% of survey respondents). Building on these survey findings, the MSOs, nonprofit leaders, researchers, experts, and funders TCC spoke with identified the following key leadership capacity needs among nonprofits:

- **Adaptive capacity relies on strong leadership capacity.** Many nonprofits that struggle with the adaptive capacity challenges cited above face leadership challenges. If leadership is defined as the ability of an organization to realize its vision, inspire, prioritize, make effective decisions, provide direction and innovate, there is naturally a prerequisite of a clear understanding of what is going on within the organization as well as potential forces external to the organization. Organizations that have a “theory of change,” formally evaluate and assess that “theory of change” (both programmatically and organizationally), and frequently conduct community needs assessments, will be more effective.

- **Having a clear sense of priorities.** As noted above, many nonprofits are reactive to their internal and external environment, which hampers adaptive capacity, and, in turn, makes it very difficult for leaders to clearly establish and address their organizational priorities. A number of interviewees noted that too many nonprofit leaders remain in “crisis mode,” oftentimes driven by changes in their funding streams. Nonprofit leaders are more likely to respond to these changes by trying to improve their technical and management capacities. For example, when funding streams dry up, many nonprofit leaders have to make difficult decisions to increase overall efficiency. To be able to more effectively prioritize, nonprofit leaders need the right information at hand (i.e., strong adaptive capacity), thereby allowing for more effective and strategic decision-making. With the right information, nonprofit leaders can better establish priorities, allowing them to be much more strategic with respect to addressing any technical and management challenges.

- **Having a better working relationship between the board and executive director.** Many nonprofit organizations have what some would call a “split personality,” where nonprofit executive directors and boards do not share the same vision, priorities, or knowledge for
making decisions. As a result, decisions don’t get made, are made and then changed, and/or are left to managers and staff to make on their own. It is not uncommon under such circumstances for there to be competing agendas within an organization or no clear agenda at all. Nonprofits need a lot of help in bringing executive directors and board members together to create a shared understanding of the organization’s “big picture,” as well as their roles and responsibilities in service to the mission.

- **Stronger boards.** Many experts noted that nonprofit board members often lack an understanding of their roles and responsibilities or the ability to execute them, with respect to providing leadership, governance, and guidance and input that will help a nonprofit adapt to internal and external change. There is a severe shortage of effective board members, and, certainly, the demand for new board members has not exceeded the supply, effectively limiting the capacity of many boards to properly lead their organizations.

- **Better leadership succession.** Many of the experts and leaders TCC interviewed stated that even when leadership capacity is strong, turnover is an ongoing threat many organizations face. Many leaders TCC spoke with argued that nonprofits need to do a better job of planning for leadership succession and building the leadership skills among staff. This problem is further exacerbated by the growing shortage of executive directors. As several interviewees stated, there are many more executive directors retiring than there are available future leaders.

- **Addressing burn-out.** One of the often-cited leadership capacity challenges is executive “burn-out.” Many nonprofit leaders are over burdened with organizational crises. We heard many examples of nonprofit executives who started as effective leaders, but who, over time, lost the interest, energy or capacity to be reflective or future-oriented. This often results in nonprofit leaders leaving their organization, which adds to the problem of leadership succession. The bottom line is that nonprofit leaders need to be able to have more time to reconnect with their passion and vision for what they are doing in order to decrease “burn out.”

*Stronger management capacity is needed among a large number of nonprofits.* About half of survey respondents felt that only “some” of the nonprofits they know of have efficient and effective operations and consistently recruit, develop and retain capable staff (50% and 48%, respectively). Building on these survey findings, the MSOs, nonprofit leaders, researchers, experts, and funders TCC spoke with identified the following key management capacity needs among nonprofits:

- **Bringing management capacity and leadership capacity together.** Successful managers rely on strong leadership to provide them with the direction needed to effectively and efficiently allocate organizational resources. If managers are not aware of and informed by clear organizational priorities, they, like their leaders, are much more likely to make decisions based on organizational crises.
• Improving internal flow of communication. Most of those TCC interviewed stated that nonprofit organizations often have weak or ineffective “communication channels.” When the flow of information is slow or weak, or when information is not transmitted accurately from an organization’s leaders to managers to staff and vice versa, many staff end up working independently, with insufficient or inaccurate assumptions that may not reflect the original intent of the leaders.

• Seeing the “forest for the trees.” Many experts TCC spoke with stated that too many nonprofit managers are not clear about organizational and programmatic ends. As a result, they often focus on improving the means, thereby ignoring the ends. For example, many nonprofit program directors focus their attention on human resource challenges that are impeding service delivery. These challenges can stem from such factors as personality differences, poor team cohesion, poor service delivery skills, or an inability to interact effectively with clients. Program managers can easily become distracted and lose track of the organization’s larger purpose and goals. Effective managers need to be able to look at all organizational problems through the lens of achieving the organizational mission. This challenge is particularly noticeable in organizations where leadership capacity is weak.

• Reducing management “burn-out.” The management of organizational resources is a very difficult and time-consuming job. If an organization is poorly led and is not taking time to reflect on what is working, this challenge is further exacerbated. This burn-out can lead to turnover within organizations, forcing organizational leaders to have to fill both the leadership and management capacities of organizations. Additionally, there are many managers who show strong leadership, but if they leave their organizations, or worse, the nonprofit sector, they take this leadership capacity with them. This further creates challenges with respect to leadership succession.

Nonprofit organizations are most likely to possess technical capacity. A little more than half of MSOs (55%) stated that “many” nonprofits operate programs that are viewed by recipients as “high quality” and relevant to their needs. Not surprisingly, MSOs felt that program quality was the greatest organizational capacity of nonprofits. However, between 55% and 60% of MSO survey respondents reported that only “some” of the nonprofits were perceived to be effectively fundraising and/or using technology effectively and efficiently. Many of the management support organizations, experts, researchers, nonprofit leaders and funders cited a number of core “technical” knowledge and skill deficits among most nonprofit organizations, among them, fundraising, evaluation, technology, financial management, and marketing and communication.

Nonprofit capacity building needs vary from community to community and in direct relation to the availability of capacity builders. TCC heard many times that while many of the nonprofit needs identified in this section of the report can be generalized to the whole nonprofit sector, needs often vary among different regions of the country. Some interviewees noted that there are parts of the country where capacity building resources (i.e., funding and capacity builders) are more plentiful (such as the San Francisco Bay Area or Minneapolis), and nonprofit leaders have
access to more high quality capacity building services and are better supported by the grantmaking community.

**Nonprofit Capacity Building Efforts**

The types of capacity building efforts nonprofit organizations engage in depends on the following key factors:

- **Organizational resources.** The resources organizations use to build their capacity include time (of organizational leaders and staff), skills, expertise, money, facilities and equipment. Exhibit I presents TCC’s assessment (based on the data gathered for this study) of the level of resources typically dedicated to core organizational capacity building.

**Exhibit I: Organizational Resources Dedicated to Capacity Building: Assessing Allocation of Resources Relative to Specific Dimensions of Capacity**

<table>
<thead>
<tr>
<th>Organizational Resources: (↑=High, ▼=Medium; ▼=Low)</th>
<th>Organizational Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time</td>
<td>Adaptive</td>
</tr>
<tr>
<td>▼</td>
<td></td>
</tr>
<tr>
<td>Money</td>
<td>▼</td>
</tr>
<tr>
<td>Skills &amp; Expertise</td>
<td>▼</td>
</tr>
</tbody>
</table>

*Note: Levels of resources are characterized by the arrows above, and are based on the evaluators’ knowledge of the field and qualitative data gathered from other experts.*

As this exhibit argues, many nonprofits focus their capacity building resources on building their technical capacities, and somewhat less so on their management capacities. This finding makes sense, given that nonprofit organizations are often focused on their service delivery and the technical and management capacities that are most closely tied to their service delivery. Nonprofits tend to dedicate fewer organizational resources to building their adaptive and leadership capacities, which are not directly related to service delivery.

- **Organizational “readiness.”** A number of the experts and capacity builders TCC interviewed stated that many of the capacity building efforts that nonprofits employ do not match the types of capacity building they need. The most commonly cited reason for this mismatch is the lack of “organizational readiness.” As one individual stated, “nonprofits don’t understand enough about what the real problem is; they focus on the immediate problem, not the underlying one.” The MSO survey data confirms this finding. The survey asked MSOs to
identify how many nonprofit organizations “are effective at identifying their organizational capacity building needs;” the scale was: none (0), very few (1), some (2), many (3) all (4). The mean response was 1.7, which is somewhere between “some” and “many.” These findings imply a weakness in both adaptive capacity (i.e., the formal tools for understanding what is working and what is not), and leadership capacity (i.e., the ability to establish priorities and make effective and mission-based decisions). Too often, nonprofits engage in capacity building to improve their management and technical capacities, when in fact, their underlying problems are caused by a lack of adaptive capacity or leadership capacity. As a result, management capacity or technical capacity may improve in the short term, but these enhancements are unlikely to help nonprofits with their overall goal of achieving their missions since these “big picture” questions were not asked in the first place.

- Organizational lifecycle. Where an organization is in its lifecycle will affect the types of capacity building efforts they undertake. For example, an adolescent nonprofit organization may need help managing growth and developing programs, while an emerging nonprofit might need help in creating systems and infrastructure. On the other hand, a declining organization may need help editing programs and streamlining operations. Capacity building activities should be relevant to the particular goals and objectives a nonprofit expects to achieve during its current stage of organizational development. This matching of capacity building to a stage in the organizational lifecycle increases the efficacy and efficiency of capacity building.

- Access to capacity builders and capacity building resources and tools. The types and quality of capacity building efforts varies throughout the country depending on the availability of adequate and appropriate capacity building resources and tools. The MSO survey findings indicate that only “some” nonprofits (on a scale from “none,” “very few,” “some,” and “many” to “all”) have access to an adequate number of experienced and skilled consultants, high quality training, peer exchange opportunities, and/or capacity building research, publications and tools, presenting a critical barrier to nonprofit organizations seeking to improve their organizational capacity.

It is important to note that most capacity building occurs without engaging an outside consultant, attending training opportunities, and/or participating in peer learning/exchange activities. As part of a recent evaluation that TCC conducted for the William Penn Foundation\(^\text{16}\), nonprofit leaders throughout the Delaware Valley region responded to a survey asking them to identify the types of capacity building they conducted over the past year. Exhibit J summarizes the survey responses\(^\text{17}\).


\(^{17}\) Each row will not add up to 100% because the table does not include the category of “other,” and there were some nonprofits that did not conduct certain types of capacity building within the past year.
### Exhibit J: Types of Capacity Building Conducted by William Penn Grantees, By Source of Assistance

<table>
<thead>
<tr>
<th>Type of Capacity Building Effort</th>
<th>Without Outside Help</th>
<th>Through Training</th>
<th>Through Consulting</th>
<th>Through Peer Exchange</th>
<th>Total % of nonprofits conducting this type of capacity building</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Leadership</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Board development</td>
<td>43%</td>
<td>9%</td>
<td>15%</td>
<td>12%</td>
<td><strong>83%</strong></td>
</tr>
<tr>
<td>• Leadership development</td>
<td>30%</td>
<td>14%</td>
<td>6%</td>
<td>11%</td>
<td><strong>66%</strong></td>
</tr>
<tr>
<td><strong>Adaptive</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Evaluation</td>
<td>42%</td>
<td>4%</td>
<td>16%</td>
<td>11%</td>
<td><strong>80%</strong></td>
</tr>
<tr>
<td>• Organizational assessment</td>
<td>43%</td>
<td>3%</td>
<td>16%</td>
<td>7%</td>
<td><strong>65%</strong></td>
</tr>
<tr>
<td>• Strategic planning</td>
<td>45%</td>
<td>5%</td>
<td>20%</td>
<td>9%</td>
<td><strong>86%</strong></td>
</tr>
<tr>
<td><strong>Management</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Human resource development</td>
<td>31%</td>
<td>10%</td>
<td>10%</td>
<td>8%</td>
<td><strong>66%</strong></td>
</tr>
<tr>
<td>• Operational management</td>
<td>48%</td>
<td>4%</td>
<td>9%</td>
<td>7%</td>
<td><strong>72%</strong></td>
</tr>
<tr>
<td><strong>Technical</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Facilities</td>
<td>30%</td>
<td>4%</td>
<td>19%</td>
<td>9%</td>
<td><strong>67%</strong></td>
</tr>
<tr>
<td>• Information technology</td>
<td>24%</td>
<td>7%</td>
<td>31%</td>
<td>13%</td>
<td><strong>84%</strong></td>
</tr>
<tr>
<td>• Legal</td>
<td>19%</td>
<td>3%</td>
<td>23%</td>
<td>4%</td>
<td><strong>66%</strong></td>
</tr>
<tr>
<td>• Marketing</td>
<td>.4%</td>
<td>.4%</td>
<td>.4%</td>
<td>0%</td>
<td><strong>1.2%</strong></td>
</tr>
<tr>
<td>• Program development</td>
<td>64%</td>
<td>6%</td>
<td>9%</td>
<td>11%</td>
<td><strong>95%</strong></td>
</tr>
<tr>
<td>• Fundraising</td>
<td>52%</td>
<td>13%</td>
<td>20%</td>
<td>14%</td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

As Exhibit J shows, many nonprofit organizations in the Delaware Valley are conducting capacity building efforts without outside help. While these findings may be idiosyncratic to the Delaware Valley region, the experts, capacity builders, funders and researchers TCC interviewed similarly stated that nonprofit organizations most often conduct their capacity building efforts without outside assistance.

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18 This total includes “other,” which is not shown.
V. MSO PROMISING PRACTICES: WHAT WORKS?

This section of the report highlights findings regarding:

- how MSOs assess the needs of the nonprofit community and sector;
- the types of capacity building MSOs provide (e.g., board development, strategic planning, evaluation, etc.);
- the types of engagements MSOs use (e.g., consulting, training, referrals, peer exchange, etc.);
- overarching effective approaches to providing capacity building;
- promising practices for specific types of capacity building engagements (e.g., consulting, training, etc.); and
- innovative practices.

It is important to note that many of the findings regarding promising practices confirm findings from previous studies, such as the ones conducted by Paul Light of the Brookings Institute and Tom Backer of the Human Interaction Research Institute (see bibliography in Appendix G for references).

ASSESSING THE NEEDS OF THE NONPROFIT COMMUNITY AND SECTOR

TCC asked a number of MSOs how they assessed the needs of the nonprofit community and sector. While many MSOs shared strategies for assessing the needs of nonprofit organizations, they often were talking about how they assess the demand for their services. The key distinction and finding is that many MSOs have an already established set of services and programs for nonprofits, and they focus their “needs assessment” work not on truly identifying all the needs of the nonprofit sector, but rather on the demand for their particular services. As such, there are likely many situations in which MSOs hear about needs that they cannot address due to a lack of knowledge, skills, programs, services and/or funding. Therefore, nonprofit needs assessments are often geared much more to understanding demand. This results in many MSOs not developing innovative strategies for adequately addressing many of the real needs of the nonprofit community they serve.

That said, there are six strategies that MSOs use to assess the needs of the nonprofit community/sector (listed in order from the least formal assessment strategy to the most formal assessment strategy):

1. Accessing research on nonprofit organizational capacity building and effectiveness. Most local/regional MSOs do not conduct formal research studies to examine ways to improve organizational effectiveness. Instead, they look to researchers, local/regional associations, and national field-building organization for this information. Many MSOs stated that they attend the Alliance for Nonprofit Management’s annual conference to learn about new research, methods and practices. Accessing other research through the web sites of field-building and/or research organizations is another popular strategy. Many state and regional nonprofit associations, such as the Minnesota Council on Nonprofits and Maryland
Nonprofits, do not conduct original research but do serve as a source for information exchange related to the research conducted by others in the field.

2. **Informal assessment of needs through the delivery of services to nonprofits.** Many local/regional MSOs stated that the primary means through which they assess the nonprofit sector’s capacity building needs is by remaining aware of their clients’ organizational challenges. The majority of the MSOs TCC interviewed stated that this was the only way they gathered needs assessment data. For example, both Cause Effective in New York City and the Minnesota Council on Nonprofits gauge their constituents’ needs through workshops or conferences they hold, which they in turn interpret to “pull out” thematic need areas nonprofits had highlighted as important or pressing.

3. **Conducting organizational assessments of individual nonprofit organizations.** Many local and regional MSOs stated that they assess the needs of nonprofit organizations through a formal organizational assessment process they use with individual nonprofits. Most MSOs use self-administered organizational assessment tools (hard copy or web-based) that range from a general organizational assessment tool completed by the executive director to a more structured 360-degree internal assessment that gathers feedback from a diverse group of internal stakeholders. Other MSOs conduct consultant-led formal organizational assessments. Others, such as Cause Effective, have developed targeted tools for assessing specific areas of capacity, such as resource development. Management Consulting Services in Boston has developed an expedited assessment process. MSOs stated that through these organizational assessment processes they gain a clear understanding of the nonprofit needs in the region. However, it appears that most MSOs that gather needs assessment information through organizational assessment processes do not tend to have formal mechanisms for recording, analyzing and sharing these data (inside and outside the MSO) in aggregate form.

4. **Conducting market research.** Most state and regional nonprofit associations and national field-building organizations stated that they conduct “market research” to identify the capacity building needs of nonprofit organizations. That is, these associations and field-building organizations rely on surveys, focus groups, discussion groups, etc. of their members to understand their needs for specific types of services, such as training, consulting, etc. For example, the Donor’s Forum of Chicago conducts market research to identify the training needs of their members, the United Way of the Texas Gulf Coast conducts a bi-annual survey of executive directors to serve as a guide for service delivery, and the Alliance for Nonprofit Management conducts a survey of its members to help determine membership benefits. Fewer local and regional MSOs conduct “market research,” although some certainly do. The Center for Nonprofit Management in Nashville, TN, conducts periodic focus groups, discussion groups and surveys of customers to identify training and consulting needs.

5. **Evaluation of capacity building services.** Very few MSOs (local/regional, associations or field-building organizations) conduct formal evaluations of their services. However, those few that do stated that the customer satisfaction, quality of services, and outcome findings were rich with information about the overall needs of the nonprofit sector they served.
Evaluation is often not thought of as a means for gathering information about the needs of the nonprofit community being served, but, evidently, it serves as another very important source of data for MSOs. AIDS Housing of Washington, hired a third-party evaluator to assess the feedback given on the services they provide. 19

6. **Conducting research on nonprofit organizational capacity building and effectiveness.** Many national field-building organizations conduct research in the area of organizational capacity building (e.g., the Alliance for Nonprofit Management, Grantmakers for Effective Organizations, BoardSource, and the Wilder Center for Communities), and make the findings available to the capacity building field. CompassPoint has developed a very strong practice in conducting and disseminating research that it is focused on the needs of practitioners.

Exhibit K presents TCC’s assessment (based on data gathered for this study) of the proportion of local and regional MSOs, state and regional nonprofit associations and national field-building organizations that appear to use each of the aforementioned needs assessment strategies.

<table>
<thead>
<tr>
<th>EXHIBIT K: PREVALENCE OF NEEDS ASSESSMENT STRATEGIES, BY TYPE OF ORGANIZATION</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NEEDS ASSESSMENT STRATEGIES</strong> (†=used by most; ‡=used by some; †=used by few)</td>
</tr>
<tr>
<td>Informal assessment of needs through engaging with nonprofits via the delivery of services</td>
</tr>
<tr>
<td>Conducting and/or accessing research on nonprofit organizational capacity and effectiveness</td>
</tr>
<tr>
<td>Conducting organizational assessments of individual nonprofit organizations</td>
</tr>
<tr>
<td>Conducting market research</td>
</tr>
<tr>
<td>Evaluation of capacity building services</td>
</tr>
</tbody>
</table>

The conclusions depicted in Exhibit K indicate that local and regional MSOs rely mostly on informal assessment of needs through their engagements with nonprofits, as well as through conducting organizational assessments of individual nonprofit organizations. State and regional nonprofit associations rely most heavily on conducting “market research” to identify the needs of their members. Lastly, national field-building organizations assess nonprofit needs through conducting formal research studies and conducting “market research.”

The following factors were identified by experts in the field as challenges MSOs face in assessing the capacity building needs of nonprofit organizations:

• **Very few MSOs have developed the tools they need to formally collect, analyze, reflect upon and communicate what they learn through their various assessment processes.** Even though many MSOs assess the needs of the nonprofit sector through a variety of methods, what they learn is often not documented in a way that ensures that the lessons they learn are integrated into the planning of their programs and services. As a result, when MSOs try to decide upon their model of service delivery or menu of programs and services, they are coming to the table with a narrow and somewhat limited view of their customers’ true needs, most likely biased by anecdotal perceptions.

• **Very few MSOs first assess the “readiness” of an organization for a particular capacity building intervention.** Many experts and leaders in the field stated that, while it is important to ask nonprofits what they need with respect to capacity building, there are many nonprofit organizations that will identify needs that only address crises or organizational exigencies, rather than the root problem or challenge. Most nonprofits focus on the symptoms of the problem, rather than the problem itself. Many of those whom TCC interviewed stated that MSOs need to do a much better job of first assessing readiness for the type of capacity building being offered. As one expert noted, “there are too many MSOs that start with the tool and work back to the problem; it should really be the reverse.” This is often due to MSOs overemphasizing the capacity building processes they offer, rather than the impact they are seeking to achieve. These findings indicate that much more research is needed to understand the factors that make a nonprofit most “ready” to receive specific types of capacity building.

• **More MSOs need to increase and formalize the way they learn as organizations.** TCC noted that very few MSOs engage in following formal learning processes, such as needs assessments, evaluations, and frequent and regular organizational assessments (internal and with clients). Many have informal mechanisms in place and rely on intuition. However, without the integration of evaluation and assessment into the overall functioning of the MSO, much of the valuable learning is lost. As a result, the adaptive capacity of the MSO is hindered. Repeatedly, interviews stated that MSOs need to “walk the talk.” If we assume this is correct, then MSOs need to be much more adaptive themselves.

**The Types of Capacity Building Services MSOs Provide**

Through the national survey, TCC asked MSOs to identify the types of capacity building they provide. The response categories were as follows:

- Strategic planning
- Board development
- Organizational assessment
- Resource development/fundraising
- Leadership development
- Operational management
- Human resource development
- Financial management
- Evaluation
- Marketing
- Program development
- Information technology
- Legal
- Facilities planning
Exhibit L (on the following page) shows the percentage of survey respondents that 1) provide each of the types of capacity building mentioned, and 2) provide the more resource-intensive services of consulting, training, and convening.

**Exhibit L: Frequency of Different Types of Capacity Building Services Among MSOs**

As Exhibit L shows, most survey respondents stated that they offer a broad range of capacity building services. However, for all types of capacity building services other than board development, leadership development, and resource development, fewer than half of the MSOs provide these types of interventions.20

Approximately half of all MSOs provide leadership capacity building, and approximately a third provide adaptive capacity building. These findings raise troubling questions about whether the number of MSOs offering these particular services is adequate for addressing the needs among nonprofits.

As the technical expertise requirements for providing capacity building go up, fewer MSOs provide the service. More specifically, facilities planning, legal, information technology, marketing and evaluation all require a higher level of technical knowledge, and fewer MSOs provide these services. Another possible explanation as to why these technical capacities are provided by fewer MSOs is that there are private sector providers also meeting these needs (e.g., technology consultants, architects, lawyers, accountants, etc.).

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20 Forty-eight percent of MSOs reported providing resource development/fundraising assistance.
The Types of Engagements MSOs Use to Provide Capacity Building

Exhibit M presents the percentage of MSOs (responding to the survey) that provide the different types of capacity building through the following types of engagement: consulting; training; referrals; publications; peer exchange; convening; website; and/or research.

