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# Nonprofit capacity: a comparative case study of capacity building in community-based organizations

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# NONPROFIT CAPACITY: A COMPARATIVE CASE STUDY OF CAPACITY BUILDING IN COMMUNITY-BASED ORGANIZATIONS

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MASTER OF SCIENCE
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## Abstract

The purpose of this study was to understand the relationship between capacity-building activities and the capacity found in community-based organizations. This qualitative study examined the impact of capacity-building activities such as board development, staff training, fundraising, and leadership development to understand what factors were present and if they increased the level of capacity.

The literature revealed that little to no agreement exists in the field of capacity building around the frameworks for successful development of capacity in community-based organizations. This subgroup of nonprofits was rarely indentified as such in the literature. Definitions of capacity building can be summed up as the ability of nonprofits to achieve their mission. The broad terminology “nonprofit” was most often used when presenting frameworks and capacity factors related to improving capacity. The literature was rich with definitions and what constitutes capacity. There were common themes around what factors were necessary for organizations to be successful such as aspiration, strategy, leadership, human resources, systems, and infrastructure.

The methodology used in this study consisted of a perception analysis of participating subjects which was completed by experts in the field; capacity assessments conducted by executives from participating organizations; a review of relevant documents including board minutes, publications, and financial statements; and follow-up interviews with the executives to probe deeper into the capacity-building activities employed. A comparison analysis was conducted of the results from the perception analysis and capacity surveys incorporating data from the document review and feedback from the interviews.

The principal result of the study supports the notion that capacity building has a positive impact on increasing the organization’s capacity—no matter how minor the capacity-building activities appear. There are indications in the findings that organizations that engaged in capacity building were perceived and assessed as having higher capacity than those that did not. The results also indicate that there need to be more research studies conducted among subgroups that participated in this study. The literature had minimum information related specifically to community-based organizations that are located in and serve clients living in low-income neighborhoods.

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I extend my appreciation to the organizations and leaders who took precious time and energy to participate in this study. Thank you for providing insight and details about your work that enriched this research and contributed to a process to help make all community-based organizations efficient and effective in changing the future.

I would like to thank my family for their love and support; and for keeping me strong and inspired through the years. I owe my deepest gratitude to my sister, Denese Wright, whose daily encouragement and care helped me through the most trying moments of this journey. I offer gratitude to my pastor, Dr. T. J. Winters, and my Bayview Church family for their continuous prayers and thoughtfulness.

This was a long and arduous journey through an unfortunate series of illnesses and personal struggle. I am grateful to God who knows my every step and guided me with His love and grace through this process—and here I am all the better for having had this experience just as He designed it for me.

I dedicate this work in memory of my beloved father, Herman Wright, who taught me faith and perseverance.

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# Chapter 1

## Introduction

The existence of healthy, effective, grassroots community-based nonprofit organizations is critical to developing strong and vibrant communities. Historically, these nonprofits have carried the responsibility of being the “voice of the people” in urban and low-income communities where the disenfranchised members of society lived. Grassroots community-based nonprofits emerged during an era of civil unrest and social change for people of color in the 1960s. Today they continue to play a key role in urban communities even though the social climate has changed—quality of life issues and economic conditions are still huge factors for individuals living in these communities.

Grassroots nonprofits are located within the community they serve, are staffed largely by local residents, and provide a service others outside the community are unable to deliver in a manner responsive to residents’ demands. They generally have one of two types of organizational focus: (a) providing social or economic services to individuals and families and/or (b) serving as advocates or leaders in social and political issues on behalf of their constituents. This includes faith-based grassroots community organizations. Community-based nonprofits are a significant factor in measuring the health outcomes (social, political, spiritual, economic) for a community (De Vita & Fleming, 2001).

These organizations serve the hardest to serve populations and often operate with budget deficits, under-qualified staff, limited resources, time constraints, inadequate facilities, and outdated technology.

The organizational capacity of these organizations is often called into question by community members, supporters, funders, and governmental agencies to whom they are accountable. Organizationally, they operate in a disorganized manner as delineated by poor financial management, ineffective leadership, high staff turnover, minimal to no planning, and inconsistent methods of decision-making.

Grassroots community-based nonprofits are confronted with a shifting climate in philanthropic giving, moving away from relaxed standards of accountability to being held to rigorous high performance standards. Constituents of these organizations are more informed and involved in determining what best meets their needs and are requiring more from services.

Crises in the nonprofit sector in terms of funding, board vacancies, falling executive tenure, negative public and media scrutiny, and retiring baby boomers requires investment in capacity building (Light, 2004a). Yet the public increasingly demands efficiency and effectiveness from the nonprofit organizations in their operations. Capacity building produces the promised increase in capacity, which in turn produces the increase in effectiveness of the small nonprofit organizations. Legacy and renewal of the capacity-building projects are “very much a necessity for sustainable effectiveness” (Light, 2004b, p. 10).

Most nonprofits are founded by intensely motivated individuals who are promoting a new idea: a different approach, method, or system to address some pressing social need. Building capacity can be difficult, time-consuming, and

expensive in the short run, and most nonprofit managers would prefer to spend their dollars on programs (McKinsey & Company, 2001).

While started by individuals with a passion for the “work” or service they provide, nonprofits frequently do not have the level of training and skills required to implement “planned development, improvement, and reinforcement of the strategies, structures, and processes that lead to organization effectiveness” (Cummings & Worley, 2002, p. 1).

One such community-based organization (CBO) located in South Florida was started by a local father in response to the infestation of crack cocaine and crack houses popping up in his community. He began by organizing a group of fathers to take control of their community by patrolling the neighborhood at night to prevent vacant buildings from being used for this purpose. From there, they began advocating for more police presence and resources to remove the abandoned, deteriorating structures and replace them with parks and affordable housing. This CBO received funding from the city to continue their efforts and worked collaboratively with the police department and other local entities. Eventually, the organization developed after-school programs and established a resident planning committee that had responsibility for its own community plan. Prior to establishing the CBO, this father turned executive had a few years of college and no relative experience in managing and leading a nonprofit.

The organization suffered with many of the ills of ineffective organizations: staff that had passion for the work but lacked experience and training, inconsistent financial management, and a board that deferred to his leadership.

On the other hand, he was prolific in mobilizing the residents and influencing funders and political leaders for the greater good of his community.

This CBO is just one example of a typical nonprofit in the growth stages. These organizations often struggle with day-to-day issues such as cash flow, balance of program and administrative time, insufficient staffing to function adequately, and lack of fundraising. Many are reactionary and not able to plan, thus constantly functioning in a crisis mode. They rarely implement processes to develop knowledge and skills that lead to effective systems of managing and problem-solving. There are two issues of concern here: the development of effective organizations and the capacity of the organization to effect community change.

### *Trends*

A disconnect exists between these organizations and the larger institutions that directly impact on their organizational capacity. Historically, funders have granted funds that could only be utilized for direct services, with minimal provision for the administrative cost to support program delivery such as training for staff, administrative operations, and technology needs. Little consideration was given to organization development needs of the organizations.

Under the mantra of implementing community-building initiatives, foundations have used the influence of grassroots leaders for entrée into communities and access to their constituents for reconnaissance but not made good on the promise to provide large amounts of funding and direct grants to the organizations.

A new trend is the current “emphasis on capacity building as a philanthropic strategy, with far more foundations willing to use some of their resources for this activity than was the case 10 years ago” (De Vita & Fleming, 2001, p. 42). In the past few years, there has been movement among foundations and governmental agencies to provide grants aimed at strengthening the structure and operations of grassroots nonprofits, according to an environmental scan conducted by De Vita and Fleming (2001) of more than 200 U.S. foundations’ capacity-building programs. This scan showed that foundations now provide capacity building in some form such as staff or consultancy support, executive coaching, program development, evaluation, board development, fiscal agent management, fundraising, strategic planning, and leadership training programs.

The Jacobs Family Foundation is an example of a foundation that provides funding for operational support and non-program positions such as fundraising and accounting. In addition, the foundation created an operating foundation which allows it to provide hands-on technical and capacity-building support through foundation staff and outside consultants to work with the staff of CBOs in the communities.

## *Definitions*

Organizational capacity is the ability of an organization to develop, manage, sustain, and improve programs and strategies that allow it to achieve its mission and objectives. For grassroots organizations, mission fulfillment means the ability to effect social and political changes for those they serve.

Key indicators of organizational effectiveness include

1. Collaborative decision-making between constituents, governance, and leadership.

2. Governance and executive leadership in partnership.

3. Ability to engage community residents in leadership and change strategies.

4. Investment in human capital.

5. Organizational infrastructure.

6. Accountability to its constituents.

It is also critical to this research to have a clear understanding of capacity building. The literature review uncovered that organization development, organization capacity, capacity building, organizational effectiveness, and technical assistance are terms that all refer to “strengthening nonprofits so they can better achieve their mission” (De Vita & Fleming, 2001, p. 38). Blumenthal referred to capacity building as “actions that improve nonprofit effectiveness” (2003, p. 268). Light, Hubbard, and Kibbe stated that “capacity building is most commonly used to describe activities that strengthen an organization so that it can more effectively fulfill its mission” (2004, p. 10).

Light, Hubbard, and Kibbe went further to state that “capacity building focuses on improving the leadership, management, and/or operation of an organization—the skills and systems that enable a nonprofit to define its mission, gather and manage relevant resources and, ultimately, produce the outcomes it seeks” (2004, p. 10). “Organization development is the process through which an organization develops the internal capacity to be the most effective it can be in its

mission work and sustain itself over the long term" (Philbin & Mikush, 1995-1999, p. 2).

In this study, two key concepts require definition:

1. Capacity building refers to the activities that support the organization in improving its ability to fulfill its mission and includes all of the terms referenced above in a broad sense.

2. Capacity specifically relates to CBOs and organization development as applied in this study. Capacity is an organization's long-term ability to achieve its mission by utilizing its skills and resources in an effective manner to obtain results. This definition is a compilation of common themes found in the research and in the literature review (De Vita & Fleming, 2001; Grantmakers for Effective Organizations, 2000; Hansberry, 2002).

### *Research Purpose and Questions*

The purpose of this study is to ascertain if capacity building impacts the capacity of grassroots community-based nonprofits or CBOs. This research was undertaken to gain knowledge about capacity building's impact on the organization.

The aim of this study is to understand if there is a direct impact on the organization's capacity when employing capacity-building measures such as strategic planning, board development, fundraising, and other interventions. This research seeks to answer two questions:

1. What capacity-building factors increase or improve the capacity of CBOs?

2. What capacity-building activities do CBOs employ?

This study was conducted by employing capacity assessment surveys, perception analysis, individual interviews, and reviews of archival documents to gather data on capacity building in CBOs. These data were then used to compare capacity-building activities and capacity as assessed by participants to determine if there is a relationship between capacity-building activities and organizational capacity.

### *Overview of Chapters*

The section provides a brief description of the remaining chapters in this research study.

Chapter 2 provides a review of literature relevant in understanding capacity, capacity building, and capacity frameworks as they impact nonprofits in general and CBOs specifically. This chapter presents an introduction and context for the subject and discusses why capacity building matters, why nonprofits need capacity, core capacities for effectiveness, models and frameworks for capacity building, limitations of capacity-building efforts, influences on effective capacity building, funders and management support organizations, and nonprofits' role in capacity building. The discussion includes measuring organizational capacity and impact of capacity on effectiveness. The conclusion of the chapter sums up the literature review and introduces the questions posed in the study.

Chapter 3 provides details on the purpose of the study and introduces the methodology of the study including descriptions of the elements of capacity used. It goes on to describe the research instruments and data sources and the three phases of the process.

