



APPROACHES TO HIGH IMPACT GRANTMAKING: **Strengthening Nonprofit Capacity**

WHAT IS CAPACITY BUILDING?

In the for-profit sector, investors understand that businesses must invest in their people, systems, and infrastructure in order to lay a solid foundation for performance. Nonprofits are no different:

- Board members, executives, staff, and volunteers need training and supervision to be effective.
- Nonprofits require adequate facilities, technology, and other systems to function efficiently.
- Organizations need opportunities to learn and improve, continuously increasing the benefits they provide to clients and the public at large.

Research has demonstrated that capacity-building grants can improve nonprofit leadership, programs, organization, revenue, and community engagement.¹ This in turn, improves their ability to serve their clients.

Yet, historically, securing capacity-building funds has been challenging for nonprofits, particularly when so many grants are tied to the delivery of specific programs or projects, as opposed to enhancing capability across the organization.

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TYPES OF CAPACITY BUILDING

Funders can build the capacity of nonprofits at two levels: supporting an organization and/or supporting the field in which multiple organizations work.

Supporting an Organization

Strengthening an organization as a whole—or even a particular department—has multiple potential benefits. For example, it can improve a nonprofit's ability to deliver its current programs; facilitate expansion into a new service area, such as a new geography, population, or program area;

ABOUT THIS SERIES: Many donors are seeking advice about how to use their philanthropic funds most effectively—to achieve the largest impact. In response, the University of Pennsylvania's Center for High Impact Philanthropy and Fidelity Charitable have collaborated to create a series of briefs that describe various philanthropic tools and how each can help funders do more good. We hope that they prove useful to you and help you to expand your philanthropic reach using proven best practices in the field.

or increase an organization's resilience and adaptability, making it better able to respond to unexpected challenges and opportunities.

Following are common areas of focus for capacity-building grants aimed at improving the strength of a particular nonprofit organization:

- Strategic planning
- Board development
- Management and staff training
- Public relations, marketing, and fundraising
- Technology upgrades and implementation
- Facilities and physical infrastructure

Strengthening a Sector/Field

Capacity building grants can have a broader scope to impact multiple organizations working on common goals. Examples include:

- *Convening organizations in the same field.* Conferences, retreats, and working groups provide opportunities for nonprofit leaders to share lessons learned, latest research, cutting-edge thinking, and contacts that improve the effectiveness of participating organizations.
- *Measuring impact.* Data collection and longitudinal studies can yield insights that no single organization could discover alone, but that benefit everyone working in that field.
- *Advocating for policy change.* Changes in policy at the local, state, national, and even global levels can improve the environment in which multiple nonprofits operate, enhancing everyone's ability to achieve their social impact goals.

TIPS FOR SUPPORTING CAPACITY

Funders can provide capacity-building support in multiple ways. For example, they can provide unrestricted funding that the nonprofits can allocate to priority capacity-building efforts, fund specific requests for capacity-building, or pay the expenses of consultants and vendors engaged in their grantees' capacity-building work.

Regardless of how a donor provides capacity-building support, here are four tips to help make sure that funding results in increased impact:

1. *Focus on pain points.* Capacity-building often requires organizations to change what they are currently doing. Since most organizations resist change, focusing on those areas that funder and grantee agree need to be addressed will make it more likely that the capacity-building grant yields results. If an organization's needs are unclear, assessment tools such as TCC Group's Core Capacity Assessment Tool and McKinsey's Organizational Capacity Assessment Tool can uncover opportunities for improvement (see For More Information section).
2. *Sequence efforts.* Most organizations are not able to take on more than one capacity-building effort at a time. Even if there are multiple needs, sequencing activities will make the effort far more effective. For example, technology upgrades might be required before launching a new social media campaign in order for it to achieve its full potential.
3. *Right-size the funding.* Having adequate resources for any capacity-building project is critical to its success.² Obtaining comparable costs from similar efforts and collaborating with other funders are two ways to make sure sufficient resources are in place to complete the capacity-building effort. Especially if you are building sector/field capacity, change can take time and may require multi-year commitments.
4. *Maintain trust.* It can be difficult for nonprofits to admit their limitations – especially to a funder. Providing opportunities to discuss a grantee's needs and to develop shared expectations around any capacity-building effort can help.

By contributing to the overall health and stability of an organization or field, funders build their grantee's capacity to succeed.

FOR MORE INFORMATION

Building Capacity to Measure and Manage Performance by Matthew Forti & Kathleen Yazbak, The Bridgespan Group, 2012

Capacity Building 3.0: How to Strengthen the Social Ecosystem by Jared Raynor with Chris Cardona, Thomas Knowlton, Richard Mittenenthal, and Julie Simpson, TCC Group, 2014

Core Capacity Assessment Tool, TCC Group, www.tcccat.com

Effective Capacity Building in Nonprofit Organizations prepared for Venture Philanthropy Partners by McKinsey & Company, 2001

Organizational Capacity Assessment Tool, McKinsey & Company, www.mckinseyonsociety.com/ocat/

Strengthening Nonprofit Capacity, Grantmakers for Effective Organizations, 2015

Supporting Grantee Capacity by Anna Pond and Jen Bokoff, The Foundation Center, 2015



Capacity Building in Practice



The John Goigan Family Foundation has been convening like-minded grantees since 2010, focusing on topics such as board development, communications, and fundraising. By training leaders from multiple organizations at the same time, the gatherings are more efficient than one-on-one programs, and have strengthened the relationships its grantees have with the foundation and each other. Read more at: <https://philanthrofiles.org/2013/05/02/convening-to-build-capacity/>.



The North Central Area Agency on Aging (NCAAA) in Hartford, CT, works to provide access to quality, cost-effective services for senior citizens and their caregivers. A significant amount of their client contact happens over the phone, yet the organization's system was over 30 years old. As a result, a significant number of calls were lost or dropped, severely impacting the quality of service that clients were receiving. A technology grant from The Hartford Foundation for Public Giving allowed NCAAA to upgrade to an entirely new telecommunications system. Immediately clients experienced shorter wait times and fewer dropped calls. But, according to Maureen McIntyre, the Agency's executive director, that was only the beginning. NCAAA now tracks phone utilization across its programs, a reliable predictor of demand for various services. This information is used to adjust staffing patterns to maximize efficiency. The bottom line? More clients are receiving better service, more quickly. But McIntyre is quick to point out that the agency could not have upgraded the technology on its own. "Without the grant, it never would have happened." Read more about The Hartford Foundation's Strategic Technology Program at: www.cof.org/blogs.



The Center for High Impact Philanthropy (CHIP) is the only university-based center with a singular focus on philanthropy for social impact. Founded as a collaboration between the School of Social Policy & Practice and alumni of the Wharton School, it is a trusted source of knowledge and education to help donors around the world do more good. To learn more, visit www.impact.upenn.edu.



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ENDNOTES

- 1 A. Minzer, J.A. Klerman, C.E. Markovitz, and B. Fink, "The impact of capacity-building programs on nonprofits: A random assignment evaluation", *Nonprofit and Voluntary Sector Quarterly*, 43 (3) pp. 547-569, 2014.
- 2 The David and Lucile Packard Foundation, OE Goldmine Research Project Final Report, 2011.

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