<table>
<thead>
<tr>
<th>LEADERSHIP CAPACITY</th>
<th>Consulting</th>
<th>Training</th>
<th>Referrals</th>
<th>Publications</th>
<th>Peer Exchange</th>
<th>Convening</th>
<th>Website</th>
<th>Research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board Development</td>
<td>88%</td>
<td>85%</td>
<td>70%</td>
<td>70%</td>
<td>51%</td>
<td>60%</td>
<td>49%</td>
<td>27%</td>
</tr>
<tr>
<td>Leadership Development</td>
<td>67%</td>
<td>79%</td>
<td>59%</td>
<td>66%</td>
<td>61%</td>
<td>58%</td>
<td>37%</td>
<td>23%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ADAPTIVE CAPACITY</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Evaluation</td>
<td>64%</td>
<td>61%</td>
<td>58%</td>
<td>56%</td>
<td>37%</td>
<td>27%</td>
<td>20%</td>
<td>25%</td>
</tr>
<tr>
<td>Organizational Assessment</td>
<td>75%</td>
<td>57%</td>
<td>60%</td>
<td>58%</td>
<td>37%</td>
<td>31%</td>
<td>28%</td>
<td>23%</td>
</tr>
<tr>
<td>Strategic Planning</td>
<td>82%</td>
<td>76%</td>
<td>60%</td>
<td>70%</td>
<td>42%</td>
<td>42%</td>
<td>34%</td>
<td>21%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MANAGEMENT CAPACITY</th>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operational Management</td>
<td>76%</td>
<td>66%</td>
<td>57%</td>
<td>56%</td>
<td>47%</td>
<td>33%</td>
<td>29%</td>
<td>16%</td>
</tr>
<tr>
<td>HR Development</td>
<td>66%</td>
<td>73%</td>
<td>63%</td>
<td>63%</td>
<td>48%</td>
<td>35%</td>
<td>32%</td>
<td>20%</td>
</tr>
<tr>
<td>Financial Management</td>
<td>68%</td>
<td>72%</td>
<td>69%</td>
<td>67%</td>
<td>45%</td>
<td>31%</td>
<td>28%</td>
<td>19%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TECHNICAL CAPACITY</th>
<th>Information Technology</th>
<th>Legal</th>
<th>Marketing</th>
<th>Facilities Planning</th>
<th>Program Development</th>
<th>Resource Development/Fundraising</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>48%</td>
<td>51%</td>
<td>63%</td>
<td>51%</td>
<td>36%</td>
<td>29%</td>
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<tr>
<td></td>
<td>25%</td>
<td>40%</td>
<td>59%</td>
<td>46%</td>
<td>13%</td>
<td>10%</td>
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<tr>
<td></td>
<td>65%</td>
<td>66%</td>
<td>56%</td>
<td>57%</td>
<td>43%</td>
<td>24%</td>
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<td></td>
<td>32%</td>
<td>20%</td>
<td>40%</td>
<td>23%</td>
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<td></td>
<td>65%</td>
<td>61%</td>
<td>52%</td>
<td>52%</td>
<td>45%</td>
<td>33%</td>
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<tr>
<td></td>
<td>73%</td>
<td>73%</td>
<td>72%</td>
<td>67%</td>
<td>56%</td>
<td>44%</td>
</tr>
</tbody>
</table>

Overall, consulting and training are the two types of intervention used by the largest proportion of MSOs. Consulting and/or training tend to be the methods of choice for building leadership, adaptive, management, and technical capacity of nonprofit organizations.

Consulting is the capacity building method of choice for building adaptive capacity. Exhibit M indicates that the most utilized capacity building method for building adaptive capacity is consulting. Additionally, when MSOs provide management capacity building services, they

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21 Information technology could be considered both a technical and adaptive capacity; however, according to TCC’s research, very few nonprofits seek assistance with how to use technology as an organizational learning tool and instead seek assistance with software training, setting up hardware, etc. (all of which fall under the rubric of technical capacities).
more often do so through consulting or training. For example, Trustee Leadership Development (TLD), Inc., which focuses on “change management” in its consultations, helps nonprofit leaders develop their skills to build the overall capacity of their organizations over time. According to TLD, long-term consultation is the best way to achieve the appropriate skill level in their clients to create impetus for organizational change.

**Training is the method of choice for overall leadership and management capacity building.** The most utilized method for building leadership capacity is training, although consulting is a close second. The Wilder Center for Communities, for instance, offers multi-session leadership training to their clients as the basis for leadership development. With respect to building the management capacities of human resource development and financial management, the most utilized method is training. Again, consulting is a close second. The Bayer Center of Nonprofit Management, for instance, facilitates a master’s program in nonprofit management as a means of formally training nonprofit professionals in leadership.

**Referrals are most often used to provide overall technical capacity assistance.** This is especially the case where a high degree of professional expertise and experience is needed, such as for information technology, legal assistance, and facilities planning.

**MSOs provide access to publications and their website to support all core organizational capacity building efforts.** MSOs provide access to publications and a website to provide general and specific information addressing leadership, adaptive, management and technical capacity challenges, although less so, overall, for technological capacity. In general, publications are the more popular method of the two. Websites are used much less frequently as a strategy for building adaptive capacity, and certain types of technological capacity, particularly legal and facilities planning. CompassPoint’s and MAP for Nonprofit’s websites are highly regarded for the amount and quality of content they offer. Third Sector New England is particularly known for its Nonprofit Quarterly Journal, which incorporates knowledge sharing in various topical areas related to capacity building. In addition, BoardSource’s publications and website were praised for their helpful information on nonprofit governance.

**Peer exchange opportunities and convening opportunities tend to be primarily used for the purposes of building leadership capacity.** However, both of these capacity building interventions are provided for building adaptive and management capacities as well. These group learning and networking opportunities do not tend to support more technical capacities such as legal or facilities planning. Management Consulting Services in Boston offers several different collaborative learning projects that provide nonprofit leaders with the opportunity to build their networks, engage in peer support, and access group trainings that are focused on nonprofit leadership issues. Similarly, the Greater Milwaukee Nonprofit Institute’s Leaders Circles allows six to eight executive directors to meet in a supportive atmosphere once a week to reflect on goals, share feedback, and help solve problems.
EFFECTIVE APPROACHES TO CAPACITY BUILDING

The experts, MSOs, funders, researchers and nonprofit leaders who participated in interviews identified very specific approaches to capacity building that all MSOs should incorporate into their work with nonprofits. They include:

- **Use an holistic approach by integrating any specific capacity building engagement into the overall function of the organization.** Many of those TCC interviewed stated that an effective MSO will approach their work with nonprofits, focusing not on an isolated challenge (for example, fundraising) but on identifying how the challenge is effected by and in turn effects other organizational functions, including the delivery of services. Some informants identified this “holistic” approach as mission-based rather than problem-based. The Institute for Conservation Leadership, for example, has described its approach to consultation as “holistic.” It guides clients to think beyond the discrete presenting of organizational problems toward an examination of the larger system(s) which need to be strengthened in order for the whole organization to improve.

- **All capacity building efforts should begin by assessing organizational “readiness.”** Organizational readiness implies some threshold level of leadership, the ability to adapt to changes in the environment, and the individual skills, knowledge, expertise and motivation necessary for instituting real change. MSOs too often move forward with a particular intervention without understanding whether the organization possesses adequate leadership, is interested in change, and is able to adapt and therefore is ready to commit to implementing and sustaining the changes that will follow. We heard from many nonprofit leaders that, in such cases, the potential for meaningful change within the organization is never realized because of unforeseen barriers. MSOs such as Maryland Nonprofits use nonprofit “readiness” as the primary focal point for assessing and screening potential clients for consultations; these MSOs realize that the client will not be able to learn and build capacity if it is not dedicated and attuned to organizational building as its goal. The Nonprofit Finance Fund requires that all organizations seeking loans or other types of assistance undergo a rigorous and comprehensive assessment process to determine whether they possess the organizational capacity that will allow them to truly benefit from their services.

- **MSOs need to better assess not only if an organization is ready for a particular engagement, but also the appropriate level of service that will best address the organizational needs.** Many nonprofit leaders stated that the interventions they received focused on capacity building strategies that, for any number of reasons, were inappropriate. Interventions were too complicated to understand, too difficult to translate to others within their organization, required individual skills and expertise that their organization didn’t have, and/or required resources (time and/or money) that they didn’t have. For example, nonprofits often seek outside help with developing a technology plan for their organization. However, they often feel that the technology plan that gets developed is unrealistic because of the lack of resources (time, money, technology infrastructure, expertise, etc.). MSOs need to first understand their clients’ specific constraints before providing any specific capacity building
service. This would be greatly enhanced by MSOs improving the formalization of their community needs assessment efforts.

- **Engage with the real change agents within an organization.** To be effective, MSOs need to identify and target their services to organizational leaders (change agents). If training, consulting, peer exchanges, etc., are being provided to individuals within an organization that don’t have the leverage and power to affect changes, it is unlikely that capacity building strategies will get implemented. Some MSOs require that a CEO and Board Chair attend trainings together. The Institute for Conservation Leadership, for instance, requires that the Executive Director and a board member, as well as another senior-level staff person, attend its Leadership Institute so that different perspectives are taken into account when capacity building dialogue occurs within the organization, and that a team, rather than an individual, can lead the capacity building process.

- **Whenever possible, assure a basic level of leadership and adaptive capacities.** For most types of capacity building interventions, leadership and adaptive capacity are critical prerequisites. If one or both of these core capacities are excessively weak, MSOs need to encourage nonprofits to begin by building these capacities. The strategies for shifting nonprofit organizations attention away from crisis management and moving them toward recognizing and acting upon the need to build their leadership and adaptive capacity are still not well understood. However, TCC did hear that to help nonprofits shift their attention and efforts in this direction requires a high degree of trust between client and capacity builder, a high level of respect and belief in the capacity builder’s credibility, and, perhaps most importantly, a capacity builder with excellent interpersonal (and some even stated “counseling”) skills.

- **Establish credibility and influence in the community.** MSOs that seemed particularly effective have engaged, networked, and developed relationships with, and provided knowledge and information to, community leaders in the nonprofit, for-profit, religious, and government sectors. As one interviewee observed, it helps enormously “to build a learning-ready community by priming the pump.” Those local/regional MSOs that have established themselves in their communities attend local convenings and conferences, conduct community-based research and share the findings, participate in collaborative activities (including with other capacity builders in the community), speak with community stakeholders about the challenges being faced in the nonprofit sector, and build relationships with power brokers and change agents in the community. However, these types of community leadership activities always need to be driven by the message, vision and mission of the MSO, rather than solely in reaction to community needs. In other words, to establish the leadership of the MSO overall, there needs to be real individual leaders within the MSO who can bring a focused message and the resources to support their message to the community. NPower is particularly effective at driving leadership through a centralized, “community-based” philosophy of technology-based technical assistance and capacity building, which it uses as the focal point of gathering resources and exchanging knowledge. CompassPoint, which is located in the Bay Area, has established a presence for itself at the
local, regional, and national levels in large part through the active participation of its senior staff in the sorts of broader dialogues and convenings that focused on field-building.

- **Serve as the knowledge “curators” for the community being served.** MSOs are frequently in a better position to gather and share information about the history and health of the nonprofit community than any other nonprofit organization (including most local funders). Strong MSOs develop and share their knowledge of the history and health of the local nonprofit sector to educate the community, advocate on behalf of the sector, connect community leaders with one another, provide information on how resource decisions have been made, provide information on how resources flow through the community, and support and strengthen new leaders. Before an MSO can serve as a knowledge “curator,” the nonprofit community (and broader community) will demand a high level of credibility, transparency, and leadership, as well as evidence that it has the capacity to develop, build and maintain their knowledge base. The Wilder Foundation, Maryland Nonprofits, Innonet, CompassPoint, and Third Sector New England all conduct research and disseminate knowledge widely among their constituencies in a variety of formats including Websites, publications, and public forums such as conferences, and lectures.

- **Always assess and accommodate organizational culture when designing the capacity building engagement.** Many of the informants for this study noted that capacity builders often overlook the interaction between the organizational culture and the organization’s motivation and ability to institute suggested changes. More specifically, the history, values, beliefs, language, organizational structure (model of power sharing), and rituals all can either support or impede the successful implementation of specific capacity building interventions. An organization may seem “ready” for a specific type of capacity building engagement (as evidenced by strong leadership and adaptability), but the organizational culture may still create challenges to implementation, especially if the intervention is particularly rigid or formulaic. For example, an organization that believes that all staff members are decision makers may resist or sabotage a program evaluation that is designed, implemented and analyzed without the input of all staff members. This often gets interpreted by the capacity builder as a “readiness” issue, when in fact the problem is the capacity builder’s lack of understanding of and appreciation for the cultural context.

For example, Eureka Communities has a formal application process for assessing whether an executive director is "ready" for a Eureka fellowship. Each potential Eureka fellow must complete an application, including providing individual and organizational background information, as well as identifying the goals and objectives for their fellowship experience. These applications are carefully reviewed by Eureka to assess "readiness." Additionally, Eureka interviews each Eureka candidate to assess readiness. Only executive directors who identify and can articulate clear learning goals and objectives that go beyond the "crises of the day" get selected to receive a fellowship.

Several experts also stated that the organizational culture of grassroots organizations and nonprofits that are led by and serve communities of color bring a history, language and
experience that many capacity builders cannot relate to well. Because many of the capacity building interventions were designed by professionals and practitioners who didn’t come from these types of organizations and/or experiences, the services they offer are frequently irrelevant or inappropriate. MSOs such as Community Resource Exchange, the Bayer Center for Nonprofit Management, and Innonet closely examine organizational culture as part of the services they provide, particularly their consulting services. These organizations feel that doing so helps earn the clients’ trust and properly diagnose the organizational issues.

- **Require a monetary commitment from the nonprofit.** In most cases, capacity building services that are provided “pro bono” or for a very small fee seem, according to MSOs and other experts, to be less effective. The general perception that “you get what you pay for” is believed to influence a nonprofit’s motivation to invest, both literally and figuratively, in making meaningful change. Nonprofits that pay at least a portion of the cost of the services are more likely, to have considered their “readiness” for the intervention because nobody wants to buy a product that they will not use, especially if it was expensive. By increasing ownership and buy-in, MSOs take a first step toward ensuring a greater impact. MAP for Nonprofits, Cause Effective, and CompassPoint are all examples of MSOs whose business models incorporate fees-for-service from most, if not all, of their clients.

- **Create incentives that will encourage nonprofits to follow through on capacity building activities.** Many MSOs provide services that address particular capacity building needs, but ultimately implementation depends on the nonprofit’s interest, commitment, and readiness. When funders provide program grants, they can require a nonprofit to conduct specific capacity building activities as a part of the grant; in fact, this is how a lot of MSOs and other capacity builders generate fees—through working with a nonprofit that is given a grant to build a capacity in support of a program grant. In some cases, the funder pays the MSO directly. However, MSOs on their own don’t typically have this kind of leverage to create incentives for nonprofits to improve their effectiveness. Yet, in most cases, they are in a better position than funders to appropriately assess and address the capacity building needs of nonprofits.

There are exceptions to this rule. For example, the Nonprofit Finance Fund provides loans to nonprofits. As a condition of these loans, a thorough financial and business assessment of the nonprofit requesting the loan is required. Additionally, the nonprofit may be required to attend workshops, seminars or other capacity building opportunities. This increases the likelihood that the nonprofit is “ready” and makes real organizational changes necessary for receiving the loan. Some grantmakers, such as Environmental Support Center, use grants as financial incentives to improve organizational performance. This model is not easily transferable to the majority of the local and regional MSOs.

However, a few experts TCC spoke with noted that MSOs do often provide subsidized services. As such, nonprofits that receive these subsidized services could be required to take necessary preliminary capacity building steps to receive these services. For example, when intensive services like consulting, long-term seminars/workshops, and long-term peer
exchanges processes are subsidized, an MSO or funder requires that an organization (or individual) complete an organizational assessment or attend an introductory or preparatory workshop. MSOs need to continue developing strategies for creating incentives for nonprofits to act upon what they learned, learn about what works (or not) in relation to their own mission, and, ideally, share these lessons with the broader field.

- **Ensure the appropriate “fit” between the specific capacity builder and the nonprofit organization.** TCC heard from many nonprofits and MSOs about how a specific consultant/capacity builder can be a great “fit” for one organization, but not another. Sometimes “fit” relates mostly to interpersonal chemistry. “Fit” also often has to do with the knowledge, skills and experience of the consultant, as well as his or her understanding of the organizational context (i.e., internal and external operating environment, organizational culture, programs, services, and mission). For example, when a consultant has only worked with human service organizations, he or she may not understand the organizational context of an arts and culture organization. TCC also heard from experts, researchers and MSOs that “fit” is often about the race and ethnicity of the consultant/capacity builder. More research is needed to examine the factors that make for a good “fit.” But, in the meantime, MSOs need to continue gathering feedback from clients about the “fit” and respond appropriately.

**PROMISING PRACTICES FOR SPECIFIC TYPES OF CAPACITY BUILDING ENGAGEMENTS**

Having provided promising practices for the general approaches to providing capacity building, this section presents promising practices for the specific types of capacity building interventions, including consulting, training, peer exchange, referrals, research and dissemination, and resource/publication access.22

**Consulting**

Through a review of the literature, as well as interviews with experts in the field, TCC identified the following “promising practices” for consulting and asked survey respondents to self-report the extent to which their consulting services reflect these “promising practices:”

- **Using experienced consultants.** “Experience” is a multi-dimensional construct and includes the following:
  - The number of years in consulting;
  - The amount of education and knowledge the consultant has for a specific type of capacity building (e.g., strategic planning, evaluation, fundraising, etc.);
  - The consultants’ knowledge of the nonprofit sector;
  - The consultants’ knowledge of the community; the consultants’ sensitivity to and experience working within a particular organizational culture (cultural sensitivity);

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22 Publications that provide helpful information about promising practices for consulting include Thomas Backer’s *Strengthening Nonprofits: Capacity Building and Philanthropy*; Barbara Blumenthal’s article, “Improving the Impact of Nonprofit Consulting;” and Robert Schafer’s *High Impact Consulting*. 
o The consultants’ knowledge of the substantive problem the organization is attempting to solve (i.e., their mission);
o The consultants’ interpersonal and relationship building skills;
o The consultants’ ability to assess if there is a difference between crisis-based needs and real needs;
o The consultants’ ability to assess the strengths and weaknesses of organizational leadership and adaptive capacity; and
o The consultants’ ability to assess “readiness”.

The Wilder Center for Communities has employed a local consultant pool in order to gather the expertise of area consultants across practices in order to best reach the local clientele. In this model, consultant expertise, rather than the source of the consultant personnel, becomes the apex of defining and locating quality consultants.

• Engaging all key organizational stakeholders to develop and agree upon the strategies and goals of the capacity building intervention.
• Including a clear and effective contracting process that defines the responsibilities, scope of work, budget and timeline.
• Including a clear, mutually agreed-upon process and approach for assessing success.
• Incorporating formal processes for soliciting ongoing feedback from the client (about the consulting engagement). Many MSOs interviewed, including AIDS Housing Washington and Trustee Leadership Development, Inc., either host a post-engagement “debriefing” session or collect surveys in order to assess the relative merits and drawbacks of completed engagements for internal practice building.
• Coming to agreement on confidentiality issues. It is very important that the consultant work with the nonprofit organization to agree on how information will be shared, and with whom. This includes how information will be shared with funders, by whom, and when.
• Providing individualized training/skill development to key organizational staff members that will help to sustain the work beyond the consulting engagement. The Arts and Business Council provides executive coaching either formally or informally as part of their ongoing consultations or as an “as needed” service.
• Engaging all of the client’s senior-level staff and board members so that the real change agents are fully engaged in the process.
• Working with clients to design capacity building projects that will have a high probability of success. This is a very delicate balancing act of setting expectations that are at once ambitious and realistic. An effective consultant will know how to help their client assess
their readiness, their true needs (not just their emergency needs), and provide the flexibility needed to make mid-course corrections. If small successes don’t occur throughout the process, it will be difficult for a nonprofit to fully implement and then institutionalize the changes.

The percentage of MSOs that say that they follow these “promising practices” are presented in Exhibit N.

**EXHIBIT N: FREQUENCY OF OCCURRENCE OF PROMISING PRACTICES RELATED TO HIGH QUALITY CONSULTING ENGAGEMENTS**

According to the MSOs that participated in the survey, a majority of their consulting engagements include all of these promising practices. However, on average, one-third or more of the MSOs’ consulting engagements do not provide individualized training and skill development to sustain the work, engage all senior-level staff members (i.e., decision makers), or include a clear process and approach for assessing success.

Other factors that are associated with the quality of consulting services are as follows:

- **Quality control of the consultants.** There is a continuum of providing consulting services: 1) having and using “on-staff” consultants only; 2) using “on-staff” consultants and a private pool of local independent consultants; 3) using only a private pool of local independent consultants; or 4) using volunteer (unpaid) consultants. MSOs may fall at or in-between these levels along the continuum. The primary advantage of using independent consultants and/or volunteer consultants is that more nonprofits in the community can afford the services and/or will be served. However, as an MSO’s consulting model moves along the continuum, quality control diminishes. TCC heard from many experts, MSOs, funders and nonprofit
leaders that the quality of consulting decreased when MSOs contracted with a pool of local independent consultants or used volunteer consultants. Although there are exceptions to the rule, these tend to occur only when MSOs deliberately employ compensating strategies, such as assessment and evaluation of their consultants. For some communities, especially for communities with a dearth of capacity builders or MSOs, this may be critically important. MAP for Nonprofits relies heavily on the services of volunteer consultants and achieves a high level of quality in its services through careful screening, training that emphasizes the art of consulting, and careful matching between clients and consultants.

- A consultant’s awareness of and access to community resources. Many MSOs observed that when consultants offer experience (as noted above), in addition to knowledge and, access to community resources (i.e., other expertise, knowledge, facilities and/or funding), they can be more effective in helping to improve organizational effectiveness.

- The extent to which consultants reflect the community they serve. Many experts in the field noted that too many MSOs lack a good representation of consultants from diverse backgrounds and cultures. As a result, they are often unable to be sensitive to the unique organizational cultures of nonprofits that are led by and/or serve communities of color. Bayer Center for Nonprofit Management deliberately has staffed its consultant pool with professionals of color in order to better meet their constituents’ training and consulting needs. This is also a high priority at CompassPoint.

**Training**

Through a review of the literature and interviews with experts in the field, TCC identified the following “promising practices” for training and asked survey respondents to self-report the extent to which their training services reflect these “promising practices.”

- Led/facilitated by individuals that have significant experience as capacity builders. Experienced trainers tend to be more effective. A trainer’s experience may be measured by:
  - The number of years they have been a trainer and capacity builder;
  - The amount of education and knowledge the trainer has for a specific type of capacity building (e.g., strategic planning, evaluation, fundraising, etc.);
  - The trainer’s knowledge of the nonprofit sector;
  - The trainer’s knowledge of the community; the trainer’s interpersonal and relationship building skills; and
  - The trainer’s presentation and group facilitation skills.

For example, the Center for Nonprofit Management in Tennessee relies on a core cadre of local experts to provide its trainings, and also contracts with nationally recognized experts to provide trainings throughout the year that:

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23 Publications that provide helpful information about promising practices for training and peer exchange include Laura Campobasso and Dan Davis’ *Reflections on Capacity Building*, Innovation Network’s *Echoes from the Field: Proven Capacity Building Principles for Nonprofits*, and Cheryl Gooding’s *Reflections on Training as a Capacity Building Strategy*. 
• Includes a formal curriculum and associated relevant materials (handouts, resources and tools) that help participants apply the principles being taught.

• Models adult learning principles. Workshops should include strategies that engage participants as both learners and teachers. This includes conducting role-plays that allow for the facilitator and other participants to provide constructive feedback.

• Provides time for general peer sharing and networking. Effective training opportunities encourage peer sharing and networking in order to provide adult learners the opportunity to informally share with one another what they are doing in relation to the topic, to build relationships and share resources that could support ongoing learning and capacity building. NPower specializes in providing access to different networking opportunities for nonprofits to gain and share knowledge about solutions, tools, and approaches in using technology to build capacity.

• Includes resources that offer additional learning opportunities like online learning resources, training and listservs. Maryland Nonprofits has recently established peer-based online networks where like-minded nonprofit professionals and leaders can convene and receive and share information. NPower also liberally uses listservs to share and exchange information.

• Includes follow-up interventions/opportunities for participants such as consulting engagements, other convenings/gatherings, a check-in conference call, peer exchange opportunities, networking, and ongoing coaching. The Wilder Center for Communities and Community Resource Exchange, for example, use “blended solutions” to serve its clients, combining training with consultations and application of germane research in order to help the client reach a higher understanding of capacity building.

The percentage of MSOs that meet these “promising practices” (based on self-report) are presented in Exhibit O:
Overall, according to MSOs, a large majority of their training/workshop offerings have a formal curriculum with supporting tools (90%), experienced trainers (88%), and time for peer exchange (82%). However, on average, only about half of the MSOs’ training/workshop offerings provide follow-up interventions/opportunities or role-play activities, and they tend not to offer opportunities that encourage active learning or otherwise reinforce application of new knowledge and skills. Lastly, and perhaps not surprisingly, only approximately one in five training/workshop opportunities include distance-learning opportunities.

Other factors that are associated with high quality trainings/workshops are as follows:

- **Customize training and workshops to the needs of the audience, where and when possible.** Many nonprofit leaders TCC interviewed (through this study and others) stated that many of the workshops/training they attend seem “canned” or formulaic. As a result, many of the lessons learned are not transferable because the workshop didn’t address how the capacity building efforts can be applied in specific environmental, organizational, programmatic and cultural contexts. This problem is further exacerbated when workshops and training follow the “participant as student” or “pedagogical” model, rather than the “participant as learner and teacher,” or “androgogical/adult learning” model. The adult learning model encourages participants to demonstrate to other participants how their own practices could be applied in other contexts. This model requires more deliberate recruitment and engagement of participants, who can offer a significant enough level of similar knowledge, experience and organizational contexts.

- **Training activities should engage participants beyond a “one-shot basis.”** One-time training sessions can build awareness and a basic level of knowledge, but individuals often do not apply the information. Additionally, some MSOs noted that their one-time training
often serves two purposes: 1) building awareness and knowledge; and 2) marketing for other services. Many experts, MSOs, nonprofit leaders and funders stated that multiple training sessions should be offered in succession. This requires more resources, will ultimately serve fewer nonprofits and could limit participation (because of the time requirements). However, if multiple training sessions on a given topic are offered, requiring a higher commitment of time, nonprofit leaders will more closely examine their and their organization’s readiness not only for building knowledge, but also for actually using what they learned.

