



The Muttart Fellowships



**Conversations About
Capacity Building**



Joanne Kidd

Each item in The Muttart Fellowship Products Series carries “the look” designed for the program. The concept incorporating pebbles and water fits with the Zen-like qualities of the visual identity of the Fellowship Program.

Each front-cover pebble is different—representing the uniqueness of each fellow and what s/he has to offer. Applicants are like pebbles among pebbles. After each is refreshed and renewed through the Fellowship year, s/he has an impact on the nonprofit charitable sector like the rings the pebble creates on a pond of water.

The varied use of this design recognizes the individuality of the Fellows while also creating a unified look to the Muttart Fellowship Products Series.

The Muttart Fellowship Program—unique in Canada—was created in 1996. A project of The Muttart Foundation, a private foundation based in Edmonton, Alberta, the program is designed to:

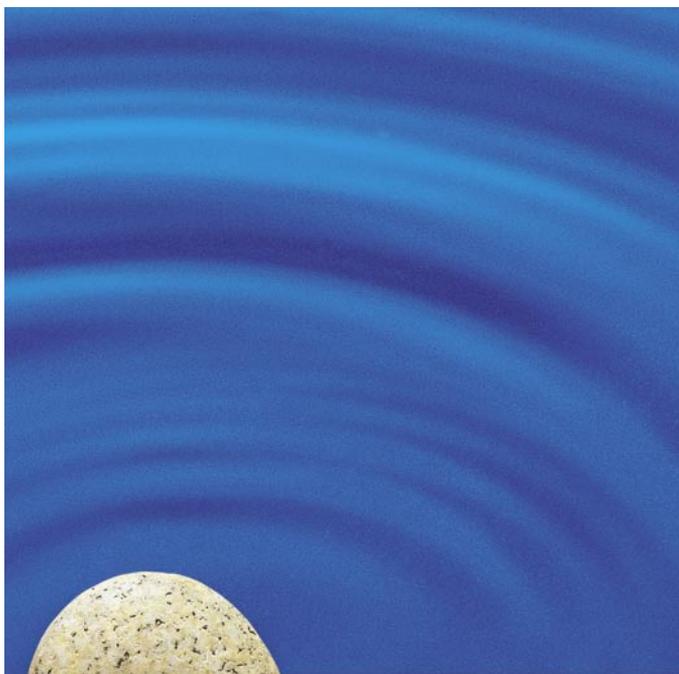
- develop research and other materials that will benefit the charitable sector in Canada.
- provide senior managers within the social-services sector with an opportunity for a sabbatical year—a chance to recharge and renew themselves.

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Introduction

In my work as executive director of a mid-sized nonprofit organization, I spent several years working to increase the strength and sustainability of the organization. My goal was to ensure the organization's ability to continue to provide the services that fulfil its mission and meet the needs of the community it serves.

These efforts to build the organization involved all of our stakeholders and participants at different times and in different ways. Board and staff members in particular helped to shape the direction. They took on extra tasks to move us through the various initiatives we undertook. While we had success on many fronts, it became increasingly obvious that many of these efforts created new kinds of stress for individuals and the agency.

In the last few years, I began to hear more and more about the idea of "organizational capacity building." Initially, it seemed to be a new way to describe what we had been attempting to do. At the same time, I hoped it would offer new strategies that could help us develop in ways that were less likely to sap our strength.

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As I began to explore what was behind this terminology, I quickly learned that it was being used more frequently, by more people, and in many different contexts. It became evident that the words did not mean the same things to all of those who spoke them. As an increasing number of funders were beginning to speak of moving their focus to "building organizational capacity," I became concerned that the lack of common definition and understanding could well be a barrier. If those of us working within nonprofit organizations had a different vision of organizational capacity than those who

saw themselves supporting its development, our chance of making meaningful and lasting change would be limited.

The concern I had begun to develop was reinforced when I heard Janice Gross Stein speak to the issue of the distortion of meaning as described in her book *The Cult of Efficiency*. She explores the ways in which language originally developed in the private sector has been adopted by, or inflicted upon, the voluntary sector where the original meaning does not necessarily fit. She warns of the potential for this to be more damaging than helpful if its application of the terms is not consistent with the nonprofit sector's values and missions. Hearing her increased my interest in trying to learn more about the idea of capacity building in nonprofit organizations and how it was being interpreted and applied by different players in the field.

Thanks to The Muttart Foundation, I have had the opportunity to pursue this exploration. The Foundation's Fellowship Program gave me time to explore the literature on capacity in organizations, as well as that on organizational effectiveness. It allowed me to talk with executive directors of small nonprofits and with some of their funders to see how similar or different their views of this idea of capacity building might be. I met many people who are working with great dedication to build and sustain community organizations, and I learned something of the different perspectives they hold. This paper is an attempt to share some of what I learned.

Organizational Capacity— What Does It Really Mean?

“I can’t help myself, I have got to say that I am sick and tired of the term ‘capacity building.’ Even if it does accurately describe what we do, it is too durned jargon-y and precious to trip lightly off the tongues of most people using it. Does anyone know who coined this term and, more to the point, why? Was there something wrong with just saying ‘support services’ or ‘organizational improvement’ or just about anything else in plain English?”

- Jennene Colky¹

I first heard the term “capacity” in the 1980s, in the work of John McKnight, who used it in relation to the empowerment of individuals and communities. In an address to a conference on mental health advocacy he said, “Community associations are built upon the recognition of the fullness of each member because it is the sum of their capacities that represents the power of the group. The social policy makers, on the other hand, build a world based upon the emptiness of each of us—a model based on deficiencies.”²

One of the things I wondered about as I began to explore what was being said about the idea of capacity building in nonprofits, was whether the focus would be on assets or on deficits. Dictionary definitions seemed to place the emphasis primarily on the notion of a container that could receive and hold things or ideas. It was only toward the end of a list of possible meanings that I found two more proactive definitions:

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¹ The Grants Lady, on forums@allianceonline.org, October 2003.

² John L. McKnight, “Regenerating Community.” Lecture, Empowerment Through Partnership: A Search Conference on Mental Health Advocacy, Ottawa, November 28, 1985, p. 21.

- “active power of mind, talent”³
- “capability, possibility”⁴

It was these definitions that seemed to reflect my own idea about what might be needed to “build organizational capacity.”

The Canadian View

In Canada, concerns about the long-term survival of the nonprofit sector and the role of government in supporting the sector provided the impetus for the formation of the Voluntary Sector Roundtable (VSR) in 1998. The VSR was composed of senior executives of a broad representation of national organizations. It was through the Roundtable that funding was acquired for research into the current status of the sector in Canada and its future potential and needs. The VSR created the Panel on Governance and Accountability (PAGVS). The PAGVS had broad representation from the political and academic communities, as well as from the voluntary sector itself.

It was through the work of the PAGVS that the term capacity building in relation to the nonprofit sector began to take hold in discussions about nonprofit and voluntary organizations in this country. In a 1998 Discussion Paper, it was said that “In order to do their work, voluntary organizations need resources, infrastructure, skills and support. Capacity building is a vital first step toward increased accountability and improved governance.”⁵ In 1999 the final report defined capacity as “...the human and financial resources, technology, skills, knowledge and understanding required to permit organizations to do their work and fulfill what is expected of them by their stakeholders.”⁶ The emphasis in both these statements is on accountability.

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³ *Oxford International Dictionary of the English Language*, unabridged. (Toronto: Leland Publishing Company, Ltd. 1957), p. 260.

⁴ *Ibid.*

⁵ Panel on Governance and Accountability. *Helping Canadians Help Canadians: Improving Governance and Accountability in Canada's Voluntary Sector.* (Ottawa: Voluntary Sector Roundtable, 1998), p. vii.

⁶ Panel on Governance and Accountability. *Building on Strength: Improving Governance and Accountability in Canada's Voluntary Sector.* (Ottawa: Voluntary Sector Roundtable, 1999), p. 118.

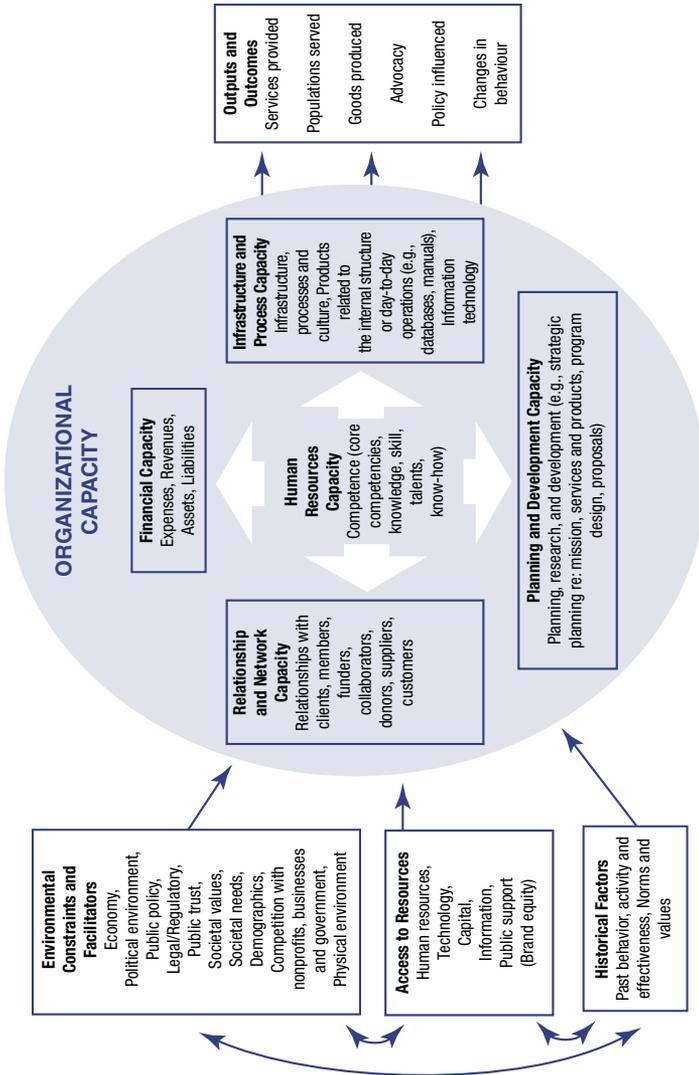
The recommendations from the PAGVS led to the establishment of the Voluntary Sector Initiative (VSI), which was composed of several “Joint Tables” where representatives of the federal government and the voluntary sector examined the current state of the sector and of those arms of government that influence the sector. The tables were charged to recommend changes that might enhance the work of the sector and its relationship with the federal government. A Capacity Building Table was one of those established. It defined the main focus of its research to be “...the capacity of nonprofit and voluntary organizations to fulfil their missions and mandates.”⁷ This seemed to broaden the definition, as good governance is about supporting the work of fulfilling the mission, while accountability is about reporting to stakeholders on the degree to which the mission is being met. Governance and accountability seem thus to be tools rather than goals in themselves.

The Capacity Joint Table was influenced by the notion of intellectual capital that had developed with the growth of the knowledge economy. They identified three types of capital which they saw to be fundamental to “...the capacity of nonprofit and voluntary organizations to achieve their missions and objectives...”⁸ These were financial capital, human capital, and structural capital. These three types of capital were also seen to be three areas of capacity that were critical to an organization’s ability to achieve its mission and objectives. The area of structural capacity was further broken down into three components: relationship and network capacity, infrastructure and process capacity, and planning and development capacity. All of this was diagrammed as a conceptual model that can provide context for some of the other perspectives that were developing at the same time south of the border.

⁷ *Capacity to Serve: a Qualitative Study of the Challenges Facing Canada’s Nonprofit and Voluntary Sector* (Toronto: Canadian Centre for Philanthropy, 2003 Used with permission.), p. 3.

⁸ *Ibid.*, p. 4.

Conceptual Model of Organizational Capacity⁹



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⁹ Ibid., p. 7. © The Canadian Centre for Philanthropy. Used with permission.

The American Experience

In Canada the impetus to explore issues of nonprofit sector “capacity” came from the organizations themselves in cooperation with government, as demonstrated in the work of the Voluntary Sector Roundtable and the Voluntary Sector Initiative. The work of those groups was informed by experience in other countries, including the United States. In looking at the development of thinking about capacity south of the border, the impetus to look at it appears to have come from funders and from those who provide support services to the nonprofit sector.

In 1994 Steven E. Mayer wrote *Building Community Capacity: The Potential of Community Foundations*. While his focus was on communities rather than on nonprofit organizations specifically, much of what he had to say related to how community foundations could help to strengthen community organizations. According to Mayer, “Communities that have the ways and means to undertake challenges exhibit ‘capacity.’”¹⁰ He offers as a definition “Community capacity is the combined influence of a community’s commitment, resources, and skills which can be deployed to build on community strengths and address community problems.”¹¹ It is easy to substitute “nonprofit organization” in either of these statements to provide a beginning definition of the idea of “organizational capacity.” Mayer’s is an asset-based definition.

While Mayer’s focus is on the development of community foundations in order that they can better support the development of capacity in communities, his key areas of focus might well also have meaning in relation to the development of community organizations. The three key factors he explores are resource development, organizational commitment, and leadership skills. Within his discussion of resources, he emphasizes the importance of long-term vision. In his chapter on organizational commitment, he returns to the issue of financial resources as well as addressing administrative skills. In speaking to leadership, he identifies the critical importance of the catalytic role in contributing to development. All of these things are echoed as the discussion of organizational capacity developed in the United States.

¹⁰ Steven E. Mayer., *Building Community Capacity: The Potential of Community Foundations* (Minneapolis, MN : Rainbow Research, Inc., 1994), p. 3.

¹¹ Ibid.

By 1998, an organization had formed called “Grantmakers for Effective Organizations.” The focus of the inaugural conference was organizational effectiveness. Two years later, the conference title was “Capacity Building for Impact: The Future of Effectiveness in Nonprofits and Foundations.” In 1999 Letts, Ryan, and Grossman published *High Performance Nonprofit Organizations: Managing Upstream for Greater Impact*. In their book they address the idea of organizational capacity in relation to performance. In exploring this literature it became clear that, although the terminology is used independently, effectiveness or high performance requires capacity, and a key goal of capacity building is effectiveness. The components of effectiveness and high performance will be the topic for a later discussion. For now, I will confine myself to looking at the ways organizational capacity was described by some of the writers who have addressed performance and effectiveness.

