

CREATING CHANGE THROUGH Capacity Building

Although the concept of helping build nonprofit organizations' capacity was first used in the 1960s, it only became popular as a grantmaking strategy in the 1990s. Major advances in technology and the emergence of venture philanthropy greatly contributed to the notion of capacity building as a practice. At first, small grants were awarded to make technology upgrades and support training. Often, this led to the desire to improve other systems, such as intake processes or financial management, and culminated in looking at the organization's structure, strategic planning, and overall capacity. Phrases such as "management consultants," "executive coaches," "tech riders," "realigning," and "organizational assessment" entered the lexicon, and the capacity building movement took hold.

In response, funders began developing their own capacity building efforts focused on executive and board leadership, organizational planning and assessment, and financial management and planning. When grantees experienced significant organizational transitions with sudden growth or the loss of a leader, they would use these funds to help carry out ongoing projects.

Today, most health funders – whether or not they realize it – are helping to build the capacity of the nonprofit organizations they fund. Grantmakers recognize that their work and accomplishments are intrinsically tied to their grantees' ability to be effective and adaptive. Many health funders now have programs that include capacity building or organizational effectiveness with strategies that range from providing basic technical assistance and training to large, multiyear initiatives that create strategic partnerships in particular service communities.

In a 2002 report, The Colorado Trust reported that the technical assistance services or needs most frequently identified by the 23 grantee organizations in the trust's *Supporting Immigrant and Refugee Families Initiative* were organizational assessment (17), fundraising and sustainability (14), public outreach and awareness (13), board development (13), program evaluation (12), strategic planning (12), collaboration with other community organizations (10), and enhancing program quality (10). Other common capacity building activities include business planning, financial systems improvements, technology upgrades, and leadership development (The Colorado Trust 2002).

Interestingly, one of the key lessons the trust learned in doing this work was "the importance of using a tool, such as the organizational assessment process, that provides clarity early on as to the critical, overall needs of the grantee organizations." Other funders have had similar experiences – even if the

LESSONS FROM THE FIELD

- *Develop trust and clarify roles:* Develop relationships of trust and a sense of appropriate pace when providing technical assistance. Timing of interventions must be sensitive, and roles should be clarified, especially when using intermediaries or liaisons with grantee organizations.
- *Be flexible:* Grantees are different in terms of their needs, staff resources, sophistication, and readiness to utilize technical assistance. It is crucial that the approach be customized and flexible.
- *Maintain open and regular communication:* Regular progress reports from project consultants can significantly assist the initiative management process.

Source: The Colorado Trust 2002.

grantee is only looking for help with board development, it is beneficial to first look at the overall organization before honing in on one aspect. Often, problems can be prevented by finding out early on about issues such as staff turnover, board conflict or discord between the board and staff, financial mismanagement, obstinate supervisors, inadequate systems, and misrepresentation.

Sometimes, even with a sound organizational assessment process in place, anticipated outcomes can elude funders. Between 1998 and 2000, the Northern California Grantmakers' AIDS Task Force launched a capacity building initiative "to support providers in exploring and developing strategic partnerships that could eliminate potential duplication, achieve administrative efficiencies and create more cost-effective services." By the end of the initiative, 14 potential partnerships were explored and supported, yet none resulted in any formal restructuring. Timing was everything – the anticipated decline in funding from area grantmakers did not materialize and "the urgency to take advantage of strategic restructuring services was not acute" (Compass Point Nonprofit Services 2001).

OPPORTUNITIES FOR GRANTMAKERS

Supporting capacity building efforts can be a crucial element in ensuring the continued growth and viability of nonprofit orga-

nizations. The following traits have been identified for effective capacity building work by foundations:

- Knowledge: capacity building means intervening in a complex system. Deep understanding of grantee organizations is essential.
 - Flexibility: challenges often emerge suddenly and grantee needs may change midcourse.
 - Commitment: funders must be committed to building the skills of their nonprofit partners since capacity building always takes more time than one thinks.
 - Humility: the funder must also be open to feedback and aware of personal limitations (Grantmakers for Effective Organizations 2004).
- **Building the capacity of the health care safety net** – Health foundations are helping to build the capacity of community-based health care clinics and safety net providers at the state and local levels. In 2004, the Sunflower Foundation Health Care for Kansans awarded 24 grants in response to an RFP that included three separate funding components to help organizations build capacity: assessment, implementation, and creating linkages. The first component, funding for an assessment of capacity building needs, allowed nonprofits to look at their present capacities and identify what was working well and what aspects needed to be strengthened. Assessment strategies or activities could include conducting an evaluation of programs and services, purchasing needs assessment tools or receiving training, contracting with organizational assessment consultants, and engaging in strategic planning. The second component, funding for implementation, provided grants to upgrade tools for managing client services, extend service hours, improve financial management processes, develop new funding strategies, and provide board education and staff development. The final component, funding to create linkages that build capacity, focused on networking with peer organizations; standardizing data collection and management; evaluating, testing, or implementing community-based collaborations; and supporting efforts to build partnerships that develop integrated approaches to service or that leverage improved efficiencies through shared facilities, staff, service delivery, or purchasing agreements.
- On a local level, the United Hospital Fund in New York funded the redesign of New York City’s Human Resources Administration’s HIV/AIDS Services Administration client service centers through the implementation of new work processes, new software applications, and re-engineered workspace. The project built on the success of the fund-supported *Medicaid Office Improvement Project* and will engage clients, advocates, and front-line staff.
- **Responding to facility and training needs with foundation-grown solutions** – Another development among health funders has been to help create new space for groups of community-based organizations. In the mid-1990s, the

Foundation for Seacoast Health was deciding whether to buy or build a new home for a foundation-funded program that was in desperate need of a new facility. The foundation soon discovered that several other grantees were in a similar situation, including a community health center, a preschool program for learning delayed youngsters, and the community’s Head Start program. “What was originally a crisis for space-hungry nonprofits turned into a unique opportunity for the foundation: how to address the inefficiency of providing health, educational, and social services to many of the same children and families at different sites,” said Susan Bunting, president and CEO of the Foundation for Seacoast Health. The foundation decided to develop one large facility to house those agencies and others, with the caveat “that they work and plan together to reduce duplication of services, increase resource sharing, and maximize program effectiveness.” (Bunting 2001). The Community Campus is now home to the foundation as well as health-related nonprofits and public programs, that use common intake and outcome assessment tools and personnel procedures. Similarly, the Sierra Health Foundation’s *Conference and Convening Program* helps health and human service organizations by providing space for planning and training retreats, conferences, seminars and workshops. Preference for use of space is given to nonprofits whose programs or activities promote the development of sound health policy, positively impact the health of underserved populations, improve the delivery of health care services, or expand the use and availability of health care resources.

Funders are also collaborating with each other to pool resources for training and technical assistance to grantees. The *Partnership for Effective Nonprofits* is an initiative of the Foundation for Seacoast Health, Greater Piscataqua Community Foundation, and United Way of the Greater Seacoast. It awards grants of up to \$5,000 to support the efforts of nonprofit organizations to improve their management, leadership, and governance; offers training and technical assistance programs; and has a Web site that includes links to funding and nonprofit management resources.

This article is part of GIH’s portfolio, Agents of Change: Health Philanthropy’s Role in Transforming Systems. Each article focuses on an approach grantmakers are using to promote systemic or social change. The entire portfolio is available on GIH’s Web site www.gih.org.

SOURCES

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