- **Consider providing team-based training to a group of potential change agents within an organization.** This “vertical” approach to training is very effective because it works with more than one change agent within an organization, helping to overcome a common barrier of unrealistic expectations of the degree to which an individual can implement meaningful change. While training is typically focused on individuals, this team-based approach to training shifts some attention away from an individual and more effectively targets “organizational” change. In some cases it could be helpful to provide more intensive training to all staff for one individual organization. This will provide for a much deeper penetration of the skills, knowledge, tools and techniques, as well as improve the sustainability of the effort.

- **Target organizational change agents to engage in training and workshop opportunities.** Many MSOs offer high quality training, but do not provide participants with the authority and leadership within their organization to affect recommended changes. When and where possible, MSOs should develop strategies for engaging organizational change agents without compromising their business model or their mission.

- **Provide tools.** All effective workshops/trainings provide practical and useful tools that can be used to move any capacity building effort forward. It is very important that the tools provided are well understood by all participants before they leave the session. Additionally, trainings/workshops need to address how to flexibly use the tools in order to ensure their usefulness and applicability; some tools made available to the nonprofit sector are reported to be too rigid or inflexible to really be useful. The deeper problem is that tools typically are designed with one or a few organizational “archetypes” or “ideals” in mind and are of limited utility because they cannot address unique organizational contexts. It is critical then that MSOs and other tool developers repeatedly test and refine their tools and approach their use from the philosophy of “these tools are a work in progress,” rather than the philosophy that the tool, as it stands, will solve the problem.

**Peer Exchange**

Through a review of the literature, as well as interviews with experts in the field, TCC identified the following “promising practices” for peer exchange/learning opportunities and asked survey respondents to self-report the extent to which their peer exchange/learning services reflect these “promising practices:”

- Includes planning and facilitating “round table” discussions, “case study groups,” and/or “learning circles.” The term peer exchange/learning often is used synonymously with
informal networking or socializing. However, true peer exchanges have formalized ongoing processes designed to achieve a clear set of goals and objectives. They also ensure that participants are both “teachers” and “learners;” in other words, each individual must bring a certain level of experience, knowledge, and expertise to the table upon which other participants can draw.

- **Is planned and implemented by experienced facilitators.** Formal peer exchange processes need to be facilitated by an experienced group facilitator who could be one or more of the peer group members.

- **Engages the same group of similarly motivated individuals, with the same facilitator, on an ongoing basis.** Peer exchanges that are the most effective are structured as a series of meetings or discussions with concrete goals and objectives. A group is established, goals and objectives are articulated, and a succession of meetings are planned that will facilitate achieving these goals and objectives. Management Consulting Services offers such opportunities, often for nonprofit executives within the same sub-sector.

- **Asks participants to assess the process.** For true peer learning to occur, it is important that everyone take time to reflect on how well the process is working. In addition, there needs to be a mechanism for incorporating any recommendations or changes suggested from the feedback into the ongoing process.

- **Provides time for informal sharing and networking.** This is critical to the relationship development process, which many capacity builders argue, is the most important factor in determining the effectiveness of a peer exchange process. If peer exchange members don’t understand, trust, care about and communicate effectively with one another, the learning will be compromised.

- **Begins with introductions and establishes or reminds everyone of the ground rules with respect to confidentiality and the communication/sharing process.** This is a critical first step to building trust and ensuring that every participant brings all of their relevant experience to the table. This is even more important when peer exchange participants might or do compete for resources.

The percentage of MSOs that meet these “promising practices” (based on self-report) are presented in Exhibit P:
### Exhibit P: Frequency of Occurrence of Promising Practices Related to Quality of Peer Exchange

(mean % of peer exchange processes that include the following “promising practices”)

<table>
<thead>
<tr>
<th>Practice</th>
<th>Mean %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allow time for informal networking</td>
<td>87%</td>
</tr>
<tr>
<td>Use experienced facilitators</td>
<td>80%</td>
</tr>
<tr>
<td>Begin with introductions and ground rules</td>
<td>77%</td>
</tr>
<tr>
<td>Use “satisfaction survey” to assess process</td>
<td>73%</td>
</tr>
<tr>
<td>Plan “round table”/“case study” discussions</td>
<td>72%</td>
</tr>
<tr>
<td>Engage same group and facilitator regularly</td>
<td>53%</td>
</tr>
</tbody>
</table>

Overall, according to MSOs, a large majority of their peer exchange processes allow time for informal networking (87%), use experienced facilitators (80%), begin with ground rules (77%), assess the process (73%), and follow structured process (72%). However, just over half of the MSOs’ peer exchange processes engage the same group of individuals with the same facilitator over time. This is a key promising practice that MSOs need to improve. As one MSO put it, “by having regular meetings, the learning improvements go beyond being additive, to being exponential.”

**Referrals**

Through a review of the literature, as well as interviews with experts in the field, TCC identified the following “promising practices” for referral services and asked survey respondents to report how much their referral services reflect these “promising practices:”

- **Referrals are made to workshops, seminars or trainings that are not provided by the MSO.** It is important that an MSO, if it cannot meet the capacity building needs of a nonprofit, refers that agency to an outside resource to meet that need. This practice assumes that the MSO has a thorough understanding of both its own limits and the client’s needs.

- **Individuals and organizations engaged in other services are made aware of an MSO’s referral services.** This seems like common sense, but TCC heard many nonprofit leaders state that when they called for assistance from a particular MSO, and a service wasn’t provided for meeting the nonprofit’s needs, they weren’t referred to other capacity builders and/or resources.
• Individuals are directed to the MSO’s and other websites. There are many resources that MSOs put online that nonprofits, due to time constraints, might not be aware of. As such, it is important that MSOs make nonprofits aware of these online resources. NPowers online resources are an illustrative example of this practice; its website offers many other links to other technology service providers and experts in the field.

• MSOs direct individuals to research publications and other written materials. It is very important that an MSO be aware of key publications and materials (in-house or from others in the field) and directs clients to these resources. Wilder, Bayer Center for Nonprofits, and the Maryland Nonprofits all have dedicated resources to point nonprofits to a variety of publications and other research materials.

• MSOs direct individuals to consultants. MSOs need to be able to direct/refer nonprofits to consultants in the community that can meet the nonprofits’ needs. This is especially the case if the MSOs own consultants don’t have a particular expertise that is needed.

• MSOs follow-up with nonprofits receiving a referral to determine if the nonprofit received the assistance they needed. This follow-up strengthens an MSO’s referral services and reinforces the MSO’s position in the community as both a strong provider, a broker and partner for capacity building.

The percentage of MSOs that meet these “promising practices” (based on self-report) are presented in Exhibit Q:

**EXHIBIT Q: FREQUENCY OF OCCURRENCE OF PROMISING PRACTICES RELATED TO QUALITY OF REFERRALS**

(mean % of peer exchange processes that include the following “promising practices”)

<table>
<thead>
<tr>
<th>Service Provided</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refer clients to research publications</td>
<td>73%</td>
</tr>
<tr>
<td>Refer clients to research publications</td>
<td>72%</td>
</tr>
<tr>
<td>Refer clients to own website</td>
<td>68%</td>
</tr>
<tr>
<td>Clients using other services are aware of referrals</td>
<td>63%</td>
</tr>
<tr>
<td>Refer clients to consultants</td>
<td>63%</td>
</tr>
<tr>
<td>Provide referrals to others’ services</td>
<td>63%</td>
</tr>
<tr>
<td>Follow-up after referral</td>
<td>35%</td>
</tr>
</tbody>
</table>
Overall, according to survey respondents, a majority of their referrals direct nonprofits to research publications (73%), their web site (72%), and the services of consultants and other providers (63%). Additionally, two-thirds of MSOs make nonprofits aware of their referral services. However, approximately only one in three MSOs follow up after making a referral.

Providing Publications and Other Materials

Close to three-fourths of responding MSOs provide access to publications and other materials through an in-house library, their web site, and/or other means. These publications and materials are most often created by others in the field, and the MSO serves as the conduit through which these publications and materials get disseminated. However, some MSOs also share their own self-published materials and publications. Through interviews with experts in the field, TCC identified the following “promising practices” for providing publications and materials and asked survey respondents to self-report the extent to which their services reflect these “promising practices:”

- Updates a resource library that is accessible to all of the nonprofit organizations the MSO serves. It is important for an MSO to regularly update their resource library and make it easily accessible to the nonprofit community. This could include web-based and hard copy resources. Both Maryland Nonprofits and Bayer Center for Nonprofit Management contain libraries which nonprofits can use and access. MAP for Nonprofits maintains an extensive on-line library that includes strategies for applying new practices in a variety of areas.

- Publicizes/communicates the publications and materials the MSO possesses. MSOs need to publicize the publications and materials they hold and help users understand why they are relevant or noteworthy. The Wilder Center for Communities and Third Sector New England publicize their holdings online on their websites.

- Provides “how-to” guides related to capacity building. Above and beyond books, reports and other materials, nonprofit leaders are often looking for “how-to” guides that will provide the steps an organization needs to go through to implement a capacity building effort. The Wilder Center for Communities and BoardSource have specific publications they offer related to capacity building based on their research as well as that done by others. As noted above, MAP for Nonprofits offers this service on-line.

- Provides other “tools” related to capacity building. Publications and other materials can be quite helpful; however, nonprofits often require real capacity building “tools” that they can use to move efforts forward. Maryland Nonprofits offers the Standards of Excellence, a guidebook of nonprofit “best practices” related to ethics, professionalism, and standards of operation. Innonet has developed a suite of flexible online evaluation and planning tools (called the "Workstation") that provide guidance and support to nonprofits and funders, and, at the same time, allows end users the ability to refine their plans.
The percentage of MSOs that meet these “promising practices” (based on self-report) are presented in Exhibit R:

**EXHIBIT R: FREQUENCY OF OCCURRENCE OF PROMISING PRACTICES RELATED TO QUALITY OF PUBLICATIONS AND MATERIALS**

<table>
<thead>
<tr>
<th>Practice</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provide other capacity building tools</td>
<td></td>
<td>78%</td>
</tr>
<tr>
<td>Publicize publications to clients</td>
<td></td>
<td>73%</td>
</tr>
<tr>
<td>Provide capacity building “how-to” guides</td>
<td></td>
<td>68%</td>
</tr>
<tr>
<td>Update resource library for clients</td>
<td></td>
<td>65%</td>
</tr>
</tbody>
</table>

*Overall, according to survey respondents, two-thirds or more of publications and materials they provide align with the promising practices.*

**Conducting Research**

Through interviews with experts in the field, TCC identified the following “promising practices” for conducting research and asked survey respondents to self-report the extent to which their research reflects these “promising practices:”

- Focus specifically on understanding the relationship between different capacity building interventions and programmatic, organizational, and/or community-level outcomes. When research is conducted by MSOs, we heard from many experts in the field that it too often focuses on describing capacity building rather than assessing what works, for whom and under what circumstances. High quality research should address this gap in knowledge. For example, Strategic Solutions is conducting research to understand the role that leadership plays in any strategic restructuring (SR) process. They have developed a number of case studies sharing what leaders who have been through an SR process said about the role that leadership has played in their own strategic restructuring process. These case studies are available on the Strategic Solution's web site.
• Engages and collaborates with highly experienced and respected researchers in the field. Because capacity building is still a relatively new and ill-defined concept, nonprofits are receiving many different, and sometimes inconsistent, messages about what it is and how to build it. It is important that any research undertaken is highly credible to ensure the consistency in the research findings that are disseminated.

• Starts by first gathering and reviewing the current research on the given topic. It is important that new research builds on what was learned and/or further tests what was learned. If research is conducted in a vacuum, new language often gets created to describe capacity building constructs that may already have been studied and defined in different ways. As a result, any chances of creating a common language that the field can use are greatly diminished. The effect is often more confusion, which often holds back progress for the nascent field of capacity building and keeps it in the margins of the nonprofit sector’s thinking. As a result, progress can be limited.

• Leads to the development of practical applications that can improve capacity building interventions. If practical tools and techniques do not result from research, nonprofit practitioners will face considerable challenges in applying knowledge they greatly need. There will always be a role for academic research in furthering the knowledge base around capacity building; however, MSOs conducting research need to focus on an end, specifically, developing tools and techniques that will improve upon the effectiveness of capacity building interventions. MSOs can and should turn to academic research to inform their own research, but the goal of theory testing should take a back seat to developing real and effective tools, techniques and applications that can benefit practitioners. Maryland Nonprofits partners with a host of academic and civic organizations in researching practical ways for nonprofits to better maneuver the political and economic environments in which they operate. From this research Maryland Nonprofits distills the information into easily understood fact sheets, or educates the sector through convenings. CompassPoint’s research agenda is grounded in the extensive applied experience of its staff and consultants, and its research is in turn designed to have practical applications for other MSOs and nonprofit organizations.

• Results in field-wide dissemination of findings. In the vein of contributing to the knowledge base and ensuring that other researchers are building on the work, it is very important to disseminate the findings to the broader field so that the knowledge base grows and researchers can build on what has been done before them. Even if the research methodology seems weak from a design standpoint, it is important to share what is being learned (with appropriate caveats, of course). One way of sharing the findings broadly is for MSOs to share their research (and any accompanying tools) with field-building organizations, like the Alliance for Nonprofit Management.

The percentage of MSOs that meet these “promising practices” (based on self report) is presented in Exhibit S:
**EXHIBIT S: FREQUENCY OF OCCURRENCE OF PROMISING PRACTICES RELATED TO QUALITY OF RESEARCH ACTIVITIES**

<table>
<thead>
<tr>
<th>Practice</th>
<th>Frequency (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First review current research</td>
<td>73</td>
</tr>
<tr>
<td>Develop practical tools/techniques</td>
<td>63</td>
</tr>
<tr>
<td>Engage with experienced field researchers</td>
<td>52</td>
</tr>
<tr>
<td>Seek to understand relation of interventions and outcomes</td>
<td>50</td>
</tr>
<tr>
<td>Result in field-wide dissemination</td>
<td>48</td>
</tr>
</tbody>
</table>

Overall, according to MSOs, a majority of their research efforts build on existing research (73%) and develop practical tools and techniques (63%). However, the level of experience of researchers is not always high, the research is not always focused on understanding the relationship between interventions and outcomes, nor do results always get broadly disseminated.

Other factors that are associated with high quality research follow:

- **Understanding what research has already been conducted on a given topic.** It is very important that when an MSO is conducting research, especially on a topic related to capacity building that could benefit the broader field, that the research builds on what has already been done. More specifically, there is no point to duplicating research, unless, of course, it is to validate findings in a different context. There were some experts who noted that field-building organizations like the Alliance for Nonprofit Management and the Aspen Institute should play a greater role in coordinating research efforts for the field to ensure that all research is building on what has already been studied.

**The ways in which the quality of workshops, consulting, and peer exchange and learning affects nonprofit organizational outcomes.**

TCC surveyed nonprofit organizations in the Delaware Valley as part of a study of the William Penn Foundation’s support of capacity building in the region. TCC analyzed the data to determine the statistical correlation between the above noted “promising practices” for workshops, peer exchange/learning and consulting, and nonprofits’ self-reported organizational outcomes. It is important to note that these findings may not be generalizable beyond the Delaware Valley region. Exhibit T depicts these correlations.
<table>
<thead>
<tr>
<th>Capacity Building Outcome</th>
<th>Workshops</th>
<th>Consultation</th>
<th>Peer Learning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aligning all organizational and programmatic strategies and goals with the mission</td>
<td>++</td>
<td>+</td>
<td></td>
</tr>
<tr>
<td>Having organizational leaders (i.e., executive director, program directors, managers and board members) who effectively communicate the mission and vision</td>
<td>+</td>
<td>++</td>
<td>++</td>
</tr>
<tr>
<td>Engaging in regular, results-oriented, strategic and self-reflective planning</td>
<td>+</td>
<td>++</td>
<td></td>
</tr>
<tr>
<td>Having an engaged and representative board that effectively oversees the policies, programs, and organizational operations</td>
<td>++</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Having organizational leaders who actively assess community needs and realities on an ongoing basis</td>
<td>++</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating programs that are viewed by the recipients as &quot;high quality&quot; and relevant to their needs</td>
<td>++</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Developing and conducting outcome-based program evaluations</td>
<td>+</td>
<td>++</td>
<td></td>
</tr>
<tr>
<td>Using evaluation findings to effectively serve ongoing planning, as well as informing the strategic goals</td>
<td>+</td>
<td>++</td>
<td></td>
</tr>
<tr>
<td>Ensuring that the revenues are diversified, stable, sufficient, and sustainable for achieving the mission and goals</td>
<td>++</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Developing and effectively implementing a resource development plan that is aligned with the mission, goals and strategic direction</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Having efficient and effective operations</td>
<td>+</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Managing and reflecting sound financial operations, including adherence to accounting principles</td>
<td>++</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utilizing technology to effectively and efficiently support organizational operations, management and programming</td>
<td>+</td>
<td>+</td>
<td></td>
</tr>
<tr>
<td>Recruiting, developing and retaining capable staff</td>
<td>+</td>
<td>+</td>
<td></td>
</tr>
</tbody>
</table>

Key: + represents statistical significance (p<=.05)  
++ represents statistical significance (p<=.01)

Note: This table reflects the degree to which the provision of high quality workshops, consultations, and peer learning opportunities affects nonprofits’ increased organizational capacities.

- **Based on TCC’s findings, peer learning seems to be the most effective of the three capacity building strategies.** More specifically, the more that a nonprofit leader agreed with the “promising practices” related to peer exchange opportunities they received, the higher they rated improvements in their adaptive capacities (i.e., assessing community needs, developing and using evaluations), leadership capacities (i.e., having organizational leaders who effectively communicate the organizational mission and vision), and management capacities (i.e., managing and reflecting sound financial operations). Additionally, the high quality peer exchange processes were the only capacity building interventions that were correlated with improving program quality (a technical capacity).

- **When nonprofit leaders rated the quality of their consulting engagements as high, they were more likely to state improvements in board development and strategic planning.**
Additionally, there was a correlation between high quality consulting services and the alignment of organizational and programmatic strategies and goals with an organization’s mission and having organizational leaders who effectively communicate the mission and vision. This may indicate that many high-quality consulting engagements help organizations connect their vision and mission, and that defining the mission and vision is inherent in a sound strategic planning or board development consulting engagement.

- **When nonprofit leaders rated the quality of workshops/training as high, they were somewhat more likely to state positive changes in the capacity of their leaders to effectively communicate the mission and vision, strategic planning, evaluation and the development of a resource plan.** It makes sense that these positive outcomes are realized through high quality workshops since many workshops focus on strategic planning, evaluation or fundraising. However, it is important to note that peer exchanges and/or consulting engagements are more influential. Also, workshops may not be the most effective strategy for improving overall organizational capacity, due, perhaps, to the lack of follow-up interventions and activities that could further support the implementation of what was learned.

- **Lastly, it is important to note that regardless of the quality of consulting, workshops and/or peer exchanges, there was no correlation with “ensuring that revenues are diversified, stable, sufficient and sustainable for achieving the mission and goals.”** This is an interesting finding that warrants further research to determine whether any type of capacity building is correlated with improving organizational financial sustainability. Ironically, achieving financial stability and sustainability is often the first place nonprofits turn for capacity building assistance.

**“Innovative Practices”**

- **Coaching is being used more and more by MSOs, especially for building executive leadership capacity.** There were some MSOs that stated they offer coaching to individual nonprofit leaders in order to improve goal setting, decision-making and overall thinking. Coaching is a method of working one-on-one with leaders to develop leadership goals and objectives and provide guidance, support and constructive feedback in relation to achieving them. This strategy has been used in the corporate sector for some time now, and increasingly, more and more coaches are working with nonprofit leaders. The field of coaching is beginning to develop professional standards, and there are training and certification programs for becoming a coach.

Some MSOs are taking the coaching model and using it to improve the leadership capacity of individuals in order to improve organizational effectiveness. For example, The United Way of Houston’s Management Assistance Program provides what it calls “CEO Coaching.” This intervention includes frequent telephone and/or in-person consultations to discuss individual and organizational progress on achieving goals and objectives that are in line with the vision and mission of the nonprofit.
More research and knowledge about the quality and impact of coaching on nonprofit leadership is needed. However, early indications (as reported by MSOs and some nonprofit leaders) are that coaching seems to be the most effective approach to strengthening leadership.

- **More MSOs are bringing their various capacity building interventions together to provide “blended solutions” to capacity challenges.** The traditional MSO service model is to provide an array of interventions addressing a variety of capacity building challenges and allow nonprofits to engage/participate in one or more of their choosing. There were some very effective MSOs that TCC interviewed that have begun to integrate what they call the intervention “silos” (i.e., consulting, workshops, peer exchanges, etc.) to provide ongoing and seamless support to each nonprofit client. This is a paradigm shift away from an “intervention” focus and toward a “solution” focus. With a specific problem or challenge in mind, these MSOs are beginning to create a seamless package of services that will not just serve one organizational crisis or challenge, but instead build toward improving overall organizational effectiveness. For example, the Community Resource Exchange provides to executives a continuum of services: extended executive training, one-on-one consulting on the training topic, and ongoing peer exchange opportunities.

To do this work requires a change in the traditional “menu” approach to capacity building that is very much driven by what the nonprofit wants to order. It is a shift toward an MSO needing to partner and build strong relationships with individual nonprofit leaders and organizations in a more holistic way. More research is needed to understand the costs and benefits of this model, as well as its practicality. However, it seems promising and may well do a better job of prioritizing the leadership and adaptive capacities of an organization.

- **Some particularly effective MSOs are not only using their technical expertise to provide a specific type of capacity building intervention, but they are also transferring this technical expertise to the client.** More capacity builders should try to put themselves out of business by transferring more technical expertise to their clients. There are examples of capacity builders/MSOs that aspire to this goal. For example, Innonet, a provider of evaluation and overall organizational learning capacity building, not only delivers a service to its client, but also teaches and models promising practices so that clients can develop the internal skills needed to sustain the capacity building on an ongoing basis. NPower accomplishes much the same through its tool building and resource sharing philosophy – they allow other organizations to adapt tech tools and solutions and share with others so that a wider audience learns. This may not work for all types of capacity building in all circumstances, but there are many types of interventions that could be better institutionalized within a nonprofit. There is also the added benefit of reducing client dependency on MSOs.
VI. **HOW DOES AN MSO’S OWN ORGANIZATIONAL CAPACITIES AND RESOURCES AFFECT THE QUALITY OF SERVICES?**

**WALKING THE TALK: THE OVERALL ORGANIZATIONAL FUNCTIONING AND TYPES OF CAPACITY BUILDING MSOS ARE CONDUCTING FOR THEIR OWN ORGANIZATIONS**

Exhibit U presents what MSO survey respondents stated about their own organization’s capacity building efforts.

**EXHIBIT U: INTERNAL CAPACITY BUILDING EFFORTS AMONG MSOS**

<table>
<thead>
<tr>
<th>MSO ORGANIZATIONAL FUNCTIONING AND CAPACITY BUILDING</th>
<th>ANSWER AS REPRESENTED BY MEAN RESPONSE</th>
<th>SCALED MEAN RESPONSE</th>
<th>SCALE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Planning (Adaptive Capacity)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conducted a strategic plan within the past 3 years</td>
<td>Yes</td>
<td>0.9</td>
<td></td>
</tr>
<tr>
<td>Strategic plan implementation</td>
<td>Some/Much progress</td>
<td>3.5</td>
<td></td>
</tr>
<tr>
<td>Client Needs/Satisfaction (Adaptive Capacity)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Timing of last client needs assessment</td>
<td>12 months ago</td>
<td>2.2</td>
<td></td>
</tr>
<tr>
<td>Timing of last client satisfaction survey</td>
<td>6 - 12 months ago</td>
<td>1.8</td>
<td></td>
</tr>
<tr>
<td>Client satisfaction rating with services</td>
<td>Mostly/Very</td>
<td>3.6</td>
<td></td>
</tr>
<tr>
<td>Timing of last program/service evaluation</td>
<td>6 - 12 months ago</td>
<td>2.1</td>
<td></td>
</tr>
<tr>
<td>Capacity Building Assessment (Adaptive Capacity)</td>
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<td></td>
<td></td>
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<tr>
<td>Whether conducted a formal assessment of organizational capacity building needs in past year</td>
<td>Partially</td>
<td>0.9</td>
<td>0 (No)</td>
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<tr>
<td>Board (Leadership Capacity)</td>
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<td></td>
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<tr>
<td>Frequency of board meetings</td>
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<td>2.3</td>
<td></td>
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<tr>
<td># of board meetings without a quorum</td>
<td>0</td>
<td>0.4</td>
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<tr>
<td>Leader Peer Exchange (Leadership Capacity)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Number opportunities w/in past year for leader peer exchange around organizational challenges</td>
<td>4-6</td>
<td>1.8</td>
<td></td>
</tr>
</tbody>
</table>

(Chart continued on next page)
(Exhibit U continued)

<table>
<thead>
<tr>
<th>Technology (Technical Capacity)</th>
<th>Overall technology rating in support of operations, management and programming</th>
<th>Satisfactory</th>
<th>3.4</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>1 (poor) 2 (needs improvement) 3 (satisfactory) 4 (above average) 5 (excellent)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Professional Development (Technical Capacity) | Number of professional training opportunities per staff member | 2 to 3 | 2 |
|                                              | 0 (0 opportunities) 1 (1-2) 2 (2-3) 3 (4-5) 4 (6+) |
|                                              | Hours per month on professional development | 5 to 8 | 1.7 |
|                                              | 0 (0 hours) 1 (1-4) 2 (5-8) 3 (9-12) 4 (13-16) 5 (17+) |

| Funding Resources (Financial Stability) | Timing of last resource development plan | Within past 6 months | 1.3 |
|                                         | 0 (Never) 1 (within past 6 months) 2 (6-12 months) 3 (12-18 months) 4 (18-24 months) 5 (more than 2 years ago) |
|                                         | Number of additional new funding sources | 3-4 | 2.1 |
|                                         | 0 (0 sources) 1 (1-2) 2 (3-4) 3 (5-6) 4 (7+) |

| Budget (Financial Stability) | Percent of budget on own capacity building | 1 to 10% | 1.4 |
|                            | 0 (0%) 1 (1-10%) 2 (10-20%) 3 (20-30%) 4 (30-40%) 5 (40-50%) 6 (50%+) |

| Projects to Improve Own Capacity | Number of projects w/in the past year to improve own capacity (using a consultant) | 1 to 3 | 1.4 |
|                                | 0 (0 projects) 1 (1-3) 2 (4-6) 3 (7-9) 4 (10+) |
|                                | Progress on these capacity building projects (in relation to completion) | Mostly | 1.9 |
|                                | 0 (Not at all) 1 (Somewhat) 2 (Mostly) 3 (Completely) |

Note: mean responses represent the aggregate mean of all responses given, based on the scale as described in the “scale” column (i.e.: just began, little progress, some progress, much progress, almost completed for “strategic plan implementation”). Mean response describes position on scale that the average (or mean) response signifies.