Chapter 4 presents the results of the study. It describes the participants and summarizes the instruments. It includes several tables that capture results. This chapter also includes a comparison of data from the higher and lower assessed organizations and the variance between them. It ends with a summary of the results.

Chapter 5 presents a summary of implications for capacity building, conclusions from the research, limitations of the study, and recommendations for future research.

# Chapter 2

## Literature Review

This study sought to determine if capacity-building activities impact the capacity of CBOs to implement and achieve their mission. In this study, two fundamental questions related to capacity in grassroots community-based nonprofits were addressed:

1. What capacity-building factors increase or improve the capacity of CBOs?

2. What capacity-building activities do CBOs employ?

### *Introduction*

This chapter provides a review of literature that addressed the following areas of research: (a) historical perspective on nonprofit capacity building, (b) why capacity building matters, (c) synonymous terms, (d) core capacities in nonprofits, (e) requirements needed to build capacity, (f) models and frameworks for building capacity, (g) limitations in capacity building, (h) factors that influence effective capacity building, (i) foundations and funders, (j) intermediaries and management support organizations, (k) nonprofits, (l) effectiveness versus capacity, (m) measuring organizational capacity, and (n) impact of capacity on organizational effectiveness.

In the United States, nonprofit organizations are granted tax-exempt status by the Internal Revenue Service under Section 501(c) of the Internal Revenue Code. “About 60% of nonprofits in 1998 had tax-exempt status under subsection 501(c) (3) of the Internal Revenue Code, which allows them to

receive contributions that are tax-deductible to donors" (De Vita & Fleming, 2001, p. 10).

Nationally, there is a growing community of funders, capacity-building organizations, and individual consultants giving attention to the capacity needs of nonprofit organizations and CBOs in particular.

The field of capacity building, which emerged in the early 1960s and grew rapidly in the 1990s, is now in the early stages of maturation and still has not reached its full potential. McKinsey and Company suggested

> there is precious little information about what works and what does not in building organizational capacity in nonprofits. This is largely due to the sector's historic inattention to capacity building, which has not been adequately supported by funders and has been of secondary importance to nonprofit managers trying to deliver programs and services to people who need them. (2001, p. 13)

Community building researchers note that the quantity of nonprofit management and governance assistance services has increased greatly over the past decade; the quality of capacity building and capacity-building service providers (individuals, organizations, and nonprofits) varies widely (Connolly et al., 2003).

Nonprofit capacity building is not new; however, research shows that such efforts are becoming increasingly important to improving the effectiveness of the nonprofit sector.

The sector struggles with agreement on what exactly is capacity. As a concept, "capacity is one of those words that mean all things to all people, and nonprofits have approached and interpreted capacity building in many different ways" (McKinsey & Company, 2001, p. 33).

While much of the focus on venture philanthropy is on “capacity building,” this term has not been defined by either the new venture philanthropists or the nonprofits that represent the potential investment recipients and may well mean something different to each of them (McKinsey & Company, 2001).

For the purpose of this study, capacity building refers to execution of activities that strengthen an organization so that it can more effectively fulfill its mission. Such activities may include developing clear and inspiring mission and vision statements, implementing and measuring programs, recruiting and attracting talented people, developing leadership at all levels of the organization, expanding the organization’s resources, and building community support through outreach.

### *Why Capacity Building Matters*

Much of the literature suggests that many nonprofit organizations are created to address voids left by government and business. For example, a nonprofit may begin operations to meet the needs of an underserved population or to satisfy a perceived need in the community. One such nonprofit is The Birthing Project of San Diego. The Birthing Project was started to address the high infant mortality rate among African American women. The Birthing Project offered vital services to address this issue on a local level, providing women with support during pregnancy and through the first year of life for the infant. Due to lack of funding and adequate resources to develop and sustain capacity, this nonprofit no longer provides services.

Many small, community-based groups are organizationally fragile, and large groups are stretched to their limits. As demand for community-based

services grows, as new needs are identified, and as new paradigms for exchange and interaction emerge, the nonprofit sector is continually challenged to devise ways to strengthen its capacity. Indeed, capacity building must rest on the notion that change is the norm and not a passing anomaly (Amherst H. Wilder Foundation, 2000).

Chaskin, Brown, Venkatesh, and Vidal (2001) captured the view expressed by numerous authors in framing a context for understanding the importance for building capacity for community-based nonprofits. One framework for understanding community capacity suggests that organizations are key vehicles through which such capacity can be built. Strong organizations can provide needed goods and services to community residents. Nonprofits can be important vehicles for solving community problems and for helping community members find common ground and take action in the service of shared goals. They can be a forum for building leadership and social ties among residents that reinforce a sense of community and commitment to that community. Also, such organizations may serve as important links to resources outside the community and as important power bases for representing or advocating the community's interests in the larger environment.

Often community capacity-building initiatives, usually sponsored by foundations, work with and through community-based nonprofits including churches, community development corporations, social clubs, organizing groups, arts organizations, or human service agencies.

### *Terms Synonymous With Capacity Building*

While this inquiry is designed to address “capacity building,” a review of the literature revealed that within the nonprofit sector, there are a number of terms that are used synonymously with capacity building, such as technical assistance, organization development, capacity development, and technical support.

### *Core Capacities for Nonprofit Organizations*

There are numerous researchers who describe the core capacities that nonprofit organizations need to operate efficiently and effectively. “Organizational capacity refers to the resources, knowledge, and processes employed by the organization. For example: staffing; infrastructure, technology, and financial resources; strategic leadership; program and process management; and networks and linkages with other organizations and groups” (Horton et al., 2003, p. 21). Hansberry described a capable nonprofit human service organization as having a “clearly defined mission; capable and motivated leadership; results-oriented programs; ability to access human, information, and material resources; adaptive capacity; efficient operations and management support systems; and self-knowledge” (2002, p. 7). De Vita and Fleming (2001) identified five components necessary for an organization to survive and thrive: vision and mission, leadership, resources, outreach, and products and services. Connolly and Lukas (2002) identified six components of organizational capacity critical for high performance: mission, vision, and strategy; governance and leadership; capital structure (resource development and finance); internal operations and management; program delivery and impact; and strategic relationships. Connolly

et al. presented “four core capacities for any nonprofit organization”: leadership capacity, adaptive capacity, management capacity, and technical capacity (2003, p. 20). McKinsey & Company’s (2001) Capacity Framework presents seven components of organizational capacity: aspirations, strategy, organizational skills, human resources, systems and infrastructure, organizational structure, and culture.

### *What Do Nonprofits Need to Build Capacity?*

In their study, Connolly et al. (2003) maintained that the needs identified in their report can be generalized yet often vary among different regions of the country. Nonprofit capacity-building needs include core functions such as fundraising, board development, staff retention, and use of technology (Connolly et al., 2003; Quern & Rauner, 1998). Connolly et al. (2003) found that nonprofit capacity-building needs vary from community to community and in direct relation to the availability of capacity builders. Connolly et al. also reported that “there are parts of the country where capacity-building resources are plentiful and nonprofit leaders have access to more high-quality capacity-building services and are better supported by the grantmaking community” (2003, p. 28). Determining an organization’s capacity-building needs is not a simple or clear-cut process, in part because no one has established what characteristics actually make an effective organization (Light, 2000).

> Unlike the business world, nonprofits do not have a clear bottom line to determine how well they are achieving their mission. Instead, program evaluations assess whether they are achieving explicit program goals and satisfying their clients. However, there is a gap between a program’s success and overall organizational effectiveness and health. (Heuer, 1999, p. 3)

The types of capacity-building efforts nonprofits engage in depend on the following key factors:

1. Organizational resources such as skills, expertise, money, facilities, and equipment.

2. Organizational readiness which is indicated by the nonprofit employing capacity-building efforts that do not match the types of capacity the organization needs.

3. Organizational lifecycle which will affect the types of capacity-building efforts they undertake; correctly matched, it will lead to efficacy and efficiency of capacity building.

4. Access to capacity builders and capacity-building resources and tools which are critical to improving organizational capacity (Connolly et al., 2003).

Traditional efforts to build nonprofit capacity typically focused on expanding an organization's resources such as providing more money, staff, or equipment. Resources are an essential and critical component of the system. They can affect the organization's ability to carry out its mission, attract competent leadership, and get its work and message out to the community (De Vita & Fleming, 2001, p. 24).

Organizational leadership is another critical factor in whether a nonprofit is able to increase its capacity. Nonprofits engaging in capacity building require the executive director to have the ability to raise funds, motivate people, make decisions, encourage collaboration, and communicate. Strong leadership can make the difference between success and failure in implementing programs and services (McKinsey & Company, 2001; Light & Hubbard, 2002).

*Models and Frameworks for Successful Capacity Building*

Doherty and Mayer (2003) developed a guiding list of “elements that work” which includes the following:

1. Capacity building is guided by overarching goals.

2. The nonprofit itself supports its own capacity-building efforts.

3. The nonprofit creates its own plan based on an assessment of strengths and weaknesses.

4. The nonprofit has choices about capacity-building methods.

5. The nonprofit has ongoing support from outside the organization.

6. There is emphasis on outcomes and accountability.

7. There is emphasis on learning about what is working and what is not.

8. The nonprofit incorporates capacity building into day-to-day operations and persists in implementing its plan.

9. Outside support can make a big difference.

“Because of the tremendous diversity in the nonprofit sector, the needs and ability of nonprofit organizations to build future capacity will vary widely from one organization to the next” (De Vita & Fleming, 2001, p. 15). The existing literature provides no easy formula for building organizational capacity, achieving capacity, or achieving favorable outcomes.

De Vita and Fleming (2001) identified eight core components of effective capacity-building programs sponsored or operated by foundations: (a) comprehensive, (b) customized, (c) competence-based, (d) timely, (e) peer-connected, (f) assessment based, (g) readiness-based, and (h) contextualized.

In a study conducted by the James Irvine Foundation, researchers determined that there were five elements that were necessary for effective capacity building. They were reluctant to identify these elements as a model, because “the field is probably still too young for such a model to come out of any one study” (2000, p. 7). But in a fast-changing, rapidly growing field, each completed program can contribute significant value to existing thinking, research, model building, and practice. The five elements included (a) using a comprehensive approach, (b) using organizational self-assessment tools, (c) sequencing the services provided, (d) tailoring services to nonprofit lifecycle stages, and (e) using an intermediary organization.

As a result of their research, Horton et al. (2003, pp. 54-58) developed a holistic approach to capacity development which included these prescriptions:

1. Lead their own capacity building. Positive local capacity development requires local initiative.

2. Focus on the needs and priorities of the organization as a whole. The capacity of an organization as a whole is greater than the sum of the capacities of its individuals and parts.

3. Pay attention to processes of capacity development. The processes used to develop capacities are equally important to the goals, and these need to be mastered and managed.

4. Build in monitoring and evaluation from the outset. It is helpful at the outset to think about, and plan for, monitoring and evaluation at the beginning of the process. This will help managers sharpen their objectives and become more aware of their assumptions.

5. View capacity development as more than a one-off event. ”It is a process that evolves over a number of years and it requires resources” (p. 56).

6. Engage stakeholders in the process. Stakeholders’ involvement is an essential part of the success of the capacity and development efforts.

7. Cultivate adequate political support and preserve autonomy. Political support and autonomy are important interrelated factors.

8. Establish an environment that is conducive to learning and change. Disruptive changes in the external environment can pose serious problems for organizations. But studies show that major disruptions can also create positive change.

The authors who were discussed in this section all cited many factors that are considered to be important to building nonprofit capacity. However, there are limited data on the evaluation of these factors once implemented.