In 1999 Letts et al indicated that most definitions of capacity seemed to be limited in scope: “For nonprofits, organizational capacity has been so narrowly interpreted that it appeals only to management enthusiasts and technical specialists. But beyond the basics of financial control and project management...are a set of broader, deeper and more vital organizational capacities that drive performance.”¹² The capacities that these authors see to be critical they have named “adaptive” capacities, saying “For an organization to be more than the sum of its programs, it needs the ability to act, listen, reflect and *adapt*.”¹³

8 This idea of adaptive capacity seems to be more reflective of those dictionary words that resonated for me—power of mind, talent, capability, and possibility. It is also consistent with approaches to managing change. In 2002, in looking at high performance in nonprofits, Light provided a further analysis of the complexity of the idea of capacity. He pointed out that “Some observers sort capacity building into at least two broad approaches: a focused approach characterized by short-term thinking and implementation of new systems, and a developmental approach characterized by longer term engagement around organizational change. In turn, those two

¹² Christine W. Letts et al., *High Performance Nonprofit Organizations: Managing Upstream for Greater Impact* (Toronto : John Wiley and Sons, 1999), p. 16.

¹³ *Ibid.*, p. 21.

approaches contain dozens, if not hundreds, of applications....”¹⁴ If this is correct, and I believe it is, it is little wonder that there is confusion about the meaning of capacity and capacity building in organizations. The continuum of those who identify themselves as “building capacity” seems to go all the way from those who provide access to written information on a topic, to those who work in collaboration with organizations over an extended period of time to analyze their strengths and weaknesses and develop strategies to build strength where that is needed. It is little wonder that some of us have difficulty being sure what is being asked or offered when we are queried about our organization’s capacity or offered assistance to develop it.

By 2003, Deborah Linnell had completed an evaluation of a selection of capacity building initiatives in the United States. As an operational definition for her study, she said “Capacity refers to an organization’s ability to achieve its mission effectively and to sustain itself over the long term.”¹⁵ The trouble with this kind of definition, while it has a certain elegant simplicity, is that it does not help the executive director or the board members of an organization figure out where to begin in attempting to analyze their organization’s strengths and weaknesses or select the most effective strategies to move toward greater sustainability. This was reflected in Linnell’s study. Staff from the OMG Center for Collaborative Learning, one of her case study groups, made the issue very clear:

Although we can define “nonprofit capacity building” by staying at that high level of abstraction, we can only measure it by drilling down to a more concrete level. When we do so, we immediately confront both the diversity of the term “nonprofit” and the diversity of the term “capacity building.” What this means is *that there is not going to be one answer to the question of how to measure the effectiveness of nonprofit capacity building. There are going to be a great many answers to a great many very different concrete situations.*¹⁶ (italics in original)

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¹⁴ Paul Light, *Pathways to Nonprofit Excellence* (Washington, D.C.: The Brookings Institution, 2002), p. 30.

¹⁵ Deborah Linnell, *Evaluation of Capacity Building: Lessons From the Field* (Washington, DC: Alliance for Nonprofit Management, 2004), p. 13.

¹⁶ *Ibid.*, p. 38.

Where To Go Next

The recognition of the diversity of the notion of capacity building clearly supported my belief that it is a piece of terminology used by many as if it were a very simple construct when it is in fact conceptually very complex. It is no wonder that the response from executive directors to my first interview question was “What do you mean by capacity/capacity building?” As Jennene Colky so emphatically said, “Was there something wrong with...plain English?”

Part of the answer, I expect, is that what seemed simple in the beginning was revealed to be more complicated only as people began to grapple with trying to put it into operation. And because the complexity is difficult to manage, many have based their criteria on what Light described as the “focused” approach that deals with short-term objectives and improving systems. While this is important, it is critical that it be understood to be only part of what will support the building of capacity. The primary difficulty is that when funders focus on technology, financial systems, strategic planning, and board/staff development, they may be missing what is more fundamental. In today’s climate, no amount of technical assistance will make a real difference for an organization lacking in what has been described as “adaptive capacity.”

In trying to look beyond the short term, and to think more creatively about how to build the capacity of an organization, one of the most useful things for me was to see the link to effectiveness and high performance. It seems logical that an effective and high-performing organization would be both achieving its mission and ensuring its sustainability. What I had seen so far in that literature seemed to be much more practical than some of the discussions of capacity, and to be written in language that seemed to be more concrete and understandable. So the next step on my journey was to further explore what might be seen to constitute an effective nonprofit organization.

Effective Performance

“The nonprofit world thrives on impossible challenges...So it’s not surprising that nonprofit organizations, and the sector as a whole, continually fall short of lofty expectations.”

Letts, Ryan, and Grossman¹⁷

This particular statement seems to emphasize a deficit-based approach to looking at the performance of nonprofits. On the other hand, it raises the question of whether it is the performance that is lacking or the expectations that are unrealistic. In either case, in speaking with executive directors of nonprofits, I found they all feel under a degree of stress that challenges their ability to be as effective as they would like. Nevertheless, the people I spoke with as part of this study:

- had grown their organizations during recent tough times
- had received recognition from others for the quality of the work done by their organizations
- were proud of the ability of themselves and their staff to get the most out of limited resources.

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One person went so far as to say “...I think there’s going to be a whole for-profit re-thinking of ‘Wow, how do you do that?’”

In my search for some sense of what effectiveness might look like to others, I found three perspectives that were grounded in research, each of which looked at the question from a slightly different angle. Looking at the analysis and conclusions of these authors helped me

¹⁷ Christine W. Letts, William P. Ryan, and Allen Grossman. *High Performance Nonprofit Organizations: Managing Upstream for Greater Impact* (Toronto: John Wiley and Sons, 1999), p.1.

to put into context the discussions I subsequently had with executive directors who are dealing with issues of organizational performance on a daily basis.

High Performance

The work of Letts and her colleagues tries to determine the factors that contribute to high performance and identifies some critical differences between the for-profit and nonprofit sectors. They started out to look at ways to expand programs in order to increase the impact of organizations. They ended up re-defining the challenge "...from one of expanding effective programs, to a new formulation of the challenge as one of building effective organizations that can sustain and improve these programs."¹⁸

They came to this new viewpoint as a result of trying to discover how organizations perform and what enables them to perform well. They identified four organizational processes that they believe to be critical: quality processes, product development, benchmarking, and human resources management. They also looked at the role of venture capital in the for-profit sector, and how that approach might apply for nonprofits.

Quality processes refer to methods to measure client satisfaction, staff performance, and practical approaches to improving service. These processes are recognized to be demanding on staff, but the authors believe them to be fundamental to a nonprofit which wants to be a true community resource.

- 12** Product development is an approach that engages people throughout the organization in looking for new ideas, and then imposes a disciplined process for moving the best ideas forward. The difficulty with trying to move that for-profit approach into the nonprofit sector is that "...a nonprofit, in effect, needs to limit its capacity for organizational processes like program development in order to compete effectively. On the for-profit side, many businesses face similar pressures, but are beginning to reject aggressive cost-cutting strategies in favour of investment in capacity-building."¹⁹ The cost

¹⁸ Ibid., p. 3.

¹⁹ Ibid., p. 75

cutting of recent years, particularly by government funders, was clearly seen by the executive directors I spoke with as limiting their ability to improve existing programs let alone develop new ones.

Benchmarking is described as an organizational learning process. The authors distinguish it from best practises, which are externally defined. They see the notion of best practises as placing staff in a passive role, applying what someone else has learned in some other context. They see benchmarking as a means to increase the organization's problem-solving capacity. They believe that "*In most organizations there is a tendency for doing to eclipse planning and planning to eclipse learning.*"²⁰ (italics in original) This limits both the ability to make improvements and to demonstrate value to stakeholders and funders.

The focus of their discussion of human resources is strategic. The authors differentiate between improvement in the capacities of individuals and in the capacity of the organization. According to them, "*Effective human resource management is...about finding, keeping and managing people* in ways that will help the organization meet its goals."²¹ (italics in original) To achieve this, they see commitment to be more critical than money or human resource specialists.

While they clearly see planning as an important component of effective organizations, they express concerns about strategic plans, saying "A strategic plan outlining where the organization wants to go is worth little unless the organization has the capacity to get there, and the resources to create the impact the plan seeks."²² It is presumably in the interests of exploring new ways for organizations to find resources that the venture capital model is examined.

In the United States, large foundations appear to have a significant influence on how nonprofits do business. The authors see some foundations as moving away from a program-centred approach, but in a limited way. "They are supporting promising entrepreneurs instead of promising programs. But they tend not to distinguish between the skills that an entrepreneur needs to excel at program innovation and the skills needed for management of a growing

²⁰ Ibid., p. 89.

²¹ Ibid., p. 120.

²² Ibid., p. 134.

organization. In the end they may produce more entrepreneurs and more program innovation and still not address the organizational aspects of growth needed for sustainability.”²³ It was the search for tools for sustainability that led Letts and her colleagues to explore the venture capital model, with its focus on innovative ideas and high performing organizations. Venture capitalists work with companies to find the financial, strategic, and managerial resources needed to move forward. They also recognize that it is a long-term commitment and that they must be prepared for failures as well as successes. This is where the difficulty arises in the nonprofit sector, where there is a low tolerance for failure among those who provide the funds.

Given that there is low tolerance for failure from funders, and that few of them engage in a long term relationship with the organizations they fund, the frequent expectation from funders that the nonprofit show how it will sustain the activity generated by a particular grant seems to be distinctly unfair. In the for-profit arena, there is access both to capital markets and time for the CEO to focus on managing the organization. By comparison the nonprofit CEO is disadvantaged both financially and in terms of his or her ability to spend the time needed to develop the means for sustainability.

Learning is seen to be central to the development of effective practice. These authors see learning to be critical to both improved programs and services and to improved organizational functioning. For them, the key to nonprofit high performance is what they call “adaptive capacity,” processes which “...support a different set of organizational goals including:

- Learning...
- Responsiveness...
- Innovativeness...
- Motivation....”²⁴

To be credible to funders who might be willing to take a venture capital approach, they believe the leaders of a nonprofit must be able to communicate clearly where they are trying to take the organization.

²³ Ibid., p. 171.

²⁴ Ibid., p. 171.

In order for high performance to be achieved, Letts and her colleagues believe foundations that work to support the nonprofit sector need to be committed to partnering with organizations, engaging for the longer term, willing to do the “gritty work” associated with venture capital, and open to learning the patience and adaptation that are critical to success. While promoting a new approach, the authors urge caution: “The worst outcome would be a stampede to a new conventional wisdom, whereby all foundations begin going through the motions of supporting organizational capacity without first discovering what the issue really means for their grantees and how they can best support it.”²⁵

Organizational Effectiveness

Robert D. Herman and David O. Renz began to look at the idea of organizational effectiveness in nonprofits in the early 1990s. Theirs was a longitudinal study, with data gathered in 1993-94 and again in 1999-2000. They began with several questions:

- “What is nonprofit organizational effectiveness: and, is program effectiveness the same as organizational effectiveness?”
- Is there some ‘real’ effectiveness out there just waiting to be discovered?
- Can those of us trying to explain effectiveness agree on what it is?
- And if we found it, would we be able to agree on what we have identified?
- Do certain management practices generally promote greater organizational effectiveness? Are there ‘best practices’ and, if so, what are they?”²⁶

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To begin to answer these questions, they identified 64 charitable nonprofits which had independent local governing boards and which delivered services either in health and welfare or to people with developmental disabilities. By the second round, a combination of

²⁵ Ibid., p. 199.

²⁶ Robert D. Herman and David O. Renz, *Nonprofit Organizational Effectiveness: Practical Implications of Research on an Elusive Concept* (Kansas City: Henry W. Bloch School of Business and Public Administration, n.d.), p. 1.

dissolution, merger, or unwillingness to participate in all or part of the study reduced the sample to 44. They collected data from senior executives, board members, and funders, some of who remained in their roles between the first and second rounds.

This research was based on several methods of data collection, and focused on five key areas:

- “use of correct management practices (as defined by practitioners)
- use of widely recommended board practices
- judgments of the effectiveness of boards
- judgments of the effectiveness of organizations, and
- organizational characteristics, such as age, revenues, strategies to cope with change, and others.”²⁷

Herman and Renz were aware that most prior work on nonprofit effectiveness was based on what they call the “goal attainment model.” They recognized its intuitive appeal, but believe it does not address “...the real life complexities of our organizations.”²⁸ They point out that goals may fail to be as relevant to clients as they should be, or may be set at a level too easy to accomplish. They offer the example of an organization, which meets all of its program goals but does not have the necessary resources to continue to operate. So they set out to see if they could identify other factors that would do a better job of reflecting effectiveness. They looked at previous work done by others as well as their own data, and they arrived at nine “propositions.”²⁹

1. Nonprofit organizational effectiveness is always a matter of comparison.
2. Nonprofit organizational effectiveness is multi-dimensional.
3. Boards of directors make a difference in the effectiveness of nonprofit organizations, but how they do so is not clear.
4. Nonprofit organizational effectiveness is a social construction.
5. The more effective NPOs are more likely to use correct management practices.

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²⁷ Ibid., p. 2.

²⁸ Ibid., pp. 3-9.

²⁹ Herman and Renz, *Nonprofit Organizational Effectiveness: Practical Implications of Research on an Elusive Concept*, p. 10.

6. Claims about “best practices” for nonprofit boards and for the management of NPOs warrant critical evaluation.
7. A measure of NPO effectiveness that emphasizes responsiveness may offer a solution to the problem of differing judgements of effectiveness by different stakeholder groups.
8. It can be important to distinguish among different “types” of nonprofit organizations in order to make progress in understanding the practices, tactics, and strategies that may lead to NPO effectiveness.
9. Nonprofit organizations increasingly operate as part of networks of service delivery. Therefore, network effectiveness is becoming as important to study as organizational effectiveness.

So what does this mean for the board member or executive director trying to determine or improve the effectiveness of an organization? It seems as though this research tells us that definitions of effectiveness are so variable and so much dependent on the perceptions of different people that there is no clear model that we can aim for.

Proposition 1: Nonprofit organizational effectiveness is always a matter of comparison.

Proposition 2: Nonprofit organizational effectiveness is multi-dimensional.

Proposition 3: Boards of directors make a difference in the effectiveness on nonprofit organizations, but how they do is not clear.

