

# AN ASSESSMENT OF CAPACITY BUILDING IN WASHINGTON STATE

**The Nonprofit Ecosystem Framework**  
Executive Summary

**PREPARED BY**  
**The Giving Practice**  
*A consulting service of Philanthropy Northwest*  
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# ABOUT THIS REPORT

In 2009, a group of funders commissioned The Giving Practice, a consulting service of Philanthropy Northwest, to conduct a study on capacity building resources available to nonprofit organizations in Washington state. The sponsoring funders recognized the importance of investing in capacity building, and they sought a better picture of the current landscape in order to make more informed funding decisions.

The study discovered a wide range of approaches and philosophies, variations across geographies and significant gaps in the types of support most helpful to nonprofits. Although there were resources to address individual and organizational capacity, a framework for assessing the strengths and gaps of an entire community's capacity did not exist. As a result, The Giving Practice created a framework for understanding which investments by funders could yield the most success. This executive summary provides an overview of the high-level findings from the final report: "An Assessment of Capacity Building in Washington State." While the study focused on Washington State, the framework and opportunities for investment can be applied more broadly. The report included a literature review, interviews with community leaders across the state, donor forums, an appendix with specific profiles of 14 different geographic communities, and a compilation of capacity building resources.

The final report can be found on the Philanthropy Northwest website here:  
[www.philanthropyNW.org/nonprofit\\_ecosystem](http://www.philanthropyNW.org/nonprofit_ecosystem).

The sponsoring funders of this project were:

- Bill & Melinda Gates Foundation
- The Seattle Foundation
- Champion Foundation
- Sherwood Trust
- Medina Foundation
- Social Venture Partners
- M.J. Murdock Charitable Trust

The funders listed above and members of The Giving Practice would like to express their deep gratitude to the local nonprofit leaders who dedicated their time and insights to this project.

*The Giving Practice*  
*March 2012*

## INTRODUCTION

The health of the nonprofit sector is vital to our society. Nonprofit organizations tackle society's toughest problems by advocating for social change, providing critical community services, and fostering civic leadership and volunteerism. The nonprofit sector also supports the economy. According to the Urban Institute, the sector contributes to approximately 5.4% of the nation's GDP, and employs over 10% of the nation's workforce.

In Washington state, there are over 8,500 nonprofit organizations providing essential services and programs in fields such as health and human services, education, arts, youth development, and the environment. In the wake of the economic recession, many nonprofits continue to face a growing demand for services, while simultaneously experiencing a reduction in public and private funding. The reality of diminishing funding sources underscores the value that capacity building, such as strategic planning or board development, represents to the nonprofit community. For long-term sustainability, it is increasingly important that nonprofits have access to services that support the development of their leadership, management, operational, and technical capacities.

## A FRAMEWORK FOR ASSESSING CAPACITY BUILDING

Given the geographic size and diversity of Washington state, we developed a framework that uses the analogy of an ecosystem to systematically assess capacity building resources within a particular local community. For the purposes of this report, capacity building is defined as:

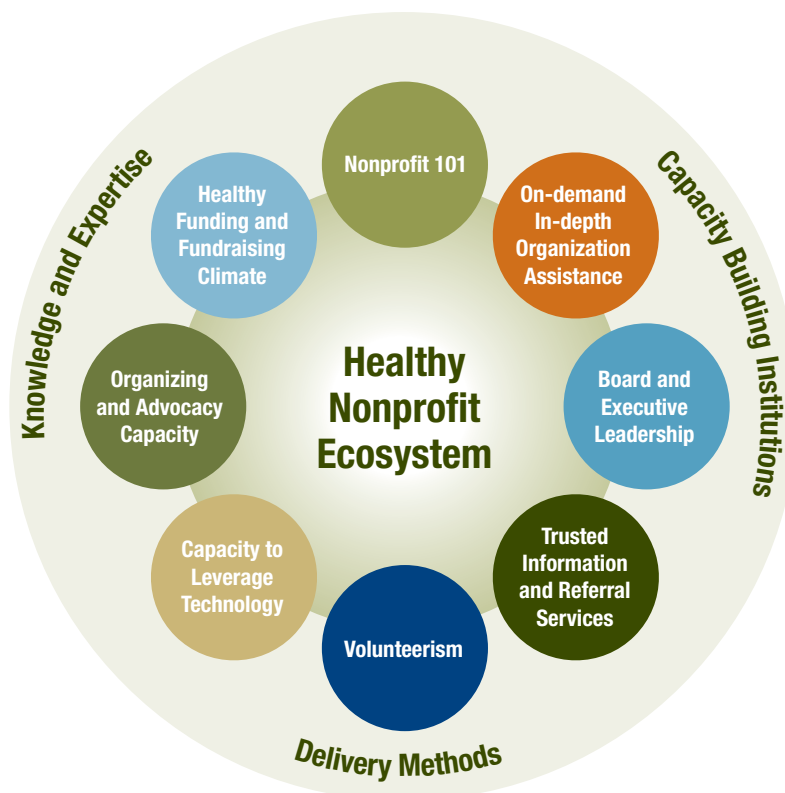
“Any service that enhances the organization's (or group of organizations') internal effectiveness at achieving its mission sustainably- in other words, services which strengthen the foundation or engine of the organization, not its specific programs.”

Ecosystems are biological environments, which contain multiple, interrelated entities that depend on one another in order to flourish. Similarly, nonprofits within a local community form an ecosystem of institutions whose underlying purpose is to sustain and improve the health of the broader community. Much like the ecosystem of a pond requires air, water, and nutrients to sustain itself, a nonprofit ecosystem will thrive when several essential elements are in place. We defined an ecosystem as a geographic area in which nonprofits serve the same populations, and draw on the same capacity building resources.

**BASED ON A DETAILED LITERATURE REVIEW AND INTERVIEWS WITH LOCAL COMMUNITY LEADERS, WE HAVE IDENTIFIED THE FOLLOWING EIGHT ESSENTIAL ELEMENTS OF A HEALTHY NONPROFIT ECOSYSTEM:**

- 1 An ongoing source of nonprofit board and management basics or “Nonprofit 101”
- 2 The on-demand availability of in-depth organizational assistance
- 3 Ongoing ways to surface, educate, and sustain board and executive leadership
- 4 Trusted information and referral resources for “just-in-time” needs
- 5 A community infrastructure that supports volunteerism
- 6 The capacity to leverage technology in pursuit of mission
- 7 Organizing and advocacy capacity
- 8 A healthy funding and fundraising climate

**Figure 1.1: The Nonprofit Ecosystem Framework**



This figure illustrates the elements within the nonprofit ecosystem framework. Using this framework, funders and nonprofits can begin to assess the gaps in capacity building within their local communities. This framework can be used to guide discussions on how investments in capacity building would yield the most benefit.

To put these elements into practice, each nonprofit ecosystem requires **knowledge and expertise, capacity building institutions, and delivery methods**. For example, each local ecosystem requires capacity building institutions to provide services. This includes management support organizations, funders, educational institutions, the government, volunteer programs and consultants, among others. These capacity building providers bring knowledge and expertise on topics such as governance, leadership, finance, fundraising, human resources, and information technology. These capacity builders use varied delivery methods, such as workshops/trainings, peer learning, or individual coaching sessions, which are relevant to the geographic and demographic needs of each local community.

## KEY FINDINGS

In addition to developing a framework for assessing capacity building resources, we conducted interviews and led forums with leaders from 14 geographic communities in Washington state. These interviews revealed some common themes across communities:

- 1) Nonprofit ecosystems vary widely by community.** In Washington State, each community reflected a wide variation in the number and types of capacity builders, the perceived level of expertise, and the types of delivery methods available.
- 2) Nonprofits consistently mention lack of funding as a barrier to accessing capacity building services.** The lack of dedicated funding for capacity building, and particularly general operating support, is a key barrier to accessing available services.
- 3) Larger and more established nonprofit organizations tend to have better access to capacity building resources.** Nonprofits with larger budgets tend to have the internal bandwidth to take on capacity building initiatives, while smaller organizations are constrained by staffing and financial resources.
- 4) Rural communities face unique challenges.** Rural communities are smaller and more isolated. These communities reported fewer capacity builders, and often hire experts to travel from more populated cities. Rural nonprofits also rely on informal networks and volunteers rather than paid staff.
- 5) The most frequently mentioned capacity building needs were governance/board development and fundraising assistance.** When asked “what are the top two or three things that you think would be most valuable for this community in terms of additional capacity building,” 11 out of 15 communities mentioned board development/governance. Interviewees also frequently mentioned fundraising assistance and financial management.

