



Building the Capacity of Capacity Builders

How Funders Can Strengthen Organizations that Provide Consulting, Training, and Other Management Assistance Services to Nonprofits

Grantmakers for Effective Organizations • March 14, 2012

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Learning Objectives

- Obtain practical advice on how to support capacity builders' efforts to enhance their program quality and business models.
- Learn about research methods for assessing nonprofit capacity-building needs and services.
- Learn about effective strategies for funders to build the capacity of capacity-building organizations.



Agenda

- **Overview of Key Nonprofit Capacity-Building Concepts**
(Paul Connolly)
- **L.A.'s Experience** (Fred Ali)
- **Pacific Northwest's Experience** (Kit Gillem)
- **Group Discussion and Q&A**



Background

- Weingart Foundation
- M.J. Murdock Charitable Trust



Overview of Nonprofit Capacity Building



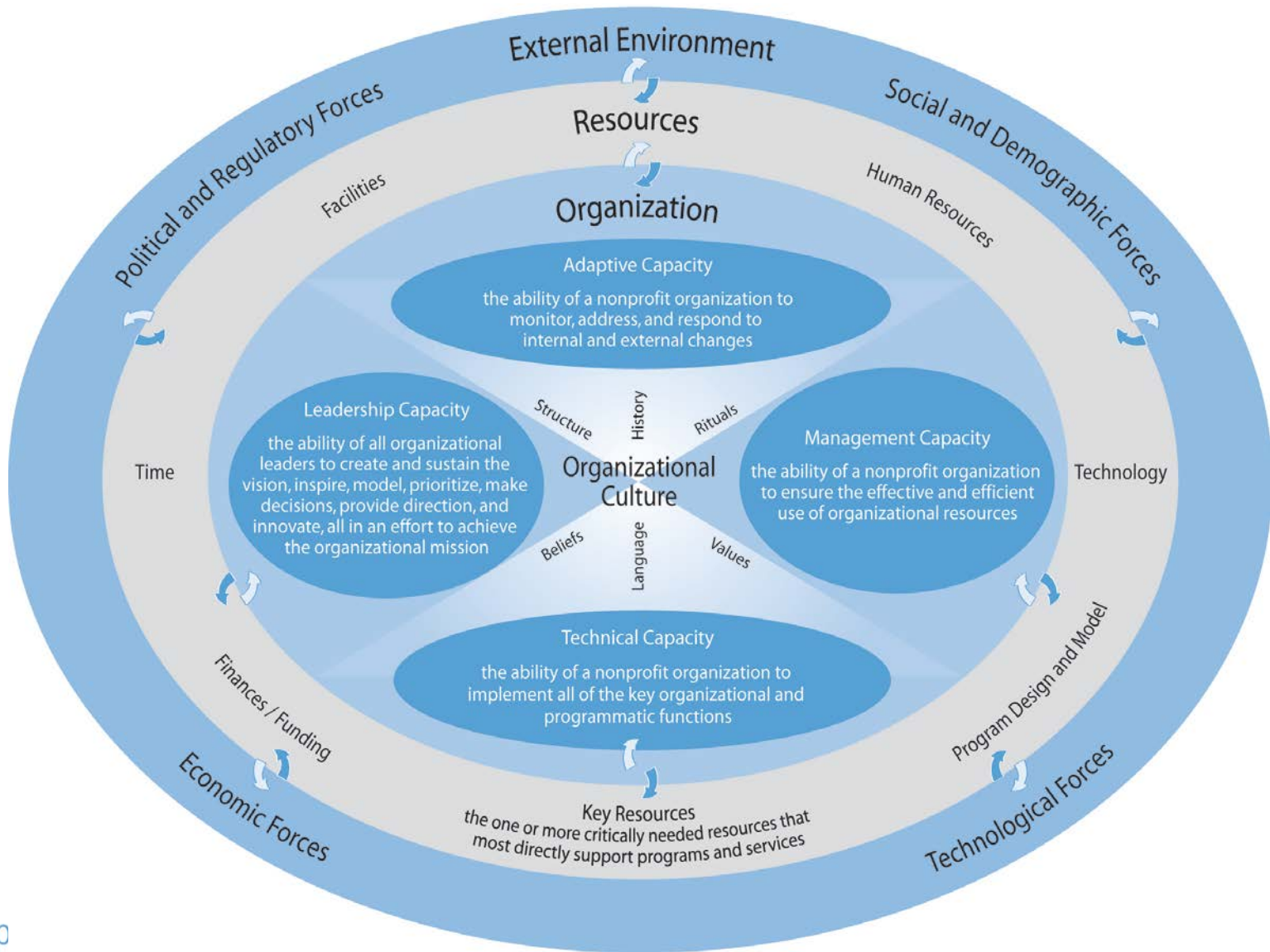
What Is Capacity Building?

Any activity that strengthens nonprofit performance & impact.

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

-Ann Philbin

Nonprofit Organization Capacity





Nonprofit Capacity-Building Needs

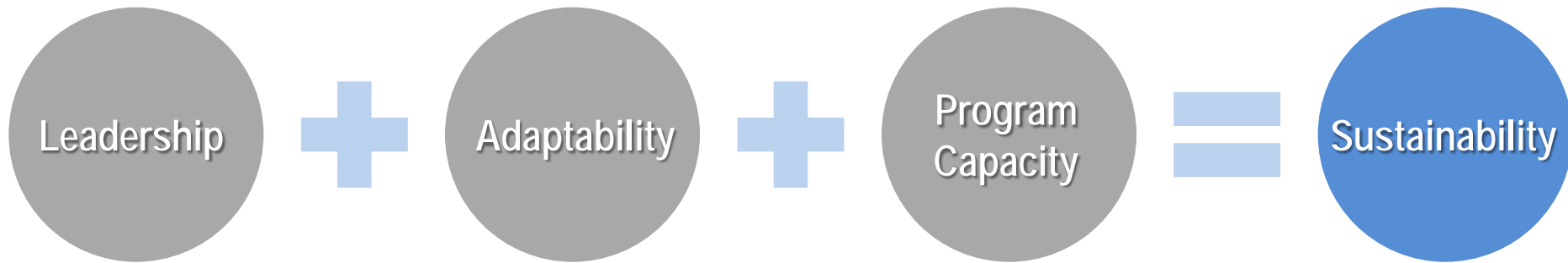
Four Core Capacities:

- **Adaptive**
- **Leadership**
- **Management**
- **Technical**



Crucial, but often overlooked

The Nonprofit Sustainability Formula



Fundraising skills matter... but visionary and adaptive leadership matter more



Capacity-Building Activities

Capacity Building Activities

- Organizational assessment
- Business planning
- Evaluation
- Facilities planning
- Financial systems
- Fund development
- Board development
- Technology upgrades
- Collaborations/strategic restructuring