If proposition 1 is true, we need to know what we are being compared to, and by whom. Proposition 2 makes it clear that program effectiveness alone will not ensure that the organization is effective. If not, we need to know which other dimensions to attend to in trying to identify effective practice. Proposition 3 seems to go against much of what is currently being said by those interested in building capacity through board development, since the only factors this study found to contribute to judgments of board effectiveness were financial condition and board prestige.

Proposition 4: Nonprofit effectiveness is a social construction.

This would seem to suggest that there is no factual basis against which to measure effectiveness.

Proposition 5: The more effective NPOs are more likely to use correct management practices.

Proposition 6: Claims about “best practices” for nonprofit boards and for the management of NPO’s warrant critical evaluation.

While proposition 5 seems to support the use of good management practices, only board members saw this as an indicator of organizational effectiveness. And proposition 6 suggests the use of “best practice” models will be of no help since “*The evidence from our panel study does not support the claim that particular board and management practices are automatically best or even good (that is, that using them leads to effective boards and organizations).*”³⁰ (italics in original)

Proposition 7: A measure of NPO effectiveness that emphasizes responsiveness may offer a solution to the problem of differing judgements of effectiveness by different stakeholder groups.

Proposition 7 might appear to give us something to hold onto. The difficulty is that the relationship between ratings of responsiveness and organizational effectiveness were based on stakeholder judgments. In service delivery environments, organizations are expected to be responsive. The fact that they appear to be does not guarantee that the response is the most effective one. Using judgments of responsiveness may help organizations to understand how their stakeholders see them, but it seems like a very limited view.

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Proposition 8: It can be important to distinguish among different “types” of nonprofit organizations in order to make progress in understanding the practices, tactics, and strategies that may lead to NPO effectiveness.

³⁰ Herman and Renz, *Nonprofit Organizational Effectiveness: Practical Implications of Research on an Elusive Concept*, p. 6.

Proposition 9: Nonprofit organizations increasingly operate as part of networks of service delivery. Therefore, network effectiveness is becoming as important to study as organizational effectiveness.

Propositions 8 and 9 seem to provide no more help. In both cases they emphasize what is not understood, and may be difficult if not impossible to measure. In the end the focus seems to return to the various individuals engaged in a particular organization working to understand their shared beliefs about effective practice and continuing to look for ways to improve what they do with the goal of better meeting stakeholder needs. In somewhat the same vein, while they identify a relationship between board practices and organizational effectiveness, they cannot identify any particular board practices or processes that will contribute to the effectiveness of the organization, seeing this as something each board must determine for itself.

It is perhaps only in the areas of program evaluation and capacity building that this research offers some comfort to those senior managers who struggle with the issue of effectiveness. In terms of outcome measurement and evaluation, the authors see no argument for looking to program outcomes as a basis for judging organizational effectiveness. In fact, they say, *“More qualitative forms of evaluation ...more closely match the realities of organizational effectiveness and are more likely to help the organization and its stakeholders to achieve mutually-valued results.”*³¹ (italics in original) This is a point of view that many nonprofit executive directors have held for some time, and have struggled to have recognized in an era of outcome measurement.

In regard to capacity building, there is recognition of the variability of both organizations and their needs saying “...those who fund or provide capacity building services should offer NPOs a menu of promising practices and help them develop the capacity to match appropriate practices to their emerging needs...capacity builders should help organizations assess both practices that are “absolutely required” and promising practices that are emerging for the particular domain of a specific NPO...”³²

³¹ Ibid., p. 10.

³² Ibid.

Nonprofit Excellence

In Paul Light's *Pathways to Nonprofit Excellence* (2002) he cites his earlier *Making Nonprofits Work*, which "...offered a sobering diagnosis of the state of nonprofit management reform and noted that the problem in the nonprofit sector was not too little reform, but too much. Lacking specific research on the characteristics of successful nonprofits, the sector has been deluged by wave after wave of reform over the past two decades, none of which had much chance of actually *improving* performance."³³ Like Letts and her colleagues, he believes "The key issue today is not *what* the sector delivers, but *how* it operates."³⁴ (italics in original)

It is Light's view that it is critical for nonprofits to take issues of performance seriously, because that is what is required to maintain public confidence. On the other hand, he offers a somewhat discouraging scenario from which to begin: "There is a reform idea for those who believe the sector is too fat and for those who believe it is too lean, for those who believe it is too insular and those who believe it is becoming too much like government and the private sector, and for those who believe it is overregulated and those who believe it is under watched."³⁵

In attempting to determine what factors might actually be reliable contributors to nonprofit excellence, Light asked funders and management service providers to identify organizations they believed demonstrated excellence in their work. He also asked them to identify the key factors contributing to that excellence. He subsequently asked executive directors and board representatives of the identified organizations for their perceptions of what might have led to their organizations being selected by others as an example of excellent practice. Before looking at the factors that were identified, it is important to be aware of other considerations that Light believes influence the ability of organizations to achieve excellence.

In looking at the present context for nonprofits, Light sees the time for developing greater effectiveness to be opportune, as increasing numbers of funders are recognizing the need to support

³³ Paul Light, *Pathways to Nonprofit Excellence* (Washington, DC: The Brookings Institute, 2002), p. v.

³⁴ *Ibid.*, p. 1.

³⁵ *Ibid.*

the organization and not just the program. Like others, he sees the private sector to have had tremendous advantages in attempting to innovate thanks to "...high tolerance for failure, not to mention the tax write-offs that go with it..."³⁶

Light identifies the fact that several different management philosophies are driving the various approaches to reform, and sees this as a fundamental problem for the sector. He identifies these as scientific management, liberation management, war on waste and watchful eye. He sees each as having a different idea of effectiveness for nonprofits: "...scientific management sees a sector governed by high standards of excellence; liberation management sees one led forward by careful measurement of success; war on waste sees a sector occupied by fewer, bigger, yet more economical nonprofits; and watchful eye sees a sector that is instantly transparent to the public."³⁷ While the terminology for the various approaches may not be familiar, anyone who has worked in the nonprofit sector in recent years will recognize all of these philosophies behind approaches they have been encouraged to adopt by one funder or another.

Light agrees with others that there is no commonly understood definition of effectiveness, or of how it might be achieved. He has a similar view of the idea of capacity building, as noted in the earlier discussion of definitions. He also identifies part of the problem to be the difference in approach between researchers and practitioners as described by a consultant he interviewed for his study: "Researchers like to study problems and practitioners have to solve them; researchers like to write in academic terms and practitioners like very concrete, pragmatic language. Even where research does exist, I don't think it's filtering down to people who are running organizations."³⁸ In spite of the difficulties, he persevered in searching for more clarity.

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Light was clear that his focus on high performers and the lack of a control group of poor performers meant his conclusions could only be seen as "...*preferred states of organizational being*."³⁹ (italics in original) The data he received were organized into four categories: external relationships, internal structure, leadership, and internal

³⁶ Ibid., p. 23.

³⁷ Ibid., p. 27. See Appendix A for more detail on each model.

³⁸ Ibid., p. 31.

³⁹ Ibid., p. 45.

management systems. He then compared the views of the “opinion leaders” with the viewpoints of executive directors.

The demographics of the organizations identified as high performers were interesting: “The majority of the high performers are neither very large nor very small, and most are certainly not very young. Only 12 per cent had budgets under \$500,000, only 25 per cent had fewer than fifteen employees, only 26 per cent had more than thirty employees, and only 8 per cent were younger than seven.”⁴⁰ The high performers varied in specialization, geographic location and the focus of the organization’s work.

While there were some variations in the viewpoints of opinion leaders versus executive directors⁴¹, and some difference in focus between larger and smaller organizations, there was a strong degree of consensus on a number of specific areas. While practitioners tended to see program impact as the most critical factor in high performance and opinion leaders saw better management to be central, both agreed that becoming well managed was the best place for an organization to start to improve performance. For progress to be made, however, executive directors “...believe funding is essential for improving management.”⁴² In terms of the four categories identified above, both opinion leaders and executive directors saw leadership as the most important area to start with. In the case of opinion leaders, almost four times as many chose leadership over internal management systems, internal structure or external relationships.

Light points out the importance of recognizing that the nature of successful leadership will vary as the organization grows and develops. As it moves from “survival” to “succession,” the leader must move “...from sponsor to critic, institutional leader to mentor, depending on the stage of the process.”⁴³ This means that successful leaders need to be able to analyze their organizations in terms of the “life stage”⁴⁴ represented by their current circumstances. Some of the differences in focus between smaller and larger organizations

⁴⁰ Ibid., p. 78.

⁴¹ See Appendix B for a summary of factors.

⁴² Light, *Pathways to Nonprofit Excellence*, p. 113.

⁴³ Ibid., p. 63.

⁴⁴ See Judith Simon and J. Terence Donovan, *The 5 Life Stages of Nonprofit Organizations* (St. Paul, MN: Amhearst H. Wilder Foundation, 2001).

that were identified were no doubt a result of their differing stages of development.

The executive directors whose organizations had been identified as high performers believed their reputation was based on a combination of program impact and managerial integrity. Perhaps most importantly “...they understood that high performance involves a never-ending journey and continuous improvement.”⁴⁵ And as Light points out “...the measure of a good leader is not to be found in his or her willingness to work eighty-hour weeks, raise every last dollar, or install each new system. It is in the leader’s ability to drive a sense of mission down through the organization, upward into the board and outward into the community, and to be willing to do whatever it takes to enable the organization to follow that mission effectively.”⁴⁶

Interestingly, there were some mixed views on both the board role and on strategic planning, both areas which have been a focus for many who see themselves as contributing to the building of capacity in the sector. Executive directors supported strategic planning. They did not, however, see it as a place to start but rather as a tool for sustaining high performance. Light suggests the organizations that most need it may be least likely to do strategic planning since they are under such stress just to survive, saying “Whereas small/young nonprofits need help building the plane while flying it, old/large nonprofits need help taking it apart without crashing it.”⁴⁷

Executive directors also identified their boards as being very important to their success, but what those boards did varied greatly depending on the size and age of the organization. Smaller organizations were more likely to have difficulties with boards in terms of roles and responsibilities.

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In conclusion, two comments from Light are important to keep in mind if you are the leader of an organization hoping to improve its performance:

Nonprofits can achieve and sustain high performance without being practically perfect in every way. High performers

⁴⁵ Light, *Pathways to Nonprofit Excellence*, p. 73.

⁴⁶ *Ibid.*, p. 114.

⁴⁷ *Ibid.*, p. 122.

build upon their assets, be it strong boards, motivated staff, smart leaders, vigorous evaluation, effective fund-raising or innovative programs.... High performance can only be achieved and sustained if an organization knows why it exists, who it serves, and when it is successful.⁴⁸

Simply stated, the one true thing about achieving and sustaining high performance is that there is no one true thing.⁴⁹

There is much to be learned from the research, but in the end it seems that it is the combination of people and resources in any organization that will make it effective or not. Given the comments that high performers tended not to be small, I wanted to find out how smaller organizations were faring in this time of emphasis on building the organization and of seeking greater effectiveness and higher performance.

⁴⁸ Ibid, p. 37.

⁴⁹ Ibid., p. 68.

The Approach

From the beginning, my focus in exploring organizational capacity was on the small nonprofit. I chose to interview six executive directors in some depth. I looked for organizations which were delivering a service in a local community and found half of my subjects in the human services and half in the arts. I looked for organizations which had more than five but fewer than 10 staff. Surprisingly, there were relatively few organizations in this category. In the end the smallest number of full-time staff was two, and the largest nine. Part-time staff, interns, and/or contractors supplemented all of these. The total of full-time equivalents ranged from just over five to not quite 15. Half of the interviews were conducted in Alberta and half in Ontario.

The organizations I interviewed were identified by asking for recommendations from individuals who are knowledgeable about the sector and about their communities. Given my awareness of the demands on executive directors, I was surprised at how readily the people I contacted agreed to be interviewed, and how quickly they were able to fit me into their schedules. No one I contacted declined. This suggested to me I was not alone in identifying organizational capacity building as a troubling issue.

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The executive directors had been in their positions an average of 10-and-a-half years, with the range being from four to nineteen. Their minimum level of education was a bachelor's degree, with two having master's degrees. They all had a variety of experience related to the work of their organizations. Most had taken other related training, either in management or other subjects relevant to their jobs.

I interviewed the six executive directors in person, using a structured set of questions (see Appendix C). The interviews were taped and the transcriptions reviewed and approved or corrected by the interviewees. At the end of each interview, I asked if I could have permission to speak to a funder or funders who had supported their ability to develop the capacity of the organization during the time under discussion. Only four organizations were able to offer names, since not all of the organizations saw their funders as having supported capacity building either directly or indirectly. I was able to interview six program officers representing private, municipal, and provincial funders. In only one case was I unable to arrange an interview with an appropriate representative. This was with a federal government department. The supervisor of my initial contact expressed concerns about confidentiality and referred me to a senior policy person in another city. That individual was unable to answer my questions since they were designed for the person working directly with the organization. The interviews were done by phone, again using a structured set of questions (See Appendix D). Transcripts were based on hand written notes and, as with the executive directors, were reviewed and approved or corrected by the interviewees. Prior to the interviews, all of the interviewees had signed a consent form, which made clear the intent of the interview and the intended use of the data (see Appendix E and Appendix F). The consent form also assured the interview subjects that the names of organizations and individuals would remain anonymous.

Aside from the content of the interviews, which was rich and varied, I felt honoured to meet the individuals I interviewed. Whether they were running nonprofits or administering programs to support nonprofit work, they were passionate about their work and about the value of the sector in general. All of them worked within the constraints of mandates, policy, and resource limitations, but in spite of this they all seemed equally focused on looking for ways to be creative and to facilitate the work that that is done to benefit communities.

Organizational Capacity—

What Does It Look Like?

Before I even began to do the research for this project, I wanted to test my idea that there were very different ideas around about the meaning of organizational capacity. I randomly chose some colleagues and asked them to tell me what the words meant to them. These were people who were or had been in executive director positions, and in some cases had sat on the funder side of the table as well. I received some very different answers:

- Resourcing your strategic direction more adequately and realizing the cost of doing business: staff, training, networking, and buying outside expertise.
- Processes and skills that assist staff to be more organizational in their thinking; succession planning; helping the organization think long term; board development.
- Pertaining to the ability of the organization to do its work: board role, staff and leadership development, program development, and ability to advocate.
- Developing a sound infrastructure that is in excess of what you need today; competent staff and ability to use them to full effect; financial resources in excess of operating costs for research and development; ability to pay people to train; ability to experiment without the need for preset outcomes; opportunities for staff to stay and grow within the organization; avoiding vulnerability.