Overall, MSOs report that they are “walking the talk” in terms of their own capacity building efforts. Most MSOs are doing the minimum with respect to building their own capacity. It is important to note that the survey was self-reported, so the findings may be skewed in a favorable direction. Key findings:

- 90% of the MSOs have conducted a strategic plan within the past three years and are making progress on its implementation.
- 38% of MSO’s boards meet every other month and 77% rarely lack a quorum.
- 70% of MSOs have conducted client needs assessments, two-thirds have conducted satisfaction surveys and over half have conducted program evaluations with the past year. Based on the most recent client satisfaction survey, MSOs stated that nonprofits are mostly to very satisfied with their services.
- Over half of MSOs have developed a resource development plan within the past 6 months and one-third have received between 3 and 4 additional new funding sources.
• MSOs are only “satisfactorily” using technology to support operations, management and programming.

• MSOs, on average, have engaged an outside consultant to provide capacity building assistance one to three times within the past year. The changes resulting from these capacity building efforts have been “mostly” completed.

• 90% of all MSOs have conducted a formal assessment of their internal capacity building needs within the past year.

• MSO leaders have participated in between two and three peer exchange opportunities within the past year.

• Each MSO staff member has had between two and three professional development opportunities within the past year and has spent between five and eight hours per month keeping up with the current literature on capacity building.

• MSOs spend only between one and 10 percent of their operating budget on capacity building activities.

To understand the organizational capacity building needs of any organization one needs to begin by identifying the key organizational resource(s) that the organization relies on most heavily to develop and provide its services or products that will serve to achieve the desired mission. Experts, MSOs, funders and researchers all believe that knowledge drives an effective MSO. More specifically, to improve nonprofit effectiveness (the destination or mission of most MSOs), MSOs need to effectively develop, use, maintain, share and apply their knowledge. All other organizational resources (like curricula, staff motivation, professional development and training of staff, capacity building tools, data, existing research, community resources, time, money, facilities, computers, telephones, etc.) allow the knowledge to be put to use.

Adaptive Capacity

• Some of the strongest MSOs formally evaluate the quality and organizational impact of their services on an ongoing basis. Some MSOs TCC interviewed have developed formal “performance measurement” systems. For example, the Nonprofit Management Center in Nashville, Tennessee conducts “smiley assessments” (or customer satisfaction surveys) of all of their clients, as well as a 6-month post-engagement evaluation of organizational improvements. This MSO actually has a formal “performance measurement center” that also serves as an evaluation resource for nonprofit organizations regionally and nationally. The AIDS Housing of Washington, D.C. spent a year developing an evaluation system to assess the quality of services and organizational impact on an ongoing basis. These examples of formal evaluation systems don’t appear to be in place for many MSOs. However, the MSOs that do have evaluation systems in place state that as a result they have much better sense of their impact, and some utilize their evaluation findings to make their own capacity building decisions.

• The most effective MSOs conduct formal evaluations, community needs assessments (also referred to as “market research”), customer satisfaction surveys, and formal organizational assessments of particular nonprofit organizations. Most MSOs conduct formal needs
assessments (or “market research”) and customer satisfaction surveys, although there appears to be wide variability as to how frequently they occur. Fewer MSOs formally collect and document the data they receive through their organizational assessment work with nonprofits, and fewer still conduct formal evaluations of program quality and organizational outcomes on an ongoing basis. Almost no MSOs surveyed conduct all of these data gathering processes. However, it seems that the strongest MSOs, as identified by their peers as particularly effective, view each of these processes not only as important to supporting their adaptive capacity, but also as critical to building their knowledge base. Some effective MSOs identified these assessment processes as the defining elements of a true adaptive or “learning” organization. Maryland Nonprofits, for example, has developed a comprehensive assessment system for client tracking, their own assessments, and customer satisfaction surveying into a database which is networked across the whole organization to use as a planning and evaluative tool. (See Appendix H, “How do Consultants and Trainers Serving the Private Sector Demonstrate their Value?”, for a brief description of how consultants and trainers serving for-profit companies also struggle with documenting their impact.)

- **Strong MSOs serve as community conveners and network coordinators.** Since many MSOs have the most complete view on the needs, challenges and strengths of the nonprofit community, they should play a role in bringing folks together to develop solutions to challenges and improve upon what is working. Particularly strong MSOs use these opportunities to conduct informal needs assessments, as well as identify new assets and challenges. AIDS Housing of Washington’s core service is as a community convener around the topic of community development and housing needs – they always play the role of convener of stakeholder sessions around which development plans can be created, supported, and enacted even though they are a regional direct service provider and nationally-oriented technical assistance group.

- **The most effective MSOs conduct short-term strategic planning, as well as business planning.** Experts in the field noted that strategic planning, which focuses on developing internal strategies for achieving the organizational mission, happens more frequently in effective MSOs. Some MSOs and many experts felt that in addition to strategic planning, it was important to develop a business plan, which focuses more on markets, customer demand, competition, and likely revenue streams. Bayer Center for Nonprofit Management completed its own business plan, which focused primarily on providing access to higher quality consulting.

**Leadership Capacity**

- **Effective MSO leaders (board and executives) inspire and motivate their staff by supporting activities that further staff reputation as “thought leaders” in the community.** There were MSOs that provided the necessary resources (especially time) for staff to develop and share knowledge with the community and broader field. The types of activities included supporting research, writing of articles, speaking engagements, and serving on decision-making bodies in the community. The President of the Nonprofit Finance Fund and the Executive Director
of CompassPoint are both widely viewed as thought leaders in their respective arenas of capacity building, largely because of the intellectual contributions they have made that have helped to move the field forward.

- **Effective MSOs engage staff to share in decision-making by eliminating the lines that naturally get drawn between different types of capacity builders within one MSO (e.g., between strategic planners and evaluators, between those working within specific sectors, or between consultants and trainers, etc.).** As one MSO leader stated, “we improved joint decision making by removing the silos.” These MSOs engage all staff across disciplines in sharing and reflecting on how each of the services informs the other. From these discussions, decisions get made jointly that will improve overall service integration. One MSO, the Arts and Business Council in Chicago, actually got rid of staff titles like “director” in order to encourage joint decision-making.

- **Effective MSO leaders establish a community leadership role for themselves.** Effective MSO leaders constantly interact with the community through public speaking, serving on decision making bodies, meeting with community leaders, convening and engaging groups of community leaders to develop strategies for leveraging resources for the nonprofit sector, and providing a clear vision for improving the effectiveness of nonprofit organizations. Ultimately, one key indicator as to the quality of the leadership capacity of an MSO is the awareness, recognition and reputation organizational leaders have in the community, especially as “thought leaders.” They also frequently engage with the funding community to educate grantmakers about their potential role in supporting the capacity building of nonprofits. MSOs such as NPower and Trustee Leadership Development, Inc. all believe that they have demonstrated “thought leadership” either through their community presence, innovative practices and transparency, or facilitation skills in convening other leaders.

**Management Capacity**

- **Many MSOs noted that they only hire “the best and brightest” staff, even if it means serving fewer nonprofits because they have a smaller pool of human resources to draw from.** A general management philosophy espoused by a few MSOs that were considered effective by their peers was to hire and pay for the best staff. They stated that because knowledge and experience are critical to both their process and their product, staff quality has to be consistently high. Additionally, when staff are high quality, the reputation and credibility of the staff and MSO are raised in the community. Paying high quality staff commensurately is critical to their retention. Bayer Center for Nonprofit Management understands this well—they make sure they pay for the expertise they feel their staff should possess.

- **Effective MSOs put significant amounts of organizational resources toward the development of human resources, including permanent, contracted, and volunteer staff.** MSOs that seemed particularly effective had many formal professional development opportunities in place for their staff (e.g., training, staff retreats, etc.), and they also prioritized the independent development of professional skills. Some particularly innovative MSOs, such as
CompassPoint, actually required that staff sit in on each other’s workshops and/or provide cross-training to one another in order to disseminate existing knowledge more widely throughout the organization. A benefit of strongly supporting human resource development is high rates of staff retention. Since an MSO’s reputation relies so heavily on the reputation and knowledge of individual staff members, staff retention is an important factor contributing to its sustainability.

• A few MSOs formally assess the quality of staff on an ongoing basis. However, a few MSOs that TCC interviewed stated that they conduct formal assessments of their consulting and training staff by soliciting customer satisfaction feedback from nonprofit clients specifically related to the quality of skills, knowledge, experience, and expertise of the consultant or trainer. These MSOs also make hiring and firing decisions based on this feedback. These MSOs stated that they will not work with a consultant or trainer that doesn’t agree to this because it is “bad business.”

Technical Capacity

• Overall, effective MSOs believe that they have consultants, trainers and other capacity builders who have the knowledge and skills needed to provide capacity building services that reflect the “promising practices” noted above.

• Effective MSOs hire and retain permanent, contracted, and volunteer staff who have the right kind of technical capacity (i.e., expertise and knowledge). More specifically, an important difference between effective and ineffective human resources is not the knowledge and technical expertise of nonprofit organizational effectiveness overall, or of specific types of capacity building interventions. Technical expertise can be taught; less apparent is how to develop a consultant’s approach to the work and to clients. There are many capacity builders that offer plenty of technical expertise around nonprofit management or a particular organizational capacity (like technology or strategic planning) but who do not possess what many experts, MSOs, nonprofit leaders and funders feel are the critically important knowledge, skills and expertise:

- Sensitivity to organizational culture—what types of capacity building will and will not work in different cultural contexts;
- Working with diverse groups of individuals and/or organizations;
- Flexibility with respect to methods and processes for providing capacity building interventions;
- The ability to develop deep, meaningful, partnership-based relationships with their clients;
- The ability to facilitate group processes so that all voices are heard;
- The ability to assess the nonprofit’s readiness for a specific intervention and to help re-direct their focus, when appropriate, without being insulting or condescending;
- The ability to express ideas in a clear, succinct and sensible manner;
Skills as both a teacher and learner;
The ability to listen effectively;
The ability to move processes forward when resistance is encountered without forcing people to go where they don’t want to go; and
Social skills like the ability to relate, the ability to laugh, the ability to recognize and reward, etc.

There are likely more of these types of skills that others in the field could add. The point is that frequently, the difference between effective technical capacity and ineffective technical capacity lies in these unteachable skills. This may explain why we heard many times that nonprofit executives who have the technical organizational management knowledge, skills and experience do not necessarily make effective capacity builders.

- Effective MSOs have the necessary technology and staff skills for supporting the development, management and use of their knowledge base. There also needs to be formal processes for gathering, documenting/recording, storing, organizing and cleaning the data that exists in the knowledge management system. While very few MSOs have the staff capacity, money or resources to have sophisticated knowledge management systems, it is more important that they have the means to capture knowledge in a way that facilitates dissemination, both within and outside of the organization.

Many MSOs stated that one of the key resources to being effective is money. But, the critical question is: “money for what?” MSOs need the financial resources to support and strengthen their leadership, adaptive capacity, management and technical capacity. The benefit of having the money to build/strengthen these capacities is that more nonprofits will be served effectively, and hence, more resources (and specifically, money) will follow. By building the four core capacities, effective MSOs will continue to grow, learn and positively impact the nonprofit sector they serve.
PROMISING MSO BUSINESS MODELS

TCC relied on a wide range of information sources to draw conclusions. That is, TCC interviewed MSO leaders, researchers, experts, funders and nonprofit leaders. One interesting finding resulting from gathering qualitative information from this range of informants is that there was more agreement than disagreement between experts, funders and MSOs themselves. TCC observed that most MSOs identified a similar set of promising practices as funders and experts (refer above). Where there were disagreements, they tended to be around the best “business model” for MSOs. Most experts and many funders noted that MSOs need to move away from the “charity model” of providing services (i.e., providing a menu of services to all nonprofits) and move toward a more “business model” of developing long-term relationships with nonprofit leaders to provide a range of services that meet their ongoing organizational needs. While some MSOs agreed, there were a number of MSOs, especially those serving as the only technical assistance resource in their community, that disagreed.

The following data describe the business models of those MSOs that responded to TCC’s survey.

*As Exhibit V shows, MSOs vary considerably with respect to their organizational budgets.* Two out of five MSOs surveyed have annual operating budgets of less than $500,000.

The typical MSO has 4 full-time and 2 part-time staff members and serves approximately 250 clients per year.
EXHIBIT W: STAFFING CAPACITY AND CLIENT ROSTERS OF MSOS

<table>
<thead>
<tr>
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<th>Mean</th>
<th>Median</th>
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</thead>
<tbody>
<tr>
<td>Full-time</td>
<td>6.7</td>
<td>4</td>
</tr>
<tr>
<td>Part-time</td>
<td>13.3</td>
<td>2</td>
</tr>
<tr>
<td>Number of Clients</td>
<td>879.6</td>
<td>250</td>
</tr>
</tbody>
</table>

The typical MSO has diverse revenue streams, with a majority of funding coming from private foundations (37%) and fees for service (32%).

EXHIBIT X: MSO REVENUE SOURCES

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<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Median</th>
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</thead>
<tbody>
<tr>
<td>Community Foundations</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>Corporations</td>
<td>11%</td>
<td>8%</td>
</tr>
<tr>
<td>Individuals</td>
<td>11%</td>
<td>5%</td>
</tr>
<tr>
<td>Other</td>
<td>17%</td>
<td>9%</td>
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<tr>
<td>Government</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>Fees for Service</td>
<td>32%</td>
<td>26%</td>
</tr>
<tr>
<td>Private Foundations</td>
<td>37%</td>
<td>30%</td>
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</table>

Through this study, TCC sought to identify effective MSO business models. Some of the promising practices with respect to business models follow:

- MSOs that serve the local or regional nonprofit community can and should generate some percentage of their revenues from fees. This is especially true in communities where there are few local funding sources that support capacity building and/or capacity builders. The percentage of revenues that local/regional MSOs typically receive through fees-for-service are 30%. However, there were particularly effective local/regional MSOs (as identified by other MSOs) that earned as much as 60% of their revenues from fees because of their high quality services, strong reputation, and effective marketing. Fee-for service is an essential component of both CompassPoint’s and MAP for Nonprofit’s business models, two of the country’s leading MSOs.

TCC also analyzed the survey data to understand the relationship between an MSO’s own organizational capacities and capacity building efforts, and their self-ratings of the quality of their services (as rated using the “promising practices” identified above). The one organizational capacity that was most highly and positively correlated with an MSOs self-perception of the quality of their services was the percentage of resources they generated through fees; the higher the percentage of their revenues they raised through fees, the greater the perception of high quality services.
• Local/regional MSOs in many parts of the country should charge more for their services. Many funders, experts, and MSOs TCC interviewed stated that too many MSOs charge artificially low fees, and thereby reducing the perception of their value within the nonprofit community they serve. Some informants noted that this is due in large part to adherence to a “charity-based” model (i.e., the belief that services should be accessible and available to all nonprofits) that generates most resources from grantmakers, rather than a more formalized “business model” that generates a significant amount of earned revenues from customers.

It is important to point out that the “charity-based” model and “business model” are not mutually exclusive. Funders can make grants to MSOs to provide subsidized services or to nonprofits so that they can hire the MSOs themselves. In each case, the grant money is supporting the costs of capacity building. The difference has to do with accountability (i.e., whether it is to the funder or the nonprofit). By making the MSO accountable to the nonprofit (by providing the grant to the nonprofit), the quality and effectiveness of services is judged by the client, and if they are high quality and effective, presumably more business will follow. If the funder is making a grant directly to the MSO, then the nonprofit’s perception of the quality and effectiveness of services is often secondary.

A small number of MSOs, such as Nonprofit Enterprise in Ann Arbor, Michigan and Community Resource Exchange in New York, have had some success raising money from individuals.

Informants and MSOs identified the likely negative consequences of a “charity-based” model:

• It provides no incentive for nonprofits to assess their readiness for the intervention and instead encourages more “crisis-oriented” capacity building, rather than more strategic capacity building;
• Staff are often poorly paid, resulting in an inability to hire and keep the best;
• Accountability for “charity-based” service delivery is more to the funders than the client;
• In a “charity-based” model, the primary incentive for the MSO to improve services is to get more funding from grantmakers, rather than to expand its customer base. If the latter were the incentive, then the services would need to offer real and perceived added value to the nonprofit, thereby demanding a higher standard of service, as defined by clients, not funders; and
• MSOs that function under a “charity-based” model often do not have flexible financial resources that can be used to build the knowledge base. Without unrestricted revenues, MSOs will be limited in their ability to develop the critical knowledge management systems needed to support the leadership, adaptive, management and technical capacities of an MSO. Activities like formally conducting research, evaluating programs and services, conducting and documenting organizational assessments of nonprofits in the region, conducting market studies, and conducting strategic planning,
will all be greatly hindered. As a result, leaders won’t have the knowledge to make the best decisions, managers won’t be able to manage organizational resources as effectively, and, ultimately, capacity builders won’t have the tools, skills and resources they need to provide high quality services.

Exhibit Y provides TCC’s assessment (based on data collected for this study) of the strengths and weaknesses of different staffing models employed by MSOs

**EXHIBIT Y: HOW MSO STAFFING MODELS AFFECT MSO CORE CAPACITIES**

| Specific Effects on an MSO’s Core Capacities and Overall Business: | Types of Human Resources: |
|---|---|---|
| | Expert staff (paid professionals on staff) | Affiliates/Adjuncts (non-compete agreement) | Independent capacity builders (referrals) | Volunteers (unpaid capacity builders) |
| Leadership Capacity: Ability to innovate, inspire, and provide direction | ![ ] | ![ ] | ![ ] |
| Adaptive Capacity: Organizational learning | ![ ] | ![ ] | ![ ] |
| Management Capacity: “Quality control” of capacity building services | ![ ] | ![ ] | ![ ] |
| Technical Capacity: Quality of capacity building skills, knowledge and experience | ![ ] | ![ ] | ![ ] |
| # of nonprofits served | ![ ] | ![ ] | ![ ] |
| Amount of revenues (fees) generated | ![ ] | ![ ] | ![ ] |

Note: Levels characterized by arrows above are based on the authors’ knowledge of the field and qualitative data gathered from other experts.

It is important to point out that most MSOs use more than one type of human resource; they often have a mix of expert staff (full- and part-time), affiliates/adjuncts (consultants who contract with an MSO to provide capacity building and agree not to independently compete with the MSO’s services), independent capacity builders (individuals who are part of a pool of independent capacity builders in the community who receive referrals from an MSO), and volunteers (individuals providing capacity building “pro bono”).

Key findings based on the above table are as follows:

- **It is difficult for MSO leaders to innovate, inspire and provide direction to staff when their model relies heavily on contractors or volunteers.**

- **The further removed human resources are from the organization, the lower the level of organizational learning.** MSOs, according to some experts TCC spoke with, that use independent consultants and volunteers often lack opportunities for the type of
shared learning that occurs when the same staff are working together on an ongoing basis.

- **“Quality control” over the capacity building services decreases the further removed human resources are from the organization.** Many MSOs and nonprofit leaders noted that the biggest disadvantage to using independent consultants (referrals) and/or volunteers was that the quality of services was inconsistent and that MSO leaders had minimal control. This was especially the case for MSOs that had to rely on referral-based independent consultants or volunteers because there were limited capacity building resources in the community. Additionally, MSOs that used referral-based independent capacity builders and/or volunteers but didn’t have formal processes for evaluating the quality of services or the ability to make hiring and firing decisions (perhaps because of the organizational culture, philosophy or mission) had even less control over quality.

- **The quality of capacity building skills, knowledge and experience is much more varied or mixed for MSOs that use referral-based independent capacity builders and/or volunteers.**

- **The positive side of using referral-based independent capacity builders and volunteers is that in most cases more nonprofit organizations can be served.** Using contract and volunteer staff helps to reduce MSOs’ overhead costs. Furthermore, effective use of referrals helps MSOs to remain flexible when faced with limitations such as budgetary constraints and challenging fundraising environments.

- **Across all of the MSOs TCC studied, it appeared that revenues generated from “fees” were greater for organizations that had expert staff and/or adjunct/affiliate staff.** It seems that the trend among MSOs is to subsidize more of the work of independent capacity builders, and of course volunteer services don’t generate much if any fees.

**MSOs that focus on particular sub-sectors need to have specific types of capacity building expertise.** In a recent evaluation of the William Penn Foundation’s support of capacity building, TCC found that specific nonprofit sub-sectors needed particular types of capacity building assistance. For example, environmental organizations required more marketing assistance than other types of nonprofits because their programs and services (including advocacy and public education) depended heavily on effective external communication. Children, youth and family serving organizations required more evaluation assistance than other nonprofit sub-sectors because they perceived themselves to be much more accountable to the general public. Arts and culture organizations required more facilities planning than other nonprofits because their facilities are critical to their ability to generate revenues.

**Business models that rely heavily on peer exchanges and consulting or coaching get more “bang for the buck.”** MSOs that follow the promising practices for peer exchanges, consulting
and coaching (as noted in this report) get a larger return on investment. Training, especially when it is a one-shot engagement, is not as cost-effective. MSOs that have effective peer exchanges, consulting and coaching also seem to generate more earned revenues, which in turn allows MSOs to spend more resources or building their own organizational capacities more effectively.
VII. RECOMMENDATIONS

The field of capacity building still has not reached its full potential. The field is beyond its formation stage and is now in the early stages of maturation. The quality of capacity building service providers varies. A small number stand out as being especially innovative, offer very high quality services, and are very well-managed and governed. A larger number provide services of mixed quality, and like their nonprofit clients, have a lot of work to do to strengthen their own organizational capacity. Over the past several years, field-building organizations have recognized the need for improvement and have worked hard to raise the bar in terms of quality.

The economic downturn has created a tough environment for MSOs and field-building organizations. Funders that provide philanthropic support to them are cutting back. Meanwhile, many nonprofits are reducing their budgets and have less to spend on capacity building, at a time when they need to enhance their organizational effectiveness even more. The most effective capacity builders will be the most resilient during these difficult times.

The following is a set of recommendations related to how MSO’s and field-building organizations can improve their performance. Recommendations are also included for funders and researchers, who play a critical role in supporting capacity builders and advancing the development of knowledge for the field.

Based on the findings of this study, the following are recommendations for funders, MSOs, field-building organizations, and researchers for ways they can help build the capacity of capacity builders and make them more sustainable, improve the quality of capacity building services, measure their impact, enhance the effectiveness of nonprofit organizations, and advance the field of nonprofit management.

FUNDERS

• **Do more, in a selective and focused way.** Funders need to become much more supportive of capacity building. Many funders who do support capacity building stated they didn’t understand how grantmakers could support programs without understanding the capacity their grantees needed to effectively and efficiently provide programs. Funders and other experts in the field stated that the trend of doing less to support capacity building during economic hard times results in the weakening of existing programs, because the organizational capacities needed to support these programs are being compromised.

• **Be selective by only supporting effective MSOs.** High-performing MSOs exhibit many of the following “best practices:”
  
  o Evaluate their services on an ongoing basis;
  o Exhibit leadership in their community;
o Develop long-term relationships with individual nonprofits and nonprofit leaders by providing a seamless set of customizable services, rather than just a menu of pre-packaged services;
o Assess client “readiness” before determining the best capacity building approach;
o Conduct research;
o Serve as “curators” of knowledge regarding the nonprofit community they serve;
o Hire and retain the “best” capacity builders that money can buy;
o Maintain “quality control” over their capacity builders and capacity building services;
o Receive a large proportion of their funding from their clients;
o Have a clear business plan; and
o Provide “holistic” services that go beyond one or two particular organizational functions (i.e., address the overall mission of the client organization).

