

TROPMAN REPORT

2002 SERIES

volume 1 : number 1

CAPACITY-BUILDING IN THE NONPROFIT SECTOR

A Comparison of Resources and Practices in Pittsburgh and Denver

Building nonprofit organizational capacity has become an important objective for funders, nonprofit leaders, consultants, and management support organizations. While the first priority is always on serving our consumers and fulfilling our missions, we also recognize that truly outstanding performance in service delivery usually is associated with equally outstanding performance in management and governance. A growing number of foundations across the country now have grant programs designated for organizational "capacity-building" in areas such as planning, human resource development, board development, and financial stability.

The problem is that we lack a strong foundation of research on how to build and sustain organizational capacity. We don't even have a shared vocabulary or definition of "organizational capacity" that enable us to engage in meaningful dialogue on the topic. Most of us recognize a "high capacity" organization when we see it, but might be hard-pressed to give a definition or, more importantly, a prescription on how to develop and sustain organizational capacity. As Brookings scholar Paul Light suggests "the challenge in sorting out the current trends in the field is that the research base is just beginning to develop; hence, there are no clear guidelines yet on what works, what doesn't and under what conditions" (from *Making Nonprofits Work: A Report on the Tides of Nonprofit Reform*).

- What does organizational capacity mean in practical terms?
- What are the characteristics of a high-capacity organization?
- What factors contribute to successful capacity-building in the nonprofit sector?
- How does Allegheny County compare with another major urban area in terms of its capacity-building resources and programs?

These are the questions addressed in this study by Jane Hansberry, a doctoral candidate at the University of Pittsburgh's Graduate School of Public and International Affairs. Hansberry hails from Denver where she formerly headed the Scientific and Cultural Facilities District, an organization similar to the Allegheny Regional Asset District.

A PRACTICAL DEFINITION OF ORGANIZATIONAL CAPACITY

Hansberry assembled a panel of nonprofit experts and asked them to develop a practical definition of nonprofit capacity. The panelists included senior executives, consultants, grantmakers, and scholars. They reviewed definitions of organizational capacity drawn from consortia like Grantmakers for Effective Organizations and from the literature on the topic. The panelists synthesized and refined these definitions and through successive rounds of discussion, gradually reached consensus on the following:

A nonprofit human service organization's capacity is its long-term ability to achieve its mission effectively and efficiently through its management, governance and persistent re-dedication to achieving results.

THE FORBES FUNDS

Envisioning Pittsburgh's nonprofit sector as innovative, informed, and engaged, The Forbes Funds advance capacity-building within and among the region's nonprofit organizations.

THE COPELAND FUND FOR NONPROFIT MANAGEMENT

The mission of The Copeland Fund for Nonprofit Management is to strengthen the management and policymaking capacity of nonprofit human service organizations to serve better the needs of their communities.

- Management Enhancement Grants
- Emergency Grants
- Cohort (Professional Development) Grants

THE TROPMAN FUND FOR NONPROFIT RESEARCH

The mission of The Tropman Fund for Nonprofit Research is to support applied research on strategic issues that are likely to have profound effects on nonprofit management and governance, especially among human service and community development organizations.

- Applied Research Projects
- Annual Research Conference

THE WISHART FUND FOR NONPROFIT LEADERSHIP

The mission of The Wishart Fund for Nonprofit Leadership is to encourage pioneering nonprofit leadership by promoting public learning and discussion about issues critical to ethical and effective management, as well as by celebrating exemplary practices.

- Leadership Roundtables
- The Frieda Shapira Medal
- Alfred W. Wishart, Jr., Award for Excellence in Nonprofit Management

CASE STUDY ORGANIZATIONS:

Center for Creative Play — Pittsburgh, PA — A nonprofit play center for children of all abilities based in Pittsburgh and the only year-round inclusive, accessible play center in the country.

Strengthening Neighborhoods Initiative — Denver, CO — A five-year initiative sponsored by the Denver Foundation that helps neighborhood residents transform their communities through their own ideas and efforts.

Trustee Leadership Development — Indianapolis, IN — An organization founded in 1989 to energize the boards of nonprofit organizations.

Rochester Effectiveness Partnership — Rochester, NY — Founded in 1996 to provide in-depth training and hands-on experience in advanced evaluation methods for nonprofit practitioners and funders.

Scientific and Cultural Facilities District — Denver MSA — Similar to the Allegheny Regional Asset District, this organization provides support to scientific and cultural organizations in the seven county metropolitan Denver area.

National Arts Stabilization — Baltimore, MD — Works with communities to strengthen arts organizations by developing managerial and financial skills.

Tides Center — Pittsburgh, PA — A management support organization that provides back office administrative and management services to unincorporated nonprofit projects.