### *What Limits Nonprofit Capacity-Building Efforts?*

Nonprofits will not engage in capacity-building activities when

> there is typically insufficient understanding of how strengthening the whole organization can contribute to achieving its mission, of how improving “back office” function can contribute to better programs. Board and/or staff may not buy into the idea of putting scarce resources and time into building organizational capacity. (Doherty & Mayer, 2003, p. 3)

Capacity building can be difficult, time-consuming, and expensive in the short run; and most nonprofit managers would prefer to spend their dollars on programs. Nonprofit culture tends to glorify program work over “back-office” functions or even higher level institutional functions such as strategic planning. The easiest dollars to raise have always been for “bricks and mortar” capital campaigns, with very tangible products, while the hardest have been for general

administrative costs—including efforts to build organizational capacity (McKinsey & Company, 2001). Also, Quern and Rauner found that

> grassroots programs do not uniformly perceive the benefits of investing in administrative support to outweigh the costs. One of the clearest messages communicated by agency managers and administrators was the costs of investing in almost any additional support outweigh the benefits. Seeking out creative support systems requires staff, time and resources that grassroots agencies do not have. (1998, p. 31)

The most common reason nonprofits do not engage in capacity-building activities is that they do not have the time or the money (Doherty & Mayer, 2003). Nonprofit organizational models and systems, particularly at the local level, are fluid, loosely structured, and ever-changing, making it difficult to generalize about effective intervention points or strategies for building capacity (Milofsky, 1988).

A lack of trust between the person providing the capacity-building efforts and the nonprofit they are serving can lead to communication delays, doubting of expertise and credibility, and resistance to conversations and activities necessary for the nonprofit's growth (Campobasso & Davis, 2001).

CBOs often lack the financial resources, time, and personal will to engage in capacity building. Their priority is often program focused, and limited attention is given to the management of the organization (Doherty & Mayer, 2003; McKinsey & Company, 2001; Quern & Rauner, 1998).

### *Factors Influencing Effective Nonprofit Capacity Building*

Considering the difficulties and challenges faced by nonprofits in capacity building, it is amazing that they engage in such activities or that foundations would ever support them.

Horton et al. (2003) along with many other researchers (Doherty & Mayer, 2003; Heuer, 1999; Light & Hubbard, 2002) stated that the first dimension that influences nonprofit capacity building is the organization's own capacity. The organization's capacity includes resources, knowledge, and processes employed by the organization to achieve its goals. These comprise the staffing, physical infrastructure, technology, financial resources, strategic leadership, program and process management, and networks and linkages with other organizations and groups. The external environment in which the organization operates also has a strong influence on its performance. The external operating environment includes such things as the administrative and legal systems that govern the organization, the political environment, and the social and cultural context in which the organization operates (Horton et al., 2003).

Horton et al. (2003) also cited the internal environment of an organization as having an influence on the extent to which the organization uses its capacities to achieve its goals and perform at a high level. The internal environment refers to factors inside the organization that make up what might be called the organization's "personality" and influence the organization's cohesiveness and the energy it displays in pursuing its goals.

There is another group that cited evaluations as a capacity-building event. This intentional intervention through evaluation in support of increased organizational effectiveness is controversial among some evaluation theorists because it challenges the research principle that the measurement of something should be independent of the thing measured, meaning evaluations that measure the effectiveness of capacity run the risk of impacting the thing that is being

measured. ”Researchers have long observed that measuring a phenomenon can affect the phenomenon” (Horton et al., 2003, p. vii).

There is also a school of thought that evaluation of a capacity-development effort should itself contribute to the capacity-development effort and ultimately to the organization’s performance. Monitoring and evaluation can play crucial roles in an organizational capacity-development process by fostering learning from experience and helping to ensure that capacity development meets its intended objectives (Horton et al., 2003).

The nonprofit sector itself has a tremendous amount of influence on effective nonprofit capacity building, from those who fund community-based nonprofits, to those who support nonprofits in their efforts to develop capacity, to the nonprofits themselves. Each of these nonprofits contributes to and influences capacity building.

### *Foundations and Funders*

Capacity building of civil society organizations—especially CBOs and non-governmental organizations—is central to the mission of many foundations and thus forms an important part of their grantmaking programs. “With its grantees and own program under stress, a foundation can ‘take out insurance’ on organizations it cares about by supporting them in strengthening their weak points and building on their strengths, thus making its survival more likely” (Doherty & Mayer, 2003, p. 4).

De Vita and Fleming recommended that foundations apply the following five steps as intervention strategies when seeking to strengthen the sector as a whole:

> 1. Determine the basic needs and assets of the community. A first step in developing capacity-building strategy is to learn about the basic needs and strengths of the community.
> 2. Assess the number and types of nonprofit organizations through mapping. Having determined the needs and strengths of a community, a next step is to measure the community-based resources that are potentially available to address local concerns. Mapping nonprofit organizations to determine both their prevalence and geographic distribution within a community provides a framework for identifying potential gaps in service or a spatial mismatch between needs and resources in local areas.
> 3. Identify the infrastructure that can be used to build nonprofit capacity. An environmental scan can be conducted to determine if there are networks or organizational structures that can expand the capacity of CBOs.
> 4. Select appropriate capacity-building strategies. Because the needs of the sector vary, capacity-building efforts must determine the type of intervention that is most needed.
> 5. Monitor and assess progress on a periodic basis. Building nonprofit capacity is not a short-term undertaking. (2001, pp. 24-25)

In the process of selecting grantee organizations, the foundations make an assessment of the capacity of each organization to implement the proposed program or project. In some instances where grants are being made to CBOs or local non-governmental organizations, the assessment will often identify areas that could be strengthened in order to increase their efficiency as organizations and their effectiveness in reaching their objectives. These include areas of internal management such as accounting and report-writing skills, the need to develop skills to build links with other sectors, and the need to develop sustainable sources of financing. Foundations provide, as part of a larger grant to an organization, funding for the partner to retain technical assistance in areas such as strategic planning, staff development, fundraising, or program development; undertake visits to other organizations; and attend training courses

or conferences or participate in internships (DuPree, Winder, Parnetti, Prasad, & Turitz, 2000).

A key role that foundations can play in nonprofit capacity building is to provide opportunities for grantees or partners to receive capacity building from specialized organizations such as capacity-building intermediaries or management support organizations whose purpose it is to provide capacity-building expertise. Many foundations provide direct capacity building through their own staff in the form of technical assistance (McKinsey & Company, 2001).

### *Intermediaries and Management Support Organizations*

Connolly et al. (2003) recommended the following as promising practices for specific methods management support organizations use to deliver capacity-building services:

1. Consulting: engaging all key organizational stakeholders in defining issues to be addressed through the intervention, developing a clear contracting process, establishing clear criteria for assessing the success of the engagement and mechanisms for soliciting client feedback during the engagement, and ensuring that the consultants reflect the community and organizations they serve.

2. Training: contributing to the capacity-building experience of leaders, ensuring that change agents attend the training (such as by requiring a board chair and chief executive officer to attend together), providing training more than on a “one-time” basis, and customizing the training to meet the needs of the audience.

3. Peer Exchange: planning and facilitating “round table” discussions, “case study groups,” and/or “learning circles”; planning and implementation done

by experienced facilitators; and providing time for informal sharing and networking.

4. Referrals: making referrals to workshops, seminars, or trainings that the management support organizations do not provide; directing clients to relevant websites, research publications, and consultants; and following up with nonprofits that have received a referral to determine if the nonprofit received the assistance they needed.

5. Conducting Research: focusing specifically on understanding the relationship between different capacity-building engagements and outcomes at various levels, engaging and collaborating with highly experienced and respected researchers in the field, and taking steps to avoid duplication of research agendas.

Management support organizations should focus more of their efforts on services related to adaptive and leadership capacity building. They should also begin all engagements by assessing the clients' readiness; conducting higher quality needs assessments; providing more coaching services to nonprofit leaders; using a more holistic approach with clients that includes a "seamless" set of services; ensuring that, before the engagement ends, the client has learned new skills that will help them implement the strategies; and conducting additional research (Brown, Pitt, & Hirota, 1999; De Vita & Fleming, 2001; Light, Hubbard, & Kibbe, 2004).

### *Nonprofits*

Nonprofit agencies can diagnose their own needs and purchase whatever consultation they deem most necessary on the open market. Most nonprofits with

a long track record of tangible results have inspirational, often visionary leaders. But visionary leadership should not be confused with visionary management; and on this score, even some of the country's highest performing nonprofits fall short. Effectively resetting aspirations and strategy, institutionalizing sound management processes, and improving systems to work at scale—progress on any of these require managerial ability as well as good leadership. Without strong management, an organization can only go so far.

### *Organizational Effectiveness Versus Organizational Capacity*

Throughout the literature, the term organizational effectiveness was mentioned over and over. The significance of this is that many authors used it to be synonymous with organizational capacity, but some saw it differently. With greatest frequency it was used as defined by Newman who stated that it is "the ability to define and produce results sustainably" (2001, p. 8). Grantmakers for Effective Organizations defined it "more specifically, as the ability of an organization to fulfill its mission through a blend of sound management, strong governance, and a persistent rededication to achieving results" (2000, p. 2).

### *Measuring Organizational Capacity*

New requirements by government and other funders have increased the pressure on nonprofit organizations to improve performance and develop measurable outcomes. "When confronted with pressure to improve many services at the same time, a nonprofit organization with limited resources is likely to ignore these pressures and do nothing" (De Vita & Fleming, 2001, p. 23).

Nonprofit organizations are much more adept at measuring outputs than outcomes and are only beginning to explore how to develop outcome measures.

Outputs are the quantitative program deliverables, things like the number of clients served and how often a service was delivered. On the other hand, outcomes are results or impacts made to systems and community—things like increases in reading levels, reduction in numbers of homeless youth, or lowered overall youth crimes between “turnkey hours.” The community indicators movement is one effort aimed at assessing community outcomes. “Indicators tell you in what areas, and to what extent, things are getting better or worse, and that presumably tips you off as to where policy changes and new action programs may be needed” (Kingsley, 1998, p. 5).

The organization’s vision and mission provide an important context for measuring the effectiveness of its work. Public perceptions of effectiveness can be influenced by the ability of the organization to demonstrate clear and measurable outcomes of its products or services.

Ultimately, judgment is involved in assessing the effectiveness of any organization. The measurement of effectiveness takes place in a context. It is this context that helps determine how an organization’s performance should be assessed and whether one prefers dimensions that permit comparisons across organizations, comparisons of an organization with its own past, or an assessment of the organization in and of itself without comparative reference (Kanter, 1979).

### *Impact of Capacity on Organizational Effectiveness*

While it is difficult to link the increase in capacity to increase in effectiveness and impact on outcomes, the literature clearly indicates building capacity can lead to organizational effectiveness and outcomes.

> The executive directors of the organizations . . . testify that their capacity-building efforts were critical ingredients in their increased social impact, though in every case there were other contributing factors as well. For the nonprofit sector as a whole to achieve a greater social impact, more organizations must address their gaps in organizational capacity. (McKinsey & Company, 2001, p. 29)

### *Conclusion*

The research on community-based grassroots nonprofits is limited. Although significant, these limited studies do not provide sufficient evidence to aid understanding of what makes for effective community-based grassroots nonprofit organizations. However, emerging research focusing on capacity building and fostering the effectiveness of CBOs shows promise

In the past five years, technical assistance or capacity building has been the focus of funding initiatives aimed at increasing the capacity of community-based grassroots nonprofits. However, there has not been the same level of focus on these organizations in the literature. These community-based nonprofit organizations are often identified in the research in a general way, usually in the context of community capacity building. Future research on nonprofit capacity building needs to be focused on these organizations, capturing their unique circumstances and impact of capacity building on their organizational and adaptive capacities.