Funding could be tied to the MSO’s achievement of business planning objectives and support their work in providing combinations of services – such as consulting, peer exchange, and training – to cohorts of nonprofits on a long-term basis.

Funders should also reduce support to low-performing MSOs.

• **Support capacity builders that build their clients’ capacity to improve their organization after the engagement has ended.** If more nonprofits not only received capacity building assistance, but also built their own capacity to continue building capacity once the consultant has left, sustainability would be more likely.

• **Support capacity building in communities of color and among grassroots organizations.** Many experts stated that nonprofits that are run by and serve communities of color, as well as many grassroots organization, do not have adequate access to capacity building assistance, especially the types of assistance that is sensitive to and respectful of their organizational cultures. Some informants pointed out that the language used by professionals providing capacity building assistance is not shared.

• **Provide incentives for nonprofits to build their capacity by tying program grants to capacity improvements.**

• **Build into every grantmaking program a “reserve” for supporting capacity building.** Some funders noted that they have a pool of “flexible funds” that can be used for capacity building both during and between grantmaking cycles.

• **Educate executive directors and boards of grantmaking organizations about the importance of capacity building.** Many program officers that support capacity building noted that one of the reasons grantmakers do not support capacity building efforts is that the executive directors and boards of foundations don’t fully understand the relationship between organizational effectiveness and program success.
• **Partner with capacity builders/MSOs to help identify capacity building needs of grantees, as well as provide capacity building support to grantees.** Many experts, funders and MSOs stated that grantmakers and capacity builders/MSOs need to collaborate more. By having MSOs serve as intermediaries, bringing their skills, experience and ability to assess the needs of nonprofits, funders could better understand the capacity needs of nonprofit grantees. Additionally, MSOs that are moving toward “blended strategies” for providing capacity building services to each nonprofit organization could partner with funders to provide these services to a set of grantees within a particular grantmaking program, thereby helping to strengthen the overall portfolio of grantees in order to achieve the funder’s mission.

• **Shift the paradigm of capacity building from being an expense toward being an investment.** If funders began to view capacity building as an asset-building investment, they may be less inclined to cut capacity building support in tough times.

• **Support more capacity building research and tool development and dissemination.** The set of funders, mostly national, that support research and tool development is quite small. But because knowledge development is critical to capacity building, funders committed to the field should try, even in small ways, to support knowledge development, use and/or dissemination. Even a small grant to a local MSO for the purposes of refining an already existing capacity building tool could go a long way, especially if that MSO shares the tool with others in their community and in the field.

• **Have realistic expectations.** Nonprofit capacity building takes time and is always needed because of ongoing internal and external environmental changes. As such, a one-time engagement could have a limited effect.

• **Support the local and regional capacity building infrastructure.** Such strategies include providing grants to capacity builders to build their own capacity (in part through supporting MSOs’ general operations), as well as convening local MSOs and capacity builders—in both urban and rural areas—to share resources, knowledge, and lessons learned, and to identify gaps in service and duplication of effort.

• **Support the national capacity building infrastructure.** More funders need to support field-building organizations like the Alliance for Nonprofit Management, BoardSource, The Wilder Center for Communities, and Grantmakers for Effective Organizations. It is this national infrastructure that develops and shares the well-researched and tested capacity building tools, resources, and networks that help to build the knowledge base MSOs rely on.

**MSOs Services**

• **Improve upon the ways in which needs assessments are conducted.** MSOs need to do a better job of formally assessing and documenting the needs of the nonprofits they serve.
Strategies should include documenting needs identified through client engagements, conducting nonprofit/member needs assessments and market surveys (and using this data as baseline and follow-up data to evaluate organizational improvements), and evaluating services beyond customer satisfaction. These activities will provide multiple sources of input on the needs of the nonprofit community being served, as well as build the MSO’s adaptive capacity.

- **More MSOs need to provide leadership and adaptive capacity building services.** At present, according to the survey findings, only about half of all MSOs provide leadership development services through intensive engagements like consulting, training and convening/peer exchange. Additionally, only about one-third of the MSOs surveyed provide adaptive capacity building services through intensive engagements; one-third or fewer MSOs provide organizational assessment and evaluation services through consulting, training and convening/peer exchange.

- **Begin all engagements by assessing “readiness.”** As noted elsewhere in this report, many MSOs provide specific types of capacity building without really examining whether a nonprofit is “ready” for the engagement or not. MSOs need to examine not only the symptom but also the underlying problem. One of the key reasons that MSOs are ineffective at assessing readiness is that many rely on the capacity building tools and techniques they are most familiar with and use most often, and therefore only identify the issues that these tools are designed to diagnose. As a result, for example, an MSO that primarily provides fundraising, board development and/or evaluation services may not know how to help an organization whose underlying problem is poor/inadequate facilities, technology or human resource development.

- **Improve overall engagements with nonprofit clients by:**
  - Taking a “holistic” approach to all capacity building engagements;
  - Beginning any engagement by assessing organizational readiness;
  - Determining not only if the organization is ready, but also the most appropriate level of service that best addresses the nonprofit’s underlying challenge;
  - Engaging with real “change agents” within an organization;
  - Beginning with an understanding of the leadership and capacity challenges of a nonprofit client;
  - Assessing and accommodating the client’s unique organizational culture; and
  - Creating incentives for following through on capacity building activities once the capacity builder leaves.

- **Improve consulting by:**
  - Using experienced and highly skilled consultants;
  - Engaging all key organizational stakeholders;
  - Assessing the process from beginning to end;
• Providing individualized training/skill development to key organizational staff members;
• Engaging all of the client’s senior-level staff and board members;
• Ensuring quality control of consultants;
• Using consultants that are aware of and have access to community resources; and
• Ensuring that consultants reflect the community.

• **Improve training by:**
  
  • Using experienced and highly skilled trainers;
  • Targeting organizational change agents;
  • Including a formal curriculum and associated handouts, resources and tools;
  • Including role-play activities;
  • Providing time for peer sharing and networking;
  • Including follow-up interventions/opportunities;
  • Customizing training and workshops to the needs of the audience;
  • Engaging participants more than once;
  • Providing team-based training to a group of organizational change agents, where and when possible; and
  • Providing organization-wide training, where and when possible.

• **Improve peer exchanges by:**
  
  • Having formalized, ongoing peer exchange processes (e.g., round tables, case study groups, learning circles, etc.);
  • Using experienced group facilitators;
  • Engaging the same group of similarly motivated individuals with the same facilitator on an ongoing basis;
  • Assessing the progress of the process as it unfolds;
  • Providing time for informal sharing and networking; and
  • Establishing clear ground rules.

Peer exchanges are a very effective crosscutting capacity building strategy that builds the leadership, adaptive, management and technical capacities of nonprofits. As such, it is an important service that more MSOs should formalize and provide to the nonprofit communities they serve.

• **Provide more coaching services to nonprofit leaders.** Anecdotal evidence suggests that coaching is an effective strategy for improving the leadership capacity of nonprofit organizations. More research is needed to demonstrate this theory more definitively.

• **Provide a more “seamless” set of services to nonprofit organizations.** Many leading MSOs have shifted away from providing a menu of services toward building strong relationships
with individual nonprofit leaders and organizations to provide for their ongoing capacity building needs, shifting away from an “intervention” focus and toward a “solution” focus.

- **Transfer technical expertise to the client.** One of the key determinants of an effective MSO is its ability to transfer their knowledge and skills to the client. There are still too many nonprofit leaders feeling like the expertise they receive leaves with the capacity builder following the conclusion of the engagement.

- **Conduct more research.** Effective MSOs are not only users of knowledge and information, but are also developers. It is very important that MSOs capture the knowledge they gain through their work to inform the broader field. MSOs that have the resources to conduct research studies, especially focused on their local region, should do so.

### MSOs Own Organizational Capacity

- **Collaborate more with other MSOs.** A single MSO cannot provide all types of services to the nonprofit sector, particularly with regard to highly technical capacity building needs like legal, technology, facilities, or marketing. It is likely that clients will occasionally present needs that an MSO cannot address. While competition can be healthy, collaboration will ensure the best use of capacity building resources that exist in a community to address challenges faced by nonprofit organizations. In addition, MSOs in both urban and rural areas can benefit from strengthened mechanisms that facilitate improved communication and the exchange of ideas and strategies.

- **Establish a leadership role in the community.** MSOs hold a special place in their community—they often have close ties to the local funding community and the nonprofit community. Thus, MSOs are often in the best position to understand and communicate the nonprofit sector’s needs, challenges and strengths to funders. MSOs that network with, develop relationships with and provide knowledge and information to community leaders (nonprofits, funders, for-profit businesses, religious and government leaders) are very effective at understanding and addressing challenges in the sector. This level of community leadership requires individual leaders within an MSO who can bring a focused message and the resources to support their message in the community.

- **Serve as the knowledge “curators” for the community being served.** MSOs are well-positioned to share with their communities the history of the local nonprofit sector. Serving as effective knowledge “curators” requires leadership, trust, and transparency, as well as evidence that MSOs have the capacity to develop, build and maintain their knowledge base.

- **Develop a business plan.** In addition to strategic planning, effective MSOs develop formal business plans that focus develops strategies for more effectively targeting and selling services to meet the specific capacity building needs of the target market.
• **Improve MSOs’ own adaptive capacity.** Many MSOs do not engage in formal community needs assessments, evaluations of services and organizational outcomes, and organizational assessments. Only through formally gathering information can an MSO adequately and appropriately address the needs of and learn about what works and doesn’t work with the nonprofits they serve. These learning processes ensure that an MSO is “walking the talk” of being a “learning organization.”

• **Formally evaluate the quality and organizational impact of services on an ongoing basis.** It appears that the most effective MSOs have formal evaluation systems in place that go beyond customer satisfaction. These MSOs use their evaluation findings to improve their services, make strategic decisions, communicate their successes with the community and support their role as community leaders.

• **Improve leadership capacity by:**
  
  - Inspiring and motivating MSO staff by supporting activities that further their reputation as “thought leaders;”
  - Sharing decision making and learning by eliminating the “silos” that exist between different types of capacity builders on staff; and
  - Establishing a leadership role in the community.

• **Improve management capacity by:**
  
  - Hiring the “best and brightest;”
  - Investing in the ongoing professional development of human resources; and
  - Formally monitoring the quality of human resources on an ongoing basis.

• **Diversify the staff and board.** Many experts and leaders noted that MSO staff and boards often do not reflect the diversity of their client populations, specifically with respect to hiring staff or developing boards that include people of color. As a result, many MSOs provide capacity building services and programs that inadequately appreciate or understand how different cultures define, perceive and build their organizational capacity. This lack of diversity at the staff and board levels is a barrier to effectively serving many grassroots organizations or organizations led by and/or serving people of color.

• **Improving technical capacity by:**
  
  - Hiring capacity builders with a high level knowledge, skills and experience; and
  - Hiring capacity builders with the right kind of expertise:
    - Sensitivity to organizational culture;
    - Working with diverse groups;
    - Flexibility;
    - The ability to develop deep and trusting relationships;
    - Facilitating group processes;
- Assessing readiness;
- Expressing ideas clearly and succinctly;
- Serving as a teacher and learner, and listening and moving processes forward; and
- Social skills.

**Business Model**

MSOs can improve their business model in the following ways:

- **Generate more revenues through fees.** Overall, MSOs should be generating more of their revenues through fees. By doing so, MSOs can better assess the quality of their services in terms of client satisfaction and positive word-of-mouth. Ineffective MSOs will see a drop in their revenues from fees because demand will decrease. Additionally, fee-generated revenues allow for an MSO to have the flexible resources necessary for building their own organizational capacity on an ongoing basis.

- **Charge more for services.** Our findings repeatedly showed that many MSOs are charging too little for their services. This diminishes the perceived value of their services in the community they serve, as well as decreases the incentive for the nonprofit client to act on what they have learned.

- **Move away from a “charity-based” model of serving all nonprofits toward a “business model” of serving paying customers.** This shift requires MSOs to view their primary revenue source as the nonprofit, rather than a funder/grantmaker. MSOs need to be “ready” to make this shift to a customer-focused business model by having the necessary leadership, adaptive, management and technical capacities for doing so. Not all MSOs are ready or able to make this transition. Still, when and where possible, this shift toward a business model approach seems most effective. MSOs can make this shift alone—they will require a funding community and nonprofit community that clearly understands the importance of capacity building, and therefore provides the resources needed for doing so. The benefits of a “business model” approach to providing capacity building are as follows:
  - It provides an incentive for the nonprofit to assess their readiness for the engagement;
  - MSOs can afford to pay for and retain high quality staff;
  - It holds MSOs more accountable to their nonprofit clients, rather than the funder;
  - It emphasizes quality of services because if services are weak, nonprofits will not pay for them; and
  - It provides the flexible resources for building an MSOs own organizational capacities.

- **Develop strategies for ensuring “quality control” over capacity builders.** The strongest business model utilizes highly knowledgeable and experienced capacity builders who are on
staff full- or part-time. The weaker the affiliation between the MSO and its staff, the more difficult it is to maintain quality control. As a result, when MSOs rely heavily on independent referral-based consultants/capacity builders and/or volunteers, they find it more difficult to build their own leadership, adaptive, management and technical capacities. It is not always possible, or even preferable, for MSOs to build a business model that relies solely on full- or part-time staff. However, these MSOs should develop formal strategies for assessing the independent or volunteer capacity builders on an ongoing basis, as well as make hiring and firing decisions based on what they learn.

FIELD-BUILDING ORGANIZATIONS

- **Provide leadership development opportunities for MSO leaders.** TCC’s research showed a need for opportunities to build the leadership capacity of current and future MSO leaders. For example, the Alliance for Nonprofit Management or a similar organization could develop and run a Leadership Institute for Emerging MSO Leaders. This program could entail enabling participants to visit exemplary MSO leaders that have excelled in an area where the participant is seeking to improve (e.g. marketing, individual fundraising, board engagement). A possible model for this program might be the Association for Performing Arts Presenters’ Emerging Leadership Institute, where participants gather for a day or two before an annual conference for intensive training and peer exchange. The Alliance could also institute a mentoring program so that new MSO Executive Directors could connect with more seasoned ones. A potential model could be the National Council of Nonprofit Associations’ Peer Exchange Program, which provides a structured format for state associations to receive intensive mentoring from peers and exchange management and programmatic insights. State associations were matched to complement programmatic strengths and operating challenges that could be addressed through an extended visit.

- **Develop and provide business-planning tools for MSOs.** For example, the Alliance for Nonprofit Management, or a similar organization, could publish a business planning guide for MSOs that covers the nuts and bolts of developing and managing a thriving MSO business. Such a guide might:

  - describe the typical lifecycles stages of an MSO and describe different business and revenue models or each stage;
  - explain how to set up time billing and cost accounting systems, describe ways to set prices (including sliding scales and subsidized pricing models);
  - show how to develop marketing strategies to generate revenues,
  - offer various fundraising techniques (board involvement, special events,);
  - describe staffing models (e.g. using a network of affiliated consultants).

Another tool that would be particularly beneficial would be a “start-up guide” for communities that want to begin a local MSO. If there is sufficient demand for the start-up guide, a formal resource center for communities wishing to start-up an MSO might be useful. A useful
model for such a center might be the National Council of Nonprofit Associations, which has concentrated its work on seeding and nurturing 15 new state associations since 1992. Similarly, Grantmakers in Health created a Support Center for new health conversion foundations in the late 1990s.

Finally, the Alliance for Nonprofit Management, or a similar organization, could develop an organizational assessment tool that is customized for MSOs and derived from the survey in Appendix E. This would enable MSOs to measure their own capacity and document how it changes over time.

- **Enhance tools/systems for evaluating MSO work that are standardized, as possible, and disseminated widely.** This will help avoid MSO’s reinventing the wheel by continually creating new evaluation tools. For example, a standard instrument for MSO organizational self-assessment could be of considerable benefit to the field. A peer review model, such as the one developed by Grantmakers in Health, would allow Alliance members to conduct site visits to other members and provide feedback. Finally, the field needs standardized tools for evaluating capacity-building work to help MSOs document their impact.

- **Help MSOs communicate their value to clients and funders.**

- **Spread knowledge of innovative practices.** Strategies might include: specialized tracks at the Alliance conference; “Center of Excellence” site visits; geographic or subject area practice groups for reflection and learning; and other strategies that increase the opportunities to engage the field’s thought leaders.

- **Provide funder education and outreach.** Funders’ increased interest and investment are critical if the field is to thrive. It is important to not only work with current funders, but to nurture the next generation of leaders in the field. Through current infrastructure, such as regional associations, there are untapped opportunities to reach out to foundation CEOs and trustees, and government funders. Grantmakers for Effective Organizations could take a lead role in such an effort. Furthermore, to enhance their own credibility, funders should evaluate their own effectiveness more and share findings about promising practices with other funders in the grantmaking community.

**Researchers**

- **Continue mapping the field of capacity builders.** Researchers could build on the Alliance for Nonprofit Management’s mapping and/or develop alternative taxonomies for the field. Specifically, researchers, using the taxonomy contained in this report, could begin mapping the field of capacity building according to the following characteristics:

  1. Types of capacity builder—独立顾问、营利机构和非营利组织；
  2. Intended target—geographic region, outcomes, and sub-sector focus;
3. Focus of the engagement—capacity-specific and multi-capacity; and
4. Revenue source—earned and contributed.

This information would allow capacity builders to more easily identify colleagues with similar interests, areas of focus, etc., thus enhancing their ability to share information with one another. It would also provide different regions of the country with more complete information about their capacity building assets and gaps. Intermediaries, funders and management support organizations would be able to make better matches between nonprofits and capacity builders. Funders that support capacity building could be more strategic with the limited funds allocated to this purpose.

• **Conduct research that analyzes quality and availability of MSO services at a regional level.** More information is needed about the variations in geographic distribution of MSOs and the extent to which supply meets demand (or vice versa).

• **Conduct further research to test models of organizational effectiveness.** In particular, researchers could test the model that includes the four following core capacities: 1) leadership, 2) management, 3) adaptive capacity, and 4) technical capacity. Researchers could begin developing, validating, and determining the reliability of a common tool for measuring these four capacities in relation to one another, and ultimately in relation to the quality of programs and services. This tool could also gather data on each nonprofit’s organizational context (including their sector and types of programs/services), resources (human, financial and other), culture, and stage in the organizational life cycle. With this information, some benchmarks, which can be generalized for each of the core capacities, might begin to be identified, and, more importantly, benchmarks for each of the core capacities could be developed for nonprofits in different contexts. It could be particularly helpful for conducting needed research on the types of capacity building engagements that are most effective for improving an organization’s leadership and adaptive capacities. To conduct this kind of study, more research is needed to operationalize leadership and adaptive capacity. In fact, this tool could be leveraged to serve many research questions related to capacity building and organizational effectiveness.

Certainly, this is an ambitious research agenda that could take years to accomplish. However, the field is ready to begin developing a data collection tool that at the very least starts to operationalize and validate the four core organizational capacities.

• **Conduct research to identify the factors that make an organization “ready” to receive different types and levels of capacity building assistance.** Experts in the field all stated that not enough is known about what makes an organization “ready” to take advantage of capacity building. Readiness has been anecdotally linked to organizational culture and context; however, a large majority of experts and MSOs stated that leadership potential and some sense of what the trends are inside and outside of an organization are required for it to be “ready” for many types of capacity building. Researchers need to examine these and other hypotheses more closely.
• **Conduct research that focuses specifically on adaptive capacity.** More research is needed on what works and what doesn’t with respect to promoting adaptive capacity in nonprofit organizations. Research is also needed to identify the appropriate roles of nonprofit boards and staff in terms of addressing organizational adaptability.

• **Examine how organization-focused versus problem-focused models of capacity building differ with respect to improving organizational effectiveness.** Some MSOs provide a continuum and/or seamless set of services to member nonprofit organizations, while others provide a menu of services to address any nonprofit’s particular organizational need at a given point in time. The research question is: which model is most effective for improving and sustaining organizational effectiveness, when, and in what contexts?

• **Conduct research to examine effective strategies for helping nonprofit leaders shift their attention and scarce resources away from technical and management emergencies and toward building their leadership and adaptive capacities.** Many MSOs noted that it is common for nonprofits to identify management or technical problems when the real issue is leadership or adaptive capacity. However, changing this orientation can create tension within an organization, particularly if this is perceived as a criticism of leadership. There are consultants who are particularly effective at moving nonprofit leaders toward the real problems in their organizations and themselves. Anecdotally, experts and MSOs stated that these consultants have “counseling” and “group facilitation” skills that many technical experts/consultants don’t have. Qualitative research could be conducted to begin identifying a possible set of characteristics, attitudes, behaviors, skills that make consultants effective at helping nonprofit leaders identify their leadership and adaptive capacity challenges. Answers to this question could lead to better professional development and training programs for consultants.

• **Conduct more research to explore the impact of organizational culture on organizational effectiveness, and the impact of capacity building efforts on organizational culture.** Very little has been documented about the role that organizational culture plays in facilitating or impeding organizational effectiveness and capacity building. Although there are anecdotal examples of the negative impact capacity builders can have on a nonprofit’s organizational culture, research needs to be conducted to define and examine the relationship between organizational culture and organizational effectiveness and capacity building. This is a critical research question, as concerns grow regarding the organizational needs of nonprofits that serve and/or are led by people of color and the lack of diversity among capacity builders (racially, economically, and/or culturally). It is felt that this problem is due in large part to a lack of awareness or understanding of how race, economic background, and/or culture all define and shape nonprofit organizational culture.

• **Conduct more research on the effectiveness of coaching for building each of the four core capacities.** Coaching in the nonprofit sector is a relatively new and growing practice and has been used mainly as a leadership development strategy. However, it is also applicable to
other types of capacity building. More research is needed to examine the relative benefits of this strategy for the various types of organizational capacities.

- **Conduct research to identify the appropriate balance between earned and contributed revenues for different types of MSOs.** Specifically, researchers could examine pricing structures and models for providing subsidized services for under-resourced groups.

- **Conduct research to examine the relative impact of capacity building that is funder-driven, versus that which is client-driven.** Some would argue that when funders require capacity building as a condition of receiving a program grant, nonprofits are more responsive. There are others who disagree strongly with this approach. This issue is quite complex and requires more systematic investigation.
APPENDIX A: PACKARD FOUNDATION'S LOGIC MODEL FOR SUPPORTING MSO'S AND FIELD-BUILDING ORGANIZATIONS

PACKARD LOGIC MODEL

Inputs

- Packard funds
- Allocation of funds for different types of grants and projects
- Funding criteria
- Grants recruitment and selection
- OE staff (PF)
- Oversight
- Monitoring and evaluation

Packard Strategies

- Fund the general operations of MSO’s that serve Packard grantees, work in Packard issue areas, or who demonstrate leadership in the field
- Recognize and reward MSO achievements
- Support peer networks and other learning opportunities:
  - Converse grants
  - Encourage and support networking efforts
  - Packard models organizational effectiveness: “Packard is transparent”
  - Packard shares stories of their own OE efforts

Outputs

- MSO’s fund both pressure and incentives to improve their OE
- MSO’s network and share learning with other MSO’s

OEP Strategies

- MSO’s plan, evaluate and build their own capacity:
  - MSO’s develop and implement a detailed workplan for improving their own OE
  - MSO’s use evaluation data and other information to continuously improve

Outcomes

- MSO’s have integrated OE improvements into their general operations
- MSO’s are stable and provide better services
- There are self-sustaining formal and informal communities of practice among MSO’s
- MSO’s derived knowledge about OE issues by looking outside of their own field, as well as within it

Impact

- There is a dynamic infrastructure of MSO’s in the US offering high quality consulting and training that is relevant to the needs of NP’s generally, and to NP’s working in Packard issue areas particularly
- Participating MSO’s are:
  - Innovative, learning organizations
  - On top of trends in the field
  - Demonstrate leadership
  - Provide excellent service
  - Model the practices they teach
- Participating MSO’s add value to the NP’s they serve (as defined by the nonprofits)

Underlying Assumptions:
- To be determined

Refer to the “MSO Theory of Change”
MSO Theory of Change

Inputs
- Packard Funding
- MSO's own organizational effectiveness improvements resulting from planning, evaluating, networking, and sharing learnings with other MSO's
- MSO experience, knowledge, and skills: Working with Packard-funded NP's and/or within Packard geographic regions of interest
- Skills and experience in addressing emerging needs
- Expertise in their issue area
- Leveraging other resources and efforts
- Addressing multiple levels: individual, organizational, system, and across sectors

Strategies
- Knowledge Development:
  - Further develop or create innovative models, tools, theories, and resources for addressing management challenges
- Knowledge Delivery (concepts, tools, and skills) through:
  - Direct consulting
  - Training
  - Education
  - Support
  - Services
- Knowledge Exchange:
  - Create opportunities for those working in the NP sector to dialogue and share learning about management, leadership, and governance
  - Share lessons, tools, and approaches

Outputs
- NP organizations, leaders, and professionals receive higher quality information on management, leadership, and governance
- NP's develop a deeper understanding of why (and when) certain exemplary practices are successful

Outcomes
- Management models, methods, and techniques are more relevant to and used by NP leaders
- Research and practice are more clearly linked for the purposes of improving OE
- Nonprofit organizations are achieving their vision, mission, and goals
- Packard grantees and other NP's are addressing their highest priority management, leadership, and governance needs

Impact

Underlying Assumptions:
- OE is a blend of strong management, capable leadership, and sound governance
- Pursuit of OE means continuous learning and improvement in management of resources and leadership of people
- OE assumes a clarity of vision and alignment of goals and goals with that vision
- OE includes defining meaningful outcomes, and measuring those outcomes
- OE implies periodic reflection and critical self-assessment of the organization's role in the context of an ever-changing society
- There is an increased complexity of the nonprofit environment due to many factors (i.e., tax law changes, increased focus on outcomes, technology changes, blurring of the line between for-profit and nonprofit)
- Nonprofit leaders and professionals need a broader complement of skills and knowledge to lead their organizations and accomplish their goals
**APPENDIX B: PACKARD GRANTEE S IN THE FIELD OF NONPROFIT MANAGEMENT**

Shaded areas indicate no activity in the grant examined.