## OPPORTUNITIES FOR INVESTMENT

Funders who recognize the importance of nonprofit capacity building play a powerful role in strengthening the sector. Given that each community is unique, funding strategies should be rooted in the local environment by working with trusted local partners to become familiar with existing resources. Funders, in collaboration with other stakeholders, can use the ecosystem framework to systematically identify gaps in

capacity building services. Using the nonprofit ecosystem framework, funders and nonprofits can discuss several important questions, such as:

- Which essential elements of the nonprofit ecosystem have strong representation in our communities, and where are there gaps? What sources of funding, service delivery mechanisms, and capacity building institutions exist in our community?
- What would be the most beneficial investments for funding in our nonprofit ecosystem? Are there opportunities for funders to collaborate?
- How can we build upon or strengthen existing resources in the local nonprofit ecosystem?

Funding can occur at different levels. Funding can support an individual nonprofit, or it can be provided at a systemic level, such as within a community or multiple communities. Depending on funders’ interest in different *leverage points*, or the levels at which they would like to make an impact, there may be a range of complementary strategies. The table below provides some recommended approaches for funding at various leverage points.

**Figure 1.2: Opportunities for Investment**

Leverage Points	Recommended Approach	Rationale
<b>Individual nonprofits</b>	<ul style="list-style-type: none"> <li>• Provide more general operating and capacity building funding</li> <li>• Build the capacity of local intermediaries (community foundations)</li> </ul>	<ul style="list-style-type: none"> <li>• Gives nonprofits flexibility and resources to access and benefit from capacity building services</li> <li>• Intermediaries can manage capacity building programs and possess local expertise</li> </ul>
<b>Community ecosystem</b>	<ul style="list-style-type: none"> <li>• Provide grants to existing or emerging capacity building institutions</li> <li>• Provide planning grants or convene local partners to identify, prioritize, and strengthen weak ecosystem elements</li> </ul>	<ul style="list-style-type: none"> <li>• Builds on resources that exist in the system without duplicating efforts</li> <li>• Relies on local knowledge and trusted community leaders</li> </ul>
<b>Statewide ecosystem</b>	<ul style="list-style-type: none"> <li>• Explore ways to replicate and adapt successful programs across the state, such as: Nonprofit 101, volunteerism, leadership development, information referrals</li> <li>• Continue to help connect and support communities of practice</li> </ul>	<ul style="list-style-type: none"> <li>• Certain ecosystem elements lend themselves to a systemic approach. For example, successful Nonprofit 101 trainings can be replicated so all communities have access to this information</li> <li>• Capacity builders benefit from knowledge sharing and collaboration</li> </ul>
<b>Rural communities</b>	<ul style="list-style-type: none"> <li>• Explore promising models for addressing capacity building challenges in rural areas</li> </ul>	<ul style="list-style-type: none"> <li>• Funders who have experience in rural communities can share lessons learned and models that have proven effective</li> </ul>

Nonprofits cannot exist in a vacuum; they rely on an interconnected network of institutions in order to thrive. In every nonprofit ecosystem, funders, capacity building institutions, and nonprofits each have a role to play in supporting the health of the community.

## **STATEWIDE CAPACITY COLLABORATIVE**

As a result of this study, many funders in Washington embarked on projects that reflect this framework. Nine funders who employ capacity building as one of their grantmaking strategies created the Statewide Capacity Collaborative (SCC) to be a catalyst for moving many of the recommendations forward. The SCC funders are: Bill & Melinda Gates Foundation, Campion Foundation, Empire Health Foundation, Medina Foundation, M.J. Murdock Charitable Trust, The Paul G. Allen Foundation, The Seattle Foundation, Sherwood Trust and Social Venture Partners.