> Although nonprofit organizations frequently are on the frontlines of representing community interests, they are a community-based resource that cannot be taken for granted. They require continual renewal to maintain their value and effectiveness. In an era of accelerating change and competing demands, this renewal takes on greater urgency and requires investments of time, money and energy. (De Vita & Fleming, 2001, p. 8)

In the literature reviewed, there were no comparative studies between the segments within the nonprofit sector or studies specifically looking at this subgroup of the sector.

The research needs to be expanded to address methods for measuring capacity building and capacity, which is a critical determinate for assessing "effectiveness." There is very little in the literature addressing methods for measuring nonprofit capacity in general and grassroots nonprofit capacity specifically. There is also a major gap in the research on evaluation of capacity building and capacity-building interventions.

This research intends to broaden what is currently known about capacity and capacity building in community-based nonprofits that work in a unique environment different from those that have greater access to funding and funders, resources, and power structures. The answer to what capacity is and how it is achieved may be different based on community context. While community context was mentioned frequently in the literature, it was not explored to the degree that it would inform capacity-building strategies in community-based grassroots nonprofits.

# Chapter 3

## Research Methods

This chapter describes the methods used in collecting and analyzing data for this study. The purpose of this study was to determine if capacity-building activities impact the capacity of CBOs to implement and achieve their mission.

In this study, two fundamental questions related to capacity in grassroots community-based nonprofits are addressed:

1. What capacity-building factors increase or improve the capacity of CBOs?

2. What capacity-building activities do CBOs employ?

The method selected was a comparative case study analysis of four CBOs designed to determine if and what capacity differential there is between those that use capacity-development tools and those that do not.

Therefore, the purpose was to test the effectiveness of capacity-building activities on the actual building of capacity. This study was undertaken to determine if the actions and practices actually result in greater capacity to achieve goals.

The research examined seven key elements of organization capacity identified in the McKinsey Capacity Assessment framework (McKinsey & Company, 2001). These elements are

1. Aspirations, which includes written mission statement, clarity and boldness of vision, and overarching goals.

2. Strategy, which includes overall strategy, goals and performance targets, program relevance and integration, program growth and replication, new program development, and funding model.

3. Organizational skills, which includes performance management; planning; fundraising and revenue generation; external relationship building and management; and others such as public relations and marketing, influencing of policy making, management of legal and liability matters, and organizational processes' use and development.

4. Human resources, which includes staffing levels; board (composition and commitment, involvement, and support); chief executive and senior management team (passion and vision, people, and organizational leadership and effectiveness); senior management team and staff's dependence on chief executive; and use of volunteers.

5. Systems and infrastructure, which include systems such as planning; decision-making; financial operations management; human resources management; knowledge management; physical infrastructure such as buildings and office space; and technology (telephone/fax, computers, applications, network, email, and website).

6. Organizational structure, which includes boards, organizational design, inter-functional coordination, and individual job design.

7. Culture, which includes performance as shared value, other shared beliefs and values, and shared references and practices.

Organization development activities that enhance and improve these capacities include working with outside consultants or facilitators; providing

training for board members; working with staff to provide performance improvement initiatives; engaging in ongoing fundraising; evaluating and articulating aspirations (mission, vision, goals); spending time developing and implementing strategies; and researching to inform and evaluate new and ongoing programs (McKinsey & Company, 2001).

### *Case Demographics and Geography*

Because of San Diego's proximity to Mexico, the region is becoming increasingly bicultural, and the city is one of the most ethnically and culturally diverse places in the United States. More than 100 languages are spoken by San Diego residents, who have come from all parts of the world to live there. The median age of San Diego's population is 35.6, with more than one quarter under the age of 20 and only 11% percent over age 65. Some additional statistics include

1. With more than 1.37 million people, San Diego is the eighth largest city in the United States and the second largest in California.

2. The population of San Diego has grown steadily over the years, but the city's transit-oriented development has plans for a compact land use pattern with housing, public parks, plazas, jobs, and services located along key points on the transit system.

3. By 2020, the city's population is forecast to be 1.54 million, with 3.54 million people in the entire county. By 2030, the city's population is forecast to be 1.69 million, with 3.54 million people in the county. By 2040, the city's population is forecast to be 1.82 million, with 4.16 million people in the county.

4. By 2050, the city's population is forecast to be 1.95 million, with 4.38 million people in the county (City of San Diego, 2010).

Southeast San Diego is the southeastern portion of the city of San Diego, generally represented by the urban neighborhoods directly east of Downtown San Diego, bordered by Interstate 5 and south of the Martin Luther King Jr. freeway (State Route 94). It is an economically and ethnically diverse area located in the city’s Fourth Council District. The Southeastern San Diego community lies south of Highway 94, west of Interstate 805, east of Interstate 5, and shares a border with National City. Southeastern San Diego is comprised of about 23 distinct neighborhoods and includes the neighborhoods of Sherman Heights, Logan Heights, Grant Hill, Memorial, Stockton, Mount Hope, Mountain View, Southcrest, and Shelltown.

Southeastern San Diego is a large, urbanized, and ethnically diverse community located adjacent to Downtown San Diego. The original Southeast San Diego Community Plan was adopted by the San Diego City Council in 1969 and became the basis of the city's "Model Cities Program." In 1987 the community plan was updated and adopted by the City Council. One of the features of this community plan is the identification of the various neighborhoods within the planning area. This includes a move toward establishing neighborhood identity which is linked to each neighborhood's culture and history through the involvement of citizens and the establishment of revitalization teams (City of San Diego, 2011).

### *Research Participants*

Although 10 organizations originally agreed to participate in this study, one was disqualified because of a merger with a parent organization, changing it from a 501(c) (3) status and leaving nine CBOs as subjects in this study.

The nine participating organizations in this study were all tax-exempt, public-benefit, small nonprofits located in Southeastern San Diego, the primary community they serve. All nine organizations serve diverse populations, largely African, African American, and Latino youth.

Table 1 lists the overall demographics for the organizations and executives who participated in this research. Following Table 1, this section further describes the organizations' profiles and how they compare across these demographics.

Table 1

*Demographics for Participating Organizations*

| CBO | Established | Org. Age | Budget | # Emp | CEO/ED Tenure | CEO Education | CEO Gender |
|---|---|---|---|---|---|---|---|
| **1** | 2001 | 10 | 165,000 | 9 | 3.9 | MS | F |
| **2** | 1965 | 46 | 750,000 | 31 | 23 | BS | F |
| **3** | 1993 | 18 | 50,000 | 1 | 3 | BS | M |
| **4** | 1995 | 16 | 500,000 | 17 | 15 | BS | F |
| **5** | 1998 | 13 | 115,000 | 5 | 13 | BS | M |
| **6** | 1985 | 26 | 90,000 | 0 | 20 | BS | F |
| **7** | 2003 | 8 | 20,000 | 0 | 7 | MS | M |
| **8** | 2007 | 4 | 100,000 | 7 | 3 | MS | M |
| **9** | 2004 | 7 | 18,000 | 0 | 7 | AS | M |

CBO = Community-based organization; CEO = Chief executive officer; ED = Executive director

The average length of time these organizations have existed exceeds 16 years; the age range is 4 years to more than 46 years. Budget size among the nine organizations ranges from $18,000 to $750,000 annually, with an average budget size of just over $200,000.

Three of the participating organizations operate with an all-volunteer staff, while the remaining six have as few as 1 paid employee ranging up to 31 paid full- and part-time employees. Of the three operating without paid employees, two of the executives serve in a full-time capacity. The average size for paid staff is 11.

The tenure for the current executives ranges from 3 years to more than 23 years, with the average tenure for the executives being 10.5 years. One of the executives has an associate degree, five executives have bachelor's degrees, and three have earned master's degrees. The subject group includes four females and five males in the executive leadership position; all are African or African American.

Eight of the nine organizations provide direct services to youth, and some also provide services to families. The focus services provided by these organizations include before- and after-school programs, gang prevention and intervention, counseling, art and music enrichment, pregnancy prevention and intervention, mentoring, and self-esteem development.

### *Selection Criteria and Process*

Ten CBOs were selected from a list of nonprofit organizations compiled from Diamond Neighborhoods nonprofit directory, the investigator's knowledge of local nonprofits, and the list of African American nonprofit organizations in San Diego listed on the website www.asappub.com/nonprofits. Ten nonprofits were selected from the list based on the following criteria: (a) located in Southeastern San Diego, (b) serve low-income youth and/or their families, and (c) are designated 501(c) (3) organizations.

Once the 10 organizations were identified, the investigator contacted the executives either by phone or email to request their participation. If the executive agreed to participate in the research, a letter with detailed information regarding participation requirements and Informed Consent Forms outlining their rights as participants were emailed or hand-delivered to them (Appendix A).

Ten Informed Consent Forms and 10 Capacity Surveys (Appendix B) were distributed to the executives who agreed to participate in the survey. After the surveys were disseminated, one organization was disqualified because its nonprofit status changed during the process, which meant it no longer met the selection criteria.

Once the Informed Consent Form was signed by the executive, he or she was provided with the Capacity Survey to complete. The survey required the executives to assess their organizations based on the seven elements of capacity by rating how well they believed their organizations were currently performing in specific areas. It required a 30- to 45-minute time commitment from the executive. The timeframe for completing and returning the form was two weeks, from January 4 to 18, 2011.

Nine surveys were returned. Once they were received, they were verified and matched with the corresponding signed consent form previously submitted. They were then marked with labels identifying them only as CBO1, CBO2, etc. This action was take to ensure confidentially as promised in the Informed Consent Form, in keeping with Institutional Review Board guidelines. The data from the surveys were entered into two tables for analysis to obtain the

organization's overall rating catagorized by capacity elements and overall comparison to other responders.

### *Research Instruments and Data Sources*

Data for this study were collected using a survey instrument, the Capacity Survey (Appendix B). The survey assessed the capacity level of the components of each of the seven key elements of organization capacity.

These data were compared across the nine organizations to determine if the capacity level indicated any relationship to the degree to which the organization utilizes capacity-building tools and activities and its impact on mission achievement. In addition, the data from each of the two highest and lowest assessed organizations were contrasted with each other based on the assessed areas to show how each compares to the other organizations in the study.

The investigator also conducted a review of organizational documentation such as board minutes, financial statements, funding reports, and staffing patterns as well as interviews with key staff and board members to gather additional data. Studying this information should amplify the relationship between the organization's capacity level and role of capacity-building activities on effecting the achievement of the mission. Interviews were conducted with the chief executive from each of the two higher and two lower ranking organizations in the study. These individuals were the chief executive (or a designated high-ranking team member). Organizations will remain unnamed in order to protect the anonymity of the organizations and individuals associated with them,

including board members. Organizations are identified with generic titles such as CBO1, CBO2, and CBO3.

## *Research Methods*

The data were derived by using a three-stage, multi-method approach in the data collection to determine if organizations that assess as high performing also engage in organization development activities and what relationship exists between the two. This strategy utilized a ranking survey from experts in the field that identifies performance level, quantitative data from a survey completed by board members and staff of the organizations, and qualitative and anecdotal data obtained through interviews and review of internal organizational documents.

### *Phase 1: Success Measure*

The first phase of the study involved employing a Perception Analysis Survey (Appendix C) to gain understanding of how these nine particular organizations are perceived by members of the community. This phase allowed the investigator to develop a basis for comparing “higher performing” and “lower performing” organizations.

The organizations for this study were listed in a compiled directory of nonprofits that serve youth and their families located in the target community of Southeastern San Diego. They were randomly called in the order listed beginning at the top until 10 agreed to participate in the study.