Means of Capacity Building

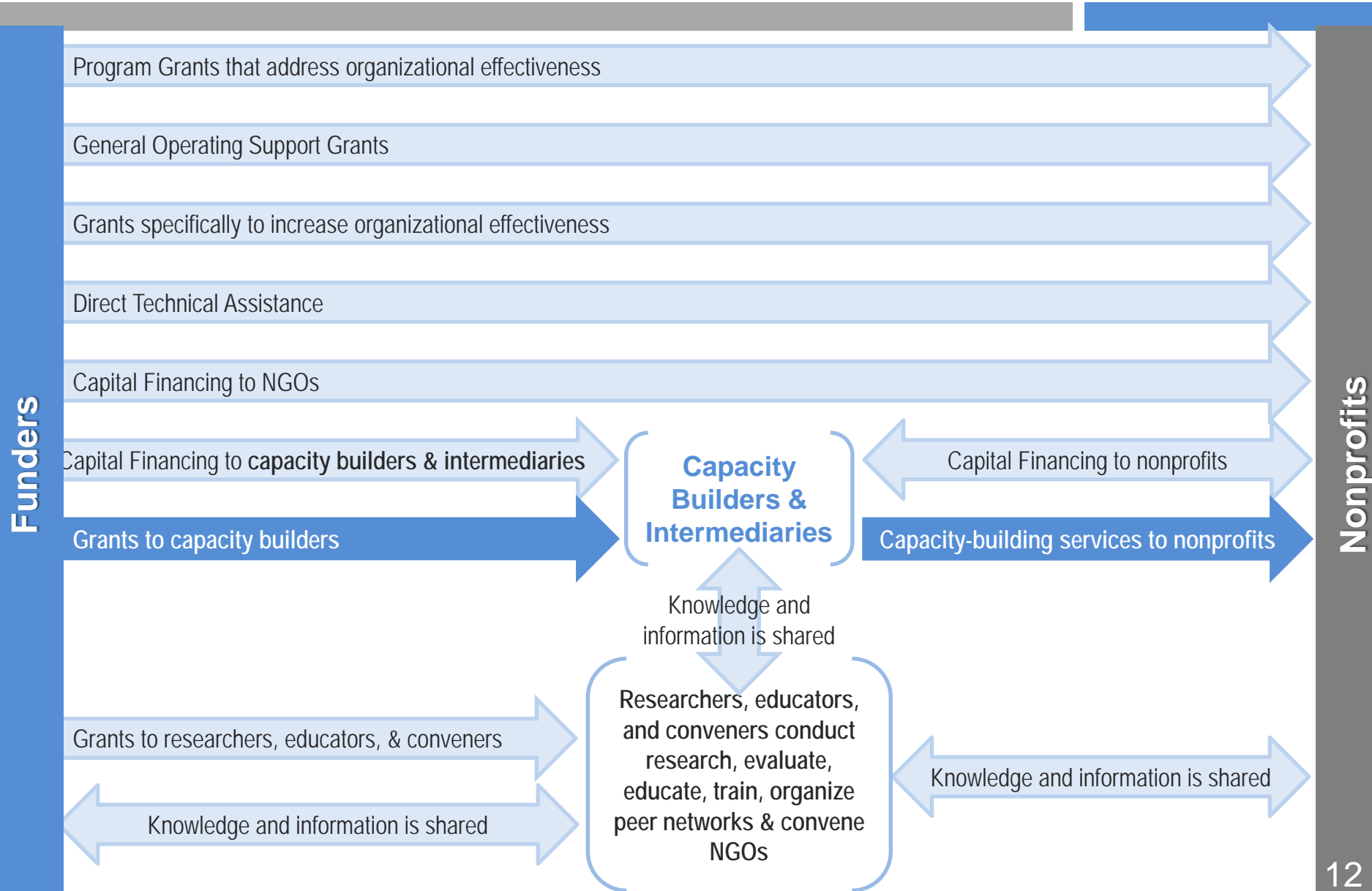
- Referrals
- Research
- Publications
- Training and education
- Coaching
- Convening
- Facilitation
- Consulting



Reasons for Funders to Invest in Capacity Building

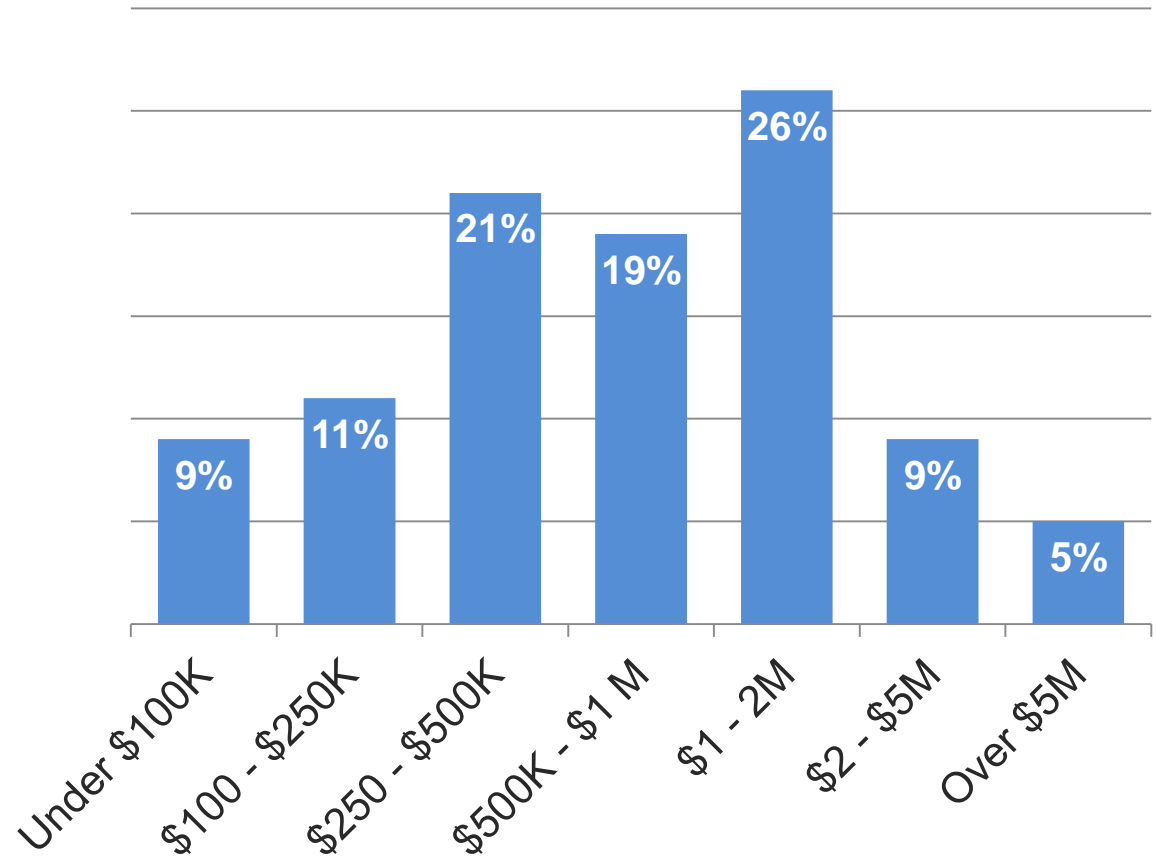
- **Enhance** program impact
- **Increase** organization and community sustainability
- **Leverage** philanthropic dollars