<table>
<thead>
<tr>
<th><strong>GRANTEE</strong></th>
<th><strong>SCOPE</strong></th>
<th><strong>KNOWLEDGE DEVELOPMENT STRATEGIES</strong></th>
<th><strong>KNOWLEDGE DELIVERY STRATEGIES</strong></th>
<th><strong>KNOWLEDGE EXCHANGE STRATEGIES</strong></th>
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<td>• Leadership development</td>
<td>• Workshops</td>
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<td>National</td>
<td>• Publication development</td>
<td>• Workshops on lobbying</td>
<td>• Network creation</td>
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<td>Amherst H. Wilder Foundation (1998, 2000)</td>
<td>National</td>
<td>• Publication development on collaboration and alliances</td>
<td>• Consulting interventions</td>
<td>• Symposia</td>
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<td>Center for Excellence in Nonprofits (1999, 2001)</td>
<td>Silicon Valley, CA</td>
<td>• Publication development</td>
<td>• Consulting interventions</td>
<td>• Conference Meetings</td>
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<td>Center for What Works (1999)</td>
<td>National</td>
<td>• Benchmarking database</td>
<td>• Publications</td>
<td>• List-serve creation</td>
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<td>National</td>
<td></td>
<td>• Consulting interventions</td>
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<td>Wisconsin</td>
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<td>• Consulting interventions</td>
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<td>• Publication development</td>
<td>• Outreach</td>
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BUILDING THE CAPACITY OF CAPACITY BUILDERS
JUNE 2003
THE CONSERVATION COMPANY
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<th>KNOWLEDGE DEVELOPMENT STRATEGIES</th>
<th>KNOWLEDGE DELIVERY STRATEGIES</th>
<th>KNOWLEDGE EXCHANGE STRATEGIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>LaPiana Associates</td>
<td>California</td>
<td>• Briefing paper development • Collaboration</td>
<td>• Workshops • Consulting interventions</td>
<td>• Electronic newsletter dissemination • Collaboration • Conferences</td>
</tr>
<tr>
<td>The Management Center</td>
<td>California</td>
<td>• Leadership development • Publications • Feasibility study</td>
<td>• Internet content expansion • Communications campaign</td>
<td>• Internet expansion • Conferences • Expert discussion groups • Regional meetings</td>
</tr>
<tr>
<td>(1999, 2000)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>National Center for Nonprofit Boards/Alliance for Nonprofit Management</td>
<td>National</td>
<td>• Program evaluation • Product development</td>
<td>• Publications • Workshops</td>
<td></td>
</tr>
<tr>
<td>(1998,1999)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonprofit Risk Management Center</td>
<td>National</td>
<td>• Course curricula development • On-line self assessment tool</td>
<td>• Workshops • Courses • Coaching</td>
<td></td>
</tr>
<tr>
<td>(1998,1999)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Npower</td>
<td>National</td>
<td>• Planning effort • Leadership development</td>
<td>• Consulting interventions</td>
<td>• Build and support national affiliates</td>
</tr>
<tr>
<td>(2000)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rockefeller Family Fund, Inc./TechRocks</td>
<td>National</td>
<td>• Leadership development</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1999)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Support Center for Nonprofit Management/CompassPoint</td>
<td>California</td>
<td>• Planning effort • Program evaluation • Leadership development</td>
<td>• Workshops (varied) • Consulting interventions</td>
<td>• Referrals</td>
</tr>
<tr>
<td>Volunteer Consulting Group, Inc.</td>
<td>National</td>
<td></td>
<td>• Internet database</td>
<td>• Internet resource</td>
</tr>
<tr>
<td>(1998)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Western States Center</td>
<td>Western United States</td>
<td>• Collaboration</td>
<td>• Training interventions</td>
<td>• Network creation • Computer database • Collaboration</td>
</tr>
<tr>
<td>(2000)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
APPENDIX C: LIST OF INTERVIEWEES

National Experts

Peter Block – Designed Learning
Jeff Bradach – Bridgespan Group
Bob Burakoff – Harvard Business School
Bruce Byington – Center for Creative Leadership
Kathy Fish – Management Consulting Association
Katherine Fulton – Global Business Network
Paul Light – Brookings Institute
Carol Lukas – Amherst H. Wilder Foundation
Jan Masaoka – CompassPoint
David Renz – University of Missouri – Kansas City
William Ryan – Harvard University Hauser Center
Bob Templin – Venture Philanthropy Partners
Bob Waterman – Waterman Group

National Funders

Jim Canales – Irvine Foundation
Rick Green – David and Lucile Packard Foundation
Maryann Holohean – Eugene and Agnes E. Meyer Foundation
Kim Hsieh – David and Lucile Packard Foundation
Barbara Kibbe – David and Lucile Packard Foundation
Frazierita Klasen – Pew Charitable Trusts
Bob Long – The Kellogg Foundation
Penny McPhee – John S. and James L. Knight Foundation
Michael Park – Robin Hood Foundation
Annemarie Riemer – Hartford Foundation for Public Giving
Gayle Williams – Mary Reynolds Babcock Foundation

Management Support Organizations and Field-Building Organizations

James Abernathy – Environmental Support Center
Mike Allison – CompassPoint
Judith Alnes – MAP for Nonprofits
Peter Berns – Maryland Nonprofits
Karen Bodenhorn – Center for Health Improvement, Inc.
Jennifer Bright – NPW
Marla Cornelius – CompassPoint
Donald Chamberlain – AIDS Housing of Washington
Allison Fine – Innonet
Lauren Goldstein – Cause Effective
Joan Gunzberg – Art and Business Council Inc.
Ronnie Hagerty – United Way of the Texas Gulf Coast
Hedy Helsell – Center for Nonprofit Management – Dallas
Diane Ivers – Institute for Conservation Leadership
Chris Jenkins – Nonprofit Finance Fund
Linda Koch – Accounting Aid Society
Valerie Laedlin – Community Resource Exchange
Peter Lane – Institute for Conservation Leadership
Valerie Lies – Donors Forum of Chicago
Carol Lukas – Amherst H. Wilder Foundation
Nelson Layag – CompassPoint
Amy Coates Madsen – Maryland Nonprofits
Jan Masaoka – CompassPoint
Janice Mathurin – Nonprofit Advancement Center
Mary Kate Mauser – Center for Nonprofit Management – Knoxville
Clara Miller – Nonprofit Finance Fund
Joanna Murray – Trustee Leadership Development, Inc.
Peggy Outon – Bayer Center for Nonprofit Management
Roni Posner – Alliance for Nonprofit Management
Stephen Pratt – Eureka Communities
Jon Pratt – Minnesota Council of Nonprofits
Tricia Rubacky – Maryland Nonprofits
Barbara Rusmore – Institute for Conservation Leadership
Dianne Russell – Institute for Conservation Leadership
Paul Shoemaker – Social Venture Partners
Deborah Strauss – IT Resource Center
James Vaillancourt – Center for Nonprofit Management – Knoxville

Nonprofit Clients of MSOs Featured in Case Profiles

Doug Anderson – St. Luke’s Community House
Deborah Bedwell – Baltimore Clayworks
Janie Day – Second Harvest
Sarah Hodgden – Dogwood Alliance
Barbara McCord – The Coordinating Center
Kim Nichols – African Services Committee
John Manzon Santos – Asian Pacific Islander Wellness Center
Barbara Turk – YWCA of Brooklyn
Amanda Zinn – Women Entrepreneurs of Baltimore

Local Funders

Lois DeBacker – Charles Stewart Mott Foundation
Mark Desmond – United Way of Metro Nashville
Carol Gilbert – Goldseker Foundation of Maryland
John Jensen – George Gund Foundation
Gregory T. Rowe – Pew Charitable Trusts
Sterling Speirn – Peninsula Community Foundation
Elizabeth C. Sullivan – The Kresge Foundation
Donna Stark – Anne E. Casey Foundation
APPENDIX D: BIBLIOGRAPHY

The following publications informed the design and findings of this study.


Sussman, Carl. *Making Change: The Role of Adaptive Capacity in Organizational Effectiveness.* (November 24, 2003 working draft for the Barr Foundation-funded “Transforming Organizations” project.)

APPENDIX E: MANAGEMENT SUPPORT ORGANIZATION SURVEY

The David and Lucile Packard Foundation is conducting an evaluation of its support to management support organizations. The Foundation has contracted with The Conservation Company (TCC) to conduct this evaluation. As a part of this evaluation, the Foundation has asked TCC to conduct a survey of management support organizations (MSO) that are members of the Alliance for Nonprofit Management to gather information on the following: MSO’s organizational background information; MSO’s own organizational capacity building needs, challenges and efforts; perceived capacity building needs, challenges and efforts of the nonprofit sector; and MSO quality with respect to providing capacity building services/programs.

The Conservation Company recognizes that the nonprofit sector has been surveyed many times, often with no real benefit to the respondent. It is our goal to provide results to MSOs completing the survey that will serve to answer questions such as:

- What do MSOs perceive to be the greatest capacity building needs for the nonprofit sector?
- How many nonprofit organizations effectively access and use capacity building resources and services?
- What types of capacity building services do MSOs throughout the country provide, and how? What is the current “quality” of these services and programs?
- What are the key organizational capacities of MSOs themselves that most greatly facilitate the delivery of high quality capacity building programs and services?
- How effectively do MSOs build their own capacity?

These results will be made available to all respondents who provide contact information (TCC will not share contact information with the Packard Foundation). TCC encourages respondents to print out their completed survey before submitting it so they can compare their organization against the aggregate findings.

Individual responses to this survey will be kept confidential (i.e., TCC will only provide the Packard Foundation with aggregate findings, rather than individual responses). This survey should take 20-30 minutes to complete. Of those submitting completed surveys, who provide appropriate contact information (again, this information will be kept confidential), TCC will randomly select one individual to receive a free membership to the Alliance for Nonprofit Management for the next year.

We recognize that this is long survey, and thank you in advance for participating!
Background

1. What is the name of your organization?
   _______________________________________________________________________

2. Where is your organization located?
   City__________________________ State______

3. How best would you describe your position within the organization? (Please check the box that is closest to your actual title/position)
   □ Executive Director
   □ Associate/Deputy Director
   □ Program Director/Manager
   □ Consultant
   □ Trainer
   □ Development Director
   □ Financial Manager

4. What would you consider as your primary service area? (Check only one)
   □ Local □ Regional (Multi-City) □ State □ Regional (Multi-State) □ National □ International

5. What types of nonprofits does your organization serve? (Check all that apply)
   □ Arts and Culture
   □ Economic Development
   □ Community Development
   □ Children, Youth and Families
   □ Multi-service
   □ Education
   □ Health
   □ Advocacy
   □ Legal
   □ Social Services
   □ Religious
   □ Environmental
   □ Other; please specify________________

6. What types of capacity building does your organization provide and how? (Check all that apply for each of the types of organizational capacities)

<table>
<thead>
<tr>
<th>Type of Capacity Building</th>
<th>Referrals</th>
<th>Access to Publications</th>
<th>Website as Info Source</th>
<th>Conduct Research</th>
<th>Convening</th>
<th>Training</th>
<th>Consulting</th>
<th>Don't Provide</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board Development/Governance</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>Evaluation</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>Facilities Planning</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>Financial Management</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>Human Resource Development/Management</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
</tbody>
</table>
### Nonprofit Organizational Capacities

11. Please estimate how many of the nonprofit organizations that you serve are very effective with respect to the following organizational capacities:

<table>
<thead>
<tr>
<th>Nonprofit Organizational Capacities</th>
<th>Very few</th>
<th>Some</th>
<th>Many</th>
<th>Most</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information Technology Systems</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leadership Development</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legal</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operational Management</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizational Assessment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program Development</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Resource Development/Fundraising</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategic Planning</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

7. What is the amount of your organization’s most recent annual operating budget?

$____________________

8. How many professional staff members who provide direct assistance to nonprofits does your organization employ (e.g., who facilitate workshops, trainings, seminars, who provide consultation, etc.)?

Full-time_____ Part-time_____ 

9. To about how many nonprofit organizations does your organization provide workshops, training, consultation, convenings, referrals, and/or peer exchange opportunities each year? ________

10. Approximately what percentage of your organization’s revenue comes from the following sources? (Please ensure that the total percentage equals 100%)

% Private Foundations % Community Foundations % Corporations/Corporate Foundations % Government % Individual Donors % Fees for Service % Other; specify_____________________

Nonprofit Organizational Capacities

11. Please estimate how many of the nonprofit organizations that you serve are very effective with respect to the following organizational capacities:
### Nonprofit Capacity Building Efforts

12. How many of the nonprofit organizations you serve would state the following about their capacity building efforts?

<table>
<thead>
<tr>
<th>The nonprofit organizations we serve:</th>
<th>None</th>
<th>A few</th>
<th>Some</th>
<th>Many</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Have access to an adequate number of experienced and skilled consultants</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Know how to effectively use consultants</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are very effective at appropriately identifying their organizational capacity building needs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Frequently interact with peers for the purposes of learning about effective management and organizational capacity building practices</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### The nonprofit organizations we serve:

<table>
<thead>
<tr>
<th>Frequent take advantage of high-quality training opportunities</th>
<th>None</th>
<th>A few</th>
<th>Some</th>
<th>Many</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Have access to capacity building research, publications and tools</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>Have access to an adequate amount of financial resources that serve to support their capacity building efforts</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
</tbody>
</table>

### MSO Organizational Capacities

13. Please respond to the following questions:

<table>
<thead>
<tr>
<th>Has your organization conducted strategic planning within the past three years?</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Just began</td>
<td>Little progress</td>
<td>Some progress</td>
</tr>
<tr>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>If so, how far along is your organization with implementing the strategic plan?</th>
<th>Never</th>
<th>Very often</th>
</tr>
</thead>
<tbody>
<tr>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>How often do your organization’s leaders (e.g., executive director, board chair) meet with staff to reflect upon the mission and vision?</th>
<th>Monthly</th>
<th>Every other Month</th>
<th>Quarterly</th>
<th>Every Six Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>How often do your organization’s leaders communicate the importance of the mission and vision to other community leaders?</th>
<th>Monthly</th>
<th>Every other Month</th>
<th>Quarterly</th>
<th>Every Six Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>How often does your board meet?</th>
<th>None</th>
<th>Very few</th>
<th>Some</th>
<th>Many</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4+</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Over the past year, how many board meetings did not have a quorum?</th>
<th>None</th>
<th>Very few</th>
<th>Some</th>
<th>Many</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Over the past year, how many of your organization’s board meetings achieved the full completion of the intended agenda?</th>
<th>None</th>
<th>Very few</th>
<th>Some</th>
<th>Many</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Over the past year, how many of your organization’s board meetings included all of the following: policy, operational and programmatic oversight</th>
<th>None</th>
<th>Very few</th>
<th>Some</th>
<th>Many</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>□</td>
<td>□</td>
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<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Within the past two years, has your organization conducted a needs assessment in relation to its programs/services?</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>□</td>
<td>□</td>
<td></td>
</tr>
</tbody>
</table>
Within the past six months, has your organization conducted a "client satisfaction" survey?  

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
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</tbody>
</table>

If so, on the whole, how satisfied were clients with your services?  

<table>
<thead>
<tr>
<th>Not at all</th>
<th>Slightly</th>
<th>Somewhat</th>
<th>Mostly</th>
<th>Very</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
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<td></td>
<td></td>
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</tbody>
</table>

Within the past year, did your organization conduct an evaluation of its programs and services?  

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If so, what types of data did you gather?  

<table>
<thead>
<tr>
<th>Number of service units</th>
<th>Quality of service</th>
<th>Individual recipient outcomes</th>
<th>Organizational outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
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</tbody>
</table>

How many other nonprofit organizations has your organization collaborated/partnered with over the past year?  

<table>
<thead>
<tr>
<th>0</th>
<th>1-2</th>
<th>3-4</th>
<th>5-6</th>
<th>7+</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

In what ways has your organization partnered with other organizations? (Check all that apply)  

<table>
<thead>
<tr>
<th>Not at all</th>
<th>To share info and knowledge</th>
<th>To share resources ($and/or time)</th>
<th>To provide joint programs</th>
<th>To combine organizational capacities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Has your organization developed a resource development (fundraising) plan within the past two years?  

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

As a result, how many additional funds, in relation to your organizational budget, has your organization secured in the past year?  

<table>
<thead>
<tr>
<th>An additional:</th>
<th>0%</th>
<th>1-15%</th>
<th>15-30%</th>
<th>30-50%</th>
<th>&gt;50%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

How many additional funding sources (not including individual donors) has your organization secured in the past year?  

<table>
<thead>
<tr>
<th>0</th>
<th>1-2</th>
<th>3-4</th>
<th>5-6</th>
<th>7+</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Has your organization developed and/or revised its financial management system within the past three years?  

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

How would you rate how well your organization uses technology to support organizational operations, management and programming?  

<table>
<thead>
<tr>
<th>Poor</th>
<th>Needs Improvement</th>
<th>Satisfactory</th>
<th>Above average</th>
<th>Excellent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**MSOs’ Own Capacity Building Efforts**
14. How would you respond to the following questions about your organization’s efforts to build its own capacity?

<table>
<thead>
<tr>
<th>Question</th>
<th>0</th>
<th>1-3</th>
<th>4-6</th>
<th>7-9</th>
<th>10+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over the past year, how many consultants has your organization contracted with to improve its own capacities (e.g., strategic planning consultant, evaluation consultant, resource development consultant, etc.)?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Did the plans and strategies that these consultants facilitated get fully implemented?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within the past year, did your organization conduct a formal assessment of its capacity building needs?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Over the past year, how many opportunities have you had to meet with other leaders in your field (i.e., other MSO and/or capacity building leaders) to share about your management challenges?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On average, how many professional training opportunities have each of your professional staff had over the past year?</td>
<td>0</td>
<td>1</td>
<td>2-3</td>
<td>4-5</td>
<td>6+</td>
</tr>
<tr>
<td>On average, what percentage of each of your professional staff’s time gets spent on researching and reviewing reports and other materials that help them develop their skills as capacity builders?</td>
<td>0-5%</td>
<td>5-10%</td>
<td>10-15%</td>
<td>15-20%</td>
<td>20%+</td>
</tr>
<tr>
<td>What is your best estimate for the balance of time that your organization spends on providing services/programs, managing the organization, and improving organizational capacities (please ensure that the percentages you provide add up to 100%)</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>What percentage of your organizational budget gets allocated to your own “capacity building” efforts?</td>
<td>0%</td>
<td>1-10%</td>
<td>10-15%</td>
<td>15-20%</td>
<td>20%+</td>
</tr>
</tbody>
</table>

15. Please respond to the following questions:
### How often are the workshops, seminars and/or training that your organization provide: (Skip these statements if your organization does not provide this service)

<table>
<thead>
<tr>
<th>Feature</th>
<th>Never</th>
<th>Seldom</th>
<th>Sometimes</th>
<th>Frequently</th>
<th>Always</th>
</tr>
</thead>
<tbody>
<tr>
<td>Led/facilitated by individuals that have at least three years of experience as capacity builders?</td>
<td>🔡</td>
<td>🔡</td>
<td>🔡</td>
<td>🔡</td>
<td>🔡</td>
</tr>
<tr>
<td>Include a formalized and written curriculum, and associated handouts, worksheets, resources, and tools</td>
<td>🔡</td>
<td>🔡</td>
<td>🔡</td>
<td>🔡</td>
<td>🔡</td>
</tr>
<tr>
<td>Include role-play activities?</td>
<td>🔡</td>
<td>🔡</td>
<td>🔡</td>
<td>🔡</td>
<td>🔡</td>
</tr>
<tr>
<td>Provide time for general peer sharing and networking?</td>
<td>🔡</td>
<td>🔡</td>
<td>🔡</td>
<td>🔡</td>
<td>🔡</td>
</tr>
<tr>
<td>Include some distance learning opportunities (e.g., online training)?</td>
<td>🔡</td>
<td>🔡</td>
<td>🔡</td>
<td>🔡</td>
<td>🔡</td>
</tr>
<tr>
<td>Include follow-up interventions/opportunities for participants (e.g., consultation, other convenings, peer exchanges, inclusion in a peer learning network, etc.)?</td>
<td>🔡</td>
<td>🔡</td>
<td>🔡</td>
<td>🔡</td>
<td>🔡</td>
</tr>
</tbody>
</table>

### Through your organization’s referral services, how often: (Skip these statements if your organization does not provide this service)

<table>
<thead>
<tr>
<th>Feature</th>
<th>Never</th>
<th>Seldom</th>
<th>Sometimes</th>
<th>Frequently</th>
<th>Always</th>
</tr>
</thead>
<tbody>
<tr>
<td>Are referrals made to workshops, seminars or trainings that are not provided by your organization?</td>
<td>🔡</td>
<td>🔡</td>
<td>🔡</td>
<td>🔡</td>
<td>🔡</td>
</tr>
<tr>
<td>Are individuals and organizations that engage in your other services made aware of your referral services?</td>
<td>🔡</td>
<td>🔡</td>
<td>🔡</td>
<td>🔡</td>
<td>🔡</td>
</tr>
<tr>
<td>Do individuals get directed to web sites?</td>
<td>🔡</td>
<td>🔡</td>
<td>🔡</td>
<td>🔡</td>
<td>🔡</td>
</tr>
<tr>
<td>Do individuals get directed to research publications and other written materials?</td>
<td>🔡</td>
<td>🔡</td>
<td>🔡</td>
<td>🔡</td>
<td>🔡</td>
</tr>
<tr>
<td>Are individuals referred to competent and experienced consultants?</td>
<td>🔡</td>
<td>🔡</td>
<td>🔡</td>
<td>🔡</td>
<td>🔡</td>
</tr>
<tr>
<td>Is follow-up provided to determine if the individual requesting a referral accessed the resource?</td>
<td>🔡</td>
<td>🔡</td>
<td>🔡</td>
<td>🔡</td>
<td>🔡</td>
</tr>
<tr>
<td>Do your staff access the resource first, and bring the resource to the individual making the request (e.g., gathering and sending a publication, formally introducing a consultant to a nonprofit, etc.)?</td>
<td>🔡</td>
<td>🔡</td>
<td>🔡</td>
<td>🔡</td>
<td>🔡</td>
</tr>
</tbody>
</table>

### How often do your organization’s convening services: (Skip these statements if your organization does not provide this service)

<table>
<thead>
<tr>
<th>Feature</th>
<th>Never</th>
<th>Seldom</th>
<th>Sometimes</th>
<th>Frequently</th>
<th>Always</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offer formal opportunities for nonprofit leaders in the community to learn from one another?</td>
<td>🔡</td>
<td>🔡</td>
<td>🔡</td>
<td>🔡</td>
<td>🔡</td>
</tr>
<tr>
<td>Include providing space, coordination and facilitation assistance to nonprofit leaders to organize joint efforts and collectively set agendas related to service and/or advocacy needs in their field, sector and/or community?</td>
<td>🔡</td>
<td>🔡</td>
<td>🔡</td>
<td>🔡</td>
<td>🔡</td>
</tr>
<tr>
<td>Include providing conference planning assistance and space?</td>
<td>🔡</td>
<td>🔡</td>
<td>🔡</td>
<td>🔡</td>
<td>🔡</td>
</tr>
</tbody>
</table>
**How often do your organization’s research activities:** (Skip these statements if your organization does not provide this service)

<table>
<thead>
<tr>
<th></th>
<th>Never</th>
<th>Seldom</th>
<th>Sometimes</th>
<th>Frequently</th>
<th>Always</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focus specifically on understanding the relationship between different capacity building interventions and programmatic, organizational, and/or community-level outcomes?</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Engage and collaborate with highly experienced (substantively) and respected researchers in the field?</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Start by first gathering and reviewing the current research on the given topic?</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Lead to the development of practical “tools” and “techniques” for improving capacity building interventions with the nonprofit sector?</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Engage all relevant stakeholders in the development of the research questions?</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Result in “field-wide” dissemination of findings?</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

**How often does your organization’s consulting activities:** (Skip these statements if your organization does not provide this service)

<table>
<thead>
<tr>
<th></th>
<th>Never</th>
<th>Seldom</th>
<th>Sometimes</th>
<th>Frequently</th>
<th>Always</th>
</tr>
</thead>
<tbody>
<tr>
<td>Include a clear and effective contracting process that defines the responsibilities, scope of work, budget <strong>and</strong> timeline?</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Use consultants that have at least three years of experience in conducting organizational assessments?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Use consultants that have at least three years of experience with providing all of your capacity building services (e.g., strategic planning, evaluation, board development, etc.)?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Include collaborating with <strong>all</strong> key organizational stakeholders?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Include formally identifying, getting stakeholder agreement on, <strong>and</strong> documenting the desired strategies and goals of the engagement?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Include developing measures of success up front, as well as a clear process and approach for assessing success?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Incorporate formal processes for getting ongoing feedback from the client (about the consulting engagement)?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provide <strong>new</strong> solutions or methods to the client?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discuss, come to agreement on and ensure confidentiality issues?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Work with clients to select capacity building projects that will have a high probability of success?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provide individualized training/skill development to key organizational staff members that will help to sustain the work beyond the consulting engagement?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Engage all senior-level organizational staff? □ □ □ □ □ □

**How often does your organization:** (Skip these statements if your organization does not provide access to publications and other materials)

<table>
<thead>
<tr>
<th>Activity</th>
<th>Never</th>
<th>Seldom</th>
<th>Sometimes</th>
<th>Frequently</th>
<th>Always</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research, identify and gather/purchase research reports, books, materials?</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>Update a resource library that is accessible to all of the nonprofit organizations you serve?</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>Publicize/communicate your publications and materials to all of your constituents?</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>Gather, review and provide “how-to” guides related to all types of capacity building activities?</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>Gather, review and provide capacity building “tools” related to all types of capacity building activities (e.g., organizational self-assessment tools, checklists, evaluation tools, etc.)?</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>Provide publications and other materials at “no cost”?</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
</tbody>
</table>

**How often do your organization’s peer exchange services:** (Skip these statements if your organization does not provide this service)

<table>
<thead>
<tr>
<th>Activity</th>
<th>Never</th>
<th>Seldom</th>
<th>Sometimes</th>
<th>Frequently</th>
<th>Always</th>
</tr>
</thead>
<tbody>
<tr>
<td>Include planning and facilitating “round table” discussions, “case study groups,” and/or “learning circles”?</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>Get planned and implemented by facilitators with at least two years experience with facilitating peer exchange processes?</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>Begin with introductions and laying out or reminding everyone of the ground rules with respect to confidentiality and the communication/sharing process?</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>Actually provide time for informal sharing and networking?</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>Engage the same group of individuals, with the same facilitator, on an ongoing basis (e.g., every month, quarterly, etc.)?</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>Ask participants to complete a “satisfaction survey” or participate in some other type of formal assessment of the peer exchange process?</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
</tbody>
</table>

**Effective MSOs**

16. Besides your own organization, please provide the names of three other Management Support Organizations (local, regional and/or national) that you believe are most “effective” and/or “innovative” with respect to providing capacity building services to the nonprofit sector:

1) Name of organization: __________________________________________
Location of organization: City_________________________ State_______

2) Name of organization:____________________________________________
   Location of organization: City_________________________ State_______

3) Name of organization:____________________________________________
   Location of organization: City_________________________ State_______

**Contact Information**

17. If you would like to receive the results from this survey and be entered into a drawing for a free one-year membership to the Alliance for Nonprofit Management, please provide your contact information:

   Name: ________________________________________
   Address:  ________________________________________
             ________________________________________
             ________________________________________
   Phone:  (___)___-____________________
   E-mail: ____________________________

   **Thank You!!!**
APPENDIX F: MSO SURVEY RESULTS

Q2 chart:

Fifty percent of MSOs responding are located in the Midwest and Southwest.