Four individuals who have knowledge and/or interaction with all CBOs serving youth in San Diego County were chosen as raters and were provided a list containing 10 youth-serving CBOs. Each was asked to rate the organizations

based on their perceived level of success and capacity in fulfilling the mission of the organization. The selection criteria for the raters included the following:

1. Each has three or more years of knowledge of the organization and can speak to the management and operational activities of the organization.

2. The individual must have some degree of management acumen in his or her own career, for example, experience as a nonprofit manager, for-profit manager, business management professional, or community organizer activist.

The data from the survey helped assess the external perspective of the level of success of these organizations. Data were used to select the organizations from the two levels of performance that will participate in the next two phases of the research. These data serve two purposes: (a) the ratings will help determine the two perceived “higher performing” and two “lower performing” CBOs and (b) will be compared to data collected by the investigator through the organizational assessment and interviews of the executives.

*Phase 2: Selection Process*

Based on the process above, 10 CBOs (9 ultimately completed the process) were selected from a list of youth-serving nonprofits in San Diego County. Once identified, an Informed Consent Form for Participation in Research Activities (Appendix A) was mailed to participants in the study explaining the requirements and requesting them to sign the letter that documents the purpose for conducting the study, how their information supports the study, and their agreement to participate. Once consent was given, the investigator forwarded a survey with written instructions to the chief executive to complete. The survey packet included a self-addressed, stamped envelope for returning the survey to

the investigator. The executives completed a Capacity Survey on their organization, rating their performance in the key areas of organizational capacity.

Once received from each of the organizations, the survey data were compiled into analysis tables. An analysis table was developed to compare the responses across organizations. Analysis was conducted to see where the organizations fell in each of the areas where capacity-building activities are conducted. The data were examined to track where capacity-building activities take place across organizations to see if there are consistent indicators suggesting impact on mission. These ratings will then be used for comparison across organizations.

*Phase 3: Document Review and Interview*

During this phase, the investigator conducted a review of internal documentation to assess the degree to which the organization engages in the key elements of capacity building. The list of documents to be reviewed included, but was not limited to,

1. Strategic plans to determine the degree to which they are being implemented, revisited, revised, and kept relevant.

2. Foundational documents that include the mission, vision, and values to see how often these are updated and revisited for relevancy.

3. Fundraising plans and special events to understand to what degree the organization seeks to generate and diversify revenue beyond program grants.

4. Public relations documents such as annual reports and marketing publications.

5. Organizational charts; flow charts on decision-making and business processes; and documents tracking staff development, training, and workshops attended.

The chief executive interviews were conducted using a standardized questionnaire, the Follow-Up Interview Questions protocol (Appendix D). The interviews were designed to further clarify and assess how the organization operationalizes key elements of capacity building. Interview sessions probed deeper to gain greater insights by asking the following questions:

1. Is there a relevant mission statement; what process is used to revise the strategic direction of the mission?

2. Is there a clearly articulated and written vision for the organization?

3. How is the overall strategy communicated and implemented throughout the organization?

4. How does the organization ensure programs are developed and designed relevant to community need?

5. Is there a system to measure organizational and human performance?

6. Does the organization have a strategic plan that is current; if so, how is it implemented? Is there a sense of the community within the culture of the organization?

7. Is the community clearly represented in the board composition?

8. Does the organization have a core of volunteers actively involved with the organization?

9. How is the decision-making framework defined and implemented?

10. Is there an agreed-upon board governance process?

### *Protection of Human Subjects*

In compliance with the Institutional Review Board, research procedures for this research project involved no known physical or mental risks to the subjects. Neither the survey nor the interview questions asked for information that could directly identify the participant or organization nor were identifiers used that link the participants' identity to their personal data. Each participant and each organization received a generic identifier and will never be identified by name in the study or reports or publications about the study. This study will not disclose data outside of the study that places the participants or their organizations at risk of criminal or civil liability or damage to their financial standing, employability, or reputation; and no deception was used. The only impact to participants was the imposition on their time.

In addition, all the data collected will be kept in a secure file in a private location accessible only to the investigator. The names of subjects including the organization and other identifying information will not be used in any reports of the research. Upon completion of the research project, if data and personal notes are kept for potential use in future research that the researcher may conduct or participate in with others, the same confidentiality guarantees will apply to future storage, exposure, and use of the materials. Otherwise, all lists and codes will be shredded by the investigator.

To protect confidentiality, the individuals submitted their information directly to the investigator. The information was received, opened, and handled only by the investigator. Once the information was received, it was labeled with a

coding such as "CBO1" and the original was filed away in a locked file cabinet accessible only to the investigator.

### *Analysis*

In the analysis, the key elements of capacity surveyed were examined to determine how capacity-building activities affect each element. To accomplish this, the investigator utilized a comparative matrix.

All data were analyzed using a matrix to compare the key elements of capacity to determine if the assessed score was higher when capacity-building activities were employed in a specific area.

A comparison of the key elements by organization should ascertain any indicators that point to a relationship between capacity-building activities and a higher performance rating. Comparison of type and frequency were charted to determine the measurable impact on the two highest rated organizations. Likewise, the lower rated organizations were charted to determine if there are any indicators to suggest lower performance is related to the lack of capacity-building activity.

# Chapter 4

## Results

This research was conducted in order to understand the relationship of capacity-building activities to the level of capacity in CBOs. To conduct the study, three qualitative methods of data gathering were used to ascertain whether there was a direct effect on capacity: a capacity assessment survey, a review of archival data, and one-on-one interviews.

This chapter presents the findings. This chapter also briefly summarizes the results with foundational interpretations of what the responses represent.

### *Research Instruments*

While there were three means for gathering data, the Capacity Survey instrument and one-to-one interviews were the two that required a standardized protocol. For the review of archival data, notations were made regarding capacity-related impacts, themes, and other activities of significance related to capacity.

The Capacity Survey was designed to measure seven elements of organizational capacity using nine areas for testing and included aspirations, strategy, organizational skills, human resource management, systems and infrastructure, organizational structure, and culture. The survey consisted of 69 questions, each with a rating scale of 1 to 5 that corresponded to performance levels, with 1 being “not well” and 5 being “exceptional.” The survey was divided into sections based on the elements of capacity with varying number of questions in each section. In addition, the survey asked for demographic information including name of organization, date established, type of nonprofit, tenure of

current executive, level of education of executive, gender, number of employees, and annual budget. The survey contained a section at the end which allowed for additional comments related to the organization's capacity. Four surveys were returned with additional comments included.

The document review process consisted of checking for consistency of record-keeping information that indicated capacity-building activities, level of execution of activities, and indications of capacity level. Not all organizations produced the requested documentation for a variety of reasons, including that they did not keep it or they did not perform the function. The documents which were received were reviewed and are included in the data reported on in this chapter.

The interview protocol contained 36 questions, organized by the seven elements of capacity, to probe deeper into specific capacity activities the organizations engaged in to improve performance. The questions were intended to gauge the type and frequency of capacity-building work being conducted within the organization.

### *Perception Analysis Survey*

The second phase of the process involved ranking the nine organizations based on the perceived capacity of each. The Perception Analysis Surveys were completed by a panel of individual experts from the field who served as independent raters regarding the reputation of the nine CBOs. The investigator selected four experts to rank all participating organizations based on the experts' perception of each organization's performance. The expert raters were selected based on having three or more years of knowledge of the organization's

management and operational activities and possessing management acumen, for example, experience as a nonprofit manager, for-profit manager, business management professional, or community organizer or activist.

The individual experts were given a Perception Analysis Survey to rate each organization on the seven elements of capacity. Ratings were based on the experts' personal perception of the capacity the organization has to fulfill its mission. The experts were asked to rate the organizations using a scale of 1 to 5, with one being "not well" and five being "exceptional." These ratings were averaged across the seven elements as shown in Table 2. Then the organizations with the highest and lowest rating levels were identified to participate in the next two phases of the research—document reviews and one-on-one interviews.

Table 2

*Results of Perception Analysis Survey*

| Description | Aspiration | Strategy | Organizational Skills | Human Resources | Systems and Infrastructure | Organizational Structure | Culture | Average Assessed Rate |
|---|---|---|---|---|---|---|---|---|
| CBO1 | 2.2 | 2 | 4 | 2.5 | 2 | 2 | 1.5 | 2.3 |
| CBO2 | 5 | 3.5 | 4.5 | 4 | 3.5 | 3.5 | 4 | 4.0 |
| CBO3 | 3 | 1.5 | 3 | 3 | 2 | 2 | 2.5 | 2.4 |
| CBO4 | 4 | 2.5 | 3.5 | 3.3 | 3.8 | 4 | 4 | 3.6 |
| CBO5 | 4.3 | 3.5 | 4 | 4 | 3.5 | 4 | 4 | 3.9 |
| CBO6 | 4.7 | 2.9 | 3.7 | 2.9 | 1.3 | 3 | 2 | 2.9 |
| CBO7 | 2 | 2 | 2 | 1 | 1.5 | 1.5 | 2 | 1.7 |
| CBO8 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2.0 |
| CBO9 | 3 | 2.5 | 3 | 2.4 | 1.5 | 1.5 | 2.5 | 2.3 |

CBO = Community-based organization
1 = Not well; 2 = Some; 3 = Moderate; 4 = High; 5 = Exceptional

Based on the experts' responses, scores were tallied and the two highest ranked organizations were CBO2 and CBO5, respectively; CBO7 and CBO8 were ranked the lowest respectively (Table 2). However, CBO7's executive was not available for interviewing; so CBO1, the next lowest ranked, was selected for the remainder of the process. Based on these rankings, further analysis was conducted and will be reported on in the later sections of this chapter.

### *Document Review Summary*

Requests for archival data were made at the time appointments were scheduled by the investigator to conduct document reviews and follow-up interviews with the highest ranked and lowest ranked organizations. The documents were used to help identify what relationship, if any, existed between capacity-building activities and the level of capacity in each of the four organizations.

The investigator requested the following documents from the four organizations, if they had them available: strategic plans; board minutes; foundational documents (mission, vision, and values); fundraising plans; annual reports; brochures or program flyers; training records; organizational charts; budget or financial statements; and any other documents the executive deemed appropriate for this study.

These documents provided qualitative and standardized comparable data across organizations when similar documents were obtained such as publicity brochures, budget or financial statements which varied in complexity, and most recent annual reports (varied timeframes). Not all documents were available from

the four organizations, but no one refused to provide the requested documents when they had them available.

The review was used to note commonality and differences in capacity-building activities among organizations, to understand where capacity-building activities were targeted within a particular organization, and to search for indications of the impact of these activities.

The remainder of this section provides a summary of what was revealed through the archival data from the four organizations.

*Strategic Plans*

Of the four organizations, one, CBO2, had a current written strategic plan, and one, CBO1, provided a strategic plan that was completed in 2004. CBO2 conducted annual strategic planning or review of the plan depending on where they were in the planning cycle.

*Board Minutes*

The two highest ranking organizations were able to provide minutes of board meetings that had occurred in the previous six months; the lowest ranking organizations had not held board meetings during that timeframe.

Of the minutes reviewed, both organizations utilized standard formatting to capture information regarding attendance, date, location, board actions, committee highlights, general announcements, and usually next meeting dates. Board meeting agendas were also made available to the investigator.

*Foundational Documents*

All four organizations had foundational documents that included their mission and vision statements. None had written values.

*Fundraising Plans*

Not one of the four organizations had a written fundraising plan. The two highest ranked had documents that contained descriptions of all fundraising activities they engaged in annually. These documents were different for both organizations in how they were formatted; both included the events, dates, goals, and committee or team members.

*Annual Reports*

Only CBO2 had produced an annual report in the previous two years; CBO1 had an annual report from 2005.