The SCC serves as a hub and connector focused on building the capacity of the nonprofit ecosystem across the state. While SCC grant makers have pooled some funds for specific capacity building investments and SCC staffing, each organization acts independently in their funding choices. Members also use the SCC to share and advance their learning of best practices and consider collaborative efforts.

### **Since Spring 2010 the following investments have been made:**

#### **501 Commons/Statewide Nonprofit Resource Directory**

The Paul G. Allen Foundation, Bill & Melinda Gates Foundation, Campion Foundation, The Seattle Foundation and Social Venture Partners jointly fund 501 Commons (originally Executive Service Corps of Washington) – a capacity building institution providing services primarily to nonprofits in King County. Their funds support the development and ongoing management of an online system for nonprofits across the state who are seeking vetted consultants and best practice information for various capacity building projects. The online system launched in January of 2011.

#### **Local Intermediary Organizations**

Philanthropy Northwest, with support from Bill & Melinda Gates Foundation, granted funds to community foundations across the state that want to advance capacity building for nonprofits in their communities through funding and educational programs. Philanthropy Northwest is also providing staff support, through funding from Bill & Melinda Gates Foundation, to a peer network of 26 community foundations so they are able to convene, learn from each other, and share best practices.

#### **Rural Investments**

The Medina Foundation invests in the 14 counties that surround the Puget Sound. They are deepening their investment in the nonprofits they currently fund by piloting a capacity building initiative in both Whatcom and Skagit counties.

The Sherwood Trust is funding, in collaboration with the Walla Walla Community College, a Learning Center for Nonprofits. They are also working with the Learning Center as an intermediary to provide grants for general consulting services to certain local nonprofits.

#### **Nonprofit 101**

With support from the SCC funders, Social Venture Partners serves as the project manager to research content and delivery mechanisms for core capacity building needs including board

governance, strategic planning and financial management. The goal of this work is to align with and leverage other SCC investments and to pilot a Board Essentials program in collaboration with local communities and capacity builders.

### **Washington Nonprofits**

The Seattle Foundation provided seed funding for the creation of Washington Nonprofits, an organization that aims to provide a voice for nonprofits across the state through advocacy, education, capacity building and networking. Later, Bill & Melinda Gates Foundation, Campion Foundation, Social Venture Partners and the Rick and Peg Young Foundation joined The Seattle Foundation to fund the planning and business development phase of Washington Nonprofits.

### **Philanthropy Northwest Capacity Building Learning Circle**

Several of the SCC funders participate in events and workshops to advance capacity building knowledge and interest among regional funders. Events include bringing in speakers from GEO, peer learning, sharing the results of the Assessment of Capacity Building in Washington State Report more broadly, and coordinating education sessions at Philanthropy Northwest's annual conference. Representatives from Campion Foundation and Bill & Melinda Gates Foundation originally co-chaired this effort and are now joined by Empire Health Foundation, Social Venture Partners, and United Way of King County who serve on the planning committee and support a part-time staff position at Philanthropy Northwest.



## **HOW TO USE THIS REPORT IN YOUR COMMUNITY**

*Understanding Your Community's Nonprofit Ecosystem: A Strategic Discussion Guide for Building Nonprofit Capacity* can help you create a productive discussion among local nonprofit leaders, funders, capacity builders and other civic leaders in order to articulate strengths and weaknesses of capacity building resources in your community. The guide includes agendas, discussion questions, tips for action and an assessment tool.

Upon understanding the strengths and gaps of a community's nonprofit ecosystem through conversations with local nonprofits and community leaders, the guide also offers discussion questions for funders:

- Who among us currently funds general operating costs and capacity building? What has been your experience with this type of funding?
- How do we, as funders, know if a nonprofit needs help with capacity building?
- Is there an apparent gap in our local nonprofit ecosystem that we, as funders, could fill – either individually or collectively?
- What are the tradeoffs of funding capacity building vs. program funding?

**Check out [www.philanthropy.org/nonprofit\\_ecosystem](http://www.philanthropy.org/nonprofit_ecosystem) to see the full discussion guide and the Nonprofit Ecosystem Community Self-Assessment Exercise.**