Capacity-Building Strategies



Management Support Organizations (MSOs) Vary in Size

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



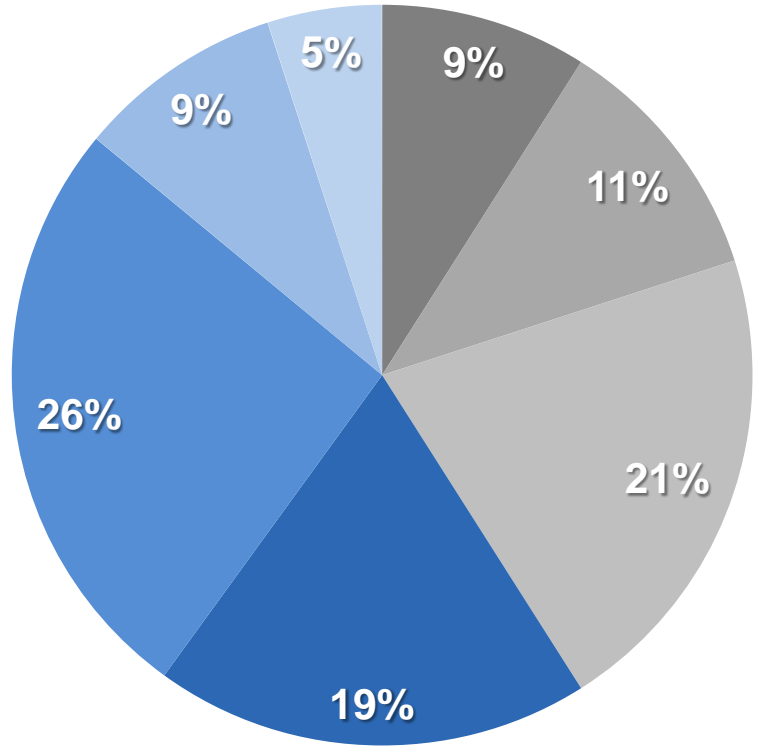
Source: 2003 TCC Study of 86 MSOs as part of Packard Foundation Study and 2005 Alliance for Nonprofit Management Survey



Management Support Organizations (MSOs) Vary in Size

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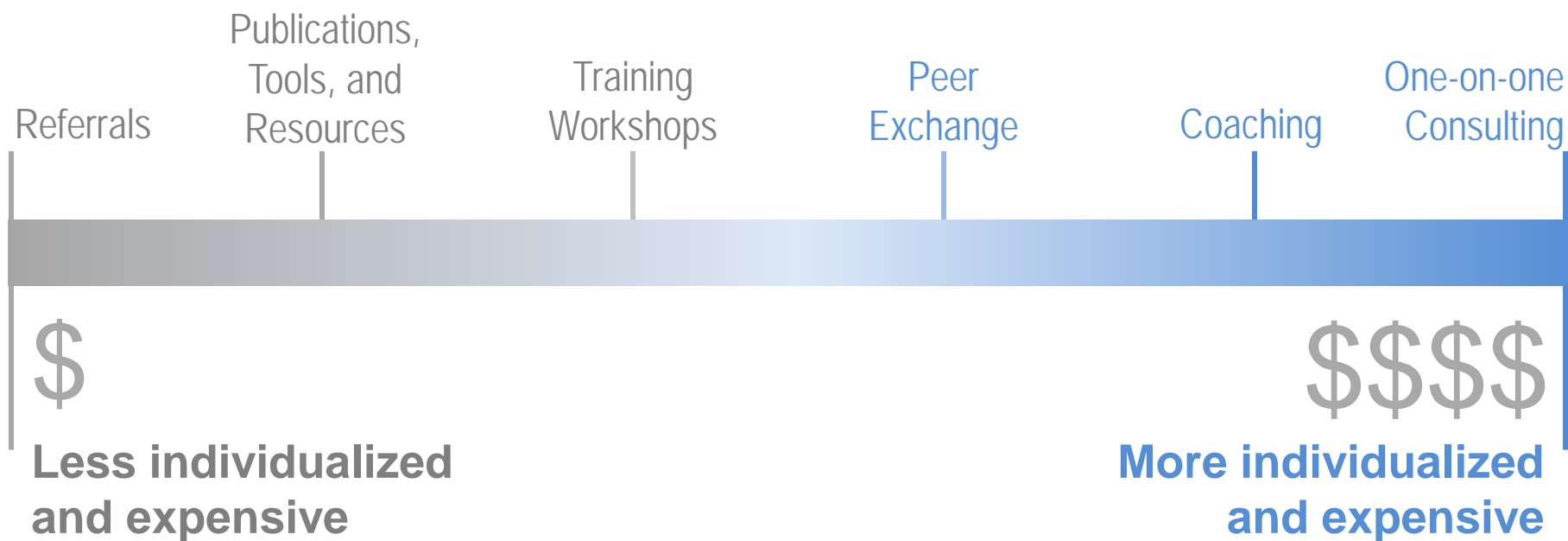


■ Under \$100K ■ \$100 - \$250K ■ \$250 - \$500K ■ \$500K - \$1 M
■ \$1 - 2M ■ \$2 - \$5M ■ Over \$5M

Source: 2003 TCC Study of 86 MSOs as part of Packard Foundation Study and 2005 Alliance for Nonprofit Management Survey