*Program Materials and Brochures*

All four organizations had general brochures of the organization and its programs and services. They all had brochures, flyers, and other client recruitment material that varied in level of quality. Some were produced by in-house professionals or administrative or program staff; others were produced by outside companies.

*Training Documentation*

CBO1 was the only organization to provide copies of training documents. The others either had lists of trainings or flyers or they verbally communicated about the training they provided. Three of the four organizations offered some paid training opportunities to staff. CBO8 did not have paid staff. CBO1 through a collaborative partner was able to provide senior staff extensive leadership development training in addition to technical training to all program staff. CBO2 was able to take advantage of relationships to funders to provide training and also included funding in its budget for additional training ranging from program

development to leadership skills training. CBO2 discussed the training but did not have any documentation to share. CBO5 provided on-site training related to program requirements and development; due to the nature of training materials, the investigator did not retain a copy.

*Organizational Charts*

No organizational charts were available for review.

*Budget or Financial Statements*

All four organizations had monthly budget reports and quarterly financial statements. All but one, CBO8, had an annual audit report.

Monthly budget reports demonstrated that the lower ranked organizations had cash flow concerns—not budget shortfalls, but struggles with paying bills until reimbursements from funding sources were received. The higher ranked organizations did not have that level of financial constraint.

All four organizations relied on outside sources to produce monthly reports. All the reports were presented in a standard accounting format.

### *Summary of Executive Interviews*

One-to-one interviews allowed the opportunity to ask more specific questions with regard to specific capacity-building activities and to clarify information obtained during document review and capacity assessment. In all instances, interviews were conducted via the telephone by the investigator.

The interview protocol contained additional questions, again organized by the areas of capacity building, to probe deeper into specific capacity activities the organizations engaged in to improve performance. The protocol contained 36

questions to gauge the type and frequency of capacity building work being conducted within the organization.

The interviews lasted an average of 35 minutes. The interview protocol followed the design fairly closely. However, there were instances where questions had to be adapted for clarity for some executives engaged in the interview process. Some executives were more detailed oriented and, therefore, provided more specific responses while others were more direct and brief in responding. None of the executives refused to answer any questions. Overall, the interview questions enhanced the data gathering. Interviews were recorded by the investigator taking handwritten notes.

After the four interviews were conducted, the transcripts were typed and then thoroughly reviewed and analyzed to identify patterns, similarities, themes, differences, and common activities and were cross-referenced with notes from archival data. This information was compared among the two higher assessed organizations and then among the two lower assessed organizations.

### *Capacity Survey Analysis*

The core instrument used for data collection was the Capacity Survey. The survey was structured to focus on components of each of the seven elements of capacity as discussed in chapter 3. Questions were intended to solicit the respondents' own perception of the level of capacity the organization had in those areas. The questions spanned all seven elements of capacity. The results of the survey are presented in Table 3 and summarize the assessed level of capacity for each organization by area.

Table 3

*Results of Capacity Survey*

| Community-Based Organization (CBO) | Mission, Vision, Values | Board Governance | Executive Leader | Operations/ Organizations | Human Resource Management | Management Team | Strategic Planning | Technology/ Infrastructure | Training and Staff Development | Fiscal Management | Fundraising | Program Mgmt./ Development | Average Assessed Rate (Overall) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| CBO1 | 2.3 | 1.5 | 4 | 2.8 | 3 | 3 | 1.5 | 4.6 | 3.7 | 2 | 1.2 | 2.7 | 3.3 |
| CBO2 | 4.6 | 4 | 4.1 | 4.1 | 3 | 3.5 | 3.5 | 4.6 | 3.7 | 4 | 3.6 | 3.5 | 4.7 |
| CBO3 | 4.3 | 3.3 | 3.7 | 3.4 | 3 | 4 | 4 | 4 | 3.5 | 3.25 | 2.4 | 2.8 | 4.2 |
| CBO4 | 4 | 3.5 | 3.8 | 3.6 | 3.75 | 4 | 3.5 | 4.6 | 3.5 | 3.25 | 3.6 | 3.8 | 4.5 |
| CBO5 | 4.3 | 3.3 | 4.4 | 4 | 3.5 | 4 | 4 | 4.6 | 4.2 | 4 | 3.2 | 3.8 | 4.8 |
| CBO6 | 4.6 | 2.8 | 3.7 | 2.8 | 1.25 | 3 | 2 | 5 | 2.7 | 2.25 | 1 | 3.2 | 3.5 |
| CBO7 | 5 | 3.5 | 4 | 3.3 | 1.5 | 2.5 | 3 | 3.6 | 1.25 | 2.75 | 2 | 2.1 | 3.5 |
| CBO8 | 3.3 | 1.2 | 3.7 | 1.8 | 1.5 | 2.5 | 2 | 3.6 | 1.5 | 2 | 1.4 | 3 | 2.8 |
| CBO9 | 4.667 | 2.889 | 3.571 | 2.44 | 2 | 1.5 | 2.5 | 3.667 | 1 | 2.75 | 2 | 3.571 | 3.33 |

1 = Need capacity 2 = Basic capacity 3 = Moderate capacity 4 = High capacity 5 = Optimal capacity

The two highest assessing organizations on the Capacity Survey were CBO2 and CBO5 with ratings of 4.7 and 4.8 respectively. CBO8 assessed lowest overall with CBO1 and CBO9 virtually tied for second lowest.

Of the nine organizations surveyed, less than 50% assessed above a level of 4.0 overall; this equates to the executives seeing the organizations functioning with a high level of organizational capacity. The ratings spanned 2.8 to 4.8. The organization that rated highest overall was CBO5, with an overall assessed capacity of 4.8. It rated lowest in fundraising at 3.2, representing a moderate level of capacity, although it had the fourth highest annual budget when compared among the nine organizations. It had existed for 13 years, and the founder still served as the executive.

The second highest overall assessed capacity was at 4.7 for CBO2 which had the highest annual income of $750,000 and most employees (6 full time and

25 part time). This organization had existed for more than 46 years and was one of two organizations that purchased the building where it is located. The other organization that was purchasing its facility was CBO4, which assessed at 4.5 overall and had existed 16 years. It had an annual budget of $500,000 and 17 employees.

*Comparison of All Organizations*

There were significant differences in how the organization ranked based on the experts' scores and how each organization was scored by the executive (Table 4). The experts' scores were based on the average of the four scores from each individual who ranked the organization's capacity. The Capacity Survey scores were based on the organization executive's perception of capacity for that organization.

Table 4

*Comparison of All Organizations*

| Description | Perception Analysis | Capacity Survey | Variance in Overall Score |
|---|---|---|---|
| CBO1 | 2.3 | 3.3 | (1.0) |
| CBO2 | 4 | 4.7 | (0.7) |
| CBO3 | 2.4 | 4.2 | (1.8) |
| CBO4 | 3.6 | 4.5 | (0.9) |
| CBO5 | 3.9 | 4.8 | (0.9) |
| CBO6 | 2.9 | 3.5 | (0.6) |
| CBO7 | 1.7 | 3.5 | (1.8) |
| CBO8 | 2 | 2.8 | (0.8) |
| CBO9 | 2.2 | 3.3 | (1.0) |

1 = Not well 2 = Some 3 = Moderate 4 = High 5 = Exceptional

While the ranking order of organizations by both groups was almost the same in terms of highest to lowest, the ranking scores of the experts tended to

be lower than the assessed scores of the executives. This variance may be an indication of how the organizations might be viewed by the community at large.

*Comparison of Highest and Lowest Rated Organizations*

The four organizations selected for interviews and document reviews were based on the highest and lowest organizations as rated on the Perception Analysis. As indicated earlier, CBO2 and CBO5 were the highest rated, and CBO1 and CBO8 were the lowest rated. As noted earlier, CBO7 was actually the lowest rated but was not available for further participation.

The two highest rated organizations provide highly specialized tutoring and academic enrichment programming to their clients. CBO2 provides hands-on science and technology education, and CBO5 provides music and culture enrichment. Of the lower ranked organizations, CBO1 provides before- and after-school tutoring in addition to other social services. CBO8 asked not to have specific descriptions of the services included in the report document in order to further protect the organization's anonymity.

Table 5

*Comparison of Two Highest and Two Lowest Ranked Organizations*

| Community-Based Organization (CBO) | Aspiration | Strategy | Organizational Skills | Human Resources | System and Infrastructure | Organizational Structure | Culture | Perception Score |
|---|---|---|---|---|---|---|---|---|
| CBO2 | 5 | 3.5 | 4.5 | 4 | 3.5 | 3.5 | 4 | 4.0 |
| CBO5 | 4.3 | 3.5 | 4 | 4 | 3.5 | 4 | 4 | 3.9 |
| CBO1 | 2.2 | 2 | 4 | 2.5 | 2 | 2 | 1.5 | 2.3 |
| CBO8 | 2 | 2 | 2 | 2 | 2 | 1.5 | 2.5 | 2.0 |

1 = Not well 2 = Some 3 = Moderate 4 = High 5 = Exceptional

The remainder of this section will provide results and comparison of the four organizations.

*Mission, Vision, and Values*

In the area of aspiration, the two lowest assessed organizations rated 3.3 or lower while all others rated 4 and above.

Both CBO2's and CBO5's assessed score was above high capacity in this area. Both organizations have clearly articulated visions and written mission statements that are reviewed at least annually. The mission statement is highly regarded by staff and volunteers. They believe they are carrying out the mission as it was intended, and that is closely considered in guiding program decisions.

Executives of the higher assessed organizations were able to clearly articulate the relationship of the organizational vision and mission to the strategy. CBO2 was able to further articulate how that strategy was communicated throughout the organization and at the board level.

CBO2 and CBO5 engaged in processes such as client feedback surveys, community needs assessment, and resident engagement to measure relevancy of the mission and vision and the programming to achieve both. CBO2 discussed how program decisions were based on the mission and that funding had been refused because it did not align with the mission.

CBO1 and CBO8, the lowest assessed organizations, had clearly stated vision and written mission statements. Neither organization had revisited the vision or mission in the previous few years. The executives believed the organizations were carrying out the mission as it was intended.

Executives of the lower assessed organizations were able to clearly articulate the relationship of the organizational vision and mission to the strategy. The strategy was not clearly articulated.

These lower assessed organizations did not engage in client feedback surveys, community needs assessment, and resident engagement to measure relevancy of the mission and vision for community needs.

The major difference observed between higher assessed and lower assessed organizations in mission, vision, and values was in the area of feedback. The higher ranked organizations used multiple methods to determine program satisfaction and community needs. All tended to be mission- and vision-focused in their approach to program decision-making.

*Board Governance*

CBO2 and CBO5 assessed at high capacity in board governance. CBO2's board meets 10 times a year for regular board meetings. In addition, there are quarterly joint leadership and board planning meetings around organizational priorities. The board is comprised of community members from all sectors and others outside the community from various fields of practice and expertise. CBO5 has a more moderately performing board. Constituents are not represented on the board. The executive expressed a desire and thoughts about plans to increase constituent involvement in the coming fiscal year. CBO5's board meets quarterly face-to-face and conducts monthly phone conferences. Both organizations have bylaws that are updated annually. CBO5's board also reviews strategic goals quarterly when they meet.

CBO1's board does not meet consistently. The organization has bylaws that are currently being updated, although the board is not actively engaged and has only met periodically during the past year. While the board's composition is diverse in experience and expertise, it is not reflective of the broader community. The board had not met in more than six months. CBO8 has a similar board profile as CBO1. In essence, the board is not functioning fully in its capacity as the governing body.

Both high-performing organizations have boards that meet consistently on a quarterly basis. The boards of both organizations are highly engaged in strategic planning, and each had one or more subcommittees as a component of the board structure.