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While there were some common themes, the variety of these responses reinforced for me the lack of a truly common understanding of what organizational capacity might mean to the people with primary responsibility for developing it. We have seen what the literature

has said, and the degree to which the research has said that there is no single answer. However, since the term continues to be used and funders are talking about specific ways in which they intend to fund organizational capacity, it seemed important to have a better understanding of how executive directors see the term.

I asked the executive directors I interviewed to tell me what full capacity would look like for their organizations. In almost all cases their first thoughts had to do with programs and with the capacity of the people they served. These are people with a clear and strong focus on mission, and I had to work to get them to focus on the organization itself, rather than on what it produces.

For two of the executive directors in the human service organizations, full capacity would mean their organization would no longer be needed. Bob⁵⁰ said, “We’d have ameliorated the problem we deal with in our community.” Jane said, “If we had everything we wanted, [our clients] would have a chance to participate fully in the community without needing the services that [we] provide.” In the absence of that level of success, both Bob and Jane addressed what they would need to provide more and better services. She focused on the use of collaboration and networking as a way to increase support for clients, and on the critical role of communication in making the organization work. He talked about having the resources to provide more service, which might include infrastructure (space, equipment, and furnishings), but which would also require a change in the role of the board; new ways of sharing responsibility and authority within the organization; the development of new relationships in the community; and the search for compatible partners. The third human services executive director, Jim, said “I would see the organization as a hive of activity. I would see a lot of individual initiative in responding to identified issues. I would see people taking a fair bit of leadership within the organization, and seeing that would lead to significant leadership in the community as well...almost continually expanding because there’s never an end to what can be learned and be done and be achieved.” For him, there is a clear connection between organizational capacity and individual capacity.

⁵⁰ I have assigned pseudonyms to each of the interview subjects. The three male executive directors I will refer to as Bob, Sam, and Jim; the three female executive directors I will refer to as Jane, Beth, and Sarah.

For two of the arts organizations, the definitions of full capacity were seen from a planning perspective. Sam cited the importance of looking at "...where we should be in the next while...in the context of the...ecology of the community." Sarah, who indicated she thinks more in terms of potential than of capacity, talked about a recently developed five-year projection which addressed a new facility; an increased staff; a solid funding base and support; and ongoing support from the municipal level of government. Beth saw capacity in two pieces. The first was the kind, quantity and quality of programming they would be able to deliver. The second was that "In terms of the organization itself we would be able to look into the office and know that we had all the skills to do all of the capacity building and sustainability to provide a framework for that [program]." Like Jim, she sees skilled individuals as the key: "I'm not even sure it's more bodies, but people with more experience; some more ability to release staff to be doing the thinking, the visioning, the imagining as opposed to the ongoing delivery of program."

In all of the discussions, these executive directors were conscious of the impact of growth and the need to manage change with care. As Bob said, "Building capacity is only one part of the equation. Sustaining capacity is the other."

The definitions given by these six individuals were much more specific than "fulfilling the mission of the organization," but each of them was clearly grounded in that mission and used it to direct their thinking and their work. While they would no doubt acknowledge the importance of some of the things Light referred to as technical support (board and staff training, financial management, strategic planning, information technology), their view is much broader than that, and is focused on the process of building capacity as much if not more than on the specific concrete tools to help do that building. This is an important distinction for funders to understand. If they are trying to work with organizations to build capacity and focus only on the tools, they will not be addressing the things seen to be most important by the people they are trying to assist. It also supports the argument that the only really effective capacity building requires time and patience, as process takes time and effective change cannot be rushed.

How is Capacity Built Day to Day?

"It is an ongoing piece of work."

- Bob

Is It All About Infrastructure?

All six executive directors with whom I talked had been in their jobs for some time. My second question asked them to describe the initiatives they had undertaken over the years to build the capacity of their own organizations and to tell me about the ones they thought were particularly effective. Again, there was some struggle to focus on the organization itself rather than the development of programs or services. What was of greatest interest to me was that the most consistent and the strongest message in their answers was the importance of building relationships. This again emphasizes that things like financial systems, information technology, and strategic plans may not be the best place to start.

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Sarah began by talking about the importance of being connected with peers both locally and nationally. For work in the arts to succeed, community profile and reputation are critical. She identified having a good relationship with the board as fundamental to her ability to build the organization, and she believes this relationship must be worked on continuously to ensure it is maintained. She was equally conscious of the need to work hard on the relationship with staff. She said, "We're losing people constantly...This means it's critical to create a workplace that works and to allow for certain flexibility within the workplace." She feels very much the strain of trying to keep good people when the organization cannot pay as well as

its public and private sector competitors: “You have to have first class people in this kind of environment because the demand is so great. You need really excellent people and on top of that you ask more of them than you probably should...You have to be seen to be championing your staff.”

Sarah clearly saw money as fundamental, saying that one way they built capacity was to apply for a lot of grants. For the first five years she had all of the responsibility for that, but about four years ago she was able to hire a part-time fund developer. Given other financial pressures, she is not sure she can maintain this position, and sees its loss as affecting their community profile as well as their financial health.

Beth also emphasized the need for high quality experiences for the audiences they serve and for excellent practitioners to deliver those services. She also saw their success as based in relationships. “The thing that we’ve done best of all and that has made it possible for us to do what we do is that we have always worked hard at building relationships, at being good to people, at supporting people, and making sure that that is very high on the list of priorities.” For Beth, this applies to staff, service recipients, community partners, and funders. In addition, she acknowledged a growing community interest in the work they do as a factor.

Beth saw a strong administrative structure as a critical component, identifying it as another area she had emphasized “...within the limitations of money.” Her focus on making sure of the sustainability of the work was illustrated by her emphasis on doing things within a scale that the organization could support. “We have way, way, way too many ideas and lots of vision and lots of places that we want to be going, but I think we’ve been pretty careful to try to hold that vision within some kind of practical context.” It has been a series of steps that has brought them to their current level of capacity, rather than any single initiative.

Beth described her organization as having grown organically, with a lot of its capacity building done informally. It is only within the last four to five years that it has done strategic planning with the board. It is during this same period that the board has begun to represent a broader spectrum of the community. While she took the initiative to get that process started, the board has now taken up that responsibility. She pointed out that her role has had to change as well—“...it also

requires a fair commitment to not getting too much ego tied up in this organization...if you are bringing other people in you actually do let and encourage them to do something as opposed to not wanting any changes...That's also been fundamentally important to understand that one is, in a sense, giving this over, and you have to do that." She also acknowledged that knowing this is true does not mean it is easy to do.

Sam too focused on support to the artists and the creation of a sense of community. One example he gave was that he exchanged event tickets for access by artists to another local facility. This goes some distance to offsetting the fact that they cannot pay as well as their competitors, and it makes people feel cared for. For him, there is a direct connection between creating this caring community and the quality of the work. "If the work is good, the artists then want to go to work there. If the artists work there and they feel good, then the work is good." Having artists who are excited about being part of the organization also leads to effective marketing as they present that excitement about their work in the community, sparking the interest of potential audience members. This marketing by word of mouth was critical to his organization's growth, as they did not have the resources for a marketing staff person. Like Beth, Sam credited the external environment as assisting in their growth. He cited population growth in the neighbourhood, an improvement in the economy, and the successes of competitors as raising the profile and expanding community interest in the work they do. He does take credit for consistency in choosing good shows and good talent. At the same time he is very aware that a major contributor to their success has been solid relationships with some key artists who are guaranteed to draw an audience.

Jim's first example of capacity building was his focus on helping staff to see their own capabilities and their potential to teach themselves skills. He has used a participatory action research model to try to support a "learn by doing" approach. He wants staff to feel that "making mistakes is not a bad thing, provided we do it a little better the next time around."

Jim also identified partnerships as a way to build capacity. Engaging in projects with others has, in some cases, brought in additional funds for services contributed by his agency. In others it has not led to any financial benefit, but resulted in initiatives, which advanced the mission of the organization, such as getting their message out to groups with whom they might not otherwise have connected.

In identifying the struggle to ensure that basic organizational functions, as opposed to programs, are attended to, Jim said: “The black hole is your core services, the...management and administration kinds of things.” In trying to address this he has worked on:

- clarifying roles and relationships with the board
- introducing performance planning with staff
- supporting staff to train for increased responsibilities
- accessing additional resources through student employment programs
- developing more effective information technology.

Communication was clearly fundamental for Jane, both with staff and with clients. She sees it as a big part of her job to model open, two-way communication in order to ensure that the best ideas are able to come forward and that everyone in the organization is working consistently towards the same goals. An example she provided was the participation of board, staff, volunteers, students, and program participants in developing their strategic plan. She believes that as a result everyone in the organization knows the vision and mission and feels a sense of ownership for them. They have developed a business plan as well as a strategic plan. They have both diversified their funding sources in term of grants, and developed a profitable entrepreneurial venture. And they have been able to access information technology and training for staff. She indicated they were currently expecting a six-month temporary employee funded by a government job-training program to act as their internal computer “trouble shooter.” This struck me as a very good example of how close to the edge nonprofits work when it comes to critical infrastructure.

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Sarah saw her organization’s strategic planning process as a wonderful way to get the board and staff together in a way they had not done before. She was aware that opening up this process put her in a potentially vulnerable position, but her belief in the value of the process for the organization was stronger than any anxiety she might have had. She was rewarded when they had good participation and were able to collectively renew their vision and mission. Her commitment to this process is a good example of the passion these executive directors bring to their work and their ability to put the organization’s needs before their own.

Creating a sense of ownership among others was at the top of Bob's list as well. When he took over from the founding executive director, his first priority was to help develop a board that would own the organization. This meant broadening the board representation and led to moving out to engage the community in developing a sense of ownership as well. He sees this kind of networking and relationship building as the key to building capacity and is clear that his own role is to be "...just one of the custodians." Because the organization has doubled in staff size and increased its budget by about eight times since he joined it, he thinks others may think they have achieved their capacity. For him it is a continual process of change.

While sometimes described as communication, collaboration, or networking, it was the building of relationships within and outside of the organization that was clearly seen by these six people to be the most important component of building the capacity of the organization. There was also some indication that dollars made a difference. These small organizations either had no official fund development staff or struggled to keep that function. That, along with Jane's dependence on a temporary job trainee to do computer support, reinforces Jim's comment about the "black hole" of administrative infrastructure, which threatens to engulf them daily. It is a constant struggle to avoid disaster.

As Sarah put it: "This idea, in fact, of sustainability...is interesting in many ways because there is also a certain point, one must think, that the smaller organizations are just going to run out of capacity actually to work against the larger organizations, particularly the universities and hospitals that have enormous development offices." In spite of this, she and her colleagues have continued to develop their organizations in the face of heavy odds. It leads one to wonder how they do it.

What Makes It Work?

When asked what they believed contributed to their successful capacity building ventures, the overwhelming response was people. Beth said: "I hate to sound like a broken record, but I just really do keep going back to the fact that we've had very, very, very good people, very committed people..." She included staff, artists, and volunteers as making contributions. Their success in recruiting

volunteers she attributes back to providing good quality program and good personal service since many of their volunteers are people who had been customers.

Jim referred to: “People across the organization taking ownership in a variety of ways” and “giving people time to develop new skills.” Jane also mentioned the importance of everyone taking equal responsibility for the organization. Part of achieving this, for her, is that she would not ask anyone to do something she wasn’t willing to do herself, including taking a turn at cleaning up the staff room.

Both Bob and Beth emphasized the importance of retaining staff. Bob said: “There is no doubt in my mind that having a stable staff also contributes to an organization’s ability to grow.” While his organization has experienced normal turnover, he has had staff leave and then return, bringing back their experience along with new knowledge and skills. Beth sees the fact that she has several staff that have been with the organization for some time as “...profoundly important (to) enable something to build on.”

Sam saw the strength of his board as a key contributor to building capacity, particularly as they provided connections to new sources of funds. His experience has shown that the personal connections are key: “At the end of the day what I’ve learned is that you really need to know someone, not in the sense that you’re going to get sponsorship because of that, only because then someone will seriously look at it...” For Sam, the other major source for building capacity was ability of his staff to maximize resources that are available to them. Unfortunately, it seems to me, both of these examples can be seen to lead eventually to a lessening of capacity, since they work in the short run, but increased pressure on staff may create sustainability issues in the longer term.

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Bob identified three key factors for effective capacity building: use networks, be a learning organization, and make the business case. Like Beth, he identified the use of networks as a key factor in recruiting committed board members. To facilitate learning he emphasized the importance of gathering and analyzing appropriate information and then engaging people in the discussion of what it means. In his organization, everyone is involved in the discussion and is part of how the information gets used, so everyone knows why the data is being collected. Given the time required to gather the information needed for the learning to be meaningful, he sees it as

critical that staff see the value of the process. The business case he sees as a primary tool in communicating with funders and donors in a way that has meaning for them. For his organization, an effective business case led to increases in grants and donations.

For Sarah, success was dependent on persistence and hard work, juggling priorities and constantly pushing to try to bring people on side. She sees a need to be strategic in terms of advocacy, knowing who to speak to and how much time to commit to advocacy as opposed to other priorities. Again people, in this case the targets of her advocacy and attempts to engage others, are seen to be central to the building of organizational capacity.

And When It Doesn't Work?

When it came to things that did not work out quite as anticipated, the examples involved program initiatives, personnel management issues, and fundraising and other financial pressures.

In Jim's case, his organization had partnered with another organization for an event, which did not succeed and lost money. In hindsight, he recognized that they had believed the partner organization had knowledge about the intended audience. Experience showed that that knowledge was limited. From the viewpoint of advancing the organization's mandate, he nevertheless believed there had been gains. The relationship led to the other organization developing educational activities in the community consistent with his organization's mission.

Jim has not had the level of success he had hoped for when it comes to implementing individual performance planning and the development of evaluation strategies for existing programs. On the individual level, he thinks "...it takes a while for people to see it as a tool to develop opportunities as opposed to a tool to enforce concessions." In terms of staff developing an outcomes logic model, he sees it to be easier for a new program as "...there is nothing vested so far."