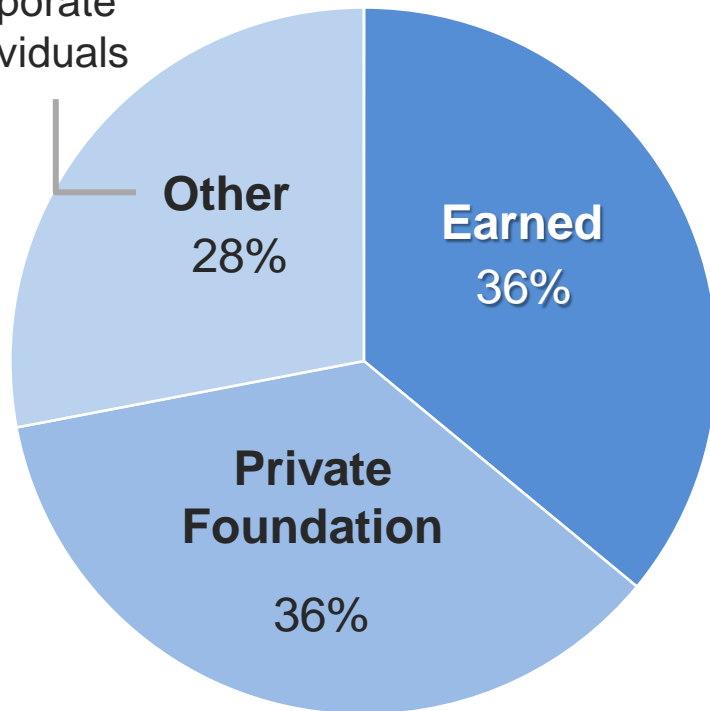


A Comprehensive Range of Ongoing, Blended Solutions Contribute to MSO Sustainability



Diverse Mix of Revenues for MSOs

- Contributed
- Government
- Corporate
- Individuals



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

Data on MSO Earned Revenues

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

Source: Alliance for Nonprofit Management 2005 Survey.

Revenues and Staff Sizes of Select MSOs

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



Needed for Sustainability:

A Delicate Balance of Earned and Contributed Revenues

Balancing Mission and Money



Earned

Contributed

Varying Degrees of Engagement by Funders

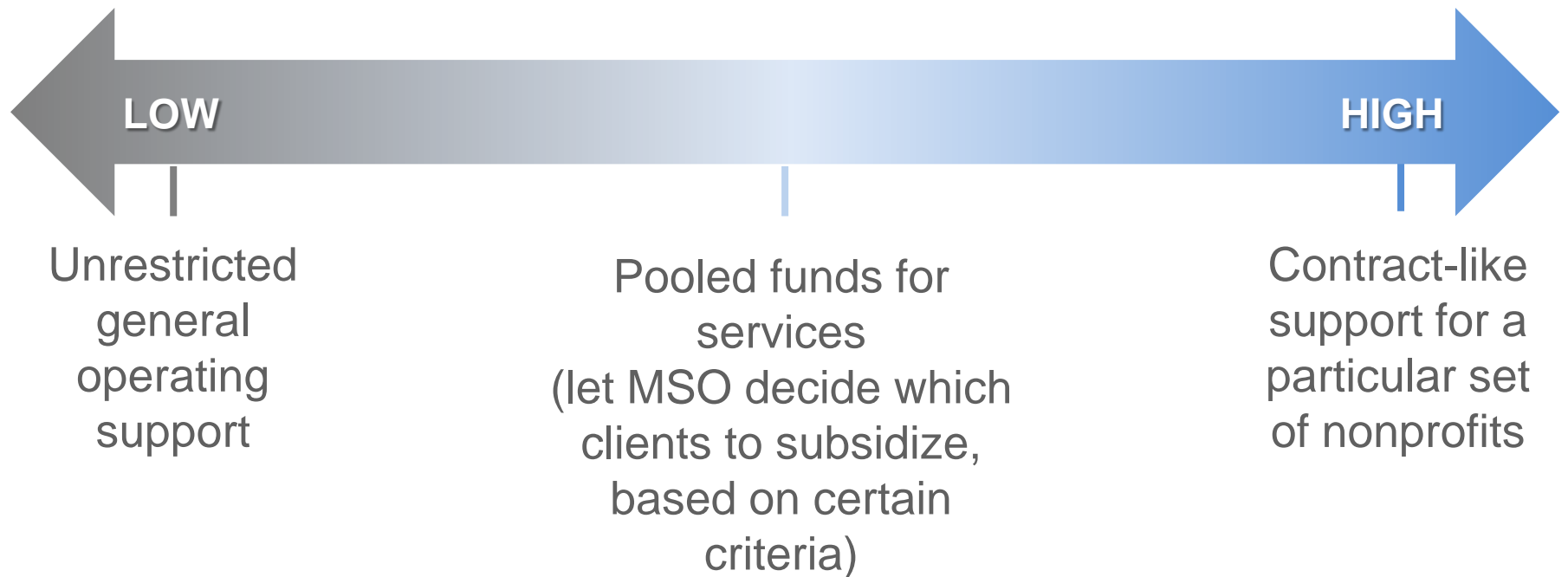
Provide ad hoc support to select capacity builders	Invest to strengthen existing ecosystem of capacity builders	Create new entity to serve as central access point, clearing house, and coordinating body	Create new management support organization	Create and operate management support program
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Hands-Off

Hands-On

Flexible General Operating Support Allows an MSO to Be Healthy

How restricted is a funder's support?



The Cyclical “Chicken and Egg” Nature of Building a Financially Sustainable MSO





Los Angeles County



Our Study

In 2009, Weingart began a study to understand:

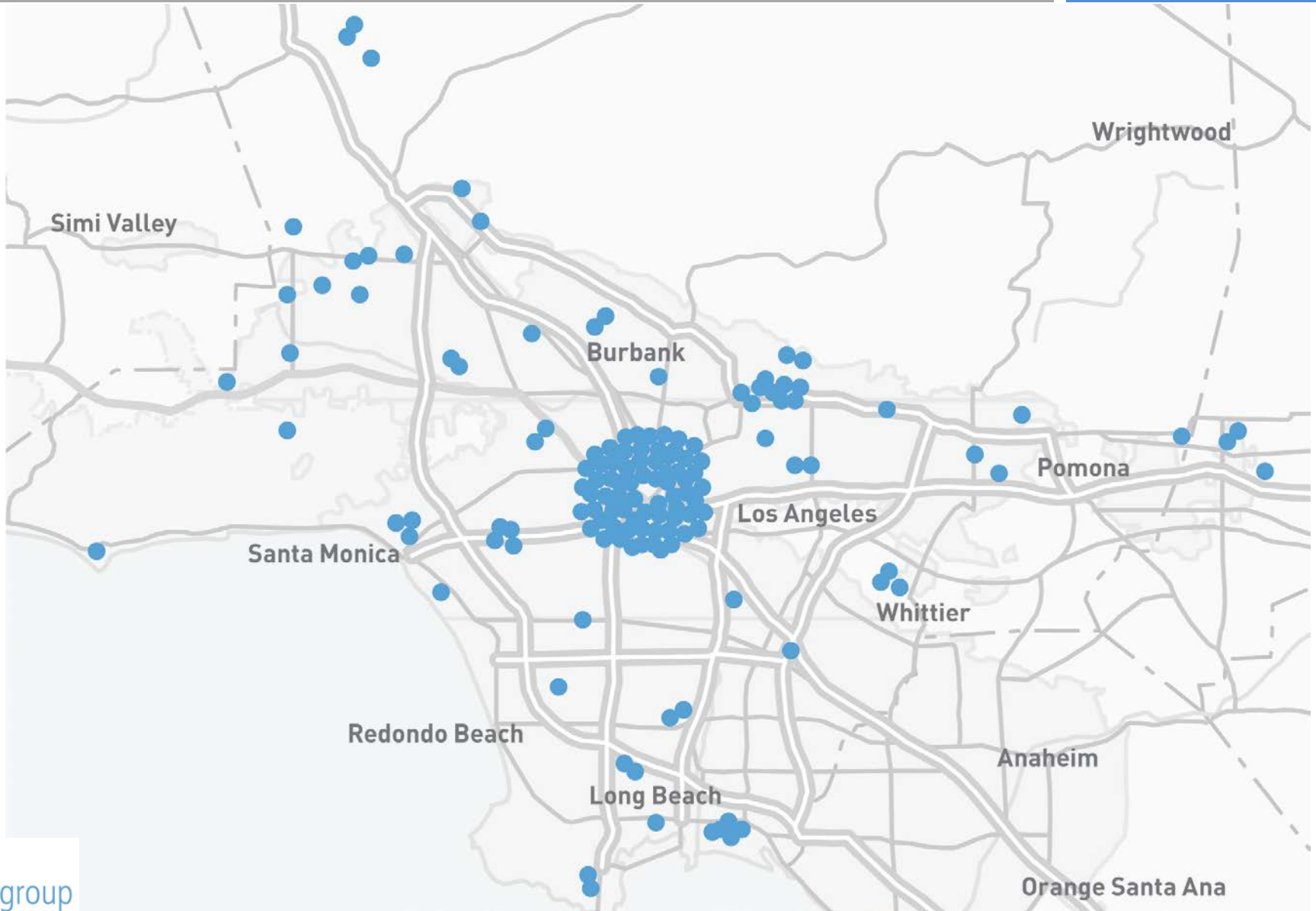
- The organizational strengths and challenges of L.A. nonprofits
- The capacity-building needs of these groups, as well as their access to and experiences with capacity-building services
- The availability and types of capacity-building services available in the region



Study Methodology

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

Location of Survey Participants





101 SOUTH Los Angeles



Key Findings of the Study



Organizational Strengths

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

- Resilient and resourceful
- Deeply knowledgeable about communities served
- Visionary and motivating leaders



Organizational Weaknesses

Most nonprofits were not strong in areas that are key predictors of organizational sustainability:

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



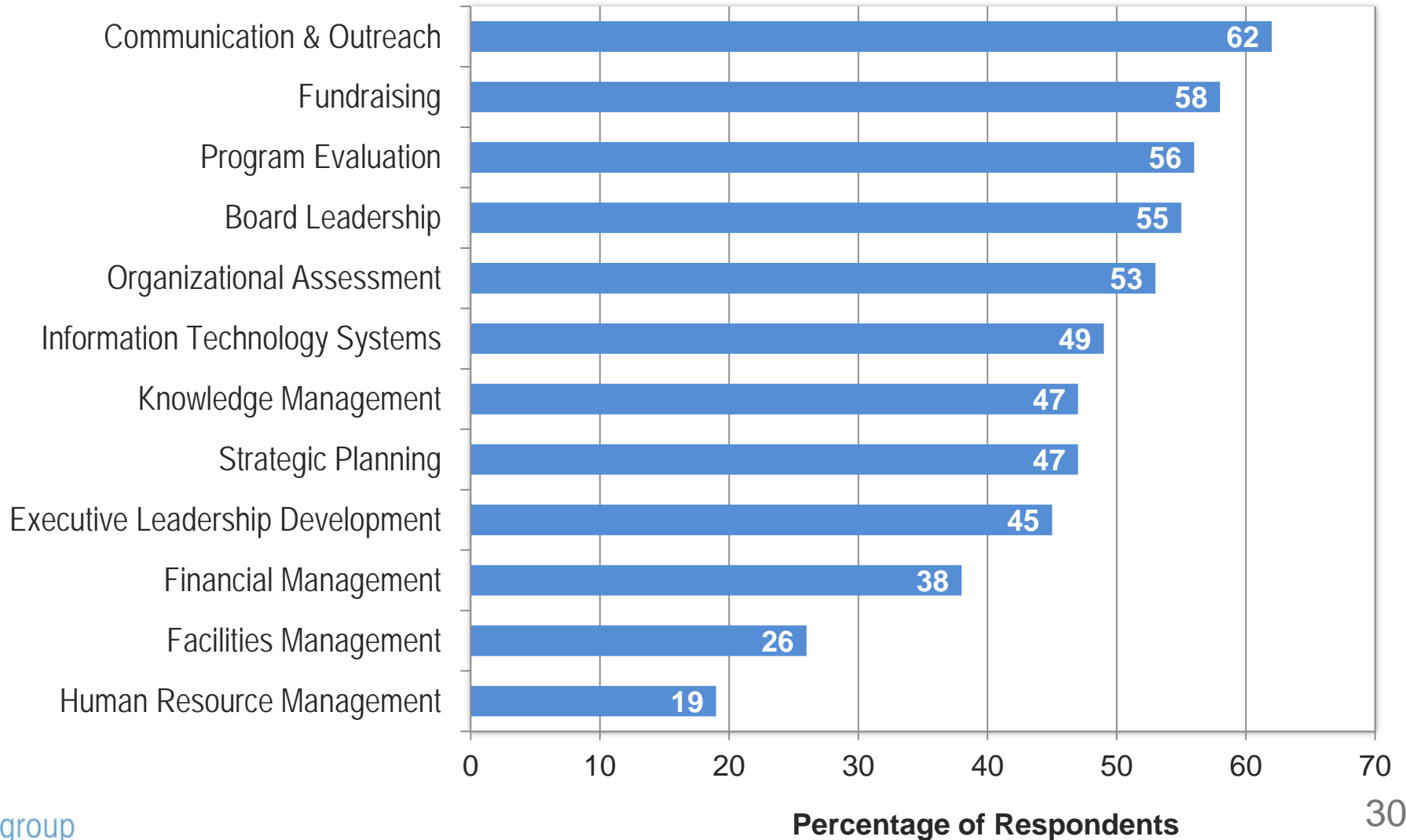
Organizational Weaknesses

Other shortcomings:

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

Self-Awareness of Need for Organizational Strengthening

Self-Reported Capacity-Building Needs





The Capacity-Building Field in L.A. County

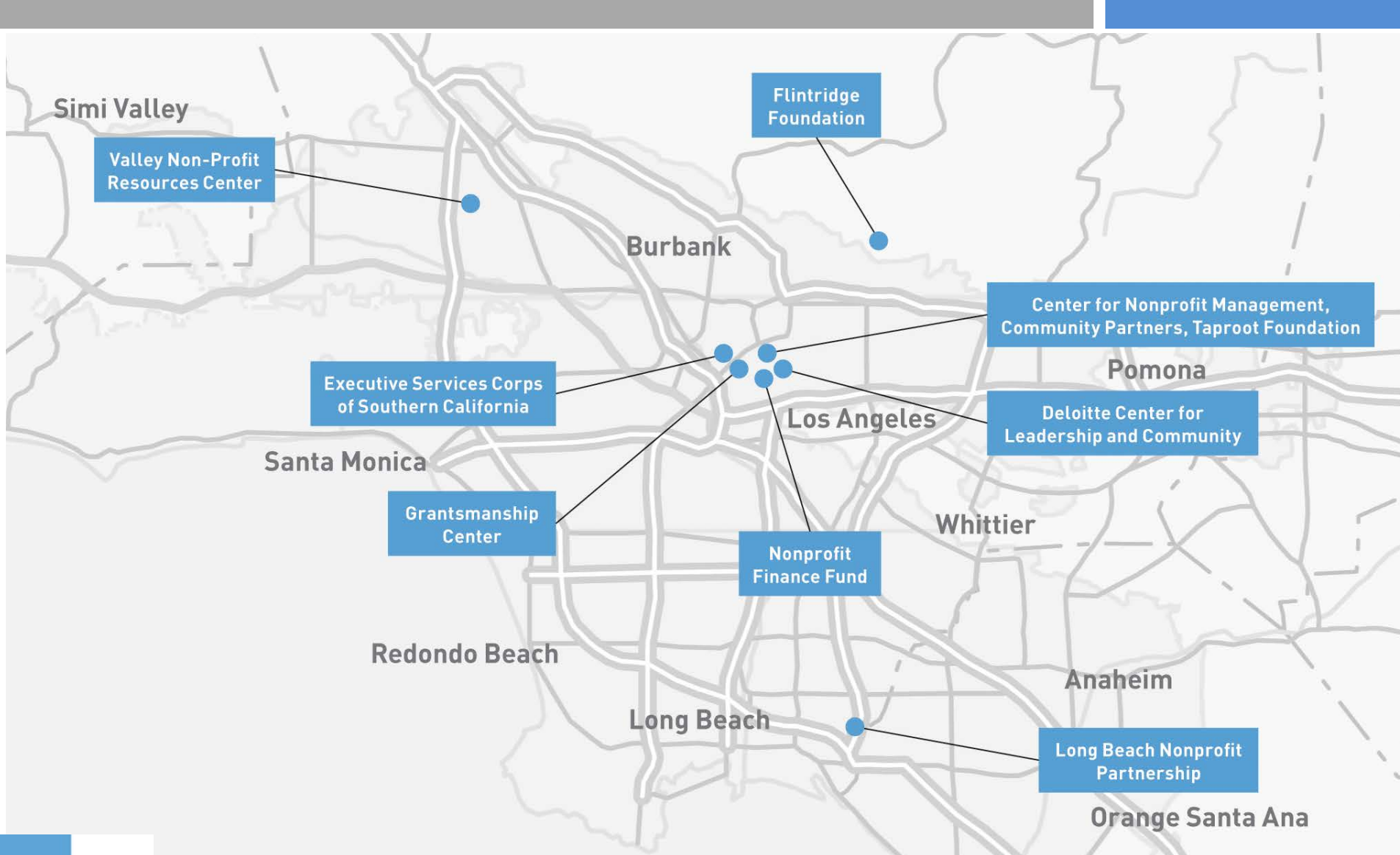
- Disjointed and fragmented
- Insufficient amount of services to meet need
- Little coordination
- Many providers are not organizationally and financially strong



Gaps in Content, Format, and Geographic Access

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

Map of Capacity-Building Providers





Mixed Quality of Capacity-Building Services

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



The Philanthropic Community in Los Angeles County

Funders **support** nonprofit capacity-building now by:

- Providing general operating support
- Funding for capacity-building activities for nonprofits
- Funding intermediaries and capacity-building providers
- Providing capacity-building services directly



The Philanthropic Community in Los Angeles County

Funders **hinder** nonprofit organizational capacity-building by:

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



What We Have Achieved So Far

Increased coordination among capacity builders

- Formation of the Los Angeles Capacity Building Roundtable (CNPM)
- Joint submissions of Information Exchange planning grant proposals



Increased coordination among funders

- Sponsored convening's through the USC Center on Philanthropy and Public Policy
- Southern California Grantmakers Annual Conference
- Alchemy Gold (Annenberg Foundation)
- Building MSO Sustainability (CCF)
- Joint funding of Capacity Building Information Exchange



In general, the findings and recommendations of the TCC Study has renewed interest among nonprofits, funders, and service providers in developing a more effective system of capacity building, not only in Los Angeles County, but in other Southern California counties including San Diego.



The Weingart Foundation continues to support the development of organizational capacity and sustainability by:

- Using at least 60% of its available grant dollars to fund unrestricted core operating support grants
- Sponsoring targeted capacity building initiatives in underserved communities
- In conjunction with the California Wellness Foundation, supporting a re-granting/capacity building initiative through the Liberty Hill Foundation for community-based and minority led organizations
- Funding grantee initiated capacity building projects
- Providing core operating support to Management Support Organizations



Capacity Building Information Exchange

In February, a group of nine funders awarded a planning grant to a consortium of three organizations, the Nonprofit Finance Fund (lead agency), the Center for Nonprofit Management, and the Taproot Foundation, to develop a comprehensive plan for a capacity-building Information Exchange. The plan is scheduled to be completed by September, 2012.