CBO2 has a board comprised of directors who are from the community and outside the community and are diverse in ethnicity, socio-economic status, and educational level. In addition, CBO2 engages a "teen" board which consists of a diverse group of youth participating in its programs.

The lower ranked organizations' boards failed to meet consistently and were not actively engaged in organizational governance. These organizations were not engaging in strategic planning at the board level.

When it came to board engagement, the lower ranked organizations' boards tended not to meet their fiduciary role of managing the business of the organization, whereas the higher rank organizations' boards met consistently and were actively involved in multiple activities.

*Executive Leader*

Three of the nine executives were only the second executive the organizations have had during their existence; the other six were the founding executives who are still in the position. All but one of the executive leaders rated their level of passion and commitment as exceptional at level 5, while CBO7 rated at level 4. CBO7 had the lowest budget and no paid staff. In the comments section, he noted that the organization was restructuring and seeking fundraising support.

The executives of CBO1, a lower assessed organization, and CBO2 and CBO5, higher assessed organizations, assessed as high capacity leaders. CBO8 assessed in the mid level in the area of leadership capacity.

The executives of CBO1, CBO2, and CBO5 saw themselves as motivated and committed to the organization and the mission. The leaders drive the vision and mission of the organization and functions without the support of the board.

Three of the four lead the fundraising functions of the organization and stated that fundraising activities are severely limited. CBO2 had a professional fundraiser on staff who manages the fundraising function.

CBO5 works with staff collaboratively but did not articulate a coaching approach to developing staff. Both CBO2 and CBO5 expressed a high commitment to the organization and to the vision. Both have long histories in the nonprofit field and are highly regarded educators, very visible in the community.

Both higher ranked executives had more than 15 years of nonprofit management experience and had served in community leadership beyond their own organizations. CBO5's executive is the founder and only person to serve as

the executive during the organization's 13-year history. CBO2 has existed for more than four decades, and the current executive is the second executive to lead the organization and has done so for 23 years.

CBO2 engages senior leaders in operational planning and goal setting and has a system for joint decision-making. Both executives use coaching as a method to help develop leaders in the organization.

Both executives of the lower assessed organizations had extensive expertise as managers, both through their own organizations and previous professional experience. CBO1's executive had served as a senior-level corporate manager and was working on a doctorate degree. This executive had been with the organization for just over three years and stated the organization is in a rebuilding stage due to lost momentum after the previous executive's exit. CBO8 also discussed rebuilding and refocusing to develop the organization's infrastructure. CBO8's executive is a full-time volunteer executive and has no support staff but expressed that his goal is to fundraise to bring on paid staff.

CBO1 and CBO8 both discussed their high level of commitment, motivation, and dedication to reestablish the organization and reach the organization's vision. Both discussed being hampered by the lack of board engagement and support.

CBO1 works to develop staff and engages in coaching and other development activities to improve performance.

In terms of individual leadership capacity among the four executives, all had similar credentials and were more than qualified and motivated to lead their organizations. Executives of the higher assessed organizations felt supported

and encouraged by their boards; the executives of the lower assessed organizations felt they had good board members and felt supported by certain members of the board but not by the board as a corporate body.

CBO2's executive is reviewed by the board annually. While none of the other three CBOs received formal performance reviews, they felt they did receive well-rounded feedback from board members. CBO2's executive described the relationship between the board and the executive as a partnership.

*Human Resources*

Of the nine organizations assessed, none had a dedicated person who managed human resources. All nine executives had this as a direct function of their jobs. One of these executives shared this responsibility with an administrative assistant. Recruitment, hiring, job development, and other functions are all assigned to the executive. None of the nine organizations assessed above moderate in human resources.

As stated earlier, the human resources function in all nine organizations was a duty under the executive; there was no designated human resources position. The human resources function in these organizations was limited. CBO1 did maintain updated, written job descriptions as well as an employee handbook with personnel policies.

In the two higher assessed organizations, the executives had direct responsibility for the human resources function. This included developing job descriptions; determining salaries; and recruiting, interviewing, selecting, disciplining, and terminating staff. The role included managing employee benefits.

The organizations did not engage in succession planning for the chief executive officer or senior-level staff positions.

As with the higher ranked organizations, CBO1, a lower assessed organization, had direct responsibility for the human resources function. This included developing job descriptions; determining salaries; and recruiting, interviewing, selecting, disciplining, and terminating staff. For CBO1 this role included managing employee benefits. CBO8 did not have staff.

The four organizations had not engaged in succession planning for the chief executive officer or other staff positions.

In the area of human resources, the organizations with staff at both ranking levels assumed the responsibility and managed all functions related to it.

*Technology and Infrastructure*

Technology and infrastructure is an area where both higher assessed organizations fell in the mid-range of high capacity. CBO2's technology and Infrastructure were state of the art. The programs focus on science and technology. The phone, fax, computer, email, etc., were sophisticated and reliable. CBO2 was housed in a facility that was designed and built for the organization with design emphasis on creativity and innovation for science and technology. CBO5 had systems that were moderate; where it became high capacity was in the integration of technology into the music and art programming. CBO5's facility had been retrofitted to accommodate the organization's needs.

CBO1 and CBO8 had technology which includes desktop computers, email, and website. Both had adequate office space. CBO1, however, was fast approaching full capacity in the space where it was currently housed and needed

room for expansion. CBO2 and CBO5 had well-designed interactive websites which included options for online giving. Each also had highly developed technology infrastructures which included computer systems; websites; and well-maintained equipment such as copiers, fax and scanners, and a phone system with electronic message systems. The systems included email systems and interactive and well-maintained websites with the capacity to receive online contributions. All employees of these two organizations had access to computers and other technology required to perform their daily functions. As needed, some staff members of both organizations were provided access beyond the office setting with laptops and mobile phones.

CBO2 had a state-of-the-art facility which includes meeting rooms with integrated projector and screens and conferencing capabilities.

Of the two lower ranked organizations, CBO1 had a more sophisticated technology infrastructure which included computer systems, websites, and flat screen televisions with interactive programs and well-maintained equipment such as copiers, fax and scanners, and phone system with electronic message systems. The systems included email systems and interactive and well-maintained websites with the capacity to receive online contributions. All employees had access to computers and other technology required to perform their daily functions. As needed, the executive and one other director had access beyond the office setting with laptops and mobile phones.

Both CBO1 and CBO8 had adequate office and program facilities for staff and clients.

*Training and Staff Development*

CBO2 budgeted for training and staff development for key leaders. CBO5 provided training related to technical and program skills but not general staff development. Both organizations sought training that is offered free within the community.

Both high assessed organizations provided limited training opportunities for staff development. CBO2 provided a small line item in the budget; but both organizations rely on training provided in connection with grant-funding and those provided free to the public. CBO2 used college students in teaching positions; most of these students were studying specialized fields and were exposed to highly skilled professionals.

CBO1 provided training to all staff; management staff also participates in leadership development and other training through a partner agency. Of the four organizations, CBO1 provided the most extensive training to management-level staff and other program staff. There was a small amount of money allocated in the budget. CBO1 would like to provide more training and had applied for grant funding to support the training agenda. CBO8 did not have any paid staff and did budget for training.

*Fiscal Management*

CBO2 had a consultant prepare monthly financial statements, while CBO5 outsourced monthly reporting. Both organizations have annual financial audits by an independent auditing firm. The fiscal management for CBO2 was outsourced to an independent accounting firm and the executive received monthly financial reports. CBO5's executive managed part of the accounting function through a

QuickBooks program and relied on an outside accountant for other needs. Both had an independent financial audit each fiscal year that was presented to the board of directors. CBO1 also produced an annual report which was distributed publicly.

The executives of CBO1 and CBO8 used a blended fiscal management function by performing some functions and using professional service consultants in a limited capacity to prepare financial records. CBO1's executive managed a portion of the accounting function using Excel spreadsheets and a QuickBooks program and an administrative staff person to support this function. In addition, the organization retained an outside accounting person for other needs. CBO1 had an independent audit conducted annually. CBO8 conducted a review of financials but was not required to have an independent audit.

Both higher assessed organizations had multiple funding sources that they depended on for the bulk of the budget. CBO5 depended 95% on grants and conducted multiple small fundraising events to supplement the revenue. CBO2 conducted extensive fundraising with the board.

CBO2 fundraising was led by a full-time, internal professional working collaboratively with the executive, board, and community stakeholders. This organization had the highest annual budget of all the participants. Both CBO2 and CBO5 conduct ongoing fundraising activities. Both executives expressed a strong need for additional funding for operational and programmatic needs. CBO5's executive was responsible for leading the fundraising efforts for the organization. Support for the fundraising efforts depends on the goodwill of clients and other volunteers.

All the organizations managed financial functions using a multi-pronged approach. The two highest rated of the organizations stated that it is not financially feasible to have a full-time accounting staff person; CBO1's executive stated outsourcing is the most fiscally efficient method for the organization.

*Organizational Structure*

CBO2 and CBO5 executives cited funding as the key barrier to their ability to perform at their optimal level. To measure organization performance, CBO2 conducts quarterly performance reviews of the agency and had an outside organization assessment conducted two years earlier. CBO5 has stakeholders provide feedback on performance.

CBO2 had a formal system for measuring its performance as an organization. The board sets organizational annual priorities and goals and then reviews progress at each quarterly meeting. The organization also engages an external consultant to assess the organization's performance and systems every two years. CBO5 did not have a system for measuring and evaluating its performance or progress on goals.

CBO2 was highly connected to community through participation in community events and volunteers, and CBO2's culture was also reflective of the community. CBO5 had high community involvement.

Executives of CBO1 and CBO8 stated that the lack of board engagement has created a barrier to building organizational capacity and effectively implementing a fundraising strategy. CBO1 also stated that the lack of strategic planning and limited program funding poses a threat to building capacity. CBO8

stated that funding is a barrier to being able to build effective programming and expand program services.

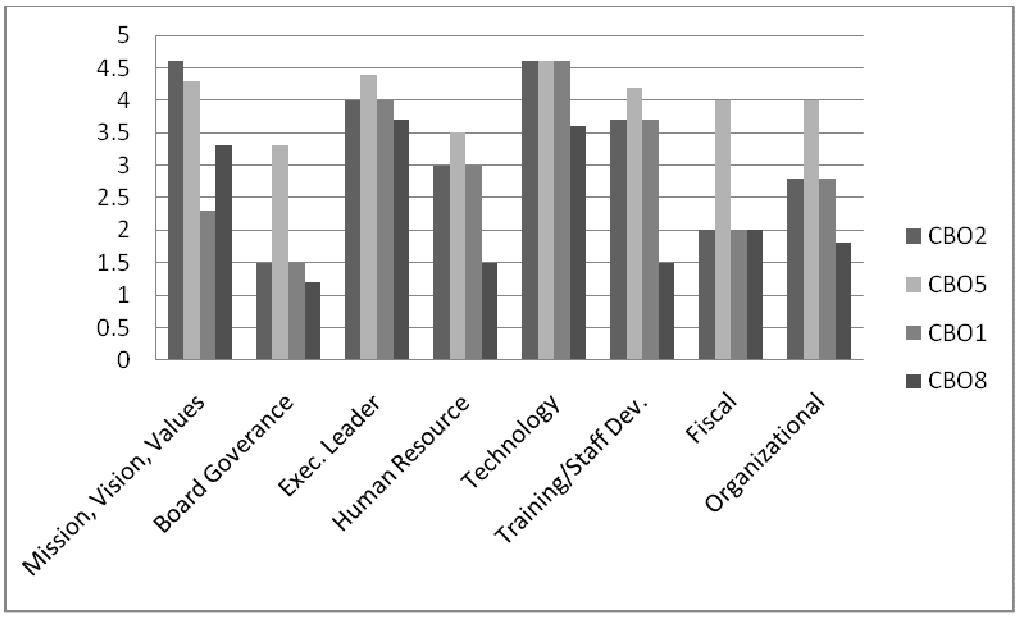
CBO1 had a large core of community volunteers due to its relationship with a large faith-based organization; and during times of budget shortfall, it was able to continue providing services using qualified volunteers to fill in various positions until funding was available. CBO1 had a strong community connection through its volunteer base; however, the executive feels that the board has not leveraged this well for the organization.