In Beth's case, she had received money to do strategic planning for a specific organizational activity. They had done work to prepare for this, and had a very clear direction and focus, which was discussed

with applicants for a contract position. The person hired signed the contract and then told them he did not do the things they wanted done! Beth identified systemic problems here, since there are few small arts organizations that can afford to hire fundraisers, so there are few fundraisers who truly understand their world and their needs. She also saw the problem as an instance of poor judgment on the part of her own organization: “It always comes down to hiring people to do the things that they know...Both of the times where we have unsuccessfully hired, we’ve hired because we thought people were bringing us very particular and superior skills and experience...and we hired those skills and experience in the face of not being sure about the person....”

Jane described a program they had developed and expanded at the behest of a funder during a time of increased need in the community. As circumstances changed, the demand dropped, and there were issues of cost effectiveness. She had tried to talk with the funder about modifying the program, but the funder seemed unwilling to discuss it. Then, with very little notice, the funder announced that it was withdrawing all of the funding from her organization. While there was some financial loss to her organization, it was modest if the salaries of staff they could no longer employ were taken out of the equation. Her primary concern was the future of those staff, so she undertook to contact other potential employers and to try to assist people to find other employment. In hindsight, she sees that this program had contributed to “mission drift.” In the end, its loss may in fact have helped to strengthen the organization in term of keeping the focus on the core services. It is also an example of the executive director’s ability to look beyond her own organization to the needs of the community, as well as those of the staff she had to lay off.

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In the relatively few cases where Bob’s attempts at capacity building had not succeeded, he reflected: “...it’s probably because we are not seen as the organization to do that particular kind of work.” He described the development of a proposal for a new program initiative that was not funded. In retrospect he can see that “It wasn’t the right thing for us to be doing, and other people saw it first.” For him it was a good example of the dynamic tension between sustaining the core and trying to branch out to do things in a creative way.

Bob talked as well of his attempts to engage service recipients on the board and the challenges associated with that effort. It became clear that these individuals lacked experience to understand the decision-

making and governance roles of the board. Individuals who did participate in the board often made little contribution or had trouble staying within their appropriate role. It took some time, but they now have a process that provides training and coaching through a committee from which members may move onto the board.

For Sarah, the biggest struggle has been to acquire sufficient funding. The need to deliver programs is fundamental to their survival, which means some of the basic organizational processes get neglected. "... always nickel and diming and being so frugal is difficult. I haven't been able to do some things that I would have hired someone to do, like have a decent personnel policy in place...we sort of fly by the seat of our pants in these small organizations and we do it on a very instinctive basis, but really we should have these things in place to fall back on." The relationship with the municipality, a key funder, has also been a struggle for her as she finds them very slow to respond and unwilling to communicate. In addition, she struggles with managing a physical facility which is not ideal for their needs.

Sam too talked about the pressures of maintaining a facility. The rising costs of utilities, as well as the difficulty in getting funds for building maintenance and renovations have been contributors to a financial crunch they have experienced in the last year. The board approved a deficit budget coming into the year in order to increase their marketing capacity and the quality of their product. Looking at it from the outside, it would seem to have been a reasonable strategic risk given their growth in the past several years. But while the audience continued to increase and they won awards for their work, the costs outstripped the revenue, leaving them with a large deficit at year-end. In spite of the success he has had, he is now left with a sense of failure and of responsibility for the effect on others. "On the artistic end, we're award-winning, but on the financial end, we're a huge failure and that has an effect psychologically on your staff." And it is more than psychological since staff will be laid off. When I spoke with him, he had a bleak vision of the future since those left behind will have to take on tasks that are currently not required of them, leaving them unable to be as efficient or creative as they need to be to re-build. He doesn't see any immediate hope for outside support either, saying, "I don't think the public is aware how close to the edge nonprofits operate."

In terms of the things that did not go so well, we again see that people and relationships are central to the failures as well as the

successes. In the responses of the executive directors, we see people who are prepared to evaluate and learn from the things that did not go as planned, and whose focus on the mission of their organization allows them to look beyond the immediate impact of the situations they described. Again, if others seek to help these organizations build capacity, they will need to listen to the wisdom that has been gained and support the strengths that exist.

What Gets in the Way

The discussion of what did not work so well has already identified some of the barriers. There were some other issues identified as well.

While all of these organizations had experienced growth during an atmosphere of funding cuts in the nineties, that does not mean they did not experience those cuts as problematic. Funding issues were the most commonly identified barrier.

Both Sam and Beth talked about the expectation that nonprofits should be able to engage the corporate sector to offset what has been lost from government cuts. Sam pointed out that, as a result, corporations have become inundated with requests, making it even more difficult for an individual proposal to be noticed among masses of applications. Both he and Beth said that having board members or others with corporate contacts is critical to getting onto the corporate radar. Beth reinforced Sam's comments that the relationship helps to get a proposal to the stage of being at least considered when she said, "We have never received significant private sector funding unless that has been built on a personal relationship." The challenge is that not all nonprofits are equally able to attract board members who have those connections. And even when you have the connections, they may be tenuous. Sam cited two sponsors that had been integral to one of their programs for several years. A change in business focus, financial losses and a corporate office move meant that what appeared to be a secure funding stream suddenly dried up. Clearly people with the right contacts can be important players in helping with the relationship building, but organizations have differing degrees of success when it comes to attracting such people.

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Another challenge is the role of the board in fundraising. There are those in the sector who believe board members should be key

players in raising money for the organization. Even if you do recruit supportive board members, they tend to be busy people. They may offer to help with fundraising events, even to take responsibility for them, but they still call on staff. As Sam said: “I applaud their energy and I applaud their commitment and I applaud their ideas but when it comes to doing it, the staff end up having to do it.” While he understands that board members are accustomed to giving direction in their own work lives, he sees staff getting mixed messages. Staff are told that the governance model means they take direction from senior management, but board members are on the phone with clear expectations that their requests will be acted upon.

Sam also talked about the fact that he thinks some people, including board members, are embarrassed that the organization receives grants from the government. This can lead them to appear apologetic, which weakens their ability to be effective advocates when seeking funds. He expressed a frustration that I have heard elsewhere in the sector “...it’s never talked about how federal grants go to very large corporations...There are huge federal monies that go in to start up businesses everywhere and it’s so funny that’s never discussed...the arts have a stigma that we’re not good because we rely on grants.”

Beth thinks even full funding wouldn’t solve the problem, since she believes the culture of the country is not concerned with the arts or the importance of arts education, leaving her organization as “...basically marginalized as...sort of entertainment.”

Sarah saw lack of money as a key barrier, pointing out that a number of the issues she faced could be addressed if they had more resources. She also saw increased demands from all funders as a source of pressure and she, along with others, identified that the proportion of her time dedicated to fund development has continued to increase. All of the executive directors see this as a barrier to effectiveness in other aspects of the organization’s work. Sarah has also experienced pressure due to increased expectations from staff in terms of the work environment and the reward system. And the workload itself is an issue: “I guess I thought that as I did more and knew more, that things would sort of lessen, but I don’t think that’s true. I think actually computers have added an enormous chunk to our lives... We still have to be at meetings; we still have to do everything...We can do a lot more with those tools but I don’t think it’s lessened our workload in any way.”

Just as I found the people I interviewed to be willing to look beyond their own needs or those of the organization, I found them willing to look at their own limitations in thinking about barriers to their success in building capacity. Beth identified technology as an area that she might not have attended to as much as she could since it is not an area of interest for her. She also recognized that, while she has done a reasonable job of financial management: "...I don't feel terribly in control of it. I'm never quite sure why it goes well." Sarah echoed similar concerns, saying: "Most of us aren't trained to deal with (human resource issues) and we take on these jobs where we're expected to be brilliant fundraisers; speak absolutely perfect English; to be able to speak publicly; to do media; to manage budgets; to know about programs; to do everything; including working with a volunteer board and with professional staff; and you're the in-between person in all of that so there are always going to be things that you don't do so well."

The capacity of all of these organizations is challenged in one way or another. Some of the barriers are very large, and the people charged with surmounting them see themselves as struggling in a number of ways. On the other hand, these are people whose descriptions of how they do their jobs are very consistent with the model of effective leadership published by executive search firm Ray and Berndtson, based on their work recruiting senior managers for nonprofit organizations.⁵¹ Their monograph cites five leadership qualities required in both the profit and nonprofit sectors:

- vision and action
- sound judgment
- integrity, conviction, and the passion to inspire
- communications skills
- resourcefulness.

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They then add another five which they see as critical to successful nonprofit leadership:

- effective relationship management
- influential leadership

⁵¹ Ronald Robertson and Michael Naufal, *Successful Leaders in the Nonprofit Sector* (Ottawa, ON: Ray and Berndtson/Robinson Surette, n.d.), no page numbers.

- empathy and inclusiveness
- transparency and confidence
- patience and flexibility.

The executive directors I interviewed may none of them be perfect examples, but their answers to questions about organizational capacity provided a considerable amount of information on the way in which they manifest most, if not all, of these characteristics.

These are good people doing good work in less than ideal conditions. In one way or another, most saw money as a key ingredient to overcoming the barriers they encounter and to ensuring that the services they provide are delivered in the best way. So the next question I posed to them was about the funding they have received for organizational capacity building, and the nature of their relationships with the funders, those people who make much of the work possible through the grants they provide.

The Funder Relationship

“There’s part of me that says let them look at the work and how it’s been running. Let them decide if they want to support it or not. Give us the money and go away...”

I understand...there has to be accountability but in the end it just gets so heavy that it’s counterproductive.”

- Beth

What Is Known?

The funding community, particularly in the United States, seems to have been placing an increased emphasis on funding organizational capacity building in recent years. In addition to questions about how these Canadian executive directors understood the term, and how they tried to make it happen, I wanted to find out more about how they thought funders helped or hindered their efforts.

In a paper designed to provide advice to the Voluntary Sector Initiative, Linda Roberts had looked at the pressures on small nonprofits. Some of her recommendations addressed resource and funding issues in very broad terms.⁵² She had gathered her data from 19 nonprofits and 21 other organizations. Anne Smith used her 2002 Muttart Fellowship to explore the perspective of nonprofit organizations on the process of attracting the financial resources needed to do their work and achieve their missions.⁵³ She gathered

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⁵² Linda Roberts, *Caught in the Middle: What Small Organizations Need to Survive and Flourish* (Ottawa: Voluntary Sector Initiative, 2001), pp. 8-11.

⁵³ Anne Smith. *The Dance: Seeking, Administering and Accounting for Funds in the Voluntary Sector* (Edmonton: The Muttart Foundation, 2002), p. 5.

data from six organizations, which led her to identify four themes:

- “The **Volatility** and short-term, project-based funding
- The one-way nature of **Ownership** and accountability for results
- The lack of resources available for agency **Infrastructure**
- The **Disconnect** between funding bodies.”⁵⁴

This work offered some context for the responses I was gathering.

Then, just as I was in the process of writing up my findings, a new and large American study offered insights into how nonprofits see their relationships with their funders. This study surveyed 3,184 nonprofits funded by 30 foundations. Of those, 24 were private foundations and six were community foundations. Of the organizations surveyed, just fewer than 50 per cent had fewer than 10 staff and about the same number had budgets under \$1 million. About 60 per cent of their sample worked in the arts, education, or human services. These segments of their sample are comparable to the organizations I interviewed. The focus on foundations, however, leaves out the government and other non-foundation funders that were involved with the Canadian organizations with which I spoke. Nevertheless, the size of the sample and the rigor of the research mean the conclusions provide a useful basis for comparison with the responses I received.

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The previous surveys of grantees done by foundations which were reviewed as part of this study generally had positive results, while surveys done by others revealed a degree of cynicism. The goal of this research was to get past the “halo effect” seen to result from the positive experience of receiving a grant. The goal was to increase understanding of the factors that truly made the most difference in achieving a positive relationship between the grantor and the grantee. While the main concern was the perceived satisfaction of grant recipients, questions were also asked about grantees’ perceptions of the foundations’ social impact. The study found three key dimensions related to nonprofit satisfaction:

- “Quality of Interactions with Foundation Staff: fairness, responsiveness, and approachability

⁵⁴ Ibid., p. 24.

- Clarity of Communication of a Foundation’s Goals and Strategy: clear and consistent articulation of objectives
- Expertise and External Orientation of the Foundation: understanding of fields and communities of funding and ability to advance knowledge and affect public policy.”⁵⁵

Interestingly, the same three themes were identified as being most important in relation to impact as well.

There were some surprises in this research. Grantees did not identify being well informed during the selection process as a factor that affected satisfaction. Nor were they positively influenced by the grantor’s effect on public policy or its understanding of the community. Among other factors not related to the three themes, non-monetary assistance and evaluation that was helpful to the grantee were identified as positive. On the other hand, the need to do evaluation and to meet quantitative targets was seen as a negative influence. Receiving program support was not seen to be as positive as receiving operating or capital support.

What Was Heard?

When I asked about funding for organizational capacity building, some strong opinions were expressed, both about the need to support capacity building and about expectations regarding the relationship with the funder. Consistent with the findings of the study just described, fairness, responsiveness, and approachability were valued. There was a mixed response in terms of how close a relationship these executive directors wanted to have with their funders.

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Beth has received support from funders who have a “hands on” approach, as well as those where there is very little interaction. In the latter case she is sensitive to the fact that program officers are “...like everybody else. They’re hugely busy.” She is also clear that it is unproductive to get caught in a “we-they” way of looking at the funder. She believes that funder staff work hard and try to do a good job. As an example, she described a phone call she had received from a program officer from a provincial funder. A new program had

⁵⁵ *Listening to Grantees: What Nonprofits Value in their Foundation Funders.* (Cambridge, MA: The Center for Effective Philanthropy, 2004), p. 2.

been announced and the call was to ask why she had not applied. She might have missed that opportunity without his thoughtfulness. Her focus is to respect the funder's role while still advocating for her organization.

In the case of the more "hands on" funder, she expressed concern that their expectations were potentially unrealistic. The funder sees the relationship as a partnership, but her concern about expectations suggests they had been arrived at in a somewhat one-sided manner. In general, Beth is sceptical about the notion of partnerships with funders in general: "I hear all this verbiage about how we need to be partners...but it's kind of unrealistic. They don't have the time to come out and see the work that we do...and they need to know what's happening on the ground." She cited a program initiative from a national funder, which, while good in principle, in fact had a negative impact on small organizations like her own. What Beth wants from funders is vision, respect, and concern for the people on the ground doing the work.

Sarah described her contact with a federal government funder as very helpful, although the person was located in another city. She felt she received advice that helped her to submit a stronger proposal, ensuring that she did not include things that would not be considered eligible expenses. Overall she did not feel she needed a particularly close relationship with funders "...other than that they should be informed that their funds are being well used."