Greater Pittsburgh Community Food Bank — Pittsburgh, PA — An organization dedicated to the elimination of hunger, it works in collaboration with Second Harvest and in partnership with 350 member social service agencies and other organizations in fulfillment of its mission.

Summer Scholars — Denver, CO — A literacy program that has become a positive force for change in Denver's educational landscape.

CHARACTERISTICS OF A HIGH-CAPACITY NONPROFIT

Next the panelists were asked to draw on their experience and observations of the nonprofit sector to develop a list of characteristics of a high-capacity organization. Again, through successive rounds of discussion and refinement, they reached agreement on the following:

- **A clearly defined mission** that is relevant to community needs, is understood and embraced at all organizational levels and is periodically revisited and re-examined.
- **Capable and motivated leadership** characterized by a well-organized and able board, creative partnerships with staff, a persistence of will, an ethic of stewardship and accountability, and clear internal and external communications.
- **Results oriented programs** that are aligned with the mission and are informed by and responsive to constituents.
- **Ability to access human, information and material resources** specifically the ability to recruit, hire and retain staff, the ability to use information networks and the ability to create reliable and diverse revenue streams.
- **Adaptive capacity** that includes the ability to adapt and improve programs and practices, to respond creatively to change, to take risks and is marked by a high degree of flexibility in relationships.
- **Efficient operation and management support systems** that use and leverage resources to maximum advantage and can be adapted in response to changes both internal and external.
- **Self-knowledge** as manifested by an organizational ability to continually examine the balance of efforts with outcomes.

Interestingly, Brookings researcher, Paul Light arrived at similar conclusions in his recent national survey of 300 nonprofit experts. These characteristics are also comparable to those generated by Harvard researcher Christine Letts and her associates. This is significant because collectively we seem to be converging on a list of attributes that signify a "high capacity" nonprofit organization. In effect, we are beginning to reach consensus on a shared vision or goal for capacity building efforts. Without a shared vision, we are unable to rigorously evaluate our capacity building programs.

HOW TO BUILD CAPACITY IN A NONPROFIT ORGANIZATION

Next, the expert panel generated examples of both successful and unsuccessful capacity building efforts and extrapolated a list of factors that contribute to or impede capacity building. Some of the factors that emerged as essential to successful capacity building were:

- Effective capacity-building takes time and requires a long-term commitment from everyone involved.
- Effective capacity-building does not simply try to correct an organization's weaknesses, but builds on its assets and strengths.
- Successful capacity-building initiatives generally set realistic goals that can be measured and celebrated. They don't try to accomplish the impossible.
- Successful initiatives generally begin with a thorough organizational assessment.
- Capacity-building is not imposed on an organization, but rather embraces the organization as a partner in the effort.

Conversely, the expert panel identified several factors that in their experience characterized unsuccessful capacity-building efforts.

- Capacity-building is more likely to fail when it is not explicitly mission-driven. Organizational capacity is not an end in itself, but a means to an end. If employees and other stakeholders don't see the connection between capacity and performance, the initiative will likely fail.
- Capacity-building often fails when there is little or no input from the organization. Consultant-driven processes rarely produce long-term results.
- Capacity-building often fails when consultants are culturally insensitive or come

to the assignment with pre-conceived, “cookie cutter” approaches driven by either the funder or the consultant.

Finally, the expert panel helped Hansberry identify nine organizations where successful capacity-building had taken place. She then conducted interviews and visits to these organizations to examine and to try to explain why these organizations were successful in their capacity-building initiatives.

Despite the disparate nature of the organizations studied, five common themes representing the attributes of successful capacity building emerged. Those themes are:

- Commitment to dialogue
- Commitment to self-knowledge
- Commitment to excellent management and governance
- The will to make a long-term investment in capacity
- The ability to form strategic alliances and partnerships

These themes clearly intersect with both the characteristics of an effective nonprofit and the success factors for capacity building. The chart below helps clarify those connections.

Themes	Success factors for capacity building	Characteristics of an effective nonprofit
Commitment to Dialogue	Throughout the capacity building work, focusing on the strengths and assets — not just deficits and needs.	Capable and motivated leadership that is characterized by clear internal and external communications.
Commitment to Self Knowledge	Beginning with an organizational assessment that focuses on both strengths and weaknesses; Nonprofit’s ability to assess capacity along the way and especially in times of change.	Self-knowledge, as manifested by ongoing ability throughout the organization to continually examine the balance of efforts with outcomes.
Commitment to excellent management and governance	Thorough and systematic assessments of mission, product, outcome and leadership done periodically. Short-term and long-term capacity building goals are identified, celebrated when achieved, written and communicated to all.	Well-organized board with able and involved members. An ethic of stewardship and accountability. Clear internal and external communications. A persistence of will and continual re-dedication to results.
The will to make a long-term investment in capacity	Funders providing some long-term funding can provide the backdrop for capacity building. Strategic planning and capacity building are regarded as ongoing, not one-shot efforts	A persistence of will and continual re-dedication to results.
The ability to form strategic alliances and partnerships.	Nonprofits are partners in the capacity building process.	Adaptive capacity that includes high degree of flexibility in organizational relationships. Ability to access human, information and material resources, specifically the ability to make use of networks and information technology.