Q3 chart:

Almost 2/3 of respondents are executive directors; close to 1/4 are program directors.

Q4 chart:

Three out of five MSOs operate locally or regionally (multi-city).

Q5 chart:

A large majority of MSOs provide services to organizations in a variety of sub-sectors.

Q6a chart:
A large majority of MSOs provide the following basic capacity building services: strategic planning, board development, organizational assessment, resource development, and leadership development. They are less likely to provide more specialized assistance, such as legal services or facilities planning.

Approximately half of all MSOs provide consulting, training, and convening for board development, leadership development, and resource development/fundraising. Less than half of MSOs provide consulting, training, and convening for all other types of capacity building services.

Q6b chart:

Almost all MSOs offer consulting, training and referrals to their clients.
### Q6 Supplemental Charts/Graphs (pp 3-9):

<table>
<thead>
<tr>
<th>Service Category</th>
<th>Consulting</th>
<th>Training</th>
<th>Referrals</th>
<th>Publications</th>
<th>Peer Exchange</th>
<th>Convening</th>
<th>Website</th>
<th>Research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board Development</td>
<td>88%</td>
<td>85%</td>
<td>70%</td>
<td>70%</td>
<td>51%</td>
<td>60%</td>
<td>49%</td>
<td>27%</td>
</tr>
<tr>
<td>Evaluation</td>
<td>64%</td>
<td>61%</td>
<td>58%</td>
<td>56%</td>
<td>37%</td>
<td>27%</td>
<td>20%</td>
<td>25%</td>
</tr>
<tr>
<td>Facilities Planning</td>
<td>32%</td>
<td>20%</td>
<td>40%</td>
<td>23%</td>
<td>15%</td>
<td>14%</td>
<td>4%</td>
<td>6%</td>
</tr>
<tr>
<td>Financial Management</td>
<td>68%</td>
<td>72%</td>
<td>69%</td>
<td>67%</td>
<td>45%</td>
<td>31%</td>
<td>28%</td>
<td>19%</td>
</tr>
<tr>
<td>HR Development</td>
<td>66%</td>
<td>73%</td>
<td>63%</td>
<td>63%</td>
<td>48%</td>
<td>35%</td>
<td>32%</td>
<td>20%</td>
</tr>
<tr>
<td>Information Technology</td>
<td>48%</td>
<td>51%</td>
<td>63%</td>
<td>51%</td>
<td>36%</td>
<td>29%</td>
<td>35%</td>
<td>23%</td>
</tr>
<tr>
<td>Leadership Development</td>
<td>67%</td>
<td>79%</td>
<td>59%</td>
<td>66%</td>
<td>61%</td>
<td>58%</td>
<td>37%</td>
<td>23%</td>
</tr>
<tr>
<td>Legal</td>
<td>25%</td>
<td>40%</td>
<td>59%</td>
<td>46%</td>
<td>13%</td>
<td>10%</td>
<td>14%</td>
<td>4%</td>
</tr>
<tr>
<td>Marketing</td>
<td>65%</td>
<td>66%</td>
<td>56%</td>
<td>57%</td>
<td>43%</td>
<td>24%</td>
<td>27%</td>
<td>14%</td>
</tr>
<tr>
<td>Operational Management</td>
<td>76%</td>
<td>66%</td>
<td>57%</td>
<td>56%</td>
<td>47%</td>
<td>33%</td>
<td>29%</td>
<td>16%</td>
</tr>
<tr>
<td>Organizational Assessment</td>
<td>75%</td>
<td>57%</td>
<td>60%</td>
<td>58%</td>
<td>37%</td>
<td>31%</td>
<td>28%</td>
<td>23%</td>
</tr>
<tr>
<td>Program Development</td>
<td>65%</td>
<td>61%</td>
<td>52%</td>
<td>52%</td>
<td>45%</td>
<td>33%</td>
<td>28%</td>
<td>13%</td>
</tr>
<tr>
<td>Resource Development/Fundraising</td>
<td>73%</td>
<td>73%</td>
<td>72%</td>
<td>67%</td>
<td>56%</td>
<td>44%</td>
<td>40%</td>
<td>21%</td>
</tr>
<tr>
<td>Strategic Planning</td>
<td>82%</td>
<td>76%</td>
<td>60%</td>
<td>70%</td>
<td>42%</td>
<td>42%</td>
<td>34%</td>
<td>21%</td>
</tr>
</tbody>
</table>

#### % Providing Board Development through:

![Bar Graph](attachment:image_url)
% Providing Human Resource Development through:

- Consulting: 66%
- Training: 73%
- Referrals: 63%
- Publications: 63%
- Peer Exchange: 48%
- Convening: 35%
- Website: 32%
- Research: 20%

% Providing Information Technology through:

- Consulting: 48%
- Training: 51%
- Referrals: 63%
- Publications: 51%
- Peer Exchange: 36%
- Convening: 29%
- Website: 35%
- Research: 23%
% Providing Leadership Development through:

- Consulting: 67%
- Training: 79%
- Referrals: 59%
- Publications: 66%
- Peer Exchange: 61%
- Convening: 58%
- Website: 37%
- Research: 23%

% Providing Legal Assistance through:

- Consulting: 25%
- Training: 40%
- Referrals: 46%
- Publications: 13%
- Peer Exchange: 10%
- Convening: 14%
- Website: 4%
- Research: 0%

59%
% Providing Organizational Assessment through:

- Consulting: 75%
- Training: 57%
- Referrals: 60%
- Publications: 58%
- Peer Exchange: 37%
- Convening: 31%
- Website: 28%
- Research: 23%

% Providing Program Development through:

- Consulting: 65%
- Training: 61%
- Referrals: 52%
- Publications: 52%
- Peer Exchange: 45%
- Convening: 33%
- Website: 28%
- Research: 13%
% Providing Resource Development/Fundraising through:

Consulting: 73%
Training: 73%
Referrals: 72%
Publications: 67%
Peer Exchange: 56%
Convening: 44%
Website: 40%
Research: 21%

% Providing Strategic Planning through:

Consulting: 82%
Training: 76%
Referrals: 60%
Publications: 70%
Peer Exchange: 42%
Convening: 42%
Website: 34%
Research: 21%
Q7 chart:

Two in 5 MSOs have budgets less than $500,000; half operate with budgets between $500,000 and $2 million, while 1 in 10 have budgets of over $2 million.

Question 8 & 9: Staff & Clients

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full-time</td>
<td>6.7</td>
<td>4</td>
</tr>
<tr>
<td>Part-time</td>
<td>13.3</td>
<td>2</td>
</tr>
<tr>
<td>Number of Clients</td>
<td>879.6</td>
<td>250</td>
</tr>
</tbody>
</table>

The typical MSO has 4 full-time and 2 part-time staff to support 250 clients.

Question 10: Revenue Sources

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Foundations</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>Corporations</td>
<td>11%</td>
<td>8%</td>
</tr>
<tr>
<td>Individuals</td>
<td>11%</td>
<td>5%</td>
</tr>
<tr>
<td>Other</td>
<td>17%</td>
<td>9%</td>
</tr>
<tr>
<td>Government</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>Fees for Service</td>
<td>32%</td>
<td>26%</td>
</tr>
<tr>
<td>Private Foundations</td>
<td>37%</td>
<td>30%</td>
</tr>
</tbody>
</table>

MSOs primarily rely on private foundations and fee-for-service to generate income; they are least likely to receive income from community foundations, corporations, or individuals.
MSOs felt that many nonprofits effectively implemented high quality programs, possessed strong leaders and financial management, and had strategies aligned with their missions. MSOs believe that a majority of nonprofits are not strong with respect to all other organizational capacities.

### Q11 chart:

**Nonprofit Organizational Capacities**

- High quality programs: 3.0
- Strong leader: 3.0
- Align strategies with mission: 2.7
- Strong financial management: 2.9
- Strong human resource development: 2.4
- Strong operations: 2.4
- Effective partnering: 2.2
- Ongoing community needs assessments: 2.2
- Effective use of technology: 2.1
- Strong revenue base: 2.1
- Strong board: 2.1
- Effective planning: 2.1
- Effective resource development plan: 2.0
- Outcome-based program evaluations: 1.9
- Evaluation serves planning: 1.8

Scale: 1 = Very few 2 = Some 3 = Many 4 = Most 5 = All

### Q12 chart:

**Nonprofit Capacity Building Efforts**

- Access consultants: 2.0
- Opportunity to participate in quality training: 1.9
- Access to peer exchange: 1.9
- Access to research, publications, & tools: 1.7
- Identify capacity building needs: 1.7
- Know how to use consultants: 1.6
- Adequate resources for capacity building: 1.2

Scale: 0 = None 1 = Very few 2 = Some 3 = Many 4 = All
MSOs believe that some of the nonprofits they serve are able to access consultants, have opportunities to participate in quality training, and have access to peer exchanges. Additionally, MSOs believe that very few nonprofits have adequate resources for capacity building.

<table>
<thead>
<tr>
<th>Question 13: MSO Organizational Capacities</th>
<th>Answer</th>
<th>Mean</th>
<th>Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategic Planning</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recent strategic plan</td>
<td>Yes</td>
<td>0.9</td>
<td>0 (No) to 1 (Yes)</td>
</tr>
<tr>
<td>Progress on strategic plan</td>
<td>Much progress</td>
<td>3.5</td>
<td>1 (Just began) 2 (Little progress) 3 (Some progress) 4 (Much progress) 5 (Almost completed)</td>
</tr>
<tr>
<td><strong>Board</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board meetings</td>
<td>Every other month</td>
<td>2.3</td>
<td>1 (Monthly) 2 (Every other month) 3 (Quarterly) 4 (Every six months)</td>
</tr>
<tr>
<td>Meetings with no board quorum</td>
<td>0</td>
<td>0.4</td>
<td>0, 1, 2, 3, or 4+</td>
</tr>
<tr>
<td><strong>Client Needs/Satisfaction</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recent client needs assessment</td>
<td>6-12 months ago</td>
<td>2.2</td>
<td>0 (Never) 1 (W/in past 6 months) 2 (6-12 months) 3 (12-18 months) 4 (18-24 months) 5 (More than 2 years ago)</td>
</tr>
<tr>
<td>Recent client satisfaction survey</td>
<td>6-12 months ago</td>
<td>1.8</td>
<td>0 (Never) 1 (W/in past 6 months) 2 (6-12 months) 3 (12-18 months) 4 (18-24 months) 5 (More than 2 years ago)</td>
</tr>
<tr>
<td>Client satisfaction rating</td>
<td>Very</td>
<td>3.6</td>
<td>0 (Not at all) 1 (Slightly) 2 (Somewhat) 3 (Mostly) 4 (Very)</td>
</tr>
<tr>
<td>Recent program/service evaluation</td>
<td>6-12 months ago</td>
<td>2.1</td>
<td>0 (Never) 1 (W/in past 6 months) 2 (6-12 months) 3 (12-18 months) 4 (18-24 months) 5 (More than 2 years ago)</td>
</tr>
<tr>
<td><strong>Funding Resources</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recent resource development plan</td>
<td>Within past 6 months</td>
<td>1.3</td>
<td>0 (Never) 1 (W/in past 6 months) 2 (6-12 months) 3 (12-18 months) 4 (18-24 months) 5 (More than 2 years ago)</td>
</tr>
<tr>
<td>Additional new funding sources</td>
<td>3 to 4</td>
<td>2.1</td>
<td>0 (0 sources) 1 (1-2) 2 (3-4) 3 (5-6) 4 (7+ resources)</td>
</tr>
<tr>
<td><strong>Technology</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall technology rating</td>
<td>Satisfactory</td>
<td>3.4</td>
<td>1 (Poor) 2 (Needs improvement) 3 (Satisfactory) 4 (Above average) 5 (Excellent)</td>
</tr>
</tbody>
</table>

MSOs report that their own organizational capacity is relatively solid: they have recently conducted strategic planning, client needs/satisfaction surveys and internal evaluations; their boards meet regularly; clients tend to be very satisfied with their services; their funding bases are somewhat diversified; and their technological capacities are satisfactory.
### Question 14: MSOs' Own Capacity Building Efforts

<table>
<thead>
<tr>
<th>Projects to Improve Own Capacity</th>
<th>Answer</th>
<th>Mean</th>
<th>Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of projects to improve own capacity (using a consultant)</td>
<td>1 to 3</td>
<td>1.4</td>
<td>(0 projects) 1 (1-3) 2 (4-6) 3 (7-9) 4 (10+)</td>
</tr>
<tr>
<td>Progress on these capacity building projects (in relation to completion)</td>
<td>Mostly</td>
<td>1.9</td>
<td>0 (Not at all) 1 (Somewhat) 2 (Mostly) 3 (Completely)</td>
</tr>
</tbody>
</table>

#### Capacity Building Assessment

<table>
<thead>
<tr>
<th>Recent own capacity building assessment</th>
<th>Partially</th>
<th>Mean</th>
<th>Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>0.9</td>
<td>0 (No) 1 (Partially) 2 (Yes)</td>
</tr>
</tbody>
</table>

#### Leader Peer Exchange

<table>
<thead>
<tr>
<th>Number opportunities for leader peer exchange</th>
<th>Mean</th>
<th>Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 to 6</td>
<td>1.8</td>
<td>(0 opportunities) 1 (1-3) 2 (4-6) 3 (7-9) 4 (10+)</td>
</tr>
</tbody>
</table>

#### Professional Development

<table>
<thead>
<tr>
<th>Number professional training opportunities per staff member</th>
<th>Mean</th>
<th>Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 to 3</td>
<td>2</td>
<td>(0 opportunities) 1 (1) 2 (2-3) 3 (4-5) 4 (6+)</td>
</tr>
<tr>
<td>Hours per month on professional development</td>
<td>Mean</td>
<td>Scale</td>
</tr>
<tr>
<td>5 to 8</td>
<td>1.7</td>
<td>(0 hours) 1 (1-4) 2 (5-8) 3 (9-12) 4 (13-16) 5 (17+)</td>
</tr>
</tbody>
</table>

#### Budget

<table>
<thead>
<tr>
<th>Percent of budget on own capacity building</th>
<th>Mean</th>
<th>Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 to 10%</td>
<td>1.4</td>
<td>(0%) 1 (1-10%) 2 (10-20%) 3 (20-30%) 4 (30-40%) 5 (40-50%) 6 (50%)</td>
</tr>
</tbody>
</table>

MSOs spend on average between one and 10 percent of their organizational budget on their own capacity building efforts. MSOs on average undertake between one and three consultant-led capacity building activities/efforts each year. Professional staff members of MSOs typically have between two and three formal professional development opportunities per year, and spend between five and eight hours per month on informal professional development opportunities (e.g., reading recent research related to providing capacity building services).
Q15a chart:

In workshops and trainings, MSOs are most likely to offer a formal curriculum and facilitation by an experienced capacity builder.

Q15b chart:

MSOs conduct a review of current research as their primary research activity about 3/4 of the time, but their research is disseminated in the field less than half of the time.
Q15c chart:

MSO Services: Referrals

<table>
<thead>
<tr>
<th>% of MSO referrals that:</th>
<th>Mean %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refer clients to research publications</td>
<td>73%</td>
</tr>
<tr>
<td>Refer clients to own website</td>
<td>72%</td>
</tr>
<tr>
<td>Clients using other services are aware of own referral services</td>
<td>68%</td>
</tr>
<tr>
<td>Refer clients to consultants</td>
<td>63%</td>
</tr>
<tr>
<td>Do not provide referrals to services</td>
<td>63%</td>
</tr>
<tr>
<td>Follow-up after referral</td>
<td>35%</td>
</tr>
</tbody>
</table>

Mean %: Scale: 0% = Never 100% = Always

MSOs are most likely to refer clients to publications (more than 7 out of 10 times), but for only about a third of the time do they follow up on their referrals.

Q15d chart:

MSO Services: Consulting Activities

<table>
<thead>
<tr>
<th>% of MSO consulting activities that:</th>
<th>Mean %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use experienced consultants</td>
<td>88%</td>
</tr>
<tr>
<td>Get stakeholder agreement on engagement</td>
<td>87%</td>
</tr>
<tr>
<td>Agree on confidentiality issues</td>
<td>85%</td>
</tr>
<tr>
<td>Effective contracting process</td>
<td>85%</td>
</tr>
<tr>
<td>Select successful capacity building projects</td>
<td>77%</td>
</tr>
<tr>
<td>Include formal process for feedback</td>
<td>70%</td>
</tr>
<tr>
<td>Offer training to sustain work</td>
<td>68%</td>
</tr>
<tr>
<td>Engage all senior level staff</td>
<td>63%</td>
</tr>
<tr>
<td>Include clear goal of success</td>
<td>62%</td>
</tr>
</tbody>
</table>

Mean %: Scale: 0% = Never 100% = Always
In their consultancies, MSOs use seasoned consultants, get "buy in" from stakeholders, agree on confidentiality issues, and implement effective contracting processes. Less than 2/3, however, engage all senior level staff or include clear goals of success.

Q15e chart:

Over 3/4 of the time, MSOs provide a range of capacity building tools for their clients; about 2/3 of the time, they provide “how to” guides and update their resource libraries for their clients.

Q15f chart:
In peer exchange activities, MSOs tend to be sensitive to the needs of the participants by allowing for informal networking, framing participants' experience with ground rules, monitoring participants' satisfaction through surveying, and using competent facilitators. However, only half of peer exchange processes engage the same group and facilitator regularly.

**Quantitative inferential findings regarding the quality of capacity building services:**

Organizational background characteristics in relation to quality of services: Overall, as MSOs generate more revenues from fees, they are more likely to perceive the quality of their services as high.

- The perceived quality of the training, workshops and seminars offered by an MSO was most highly and positively correlated with how much revenue the MSO generated through fees; the higher the percentage of revenues generated through fees, the higher the perceived quality of their training. This finding is true controlling for the number of services provided, the number of full-time employees, the size of the organizational budget, and the number of clients served (none of which are correlated with the perceived quality of the training).
- There were no significant correlations between background and the quality of referral services.
- The perceived quality of research activities was most highly and positively correlated with the number of full-time employees and how much revenue the MSO generated through fees for service; the higher the number of full-time employees and percentage of revenues generated from fees, the higher the perceived quality of research. This finding is true controlling for the number of services provided, the size of the organizational budget, and the number of clients served (none of which are correlated with the perceived quality of the training).
- The perceived quality of the consulting services offered by an MSO was most highly and positively correlated with how much revenue the MSO generated through fees; the higher the percentage of revenues generated through fees, the higher the perceived quality of the consulting. This finding is true controlling for the number of services provided, the number of full-time employees, the size of the organizational budget, and the number of clients served (none of which are correlated with the perceived quality of the training).
- There were no significant correlations between background and the quality of publications.
- There were no significant correlations between background and the quality of peer exchange services.

Organizational capacities in relation to quality of services: Overall, when an organization secures many sources of funding, the perceived quality of referrals is high. Additionally, when an MSO conducts a client satisfaction survey, they perceived quality of their consulting and publication services is high; this is probably not a cause and effect relationship but an MSO having better data for judging quality.
There was no significant correlation between strategic planning progress, frequency of board meetings, conducting a client needs assessment, conducting a client satisfaction survey, recent evaluation, recent resource development plan, additional funding sources, or the use of technology and perceived quality of training.

The greater the number of additional funding sources secured over the past year, the greater the perceived quality of referral services; this finding is true controlling for all other organizational capacities (refer to the prior bullet point).

There was no significant correlation between strategic planning progress, frequency of board meetings, conducting a client needs assessment, conducting a client satisfaction survey, recent evaluation, recent resource development plan, additional funding sources, or the use of technology and perceived quality of research.

The more recent that an organization has conducted a client satisfaction survey, the greater the perceived quality of consulting services; this finding is true controlling for all other organizational capacities.

The more recently an organization has conducted a client satisfaction survey, the greater the perceived quality of publications and access to resources; this finding is true controlling for all other organizational capacities.

There was no significant correlation between strategic planning progress, frequency of board meetings, conducting a client needs assessment, conducting a client satisfaction survey, recent evaluation, recent resource development plan, additional funding sources, or the use of technology and perceived quality of peer exchange services.

MSO’s own capacity building efforts in relation to quality of services: Overall, the time that professional staff spend on keeping up on the current literature on capacity building, the higher the perceived quality of services. Additionally, MSOs that conduct internal organizational assessments perceive the quality of their training/workshops and consulting to be high.

If an organization conducts an internal organizational assessment and a typical professional staff member spends more time on keeping up with the current literature, the perceived quality of trainings and workshops improves. This is controlling for all other capacity building efforts.

When a typical professional staff member spends more time on keeping up with the current literature and there are many professional development (training) opportunities provided to staff, the perceived quality of referrals increases. This is controlling for all other capacity building efforts.

When a typical professional staff member spends more time on keeping up with the current literature, the perceived quality of research improves. This is controlling for all other capacity building efforts.

If an organization conducts an internal organizational assessment, the perceived quality of consulting services is high. This is controlling for all other capacity building efforts.
There are no significant correlations between MSO capacity building efforts and the perceived quality of publications accessible to clients.

When a typical professional staff member spends more time on keeping up with the current literature, the perceived quality of peer exchange services improves. This is controlling for all other capacity building efforts.

How does the quality of one type of capacity building service correlate with the other capacity building services? Overall, it seems that when an MSO conducts high quality research, their workshops, referrals, consulting, publications, and peer exchange services are of higher quality.