In terms of fairness, Sarah expressed concern that one funder had moved from a peer jury system to one that includes community volunteers. This means that judgment about the quality of the work, a clear grant criterion, is being made by non-professionals. She did try to understand the rationale, saying, "I suppose they were trying to show how terribly democratic they are, that the arts are not just for the artists." But clearly she had a concern about the quality of the decisions that would be made.

Sam had very different experiences with different funders. He described the bureaucracy of a federal government funder he deals with as minimal and their process as very clear and open. This funder uses a peer jury, and the organization receives feedback on the assessment of their proposal. It is approachable, responsive, and seen to be fair. He also saw his local community foundation to be approachable and responsive, as he can call the executive director

and get help focusing an application in a way which increases the likelihood of success. In contrast, Sam described provincial government programs as impersonal and not transparent.

In her first years in her role, Jane felt funders lacked trust in her organization. This led to many requests for information that suggested they were not clear what they were looking for. She chose to focus on her organization's accomplishments, and believes this contributed to a more open relationship. This is a good example of how an asset-based approach can work.

Clarity of communication about funder goals and strategy was also a high priority for Jane. "Funders have to clarify what they mean by capacity building...We have to come up with one common language so we can understand each other." As an example of a similar issue, she referred to the confusion organizations experienced regarding the meaning of outcome measures when that concept was first introduced. She also expressed concern about funders who are providing money for a training program they require which, in her view, does not meet the needs of her staff. This is another example of lack of effective communication about the real needs of the organization and the best way to develop its assets.

Beth saw government as not "liv[ing] up to the management principles they impose on us." She described the government representatives as frequently changing their minds and their criteria, but not informing organizations of changes and imposing unrealistic deadlines.

In these interviews, there were lots of opinions about the role of funders beyond just giving grants. In Bob's view, "This may sound a little 'blowing your own horn' but in fact I think we've probably provided funders with more focused assistance around capacity building than the other way around." He talked about ways in which his organization had acted as a model for others in his community.

Bob believes that some funders are "...wanting to deliver it all..." and he questioned whether they had the expertise needed. While he believed that it might be appropriate for a funder to help an organization identify problem areas, he sees their role to be to provide resources to the organization, which would then seek the best source of help. On the other hand, Beth expressed the concern that when they do get a grant, they end up paying a consultant at a rate well beyond what they can afford to pay staff. "I'm consistently

brought up against the fact that they don't actually know much more than we do and it's always a little bit of a frustration to be paying out \$500 a day to people." An unexpected benefit, however, is that "...one of the things you find out as you work with these people is that you're not doing such a bad job."

In contrast, both Jim and Jane felt they had received useful help from both local and provincial funders. This included:

- help with planning
- access to physical resources such as furniture and computers
- coordinated training to assist agencies with new processes
- access to colleagues through quarterly meetings of funded organizations and the funder.

Jim also referred to funders who had worked together to facilitate training, increasing the consistency among the funders and the organizations involved.

Both Sam and Beth had experienced a move by provincial funders to a "one grant" model. In Sam's case, they have to choose to apply either for an operating or a project grant. They apply for the operating grant, as it is the larger one available. Rather than having a jury process, as was previously the case, the amount they receive is based on average revenues from prior years. As he sees it "...it's not about having any sort of vision. I'm not saying I want to do art for nobody in the audience. We don't do it for that but I don't do shows just to put bums in seats because then I'm going to be producing schlock. It needs to be also stuff that has something to say about the world we live in."

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While Beth is not subject to quite the same constraints, she expressed concern that this model would mean no funding for development-based companies, which can't expect to get a significant audience. In her view, "It is surely the responsibility of Arts Councils to be funding those."

Beth had a particular concern with funding directed specifically for capacity building: "The frustrating part...with these government capacity building programs is that they'll give you pots of money...to get somebody to come and tell you what to do, but then there's no money to actually do it. I think that's a real concern." The problem, as she sees it, "...is that we all write these applications and tell them

how we're going to raise money or sustain these positions when the three year grant is over and most of us can't do that." Her other fear is that "...we'll all be running, building our capacity to do very uninteresting things." Both Beth and Sam saw lack of vision on the part of funders as a major limitation.

There were some hopeful signs as well. Jim believes that both funders and politicians are recognizing that "...some things take time and there has to be a tolerance on the outside to let that develop." Sam talked of one federal funder who has developed a strong and clear vision of what is required for sustainability and, while this funder is a long way from reaching the goals it has set, it has recognized the importance of assets and working capital, and the problems associated with running an organization that has real estate. This funder is now encouraging organizations to develop reserve funds sufficient to sustain one year of operations. Sam also recognized that while he is frustrated by the process at the provincial level, both the municipal and federal bodies he deals with focus on the quality of his program and its role in the community as well as the administrative side of the work. In both of the latter cases, decision making by a peer jury enhances a sense of fairness.

All of these organizations had experienced either decreases in funding or no increases from one or more funders. Fund development had become a greater focus of the executive directors' jobs with each passing year. At the same time, increased expectations around accountability have meant that more time is spent on reporting. Sarah described a funder that had moved to three year funding but still requires that they report every six months. Jim's comment was "It seems like you have to do the same work for \$5,000 as for \$50,000." And Beth expressed her frustration by saying: "There's a part of me that wishes people could trust each other based on track records and stop with all this accountability stuff."

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I think it is fair to say that, from the organizations' perspective, funders don't build capacity. It is the people inside organizations who do that. What funders can do is provide support, advice and resources to assist in the process. For the most part, organizations see money as the most useful resource. Where funders see themselves as providing more than that, they need to have, and be seen to have, appropriate expertise. They need to be able to develop true partnerships with the organizations they work with and have the time to engage with the organizations in a process of learning. They need to have vision and

patience, and be realistic about what it takes to create sustainable improvements. This is a tall order, but the things I have identified are similar to those described by Barbara Kibbe. She does see funders as capacity builders, but her description of the characteristics of “exemplary capacity builders” is remarkably consistent with what I heard:

- “A deep understanding of grantee organizations and their constituents
- Expertise and experience directly relevant to the job at hand
- Awareness of developments in the field
- Commitment to continual learning and improvement of their own skills
- Openness to feedback
- Active engagement in a community of practice
- Enthusiasm for sharing learnings and for learning from the experience of others
- Commitment to skill building for nonprofit partners
- Ability to look beyond organizational dynamics to see the whole system
- Awareness of personal limitations.”⁵⁶

In my conversations with some of the funders who support the organizations I had interviewed, I heard them talk about some of the same things, and learned more about the commitment of the program officers charged with administering grant programs, as well as the barriers they face day to day.

⁵⁶ Barbara Kibbe, in *Grantmakers for Effective Organizations, Funding Effectiveness: Lessons in Building Nonprofit Capacity* (San Francisco, CA: Jossey-Bass, 2004), p. 21.

What Do Funders Think?

“The way to build capacity is to build partnerships that are diverse and flexible and to invest strategically and financially to ensure that ownership is rooted in the community.”

- Carol⁵⁷

Given the focus on relationships as the key to effective performance, I wanted to talk with the people in the funding bodies that have a direct relationship with the organizations they funded. I wanted to know what they see to be their mandate, and how they viewed the work they do.

The size of the funding organizations varied. The six individuals I spoke with ranged from an executive director to someone who worked on contract with a very specific program focus. They dealt with as few as 12 organizations, and as many as 500. Needless to say, the roles they played had to vary with their workload. And the number of organizations they dealt with directly affected the possibility of developing a meaningful relationship.

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What Is the Funder’s Focus?

Only two of the funders, one private and one a provincial government body, saw themselves as directly funding organizational capacity building. The others, however, all identified elements of capacity building in their work.

⁵⁷ Pseudonyms have been assigned to the funder representatives I interviewed as well.

For those with a capacity-building focus, they believe their organizations moved in that direction because, in their work with nonprofits, they had identified gaps or issues which were not being addressed by others. According to Susan, her organization saw organizations struggling and was aware that most other funders were focused solely on programs. She saw their move to fund capacity building as “trying to stay one step ahead.” As David understood it, the move to support capacity building came from a wish to see more lasting impact from the grants being provided. They still fund programs, but he sees the grants for capacity building as an investment for the long term. From this funder’s viewpoint, board governance and the ability of staff to plan were primary problem areas. With emerging organizations there is a need for general understanding of the principles of managing nonprofits. Both of these descriptions seem to be based more on deficits than on assets, although when Susan and David talked about how they work, I had a different impression.

Of the remaining four, Carol indicated that, while her organization does not fund capacity building, it has a primary interest in sustainability. It sees the groups it funds as partners and works with them in a manner designed to develop sustainable initiatives. The other three, all representing levels of government, saw their primary focus to be on operating grants. Mike went so far as to say that organizational capacity building is not something talked about in the arts as it is in human services. While this may be true in his part of the country, it is not the message I heard everywhere. Andy pointed out that, while his organization’s focus is operations, it also provides project grants which could be seen to help with capacity, addressing as they do issues such as marketing, promotional materials, or planning assistance. He also identified elements of capacity building in their operating program. He believes the funding formula they use for operating grants, one based on community-derived revenue, was introduced by his board as an incentive for funded organizations to develop community support, thus increasing their capacity.

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So the dichotomy exists that, while governments see their primary focus to be on operating grants, in some cases the funding formula promotes community support (which can increase capacity). And even project grants (with attendant marketing, promotional materials, and planning assistance) may increase capacity. Given the comments made by Beth and Sam, this is an example of a very different perspective by the two parties to the relationship.

Tom described his organization's history and described the initial development of its operating grant program many years ago as the beginning of support for organizational capacity. Over the years they have grown, and both the number and types of organizations they fund have evolved. If one defines infrastructure as the most critical capacity issue, then he would see operating grants to be supporting organizational capacity. When he reviews the financial statements of most of the organizations he deals with, they show revenue to match the basic production costs. What is missing are the dollars to support the infrastructure of paid staff. The intent of the grants he administers is to cover critical staff salaries. Tom sees a looming problem, however, as the percentage of the total operating budgets represented by their grants has been reduced from 20 per cent in the 1970s and 1980s, to 8 per cent at present. A good part of this he attributes to increased revenue from other sources, thanks to successful fundraising by individual arts organizations, particularly from the corporate sector. Since 2000, however, he has seen a shift from a return of \$4 to \$5 per dollar invested in fundraising to a return of \$2 or even less. Corporations have changed their focus to concentrate on marketing and brand identification. This means they are choosing to spend their money in different ways. Despite having what Tom described as "brilliant day-to-day crisis managers," performing arts organizations are unable to sustain their ability to meet the expectations that were created based on higher revenue. And they normally have no reserve funds to offset a loss. This is a sobering story, given that many funders are still telling nonprofits they should be looking more to the corporate sector for support. Given this scenario, Tom's organization sees supporting theatre companies to develop capital reserves to be a priority.

What Do They Hope the Dollars Will Do?

All grant programs have criteria, and those are the ultimate description of what is important to the funder. I had hoped to get a more immediate, and perhaps personal, sense of what the program officers who administer grants hoped to see as the result of their work. Those who worked for government organizations tended to be reluctant to go beyond identifying the criteria set out in their various programs. Interestingly, the larger the portfolio of the person, the

less likely he was to articulate anything very specific. This is not a surprise, but it is another indication that it is very difficult for someone responsible for a very large number of applicants to develop very meaningful relationships. Given the emphasis on relationship in building capacity, programs whose administrators are spread thinly are likely to have limited impact, whatever their intentions may be.

Tom, Mike, and Andy all referred to the grants they provide as paying for eligible operating expenses such as staff salaries, rent, or core artists. Tom acknowledged that there is a significant gap for an organization that owns a building—one for which there are no easy solutions. There are very few sources of funding for capital projects, yet the need grows as buildings age. He clearly hopes that if an organization uses the salary dollars provided to hire the right person, that person can generate revenue to offset the expenses that are not funded. On the other hand, it was he who identified the constraints that are being experienced in relation to corporate fundraising. He also talked about a “glass ceiling” in theatre, which results from the fact that rates of pay for actors are tied to the size of the theatre. This is a “catch 22” for theatre companies since “if you grow you may need to pay actors more, so you can’t grow until you have some assurance you will have the money to meet those obligations. In this scenario, even if you do increase revenue, it won’t mean an improvement in the bottom line.” His descriptions of the barriers faced by theatre companies were such that I was left amazed at the sense of optimism he still seemed to have.

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Susan described her organization as funding organizational capacity through things that are not in the current agency budget. She sees this as helping agencies to move forward in areas they might not otherwise address. The example we talked about was a technology grant that helped to address backup problems, accounting issues, duplicate processes, and data security. She saw the acquisition of new technology requested by the organization as a means to resolve these issues and increase the recipient’s effectiveness. Her hope was that the agency would see the need to build into their budget adequate resources to maintain and replace the technology. She was clear, however, that although some grants come with conditions, her role normally allows her only to ask questions and make suggestions, not to require compliance.

David offered a very clear description of the expectations for the grant we discussed. The recipient organization was seen to provide

high quality programming to both anglophone and francophone communities, but did not have the resources to respond to increasing demand from the francophone community. The grant provided salary dollars over two years. The expectation was that there would be increased opportunities for francophone artists, an increased number of programs delivered in French schools, and greater ability for the organization to plan strategically for outreach. At the same time, there is an expectation that the organization will be able to support the position on an ongoing basis at the end of two years. David described two ways this grant might contribute to the capacity of the organization. The first is the potential for increased service and increased revenue. This should lead to the second, an increase in credibility. In his view, being seen to have its “house in better order,” the organization is more likely to be able to attract support from other sources.

Mike’s perspective was quite different from that of the others I interviewed. He said that the key expectations for organizations they fund have to do with artistic plans. In the arts, “we do want to be sustainable but our primary purpose is to put on arts events and create new and important art, not just keep the organization going.” I thought Beth would be glad to hear this, given her fear that she might be left doing only very uninteresting things if all of her energy went into capacity building. Mike suggested that the concept of organizational capacity is not well developed in the arts sector and expressed doubt that some groups, other than the large flagship organizations, even expect to survive in the long run. It is true that in my conversations with arts organizations, their focus was primarily on the creation and dissemination of art. Their commitment to their role in making that contribution to the community, however, suggested to me that they had an equally strong commitment to survival in order to do the work that matters to them. In the end they did not seem to me to be that different from the human service sector where program and meeting the mission was at the top of every executive director’s agenda.