CAPACITY-BUILDING RESOURCES IN ALLEGHENY COUNTY: HOW DO WE COMPARE?

In the final phase of her research, Hansberry invited 353 human service agencies in Denver and Pittsburgh to participate in a survey regarding attitudes toward capacity-building resources in each of the two regions.

WHY DENVER? Several factors led to the choice of Denver County for this regional comparison. First, Denver is one of the benchmark cities currently used in the *Pittsburgh Post Gazette* Benchmarking Series, so it is logical to continue the comparative analysis in this study. Also, Pittsburgh and Denver are maximally different. Denver is a young city with a young philanthropic infrastructure. In contrast, Pittsburgh is a mature city with a vast and well-established philanthropic community. Finally, over the past decade Denver has been able to achieve some of what Pittsburgh and Allegheny County are striving for in terms of economic

growth, attraction and retention of young people and high tech businesses. Because of this, Hansberry believed it would be of value to see how these two regions compare with respect to their resources for building capacity in the nonprofit sector.

REGARDING TECHNICAL ASSISTANCE RESOURCES FOR NONPROFITS

Survey respondents in both regions believe that there is insufficient money available for technical assistance projects. While they would like the freedom to design their own “custom fit” technical assistance plans, they aren’t sure if foundations are willing to pay for them. Leaders in both regions were pleased with the improved level of technical assistance opportunities that colleges and universities provide, but concern remains that few culturally sensitive technical assistance programs exist. Finally, respondents seem to believe that there are sufficient opportunities for mid-level staff training and apprenticeships, but they detect far fewer opportunities for assistance to the sophisticated nonprofit.

REGARDING PERCEPTIONS OF THE NONPROFIT ENVIRONMENT

Respondents in Denver County perceive a significant level of collaboration within the nonprofit community. In contrast, respondents in Allegheny County believe there are too many nonprofits and not nearly enough collaboration. Nonprofit leaders in both regions are pleased with the educational level of the labor pool, but also believe that the nonprofit sector is losing well-trained staff to better paying jobs in the private sector.

REGARDING FUNDING POLICIES

Nonprofit leaders in both regions express concerns that foundations are not sensitive to the needs of human service agencies and are more likely to fund new programs rather than established ones. They say that lack of predictable

revenue is problematic. Nonprofit executives in Allegheny County expressed even stronger concerns that foundations frequently changed their funding focus making it difficult to maintain existing programs.

WHAT CAN BE DONE TO BUILD CAPACITY AND INCREASE ORGANIZATIONAL EFFECTIVENESS IN PITTSBURGH?

This study clearly illustrates that capacity-building is a team effort. Not only does it require serious dedication and commitment on the part of the nonprofit, but also partnership and long-term commitment from foundations, consultants, management support organizations, and educational institutions.

The Forbes Funds is committed to pursuing the following strategies:

- Facilitating regional dialogue regarding the capacity of the region's nonprofit sector and the regional resources necessary to effect lasting change.
- Continuing to study and document "best practices" in organizational capacity-building and promoting those practices throughout the region.
- Developing a network of nonprofit executives, consultants, scholars, and funders who share a commitment to developing the practice of organizational capacity-building.

This TROPMAN REPORT is one of a series of briefing papers generated by The Tropman Fund for Nonprofit Research. TROPMAN REPORTS in this 2002 series are:

1. **Capacity-building in the Nonprofit Sector: A Comparison of Resources and Practices in Pittsburgh and Denver**
2. How Do Nonprofits Compare with For-profit Providers? *An Application of Customer Value Analysis*
3. Leveraging Human Capital: *How Nonprofits in Pittsburgh Recruit and Manage Volunteers*
4. New Economy Entrepreneurs: *Their Attitudes on Philanthropy*
5. Profit Making in Nonprofits: *An Assessment of Entrepreneurial Ventures in Nonprofit Organizations*
6. Recruitment and Retention of Managerial Talent: *Current Practices and Prospects for Nonprofits in Pittsburgh*
7. Social Services in Faith-Based Organizations: *Pittsburgh Congregations and the Services They Provide*
8. Staying Ahead of the Curve: *An Assessment of Executive Training Needs and Resources in Pittsburgh*
9. Strategic Planning: *Positioning Identity, Values and Aspirations*

STAFF

Kevin P. Kearns — *President*
 Gregg Behr — *Managing Director*
 Amy Thomas — *Executive Assistant*

To read the full text of this study, log onto The Forbes Funds' web site at www.forbesfunds.org.