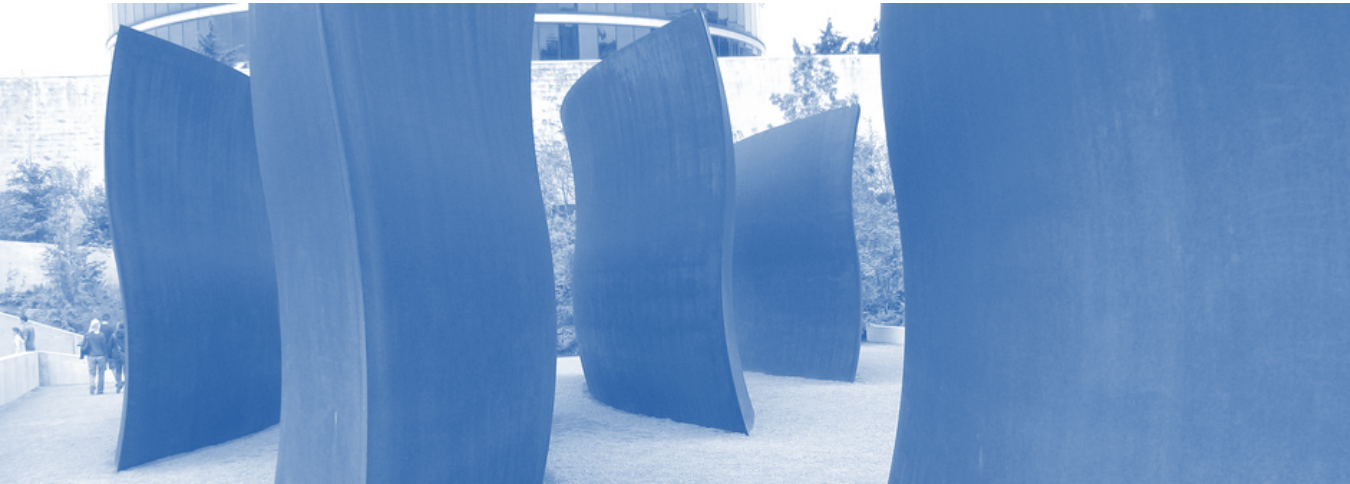
Purpose

- Build upon the findings of the TCC report by assisting nonprofit organizations serving Los Angeles County to become better consumers of capacity-building services.
- Create an innovative, technology-based Information Exchange that will connect Los Angeles nonprofits to appropriate and quality capacity-building services.
- Serve as a regular forum for nonprofit organizations, capacity builders, and funders to plan and coordinate a capacity-building strategy for Los Angeles.



Key Components

- Initial intake and organizational assessment
- Service directory
- Referral assistance
- Marketing and communications
- Resources
- Coordination and strategy development



Pacific Northwest



Overview of the Murdock Trust's Nonprofit Support Organizations Capacity-Building Initiative

- 2007 – 2008: Trust Study**, which found that state-wide nonprofit support organizations played an important role in strengthening nonprofits and could be strengthened themselves.
- 2008 – 2011: Core support** to five nonprofit support organizations in different states, along with **peer convenings** and **ongoing evaluation**.
- 2011 – 2013: Core support (extension)** to four nonprofit support organizations in different states, along with **peer convenings**.

Our Theory of Change

Inputs

Murdock funding,
staffing & resources

Grantee readiness,
knowledge, and time

Evaluation learnings

Strategies

Assessment

Core Support- New
staff, service & tech.
enhancements.

program expansion,
consulting services,
staff development

Peer learning and
convenings

Outcomes

Stronger adaptive,
leadership,
management and
technical capacity of
NSOs.

Improved services

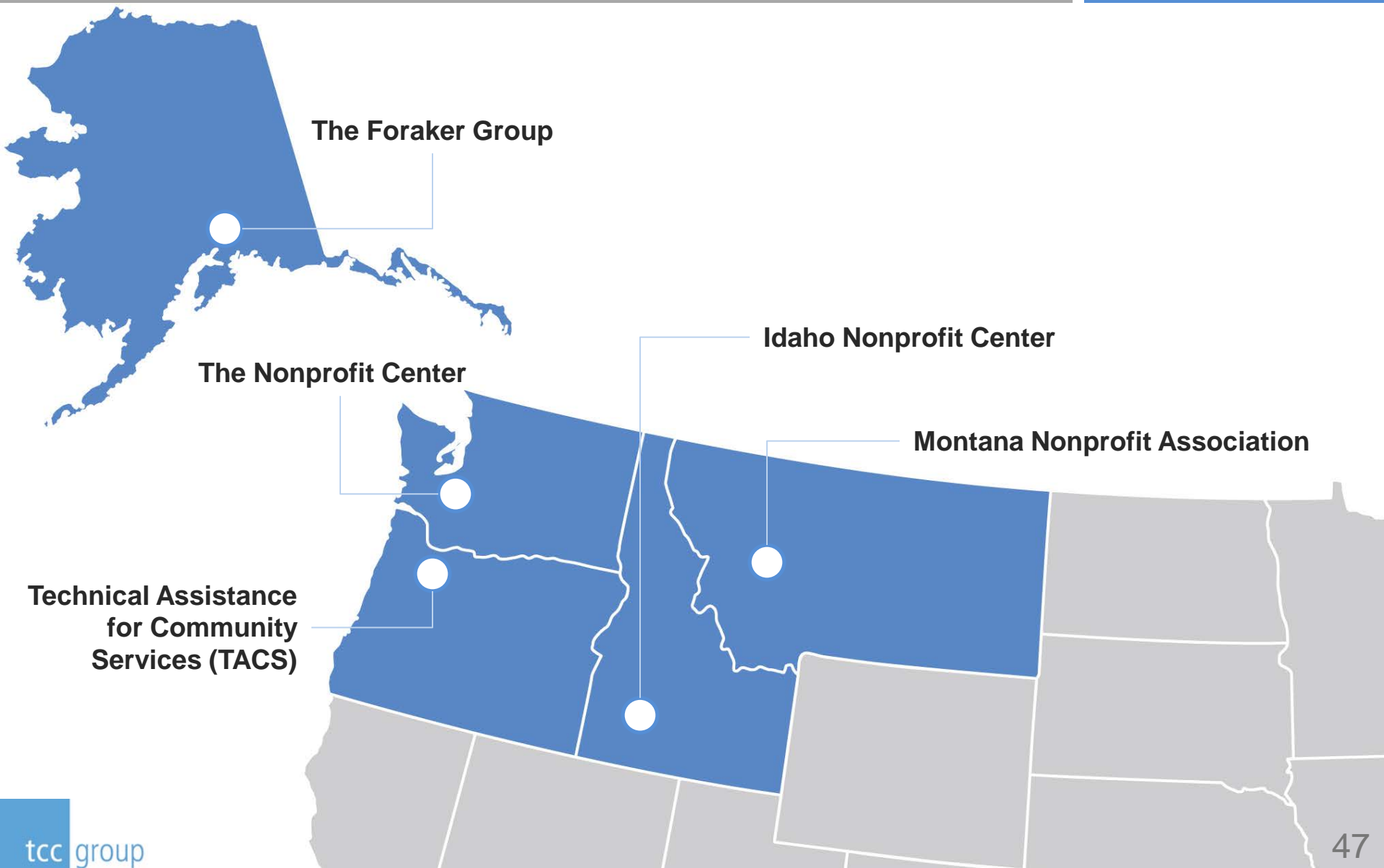
Impact

Greater impact on
NSOs

Greater impact of
nonprofits



Where We Invested



**Technical Assistance
for Community
Services (TACS)**

How We Invested \$1.8 Million Over Three Years

State	Organization	Annual Budget in 2008	Core Support Grant
Alaska	The Foraker Group	\$2,900,000	\$200,000/year
Idaho	Idaho Nonprofit Center	\$277,000	\$30,000/year
Montana	Montana Nonprofit Association	\$506,000	\$56,000/year
Oregon	Technical Assistance for Community Services (TACS)	\$1,966,000	\$250,000/year
Washington	The Nonprofit Center	\$373,000	\$53,175/year