Although she had said her organization did not fund capacity building per se, it was Carol who, in my view, had the most clearly articulated expectations for the development of organizational capacity. Of the money granted to partner organizations, relatively little stays with them, since their role is to distribute the funds in their communities. She described her role as one of facilitator and catalyst, working with the funded partners to develop capacity and sustainability.

As benefits to partners, she identified the acquisition of national connections and a network of others engaged in the same work, as well as an expanded ability to work locally with groups with whom they might not otherwise have connected. It is these partnerships and consortiums that Carol believes both leverage current resources and contribute to sustainability over the longer term. Again, the focus on relationships is fundamental. For an organization to become a partner, the initiative must be consistent with its mandate. Participation can also expand that mandate, leading to things the organization might not otherwise have done. Beyond relationships, the funder will also support the more technical components of building capacity such as strategic planning, training, and research. It seems evident to me that the commitment of this funder to engage with the partner over a 10-year period significantly increases the likelihood that sustainability will be achieved. Here we have an example of a funder who understands the importance of being in for the long haul.

These funders range across the continuum, which goes from seeing capacity in terms of technical support to seeing it as requiring an engaged partnership. At the same time, in all of the conversations, it was clear the individuals I spoke with have a perspective that is broader than the programs they administer and that they do what they can to support organizations in other ways.

How Else Do They Help?

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When asked to think about things he did to support the development of organizational capacity, aside from administering grant programs, Tom's first response was to say "...a lot of stuff that isn't very tangible." As we talked further, he described a role in consultation, saying he tries to get people to have a "...clean, clear self-assessment of where they are in their practice, where they want to go, and where are the road blocks."

Susan summarized her efforts in this regard as "getting people to step out of the day-to-day struggle and look at the bigger picture." Carol described it as "looking for angles to help the partner make it work" while "allowing the partner to take ownership." In one way or another people saw themselves as providing some form of consulting to organizations and, in the case of the arts organizations, to individual artists. Awareness of the responsibility for individuals

as well as organizations added to my appreciation of the workload issues these individuals have to manage.

For those who work with arts organizations, consultations about marketing and other strategies to increase public profile were among the first things mentioned. It went beyond that, however, to include providing an outside perspective, acting as a sounding board, and being a mediator or intervener to help organizations think through their situations and find their own solutions.

Another role identified by everyone was to be a resource for information and referral. To do this effectively requires the individual to be a continuous learner, staying abreast of developments in the field as well as knowing about sources of information or contacts that might be of value. In addition to knowing about resources, Andy added the need to be willing to look for them. Staying connected with other funders was mentioned several times. More than one person spoke about acting as a “matchmaker” in bringing together mentorships or partnerships. David talked of being proactive, and Carol said she might sometimes “force the opportunity.” In both cases they were talking about initiating meetings they thought might be beneficial. Carol’s focus was for partners to meet with organizations they might otherwise not have. David’s was to meet with senior staff and board executive members in an attempt to problem solve.

The ability to ask the right questions was mentioned several times, as was the ability to analyze and dissect situations. David acknowledged the importance of seeing there are always two perspectives when funders and organizations meet. He was not alone in emphasizing the importance of handling the relationship with respect and developing trust. He also tries to help organizations remain clear about the philosophy that underpinned their request and, from the first day of the grant, to start to think about how they will integrate the activity once the grant money is gone.

At a more immediately practical level, Mike described his organization as doing research relevant to their field and facilitating joint ventures that can save money and increase audiences. There is a variation from quite concrete and administrative support to the more facilitative, process-oriented approach. While there were different approaches and different amounts of time available, people were committed to doing everything possible to support the work done on the front lines in communities. The ability to provide this support

again depends on money: money to pay for more staff for funders so the portfolios are more manageable and money to implement some of the good ideas the existing staff have to offer.

What Lies Ahead?

Will we follow the American pattern and see funders increasingly looking to fund capacity building? Neither Andy nor Susan foresaw any change in approach being planned by their organizations. If he could influence the situation, Andy would like to see more funding for administrative support as a possible solution to the burnout he observes among the “unsung heroes,” the arts administrators.

Mike is conscious of different language being used by the arts and the human service sectors, although he sees an increase in efforts to understand each other and work together. He believes we need to find different ways to express the concept of capacity building so that it will be more broadly understood. While capacity building has not been a part of his organization’s vocabulary, he expects organizations to demonstrate a balanced budget, the ability to pay key personnel, and the development of young artists. To ensure a healthy arts community, “we will do everything we can to ensure the survival of arts in (our city) and that likely means ensuring healthy organizations.”

Both Tom and David said their organizations were working to increase their understanding of capacity building and how best to support it. David’s organization is seeking a common internal definition and a workable approach that will allow it to provide the best possible service to the groups that need it. Bob’s first reaction was that I had asked “...an impossible question to give a simple answer.” He went on to say that organizational capacity building is front and centre in the development of their new five-year plan. They are also pushing the organizations they fund to develop long-term plans, budgets that include an operating surplus, and the development of dedicated reserves. He sees the biggest challenge to be to encourage others, particularly governments, to see the value of support for the arts. “We need to make sure it’s understood that it’s not charity but investment that generates return.” If that can’t be achieved, he believes the situation is perilous since “for all the great work, the problem is the thin ice on which everybody has to skate.”

I experienced the passion of these individuals as no less than that of the executive directors who are leading individual organizations. And like executive directors, whatever the size of their portfolio, they had heavy workloads. Where the portfolio was small, the workload seemed no less since the engagement with individual organizations was greater. Their ability to do some of the things they saw to be important was affected by variations in the focus of the different funders and in the freedom or constraints within which each person worked. The constraints were best exemplified by my inability to interview one program officer who had been described to me by an executive director as particularly helpful. For reasons I was never able to determine, he had been advised that he should not speak with me. I was never able to find out what the issue was, so I could not look for a solution. Among those I did interview, some expressed awareness that they needed to be sure not to speak out of turn, while others felt comfortable with whatever they had to say. Any imposed constraints will limit the development of trust and open communication and will inhibit the development of productive relationships. Much has been said about the importance of relationships in building organizational capacity and in ensuring organizational effectiveness. This may be the most important place for funders to put their energy and, for at least some funders, this will require some significant changes in their own organizations and a willingness to risk greater openness.

In the end, my suspicions about the lack of consistency in the use of the terminology of organizational capacity building were supported. But I came away with my belief in the dedication of the players on both sides of the table reinforced. It seems we are all in this together, and that the best solution to our common dilemmas is to keep working to develop effective working relationships within the constraints, and outside them where possible.

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Since the executive directors were my primary interest, I wanted to give them the last word. My last question for them was to ask what advice they would give to their peers about how to develop organizational capacity or, as I would prefer to describe it, build a strong and effective organization.

Advice from the Trenches

“When you are growing, be very careful.”

- Sam

As we have seen, all of the executive directors I interviewed had been successful, and yet all of them described problems they had not been able to resolve in the way they would have liked. They demonstrated the ability to both describe and analyze their successes and their failures and to see what could be learned from them. This ability to learn from experience is one of the keystones of effective performance. What they have learned may help other executive directors who are trying to develop plans and strategies to build the capacity of their organizations. I asked the people I interviewed to share the most important things they had learned so others could benefit from their experience.

The first person I interviewed was Bob. When I asked him this last question, he identified five things:

- Get to know your organization and your job.
- Know yourself—your skills and deficits; then find others who can provide what you lack.
- Work with your board.
- Focus on networking and relationship building.
- Plan for sustainability.

All of the advice offered by the remaining executive directors seemed to fit a similar pattern.

Get to Know the Organization and Your Job

Sarah's advice was to be grounded in the basic vision and mission of the organization to provide an "anchor" that everyone agrees on. Jane concurred. Based on her experience with the potential for "mission drift," she went further, asserting that if a funder does not believe in your mission, you should be looking for other funders. For new executive directors, Jane saw the most critical issues to be to:

- learn the role
- learn how to deal with board and funders
- learn to write good proposals and evaluate programs. For small organizations that are in the building stage, she believes training is the most important place to start.

Beth's advice was for the executive director to think clearly about the human resources and about what capacity building means to people in terms of their development and their work. She emphasized that capacity building does not happen in a vacuum. Finding the right people with whom to work was also important for Beth, particularly when hiring outside expertise. She stressed the importance of the expert fitting well with your organization and understanding your work.

Jim pointed out the importance of recognizing that people learn and grow at different speeds and that organizational capacity development depends on the development of people. Recognizing the skills available and the limitations posed by the absence of certain skills is also important when trying to move forward. As an example he said: "We've got a whole lot of caregivers and not a lot of computer geeks." Sarah described the need to think about the staff resources and how to best use the people you have. Sam's focus was on how to support staff so they can do their jobs better, enjoy their jobs more, and be challenged by their work. He sees the need for satisfaction to come from doing a good job, not just from a paycheck.

Know Yourself

Jim acknowledged that he had experienced the tension caused when his vision was not a good fit with that of the others in the organization. His advice was to recognize the fact that being the executive director does not mean you are always right and that you need to be willing to grant that others may be.

Beth counselled awareness and maintenance of a balance to prevent the capacity building side of the work from taking over to the exclusion of other things. She said “...try and get help from people that know...and that are fairly practical.” Sarah saw one of the most important things to be to “Try and keep your sense of humour at all times.”

Work With Your Board

Attending to the relationship between the board and executive director was critical for Sarah. She agreed with Bob that one needs to have the right skills on the board to support the work. She would also place a priority on giving the board, as well as other volunteers, guidelines about the organization’s expectations of them. Jane also saw the importance of clarity of roles between the board and the executive director. For her, without a good relationship with the board, “you’re alone.”

Build Relationships

Jane views networking as another way for the executive director to “...know they are not stuck and they are not alone.” She saw networks such as groups who deal with similar issues, or other United Way agencies, as good places to get questions answered. She also emphasized the importance of dialogue with funders. She wanted other executive directors to know that, when dealing with the bureaucracy, there is always someone you can go to at a higher level if you encounter a problem. Jane expressed a need for the nonprofit sector to communicate more with, and think like, the for-profit sector. Jim would agree, as he believes nonprofits need to be more

entrepreneurial rather than depending solely on grants. Beth would concur with the need to develop partnerships both with business and in the community.

Plan for Sustainability

Sarah pointed out that a key skill is “...being able to respond to the situation that might appear.” This doesn’t mean she doesn’t believe in planning, as she also pointed out the importance of trying to see the whole picture and decide on priorities. To make a plan work, she believes in ensuring that where you want to go and what you want to do is clear to and shared by board and staff.

Jim sees the importance of planning at every level, from the strategic plan to individual performance. He advises doing a five-year plan and involving people from across the organization in developing the plan. Sam identified the stress on board and staff that he observed as a result of their most recent planning process. He sees the need for careful developmental planning and a respect for process. He also advises attending to posting surpluses in preparation for any major change that may be anticipated.

Beth cautioned against going after money just because it is there. She emphasized the need to be sure you understand what you want, and that you are sure it is something you need.

Conclusions

“Hunting down all of the strange locutions that creep under the wallpaper of modern organizational theory would be a task far beyond the scope of this essay. We instead aim our fumigants specifically at CAPACITY, because it has thrived the most spectacularly in the groves of philanthropy—pastures in which, evidently, the word has no natural predators and so can multiply at will.”

- Tony Proscio⁵⁸

When I began this research, I felt a degree of scepticism about the growing use of the terminology of capacity building in relation to nonprofit organizations. At the same time, I think I hoped to find some wisdom that would help me to be more effective in working with my organization to build its strength to do the right things in the best way and to limit the stress on others and myself in the process.

What I discovered is that the scepticism was justified. Clearly people understand and have used this terminology in many different ways. Its use has been limited to technical assistance by some, and it has been expanded to the point of a visionary, mission focused, approach by others. It may well be that its use began before some of the research we now have on organizational effectiveness and high performance had been published. It seems clear that capacity is about the ability to perform effectively—to do the right things in the best way. As a practitioner, I believe the best way to achieve that is to be able to describe the means to do so in concrete language that can be

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⁵⁸ Tony Proscio, *in other words: A plea for plain speaking in foundations* (New York, NY: The Edna McConnell Clark Foundation, 2000), p. 28.

understood by ordinary people working in nonprofit organizations. The trouble with “capacity” is that it doesn’t accomplish that. As Tony Procio has said: “Often, the writer who uses CAPACITY genuinely doesn’t know what an organization’s problem really is... when [CAPACITY] appears to imply something specific (an act of imposture of which the word is constantly guilty), it ought to be deleted and replaced with honest, old-fashioned terms like ‘staffing,’ ‘record-keeping,’ ‘management,’ ...or something of that order.”⁵⁹

There has been a good deal of work done to try to find the keys to building capacity, ensuring effectiveness, and developing high performance. Although they have used different models and, in some cases, slightly different words, the people who have done this work, as well as the executive directors I interviewed, seem to agree that there are a few fundamental things that need to be attended to:

- people and relationships
- learning and adaptation
- vision and the discipline to plan
- measurement and evaluation
- efficient management systems.

These are the things leaders in the sector need to attend to if they want to build organizations that will last and that will make a meaningful difference in their communities. But doing any of these things requires very accurate understanding of the current circumstances of the individual organization; where it makes most sense for that that organization to begin to work; and what tools can best help. It also requires the dollars to ensure that the organization can access the right people, whether internally or externally, to do the work that is required.

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According to the factors that contribute to high performance identified by Light (Appendix B), the executive directors I interviewed seem to be doing their best to do the right things. Nevertheless they acknowledged that they do not necessarily have all of the skills needed to address every organizational issue, and they often do not have the money or access to the expertise needed to offset their

⁵⁹ Ibid., p. 29.

own limitations. And when they are fighting for daily survival, they do not have the time to develop all of the connections that might help them.

There are some hopeful signs. Here in Canada the last budget tabled in Parliament included the idea, although not the funding, for a Charity Bank. This may have the potential to act as a venture capitalist, or to help organizations with the cash flow issues that often come with an attempt to grow to the next level.