Workshops and training are significantly and highly correlated with (in order):
  - Research
  - Referrals

Referrals are significantly and highly correlated with (in order):
  - Workshops
  - Research

Research is significantly and highly correlated with (in order):
  - Workshops
  - Referrals
  - Publications
  - Consulting
  - Peer exchanges

Consulting is significantly and highly correlated with (in order):
  - Peer exchanges
  - Research

Publications are significantly and highly correlated with (in order):
  - Research
  - Peer exchanges

Peer exchanges are significantly and highly correlated with (in order):
  - Consulting
  - Publications
  - Research
APPENDIX G: CASE PROFILES OF FOUR MSOS

CompassPoint:

Knowledgeable Staff Equals Power

MSO Name: CompassPoint
Director/Main Contact: Jan Masaoka, Executive Director
Year Established: 1975
Locations: San Francisco and Silicon Valley
# of Full-Time Equivalent Staff: 41
Annual operating budget: $5.1 Million (fiscal end 12/31/02)
Primary geographic scope of service (i.e. state, regional, national): Regional (San Francisco Bay Area and Silicon Valley) and national
Core assistance services provided: Consulting and research in five areas (finance, strategic planning, managing people, information technology, and executive transitions), workshops and trainings, conferences, skill building opportunities for consultants, online courses, and other online resources.
Publications, tools, studies of note: Board Café (www.boardcafe.org), an electronic newsletter for nonprofit boards; Nonprofit Genie (www.genie.org), a website that co-locates numerous sources of information related to nonprofit management and capacity building; and numerous research studies on issues of concern to nonprofit leaders and managers, including On The Rise: A Profile of Women of Color in Leadership (November 2002) and Help Wanted: Turnover and Vacancy in Nonprofits (January 2002).
URL: www.compasspoint.org

Background, Approach and Strategies

Founded in 1975, CompassPoint is a self-described “training, consulting, and research organization” serving nonprofits in the San Francisco Bay Area, Silicon Valley, and nationally. CompassPoint has two offices, in San Francisco and in Silicon Valley, and is the largest independent provider of technical assistance to nonprofits. Its mission is to increase the effectiveness and impact of people working and volunteering in the nonprofit sector.

CompassPoint is committed to helping its clients, as critical agents of innovation and social change, to improve their capacities to achieve their missions and serve their
communities. To this end, the organization provides a comprehensive range of services on numerous areas related to nonprofit management and leadership:

- The Consulting and Research Group, which has five areas of practice—finance, strategic planning, managing people, information technology, and executive transitions. CompassPoint serves over 300 client organizations each year through its consulting services, and shares the lessons learned from its work with clients by developing research reports that are disseminated nationally.
- Workshops on a broad range of management and leadership issues that are provided in four local communities—San Francisco, San Jose, Peninsula, and East Bay.
- Conferences focused on issues and concerns of Bay Area and Silicon Valley Area nonprofit organizations;
- E-Learning, a series of online learning courses;
- Technology consulting;
- The Institute for Nonprofit Consulting, a three-day series focused on skill development and networking for consultants;
- Contract training for entire organizations on topics such as computer applications, management, and financial management.
- On-line resources such as Board Café, a monthly e-newsletter for nonprofit boards of directors.

Factors Contributing to Success

A Strong Financial Model

Among the universe of MSOs, CompassPoint is admired for its unusually strong ratio of earned to contributed income; consistently, about 60 percent of the organization’s income is earned through fees for service (i.e., consultancy engagements, workshop and conference registrations, publications, etc.). Staff and funders attribute CompassPoint’s success in this area to a few factors:

- The ability of staff and board to effectively “communicate the value of the service provided” helps clients make the financial investment in organizational capacity building services.
- CompassPoint staff are quite diligent about keeping abreast of the trends emerging within their target markets, specifically as they concern client needs and funder interests. This, in turn, helps ensure that CompassPoint’s services are both responsive to market demands and the menu of services is continually updated.
- The organization’s marketing function is quite strong. The organization has been able to use its numerous practice areas as an added value. The website, which offers considerable content on substantive areas of interest, has played an especially important role in marketing.
- Staff also point out that not all services generate enough revenue to cover costs but are offered because of their clear link to the mission. CompassPoint, as a nonprofit organization, is keenly aware of the need to “balance mission and money.”
While the high percentage of earned revenue affords CompassPoint an unusual amount of freedom to innovate, the organization’s relative financial independence may also allow a certain degree of latitude to speak honestly about capacity building needs within the nonprofit sector and the role of funders in addressing them.

Hiring and Retaining Excellent Staff

Another strength for which CompassPoint has earned recognition is its ability to attract and retain a high caliber staff of consultants, trainers, and managers. Repeatedly, funders and clients commented on the knowledge and expertise of CompassPoint staff, and that staff always teach their clients something new during the course of an engagement.

When hiring staff, CompassPoint looks at a diverse pool of candidates that offer a range of backgrounds, experiences, and approaches to working with nonprofit organizations. It is also important that prospective staff be screened for their likely fit with CompassPoint’s organizational culture, and depending on the position being filled, candidates are interviewed by numerous staff in multiple departments. Often, the “practice group” that the prospective applicant would join does the screening.

With respect to retaining staff, CompassPoint’s leadership remarked upon the importance of building a sense of community within the organization, and particularly developing and maintaining a “learning culture,” (i.e., a culture in which the ongoing professional development of all staff is a priority, and staff have the opportunity to exchange knowledge and information with each other regularly). In addition, CompassPoint’s leadership is quite deliberate about continually linking the organization’s work to its mission of serving the broader sector in such a way that provides staff with a “sense of being a part of something that is exciting.”

CompassPoint provides professional development opportunities for its staff in a number of ways. With respect to formal strategies, there is a professional development committee that sets up internal staff trainings and brown bag lunches. Also, professional development plans are a part of the staff evaluation process, and department managers have funds allocated in their annual budgets for staff professional development.

In addition, CompassPoint employs several less formal professional development mechanisms that focus largely on providing ways for staff to learn from one another. Staff are given opportunities to get involved in new projects that may offer them a new perspective or set of skills, and “cross exchange among practices” is encouraged so that staff can continually learn from one another and provide a variety of perspectives. CompassPoint’s management structure emphasizes strong teams, which minimizes the isolation staff might experience from their work in the field.

Knowledge Development, and Dissemination, and Delivery
Knowledge development, dissemination, and delivery are key to CompassPoint’s program and service strategy, and in this regard, the organization is widely recognized as a leader among MSOs. CompassPoint has developed numerous competencies in this area, reflected in their strong consulting, training, and publication (including electronic) practices. Both funders and clients attest to the organization’s high quality work in all of these areas and note that what sets CompassPoint apart is the ability of staff to continually update and improve the quality of service by integrating what they have learned through their practice. According to one funder, this attention to continuous improvement has put CompassPoint’s work on “the cutting edge,” and has benefited the entire field. CompassPoint’s research publications and the content on its website have played a key role in the organization’s ability to earn a national reputation. One staff person referred to CompassPoint as an “action laboratory,” that is, a stimulating and challenging environment that encourages continuous learning and improvement and documents what has been learned in research intended to benefit practitioners in the field.

A Final Thought

When considering CompassPoint as an example of an innovative, high-impact MSO, it is important to bear in mind the organization’s unique context. As noted at the beginning of this case study, CompassPoint is based in the San Francisco Bay Area, a community that is regarded both for the quality of its nonprofit organizations and for the supports that exist to serve them. The nonprofit community is well-established, and the geographic area is relatively small, facilitating the development of a culture that values capacity building and the availability of people with significant skill in this area. While CompassPoint has many valuable lessons to teach the field, those who might wish to replicate part or all of its model should remember that high productivity is much more readily achieved in fertile ground.
Institute for Conservation Leadership:

Building the Environmental Sub-sector Through Leadership Development and Peer Exchange

MSO Name: Institute for Conservation Leadership  
Director/Main Contact: Dianne Russell, Executive Director  
Year Established: 1988  
Location: Two offices – Takoma Park, MD and Bozeman, MT  
# of Full-Time Equivalent Staff: 7  
Annual Operating Budget: $1.1 million  
Primary Geographic Scope of Service (i.e. state, regional, national): Regional and national.

Core assistance services provided: Consulting, training, workshops, coaching, peer exchange, publications relating to leadership development, fundraising, program management/development, evaluation (monitoring), human resources, and strategic planning.

URL: www.icl.org

Background, Approach and Strategies

Created in 1988 with support from the National Wildlife Federation and the Pew Charitable Trusts, the Institute for Conservation Leadership (ICL) has become a leading “capacity builder” for the conservation subsector nationwide. ICL’s mission is to train and empower volunteer leaders and to build volunteer institutions that protect and conserve the earth’s environment. ICL primarily builds organizational effectiveness by concentrating on the skills, knowledge, and support of environmental groups’ leadership.

In ICL’s view, environmental group leaders should be able to maintain a high level of leadership for their cause, and transmit their new ideas, skills, and relationships to other supporters, thus multiplying the “learning factor.” This is developed by ICL through training and consulting with leaders in organizational development and effective leadership, offering forums for leaders to solve problems and share insights and promising practices through peer exchanges, and building networks among different affinity groups interested in a particular conservation issue. Although ICL concentrates
many of its services on the individual leader, its primary focus of assistance is on the organization itself.

Due to the wide geographic scope of its work, ICL maintains two offices: one in Maryland, close to the national policy epicenter for conservation legislation, and another in Montana, which is more accessible to its Western and Southwestern clients.

Factors Contributing to Success

Tailored Leadership Development
Distinctive in its leadership development approach, ICL designs its organizational leadership development curriculum and practice to “connect” with conservation leaders by teaching leadership through the lens of the conservation field. ICL’s services are based on the philosophy that in order to lead the fight to protect the earth and its resources, the people who care about this most deeply should be empowered to develop their leadership qualities and skills in order to best manage resources at their disposal to support their cause. ICL is above all appreciated for its particular competency in speaking to environmental groups about organizational effectiveness and leadership in terms and in ways that they understand and to which they can relate. For example, ICL trainers use terms like “chaotic systems” and “sustainability,” which are deeply embedded in the conservation field’s lexicon, to explain organizational developmental processes. In training and consulting, ICL uses actual conservation issues to build a relative connection between what is happening in the field and organizational development/capacity building concepts so that leaders can understand the “foreign” concepts in ways that are more familiar to them. This “language/context” expertise helps bridge an initial learning gap for conservation leaders.

Through its Executive Director Leadership Program, ICL provides yet another avenue of leadership development for conservation activists in leadership roles. The Executive Director Leadership Program is a multi-session training which focuses on building the leadership potential of an organization by simultaneously training multiple leaders in the organization, such as a senior staff member and a board member in addition to the Executive Director. By achieving learning through different individuals, ICL can multiply the effectiveness of knowledge sharing and transfer, knowing that each individual will have his/her own perspective on what was learned, thus transferring different methods/approaches to relating organizational development to others in the organization.

A Focus on Peer Exchange
ICL creates a conducive environment for sharing and learning among participants in peer exchange settings. ICL is always mindful of encouraging an environment of trust and sharing so that leaders can maximize their learning potential from each other. ICL staff create this atmosphere by engaging participants in relationship-building exercises and framing sessions as part of a peer support network by encouraging peer sharing and problem-solving. In peer exchange facilitation, ICL approaches the engagement from an experiential approach, allowing the participants to “relate” to what they’re hearing, and
then to relate to one another’s experiences. Also, ICL facilitators work to build a level of trust among participants to enhance sharing and peer learning opportunities. Central to good peer exchange management is a defined agenda, a clear process of exchange, and a time-delimited action plan that takes into account the groups’ goals. In these ways, groups develop a common bond and learn from and support each other.
Maryland Nonprofits:
Serving Nonprofits Locally and Regionally,
Building Knowledge and Tools Used Nationally

| MSO Name: Maryland Nonprofits (or Maryland Association of Nonprofit Organizations [MANO]) |
| Director/Main Contact: Peter Berns |
| Year Established: 1991 |
| Location: Two offices – Baltimore and Silver Spring, MD |
| # of Full-Time Equivalent Staff: 30 |
| Annual Operating Budget: $3.3 million |
| Primary Geographic Scope of Service (i.e. state, regional, national): State |
| Core assistance services provided: Executive transition consulting; referrals through consultant/associate directory; board governance/fundraising training; clearinghouse for legal assistance; publications development; research; cooperative buying programs (health/dental; other insurance, etc.) for nonprofits. Services are offered to assist nonprofits in board governance and development, leadership development (executive transition), legal, technology, marketing and public relations (thru referral only). |
| URL: www.mdnonprofit.org |

Background, Approach and Strategies

Established in 1991, The Maryland Association of Nonprofit Organizations, or Maryland Nonprofits (MN), has worked to address the various needs of the state’s nonprofit sector in order to build their collective ability to serve their constituencies better. Its mission is to strengthen and support the ability of nonprofit organizations to serve the community, and to enhance the public understanding of, confidence in, and support for the nonprofit sector.

MN truly is a state-based membership organization; it was established from the need among nonprofits and philanthropies statewide to have an association which solely supported and assisted the nonprofit sector. This interest in growing a dedicated nonprofit-oriented technical assistance provider has remained constant since the creation of MN; in 1991, 139 nonprofits became MN members and today, MN has over 1,200 members.
MN’s primary function is to offer a comprehensive set of technical assistance services to its membership, although some services are extended to non-members. These services fall into five broad categories:

- Training and consulting for an array of nonprofit management areas;
- Cooperative buying programs for reduced-cost, “bulk” purchasing of goods and services nonprofits need;
- Information sharing and networking through roundtable discussion groups and a membership newsletter;
- Public policy advocacy on issues that affect nonprofits; and
- Research, education, and public relations to increase support for the state’s nonprofit sector.

As a management support organization and a state nonprofit association, MN is unique because it represents a specialized type of MSO that operates in a specific geographic area. It also has developed an expertise in generating tools and resources that nonprofits locally and nationally can use to build capacity.

Factors Contributing to Success

_A Strong Customer Orientation_

MN is considered an accessible, customer-service oriented MSO in the state and region. Clients and funders across the state look to MN to be responsive to nonprofits’ organizational development needs. The organization operates out of two offices; one in Baltimore and another in Silver Springs. One of MN’s distinct organizational features is its maintenance of two libraries, one in each office staffed by a full-time librarian, which are open to aid members in researching and problem-solving a variety of organizational issues.

MN provides a comprehensive array of services that members can access, such as an active training schedule, consulting, web access to organizational assessment and diagnostic tools, and a Q&A information line staffed by their own librarian. Maryland Nonprofits is known as a “one stop shop” of sorts, where a nonprofit member can avail itself to numerous resources for building its capacity and effectiveness. As one member stated, “MANO gives quality assistance which ramps up our institutional knowledge. They are accessible, considering their size. The quantity of offerings is amazing.”

_Provision of a Varied Toolbox_

MN has created various tools to assist nonprofits in organizational assessment and capacity building. MN provides its membership and the sector at large with a variety of tools to use as capacity building resources. It has on-line survey tools to help nonprofits conduct organizational assessments. MN also has created evaluation-specific trainings and informational material which it promotes and distributes widely among its membership. The libraries themselves are resources that the local and regional-based
nonprofit sector can access. All of these tools in turn help the membership and other users build their “organizational learning” capacity.

MN is widely-known for its development and facilitation of the “Standards for Excellence.” Developed in the early 1990s in response to the sector’s need to assert its competency and accountability in providing quality services to the public, the “Standards of Excellence” has become a benchmarking tool for nonprofits, members and non-members. With a codebook outlining the standards and a code of ethics for nonprofits to follow, the state’s nonprofits have a series of guidelines, which they can utilize to measure their levels of organizational competency and accountability. MN has raised this “benchmarking” process to a different level by offering a voluntary certification in the “Standards of Excellence”.

Since, state decision-makers and the sector itself see the “Standards for Excellence” as a common method and language to view how the nonprofit sector should approach its organizational development, there has been wide “buy in” to the standards. The certification process gives credibility to participating members in local and regional funders’ eyes – one regional funder encourages its grantees to achieve the “Standards of Excellence” certification, even though it’s not a requirement.

The Mott Foundation, the Carnegie Foundation, the Atlantic Philanthropies, and other major national funders have underwritten MN to develop “Standards for Excellence” for five other state associations. To date, ten state associations have requested, been trained in, and launched their own “Standards for Excellence.”
The Nonprofit Finance Fund: 
Linking Facilities to Organizational Capacity

MSO Name: Nonprofit Finance Fund

Director/Main Contact: Clara Miller, President and CEO

Year Established: 1980 (as the Energy Conservation Fund)

Location: National office is in New York City. Program sites are located in New York City, Washington, D.C., San Francisco Bay Area, New Jersey, Massachusetts, greater Philadelphia, Detroit, and Chicago

# of Full-Time Equivalent Staff: 38.2

Annual operating budget: $5.64 million

Primary geographic scope of service (i.e. state, regional, national): Regionally (see above locations) and nationally (through the National Alliances Program and workshops).

Core assistance services provided: Loans and other financial services and products; nonprofit business analyses; workshops; and publications.

Publications, tools, studies of note: Numerous research studies on nonprofit capital structure and capitalization (such as Capital Structure Counts: The Business Roots of Capacity and Mission at Nonprofits, 2002) and guides on topics such as moving or planning facilities projects.

URL: www.nonprofitfinancefund.org

Background, Approach and Strategies

Founded in 1980, the Nonprofit Finance Fund (NFF) is a community finance development institution (CFDI) that builds the capacity of nonprofit organizations around the country by investing both financial resources (i.e., loans, grants, and asset-building programs) and providing management advice. Its mission is to serve as a development finance institution for nonprofit organizations, working to fill their overall need for capital through financing and advisory services. NFF supports its nonprofit clients' multifaceted contributions to communities, advances community and economic development goals, and works to fill the overall need for capitalization of organizations in this sector. NFF works in metropolitan areas around the country, including New York City, Detroit, Washington, DC, Philadelphia, New Jersey, Massachusetts, and Chicago. In addition, NFF works nationwide through strategic partnerships with foundations, lenders, and
community-based organizations. The typical NFF client is at least three years old and has an annual operating budget of $500,000-$3,000,000.

NFF provides nonprofit organizations with financial services, primarily in the form of loans, and advisory services related to financial management and planning, particularly as it relates to facility development. The two services are, for the most part, closely linked. NFF’s approach is fairly unique in that before receiving a loan, prospective clients must participate in a business analysis that not only provides a picture of the organization’s financial health, but also provides a comprehensive picture of the organization’s overall strengths and weaknesses. Thus, NFF has created an “incentive model” that not only provides clients with knowledge, but also with a tangible reason to apply that knowledge. At the same time, NFF’s process forces clients to plan for facility development in a more critical way by not just thinking about the process of design and construction, but by also considering whether all the aspects of the organization can over the long-term, support the facility and what the potential impact might be on the rest of the organization. Therefore, the facility is viewed as one part of an interdependent organizational system that has as much impact on outcomes as any other.

Through the process of doing the required assessment of their infrastructure, clients have learned about important aspect of their organizational capacity that may not be directly related to their loans or facility. For example, one client learned that their accounting practices were not meeting current standards. As a result, they restructured their financial statements, which automatically extended the organization’s line of credit.

NFF’s services are very much driven by theory. In general terms, one of the organization’s most important underlying assumptions is that the nonprofit sector is woefully undercapitalized. As currently structured, the funding mechanisms typically available to nonprofits—foundation grants, government contracts, and loans from financial institutions—do not allow most nonprofits to develop the type of capital structure that adequately supports the various true costs associated with running a nonprofit organization. The organization is developing a theory about the three critical components for healthy, sustainable organizational growth. If one component changes, it impacts the other two. The three components are: 1) mission and program, 2) organizational capacity, and 3) capital structure. NFF argues that, of the three, capital structure is least understood and most often overlooked by nonprofit organizations and funders.

Factors Contributing to Success

As with nearly all MSOs, NFF’s staff members are critical to the organization’s success. Clients and funders report that staff are knowledgeable, diligent, supportive, and honest. While clients sometimes find the assessment process “cumbersome,” and conversations between NFF and clients occasionally “painful,” there is a strong sense that the

discomfort is worth the knowledge and skills that are gained. For clients, having NFF staff present financial information in clear and useful ways helps to overcome fear or misunderstandings related to financial management and helps an organization focus. Furthermore, several reported that they learn and apply important information for improving their organization for longer-term growth. Also, there is a strong sense that NFF staff are very supportive of their clients and provide them with considerable assistance, as needed.

There are a number of other factors that appear to have helped facilitate NFF’s growth and development:

- NFF is very deliberate about communicating that all of its programs, services, etc. are merely strategies—albeit critical ones—serving the larger goal of helping nonprofits (both individually and sector-wide) to better fulfill their mission and meet their strategic goals.

- NFF has been responsive to the lessons learned from its own experience with clients (such as adding management assistance to loans in the early-mid 1980s, as documented in Exhibit Z) and trends in its operating environment (such as changes in the national community development movement, also documented in Exhibit Z), adapting its programs and overall theory of change based on the wisdom gained from working with clients, as well as opportunities in the external environment.

- Programs and services are all firmly grounded in NFF’s specific theory of change, which itself has evolved over the organization’s history. Theory has informed programs and services, which have simultaneously influenced the evolution of the organization’s theory of change.

- As an early proponent and practitioner of organizational capacity building, NFF was able to carve out a niche in the field—nonprofit financing and capitalization, with an emphasis on facility development—that few others took on. In fact, several funders and clients commented, “no one does what NFF does.”

- NFF has purposefully taken its practical experience and used it to build competencies in the areas of research, advocacy, and publications—activities that have relevance for the field as a whole. These activities—particularly research and publications—appear to have facilitated the process of continuous learning among NFF’s staff, which has helped reinforce both theory and practice.

- NFF staff observe that the support of major national funders has helped the organization to “think big” with respect to expanding its vision, goals, and programs. In addition to making the actual work possible, the funding adds a sense of organizational self-confidence and inspiration among both staff and Board.
### Exhibit Z: Nonprofit Finance Fund Timeline and Evolution

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<tr>
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<tbody>
<tr>
<td>Name</td>
<td>Energy Conservation Fund</td>
<td>ECF Management</td>
<td>Nonprofit Facilities Fund</td>
<td>Nonprofit Facilities Fund</td>
</tr>
<tr>
<td>Underlying Theory</td>
<td>A “technical fix” would allow nonprofits to make better use of charitable dollars</td>
<td>Must also affect management behavior of nonprofits, not just use of available technologies.</td>
<td>Technology and management behaviors are affected by lack of access to capital in the nonprofit sector.</td>
<td>Finances and advises on facilities in the context of the overall business and program needs of the organization.</td>
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<td>Strategies</td>
<td>Combine TA and financing to allow New York City based nonprofits to stretch resources allocated to increasing energy costs.</td>
<td>Increased focus on nonprofit management practices, including preventive maintenance practices. More hands on TA and consulting; begin to use loan financing as a “boost toward implementation.”</td>
<td>Same as before, plus research and advocacy related to the capital needs of the nonprofit sector. Becomes increasingly active in the national CDFI movement. Conducts national study of capital needs of arts and culture organizations.</td>
<td>Expands programs and services through creation of the Cultural Facilities Fund (CFF). Five program sites by 1999 in New York, Chicago, San Francisco, Philadelphia, and Boston. Also serves national markets through National Alliances Program. Also begins two new initiatives—Child Care Expansion Consortium (CHEX) and Building for the Future (BFF).</td>
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<tr>
<td>Staffing/ Annual Budget (by end of phase)</td>
<td>4 FTEs; $300,000 (half the amount of the loan fund)</td>
<td>6 FTEs; $800,000 (equal to the amount of the loan fund)</td>
<td>6 FTEs; $1 million (22 percent of the amount of the loan fund)</td>
<td>30 FTEs (as well as three boards and 6 advisory committees); loan fund is $23 million.</td>
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<tr>
<td>Other</td>
<td>An incubator of the New York Community Trust</td>
<td>Left incubator; annual budget increases by 166 percent.</td>
<td>Staff size remains stable; annual budget increases by 25 percent; loan fund increases by nearly 500 percent.</td>
<td>Received large grant from CDFI to support work of CFF and begin CHEX and BFF.</td>
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APPENDIX H: HOW DO CONSULTANTS AND TRAINERS SERVING THE PRIVATE SECTOR DEMONSTRATE THEIR VALUE?

There are few promising practices for increasing the accountability and value of consultants and trainers that serve for-profit companies that could benefit capacity builders that serve nonprofit organizations. Most private sector-oriented consultants are not accountable to client outcomes because it is difficult to measure the value of consulting services. Also, there is little empirical evidence that documents the value of consulting to private organizations. Some consulting firms, such as Bain, evaluate the value of their work based on client stock price, but many variables influence such a general indicator.

The results of consulting to for-profit organizations seem mixed. Few clients are highly satisfied with their consulting services and the success rate of organizational change initiatives in companies, such as total quality management and reengineering, is not high. As Nohria and Berkeley note in a *Harvard Business Review* article, “in the majority of cases, research shows, the management fads of the last 15 years rarely produced the promised results.”

Corporate training seems to have a slightly better track record for achieving and measuring positive results. The American Society of Training and Development found that an increase of $680 in a firm’s training expenditures per employee generates, on average, a six percentage point improvement in total shareholder return in the following year, even after controlling for many other factors.

Some consultants to for-profit corporations are adopting practices for being more accountable to clients. Three percent of consultants serving private corporations use value-based pricing, whereby fees are based on economic benefit to client, such as revenues earned or costs saved as a result of the consulting engagement. A small number of consultants do not accept fees unless clients are satisfied. Some nonprofit capacity builders may want to consider adopting fee arrangements based on value and customer satisfaction.

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