Two Year NSOI Extension

State	Organization	Core Support 2008-2011	Core Support 2011-2013
Alaska	The Foraker Group	\$200,000/year	\$150,000/year
Idaho	Idaho Nonprofit Center	\$30,000/year	\$40,000/year
Montana	Montana Nonprofit Association	\$56,000/year	\$60,000/year
Oregon	Nonprofit Association of Oregon (TACS)	\$250,000/year	\$150,000/year
Washington	The Nonprofit Center		Not invited



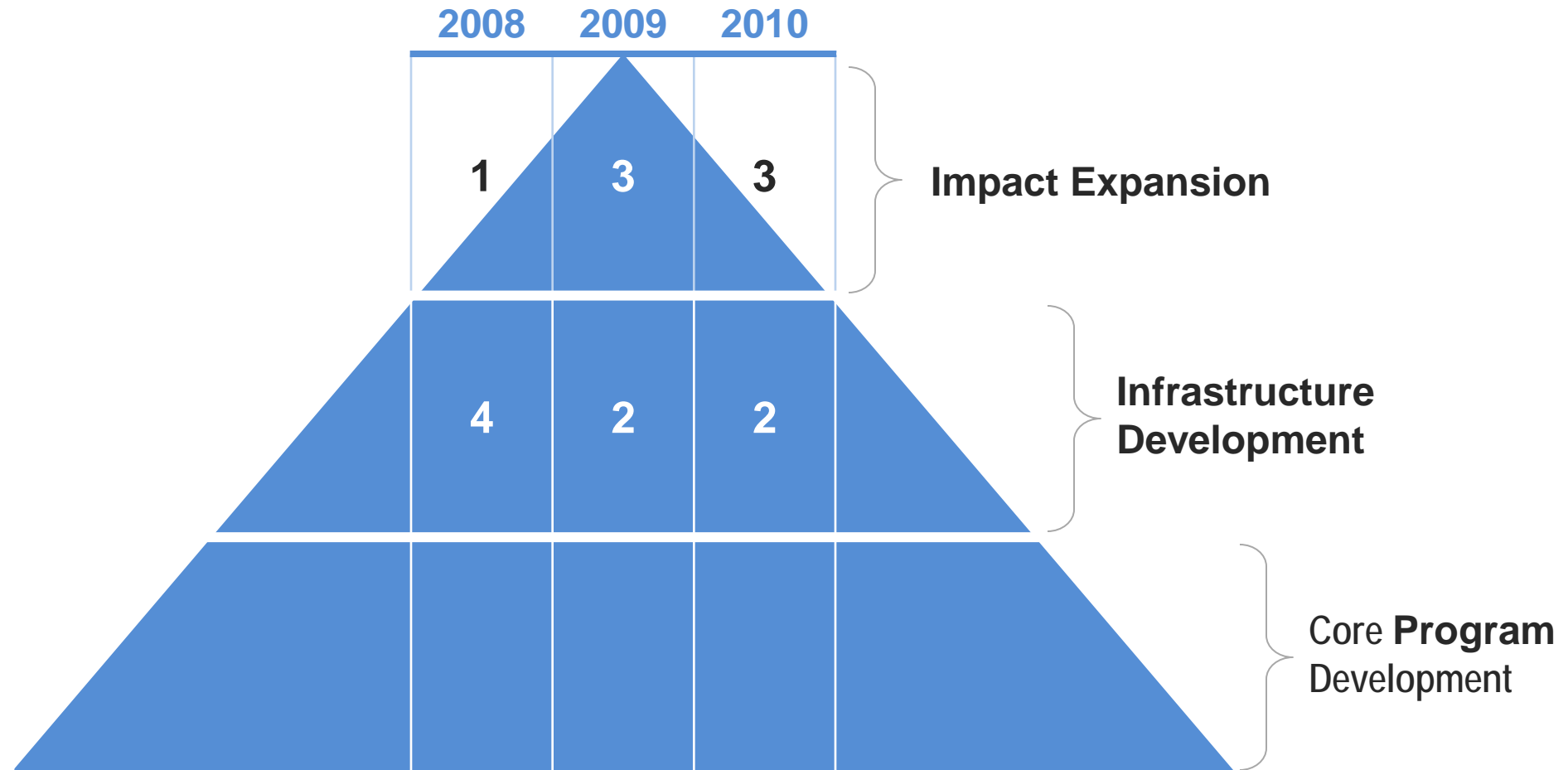
Ongoing Evaluation

- NSOs did annual organizational assessments (CCAT)
- Annual business model assessments
- Murdock grant progress reports
- Site visits
- Convenings

Results So Far: NSO Capacity

# of NSOs	Progress on Achieving Capacity Goals	Sustainability of Capacity Improvement
3	√√√ -- substantial	√ -- likely
1	√√ -- significant	√ ?– likely & possible
1	√ -- limited	closed

Results So Far: NSOs Going to Scale





Results So Far: A Few Specific Examples

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



Initiative Insights

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



Murdock Lessons Learned - The Spill Over Effect

- Rigorous outside evaluation
- Convening and peer learning
- Nonprofit leadership transitions
- Capacity building organizations and grants
- Murdock staff and trustee ongoing education



Strengthening Nonprofits: *A Tale of Two Regions*

	Los Angeles County	Pacific Northwest
Ecosystem	<ul style="list-style-type: none"> • 30,000 nonprofits concentrated in one county, urban and suburban county • A large number of funders, including some very large ones, but not many focusing on nonprofit capacity building. 	<ul style="list-style-type: none"> • 82,000 nonprofits spread throughout five large states that are mostly rural. • A variety of funders, with few large ones and few focusing on nonprofit capacity building
Needs Assessment	<ul style="list-style-type: none"> • Capacity-building field fragmented and MSO services are of mixed quality 	<ul style="list-style-type: none"> • Nonprofits rely on nonprofit support organizations (NSOs) • NSOs should be supported
Strategy for Improvement	<ul style="list-style-type: none"> • Improve the connection between “supply and demand” by planning capacity-building clearinghouse exchange • Joint funding of capacity-building initiatives 	<ul style="list-style-type: none"> • Enhance the “supply side” by strengthening the capacity builders
Results So Far	<ul style="list-style-type: none"> • Increased coordination among funders and capacity builders • Information Exchange Planning Grant 	<ul style="list-style-type: none"> • Some stronger NSOs providing more and better services to nonprofits



Questions and Group Discussion

Fred Ali



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Paul Connolly