Funders may be starting to listen to the people who receive their grants. I heard concerns about funders failing to understand the real world of front line organizations, and failing to practise what they demand of others. In Canada, *What Voluntary Leaders Do*, *Caught in the Middle*, and *The Dance*, all shed light on that front line world. Recent United States studies, although focused on foundations, have had much larger samples and have contributed significant data. *Listening to Grantees* showed that foundations had some mistaken assumptions about what really makes a difference to the recipients of their grants. Just as I was completing this project *Attitudes and Practices Concerning Effective Philanthropy* was released. The goal of this study was to develop a better understanding of funder effectiveness by examining the attitudes and practises of 1,192 American foundations. The results included some disturbing facts. As with studies of capacity building, the author was clear there was no “one size fits all” solution. What did emerge was data to support that funders do not always model what they require of others in terms of:

- evaluating their own practice
- listening to their constituencies
- collaborating with others
- communicating effectively about their own goals and expectations.

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The study proposed a typology of effectiveness components and approaches with four scales:⁶⁰

- proactive orientation
- technical assistance/capacity building

⁶⁰ Francine Ostrower, *Attitudes and Practices Concerning Effective Philanthropy: Executive Summary* (Washington, D.C.: The Urban Institute, 2003), p. 8.

- social policy/advocacy
- internal staff development.

Of the foundations that rated high on all of the scales, 58 per cent were independent foundations (72 per cent of the total sample) and 35 per cent were community foundations (20 per cent of the total sample). Only 313 of the 1,192 respondents demonstrated high ratings in all four areas. If all of the components are needed for a funder to be effective, there is clearly work to be done.

The question is, is it reasonable to expect all of this from funders? It was evident from my interviews that most of their program staff have administrative workloads that don't allow for much proactivity. And for the most part, the executive directors were not looking for that. They wanted clear communication, reasonable deadlines, fair expectations for outcomes and reporting, and the money to hire the expertise they need. They did not see the funder as the appropriate source of expertise or consultation to help them solve their organizational problems. They would like funders to understand their world to a greater degree, and be willing to trust that they know what they are doing. They did appreciate the support they had been given in finding their way through the maze of application processes. And they valued the opportunity to test ideas and get a non-judgmental, arms length point of view.

It seems that the only real conclusion that can be arrived at is that we all still have a lot to learn. We need to continue to try to understand what really makes organizations effective. We need to work to understand each others' viewpoints. We need to learn to work together to make the best use of the dollars the funders have and of the people and other resources that are part of community organizations. And we all need to work on using plain language, so we can be more sure that the words we use mean the same thing to everyone who plays a part in any effort to improve the performance of one of our organizations.

The responsibility to continue the conversation belongs to us all.

Appendices

Appendix A

The following tables come from *Making Nonprofits Work: A Report on the Tides of Nonprofit Management Reform* by Paul Light (Washington D.C.: The Brookings Institute, 2000), pp. 47, 54, 63, 69. Reprinted with permission of the Brookings Institution Press.

Box 3-1. Characteristics of Scientific Management

Common expression: Standards, codes of conduct

Central assumption: A set of core practices makes all organizations effective

Focus: Internal improvement

Primary implementer: Individual organizations

Accountability model: Compliance

Cost of implementation: High

Time to higher performance: Moderate to long, particularly if new systems are involved

Measurability of change: High

Level of independence: Low

Stress on organization: High

Patron saint: Frederick Taylor

Patron Organization: National Charities Information Bureau

Strengths: Promotion of basic good practices

Weaknesses: Possible focus on unimportant elements of organizational performance

Box 3-2. Characteristics of War on Waste

Common expressions: Reorganization, downsizing, strategic alliances, reengineering

Central assumption: Staff, processes, and sub sectors can be organized to create maximum efficiency

Focus: External efficiency

Primary implementer: Large funders or collections of nonprofits

Accountability model: Compliance and/or performance

Cost of implementation: High

Time to higher performance: Short to long depending on degree of reorganization

Measurability of change: High

Level of independence: Low to high

Stress on organization: High

Patron saint: Michael Hammer

Patron organizations: Local corporations and funders

Strengths: Elimination of duplication, concentration of funding resources

Weaknesses: Reductions in diversity, organization fear

Box 3-3. Characteristics of Watchful Eye

Common expression: Transparency

Central assumption: Making financial and performance information visible will allow competition to weed out inefficiency

Focus: External visibility

Primary implementers: Individual donors

Accountability model: Compliance on releasing information, performance on content

Cost of implementation: Low on release, high on generating performance information

Time to higher performance: Short if information is raw, long if information must improve

Measurability of change: High

Level of independence: Low to high

Stress on organization: Low

Patron saint: Ralph Nader

Patron organization: Guide Star

Strengths: Openness, donor empowerment

Weaknesses: Inaccuracy, manipulation

Box 3-4. Characteristics of Liberation Management

Common expression: Deregulation, outcomes management, employee empowerment

Central assumption: Organizations should focus on results, not rules, and be entrepreneurial

Focus: Internal freedom and competitiveness

Primary implementers: Individual employees and organizations

Accountability model: Performance as a general goal, compliance on specific implementation

Cost of implementation: Low to high depending upon density of rules and structure

Time to higher performance: Low to high depending upon density of rules and structure

Measurability of change: Low to moderate

Level of independence: Very high

Stress on organization: Low

Patron saint: Al Gore

Patron organization: United Way of America

Strengths: Focus on measurable progress toward mission

Weaknesses: Potential loss of discipline, focus on wrong “customers”

Appendix B

Components Of High Performance

The structured surveys which formed the basis of Light's *Pathways to Nonprofit Excellence* offered a number of items which might contribute to high performance, based on what had been learned from the literature on management. The responses were organized into four categories. Items included in this table were identified as having high importance by 50 per cent or more of the respondents.

Category	Opinion Leaders	Senior Executives
External Relations	<ul style="list-style-type: none"> • Collaborate • Make money • Diversify • Measure 	<ul style="list-style-type: none"> • Collaborate • Measure • Diversify • Know the client • Make Money
Internal Structure	<ul style="list-style-type: none"> • Exploit technology • Give staff the authority to do their jobs • Work in teams and give staff the freedom to work together • Stay flat 	<ul style="list-style-type: none"> • Push authority downward • Exploit technology • Work in teams and collaborate internally • Save for a rainy day • Stay flat • Recruit a diversified staff
Leadership	<ul style="list-style-type: none"> • Foster open communications • Motivate people • Fundraise • Clarify board/staff relationships • Embrace participation 	<ul style="list-style-type: none"> • Foster open communication and motivate people • Clarify board/staff relationships • Fundraise • Give the freedom to take risks
Internal Management	<ul style="list-style-type: none"> • Use the board • Be clear about responsibility • Plan for the future • Use data to make decisions • Invest in training 	<ul style="list-style-type: none"> • Plan • Be clear about responsibility • Use the board • Track the funds

Appendix C

Questions

1. If you think about organizational capacity in your organization, what would it look like if you achieved full capacity?
2. In trying to build the capacity of your organization, can you describe some of the things you have done?
3. Of the things you have undertaken, what has worked effectively?
4. Where you have had success, what do you believe were the key factors which contributed to the success?
5. What about things that were not so successful? Can you give me examples of those?
6. What do you think were the factors that kept you from success? What barriers did you encounter?
7. Did you have the assistance of funders for any of these initiatives? How did the funders work with you? How did they help? How did they get in the way?
8. What advice would you offer to other executive directors who might be looking to develop plans and strategies for building the capacity of their organizations?

Appendix D

Funder Questions

1. What has led your organization to fund capacity building initiatives?
2. In the case of your grant to _____ for _____, what did you expect would be the benefit to the organization?
3. How do you see the grant as contributing to the sustainability of the organization?
4. Are there other things you do in your work that you see as contributing to the capacity and/or sustainability of the organizations you deal with?
5. Does your organization plan to continue to provide capacity building grants at the same level you do currently, or do you plan an increase or decrease in these grants. If you plan a change, can you tell me why?

Appendix E

Organizational Capacity Building A Project for the Muttart Foundation Fellowship

Executive Director Consent Form

The purpose of this project is to explore the experience of building organizational capacity, particularly from the perspective of the executive directors of selected nonprofit organizations, and some of the funders who have supported capacity building initiatives in their organizations. It is being conducted with the support of The Muttart Foundation, Edmonton, Alberta.

I agree to participate in this project with the understanding that:

1. I agree to an initial interview of approximately 1-1/2 to 2 hours at a time and place suitable to me, with a possible follow up interview. The length, time and location of any follow up interview will be mutually agreed to prior to it taking place.
2. I understand that the interview will be tape recorded, and that tapes and transcriptions will not be shared with anyone other than the researcher and transcriber(s) who will be bound by confidentiality. All tapes and transcriptions will be securely stored and destroyed by the author at a date agreed with the Foundation.
3. I will be given the opportunity to read and comment on interview transcriptions or summaries.
4. My identity, and that of my organization, will be kept confidential and any personal references will be removed in any reports or presentations of the study findings.
5. I understand that the results of this study may be published by the Muttart Foundation, Edmonton, Alberta

6. I may ask the researcher any question before agreeing to be part of this study. If I have questions at a later time, I can call the researcher at the number on this form.
7. I may choose to withdraw from the study, or withdraw selected information, up until thirty days following the completion of the fieldwork. Should I do so, the information I provide will not be used in the study.

Participant Signature

Date

Researcher Signature

Date

If you have questions or wish further information, please contact the researcher:

Joanne Kidd
jkidd@cmha-edmonton.ab.ca
(613) 842-4467

Appendix F

Organizational Capacity Building A Project for the Muttart Foundation Fellowship

Funder Consent Form

The purpose of this project is to explore the experience of building organizational capacity, particularly from the perspective of the executive directors of selected nonprofit organizations, and some of the funders who have supported capacity building initiatives in their organizations. It is being conducted with the support of The Muttart Foundation, Edmonton, Alberta.

I agree to participate in this project with the understanding that:

8. I agree to a telephone interview of approximately 30 minutes at a time suitable to me, with a possible follow up interview. The length and time of any follow up interview will be mutually agreed to prior to it taking place.
9. I understand that the interviewer will take notes during the interview and that these notes will not be shared with anyone other than the researcher. All notes will be securely stored and destroyed by the author at a date agreed with the Foundation.
10. I will be given the opportunity to read and comment on interview transcriptions or summaries.
11. My identity, and that of my organization, will be kept confidential and any personal references will be removed in any reports or presentations of the study findings.
12. I understand that the results of this study may be published by The Muttart Foundation, Edmonton, Alberta

13. I may ask the researcher any question before agreeing to be part of this study. If I have questions at a later time, I can call the researcher at the number on this form.
14. I may choose to withdraw from the study, or withdraw selected information, up until thirty days following the completion of the fieldwork. Should I do so, the information I provide will not be used in the study.

Participant Signature

Date

Researcher Signature

Date

If you have questions or wish further information, please contact the researcher:

Joanne Kidd
jkidd@cmha-edmonton.ab.ca
(613) 842-4467

Appendix G

In carrying out this project I discovered a number of tools designed to assist with the analysis of organizational strengths and areas needing development. If you are looking for a resource to assist you in your work, you will need to review these options to decide if any of them will meet your needs. They vary in their degree of complexity. This is by no means a comprehensive list, but I hope that this might be the beginning of a list to which others will contribute.

Benchmarks of Excellence for the Voluntary Sector

A facilitator's guide and participant materials for a workshop developed and written by Linda Mollenhauer, and sponsored by Health Canada and the ALS Society of Canada. Available from the Canadian Centre for Philanthropy.

Capacity Profile: A Self-Assessment Tool

A tool to help organizations learn about themselves: what works and what doesn't work. Prepared by David Connell based on characteristics developed for the Amherst H. Wilder Foundation. Tool available at www.djconnell.on.ca; more information on the characteristics are available at www.wilder.org.

Checklist of Nonprofit Organizational Indicators

Developed by the United Way of Minneapolis Area for internal use by nonprofit organizations. Available from www.mapnp.org/library/org_eval/uw_list.htm.

Getting Back in Shape: Guidelines for Improving the Fitness of Established Nonprofit Organizations

This article focuses on signs of stagnation and decline in existing organizations, and the remedies that can be applied to reverse the process. Written by Paul Connolly and Laura Colin Klein and available from The Conservation Company www.consco.com.

Organizational Capacity Assessment Tool

Developed by Social Venture Partners in Seattle, WA. Available from www.svpseattle.org.

Organizational Report Card: How Healthy is Your Community Group?

This checklist was developed by the Centre for Community Leadership of Niagara College, with support from Human Resources Development Canada. Available at www.communityleadership.net.

Principles and Practices for Nonprofit Excellence

Designed to educate organizations about excellence and act as a tool in strategic planning; to support the growth and quality of the sector; and to increase public understanding of the role and contributions of the sector. Available from www.mncn.org/infor_principles.htm.

Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector

Designed by the Maryland Association for Nonprofit Organizations to provide benchmarks to determine how well an organization is fulfilling its obligations to those who benefit from its programs, to contributors and to the public. Available from www.mdnonprofit.org/ethicbook.htm.

Standards for Excellence: A Self-Help Tool for Nonprofits' Organizational Effectiveness

Developed by the North Carolina Center for Nonprofits as one tool to promote effective and accountable organizational practices that nonprofits themselves implement through positive, not punitive, measures. Available from www.ncnonprofits.org.

The Thin Book of Appreciative Inquiry

Written by Sue Annis Hammond for Kodiak Consulting, this book describes a process based on the assumption that in every organization some things work and change can be managed through the identification of what works, and the analysis of how to do

more of what works. A cost applies. Can be ordered from Kodiak Consulting, 5105 Marble Falls Lane, Plano, TX, U.S. A. 75093. For further information contact SueHammond@AOL.Com.

Tool for Assessing Startup Organizations: a due diligence supplement for grantmakers

Developed for Grantmakers for Effective Organizations by La Piana Associates, Inc., this is primarily a tool for funders, but could be helpful to organizations in helping them to understand the criteria funders consider. Available from www.geofunders.org.

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The Muttart Fellowships



Joanne Kidd

2003 Muttart Fellow

Joanne Kidd was born in Saskatchewan where she grew up with parents and grandparents who were always active participants in community organizations. Following graduation from the University of Regina with a Bachelor of Arts Degree in languages, she worked for the federal government and studied French at l'Université Laval prior to completing a Master of Arts Degree in Educational Theory (Adult Education) at the Ontario Institute for Studies in Education. Her career has included development and delivery of educational and training programs, career counseling, community development, and management. She has worked in health care and post-secondary institutions and in government and nonprofit organizations. When awarded the Muttart Fellowship in 2003, she was Executive Director of the Canadian Mental Health Association Edmonton Region.