Both executives in the higher rated organizations believed their organizations had the capacity needed to achieve the vision and fulfill the mission. They both believed that funding was a barrier to their respective organizations performing at a higher level of effectiveness.

Of the two lower ranked organizations, CBO1's executive stated that the organization is meeting the mission but would like to have more board engagement so that the organization is not "struggling" to meet the clients' need. CBO1 and CBO8 executives believe that funding is the biggest barrier to their organization performing at a higher level. CBO1's executive believes the board is the key and has a plan to re-engage the board over the next six months.

*Variances in Organizational Comparison*

The higher assessed organizations consistently reviewed the mission and vision and incorporated them into the culture of the organization. While the lower performing organizations had mission and vision statements, they were not as prominently woven into the organizations' decision-making or culture. See Figure 1 for a summary comparison of findings.




CBO = Community-based organization
1 = Not well 2 = Some 3 = Moderate 4 = High 5 = Exceptional

Figure 1

*Summary Comparison of Highest and Lowest Assessed Organizations*

Board governance varied greatly between the highest and lowest assessed organizations. For instance, the higher assessed organizations had boards that met frequently, were engaged in strategic planning, and had some significant level of involvement in fundraising. In the lower performing organizations, the boards did not meet consistently; executives did not feel supported; and fundraising was the sole responsibility of the executive, with minimum to no involvement from the board.

All four organizations appeared to have highly motivated and highly regarded executive leaders who were committed to the vision and mission. They were all experienced and qualified leaders who are respected in and outside the organization.

The two highest assessed organizations engaged in self-assessment; they had systems for measuring organizational performance and program evaluations. The two lowest assessed organizations did not have methods for measuring performance and did not solicit feedback from stakeholders regarding satisfaction or performance.

### *Chapter Summary*

While there were significant differences in areas on capacity in the highest and lowest rated organizations, there were also significant similarities in how they functioned overall. They faced similar community factors in terms of accessing resources. The organizations all appeared to have strong leadership at the top but had divergent levels of leadership beyond that. Clearly, staffing and training resources was an issue for the four CBOs, even though one of the lowest rated organizations had a great deal more training available for staff. Another issue that came up but was not addressed in this study is that three of the four organizations had waiting lists or more clients than they were funded to serve, but none turned them away. This speaks to the issue of the organization's capacity and its impact on community.

Finally, all the executives, regardless of their organization's assessed level of capacity, expressed deep desire to build their capacity in multiple areas of the seven elements of capacity. Two of the executives said they would keep copies of the Capacity Survey they completed to use as a guide in doing more assessment of their organizations.

# Chapter 5

## Summary, Conclusions, and Recommendations

This chapter presents the findings from the investigational part of this study, the perception analysis, the Capacity Survey results, the document review, and the semi-structured interviews with executives from the four CBOs. The conclusions are classified into sections based on the areas of the survey and interview protocol as discussed in earlier chapters of this study.

### *Conclusions Regarding Capacity Elements*

The purpose of this study was to determine if capacity-building activities impact the capacity of CBOs to implement and achieve their mission. In this study, two fundamental questions that related to capacity in grassroots community-based nonprofits were addressed:

1. What capacity-building factors increase or improve the capacity of CBOs?

2. What capacity-building activities do CBOs employ?

The findings indicated that there is a direct and positive relationship between capacity-building activities and the level of capacity of an organization. The findings strongly suggest that when an organization applies capacity-building activities, there will be a positive or enhanced level of capacity in that area. The result and level of impact of the activity suggests a relationship to the level and length of time spent conducting or executing the activity.

*Engagement*

Those executives who spent significant time and effort working on board development had highly engaged boards who supported resource development as opposed to those organizations whose executives did not.

Survey results showed that the organizations that assessed high in organizational capacity demonstrated that some level of capacity building is currently or has been conducted in that area. In some cases, the results emerged over a longer period of time. For instance, CBO2 spent a seven-year period conducting a capital campaign for a new building before the building was actualized. In other instances, CBOs indicated that when the board of directors participated in annual board training, board participation and engagement was higher and consistent during time periods immediately following the activity. When that training ceased due to lack of resources, the board members' participation declined.

In another example, all the organizations faced financial challenges; however, those organizations whose boards were engaged in strategic planning and board development had more diverse funding streams and their boards were assessed at the high end of capacity.

*Aspirations: Mission, Vision, and Values*

Of the nine organizations participating in this study, all had clearly articulated and highly developed aspirations. Based on the findings of this research, most of the organizations tended to have managed well in the area of identifying their mission. Those who engaged in ongoing capacity building around the mission tended to be perceived as having a higher level of capacity by

outsiders and also assessed themselves as having high levels of capacity. In addition, those organizations that went further to develop goals and align strategy with the mission assessed higher overall.

*Board Governance*

When it came to board governance, the difference between assessed levels of capacity ranged at both ends of the continuum as indicated by responses from the assessed CBOs. The implication is that the organizations that spent time developing the capacity of their governance body tended to have greater impact on capacity to fundraise, engage community volunteers, and achieve their mission. There is a strong indication that capacity-building activities such as board training, facilitated board orientation, team building, strategic planning, frequency of interaction, and self-evaluation made an impact on the level of board and organizational capacity.

The organizations that indicated low board engagement also were not engaged in capacity building as it related to board development and strategic planning or other areas such as financial and management development. In the past, when these organizations did engage in capacity building, they were in better financial position; had higher stakeholder support; and felt they had greater capacity overall, expressed in terms such as “we didn’t struggle as much” or “we were better off.”

*Executive Leadership*

There was diversity in the range and level of staffing across these organizations. Some had director-level leaders; some had part-time or volunteer managers. However, when it came to executive leadership, most were well

educated, highly experienced, and appeared capable of performing as executives.

A common thread among the executives was that all but one had, at a minimum, a bachelor's degree and at least three years of nonprofit and business experience. Most continued to engage in professional development.

*Human Resources*

The participating CBOs conducted minimal capacity building in human resources as related to developing staff, recruitment, retention, and performance systems. The lack of or low investment in this area aligned with the fact that 100% of the organizations rated their capacity in this area as moderate or below. One hundred percent of the CBOs treated human resources as an add-on function to the executive leader's responsibilities. Human resource management was not an area where any of the organizations targeted capacity-building resources.

*Technology and Infrastructure*

The organizations, regardless of budget size, invested in the development of the technology needs of the organization. This area of capacity-building activities was one of the highest priorities among all the organizations. Variance in capacity here was based on the amount of financial resources available, and the results were moderate to optimal capacity.

*Training and Staff Development*

The study found that those who participated in training, whether through their own means or public opportunities, assessed higher in this area in terms of having moderate to high capacity. There was a clear indication that those

organizations engaged in capacity-building activities to develop staff tended to have a higher level of capacity than those that did not.

*Fiscal Management*

Capacity in the fiscal management area among the organizations had little variance except among the two highest rated organizations, which assessed at high capacity. The remaining organizations assessed moderate or low. The one activity that distinguished the two lower assessed and two higher assessed was the presence of an active board finance committee.

*Operations and Organizational Performance*

The results demonstrate that the capacity activities conducted by the higher assessing organizations to improve operations and organizational performance had a direct impact on those CBOs, resulting in higher capacity as indicated by the perception analysis and self-assessed rating. The two higher assessed organizations conducted strategic planning; had some method for measuring outcomes; participated in financial planning; had a fundraising plan, however rudimentary; and had multiple methods for revenue generation. The lower assessed organizations did not conduct strategic planning, had no methods for measuring outcomes, did not have financial plans, did not conduct fundraising beyond applying for governmental grants, and had limited methods for revenue generation.

*Variance Between Perception Analysis and Capacity Survey*

Based on the variance between how the experts perceived the organizations' capacity and how the organizations' chief executives perceived it, there is an indication of how the organizations might be viewed by the community

at large. This raises questions about the impact on community change and implications for understanding how this perception might influence the relationships of key stakeholders and funders. Does the perception impact the organization's ability to build capacity?

### *General Conclusions*

Community-based nonprofits are challenged at all levels in providing services and programs in underserved communities. They are further challenged by the need to build their own capacity as they seek to build the capacity of those they serve while working in partnership with residents to build community capacity. A number of conclusions emerged from the findings:

1. One fact that was revealed through the interviews is that many nonprofit leaders feel burdened to find resources needed to run and operate programs effectively and often view capacity building as an added burden. One executive stated that she knows if she spent time conducting strategic planning, it would help to re-engage the board; however, she is strapped to manage the daily operations with limited staff and cannot take on the added time requirement.

2. This study strongly suggests that organizations that engage in even limited capacity-building activities such as board development, strategic planning, leadership development, facilities planning, and financial management see results that impact the organization's effectiveness. Much of the literature reviewed supports this finding. For instance, in their study of 10 nonprofits across the country, McKinsey & Company (2001) presented case studies of how targeting capacity activities in any area of the seven elements of capacity

resulted in increased capacity for organizations such as The Nature Conservancy, America's Second Harvest, Citizens in Schools, and others.

3. Findings from this study indicate that capacity-building activities move the level of capacity in the positive direction of increased capacity but do not indicate what is required to achieve maximum or higher levels of capacity.

4. Based on program data in published documents such as annual reports, board meeting minutes, and program materials reviewed in this study, CBOs that did not assess high in capacity were often meeting high numbers of clients served and funding requirements related to program results and outputs. This may be some indication that these lower assessed CBOs were achieving high levels of success with client outputs while operating with lower levels of capacity—in other words, doing a lot with a little. What is not clearly indicated is how these outputs have impacted community outcomes and quality of life.

Many leaders did not fully understand capacity building and the implication for the organization's ability to achieve its mission. None of the executives thought of "organizational capacity building" as something they did for their nonprofit. The capacity-building activities they conducted were based on "what needed to be done at the time, an answer to a crisis, or to problem solve." In other words, they did not conduct capacity assessments and determine a course of action to build capacity. Many were not familiar with processes like strategy alignment nor could they articulate their organizational design as it related to structure; and even though they may have conducted activities to improve board performance to support the board in operating better, usually they did not articulate it as board development.

5. Those organizations that placed high emphasis on community relationships showed great capacity to achieve their mission as in the case of CBO2 which incorporated community residents into its fundraising strategy. This bears out in the literature as demonstrated by De Vita and Fleming, “An organization can have a vital mission, good leadership, and sufficient resources, but unless it is known in the community, its impact will be limited. Outreach is an essential element for strengthening and extending the work of community-based organizations” (2001, p. 21).

6. Finally, organizations participating in this study did not conduct more capacity-building activities because of funding limitations, time constraints, or lack of board participation. When asked to name the biggest barrier to their organization operating at optimal capacity, 100% of the organizations stated that they did not have the resources—financial and time—to do it. Most organizational leaders felt limited by the number of staff and financial resources in their ability to develop a fundraising plan, conduct strategic planning, or engage in organizational assessment and other capacity-building activities. Among those surveyed, activities were often left undone because the costs were perceived to be greater than the benefit. McKinsey & Company stated that “many nonprofit managers simply lack the time, money or awareness to put adequate effort into capacity building” (2001, p. 71). Also, Doherty and Mayer (2003) found that the most common reasons nonprofits do not engage in capacity building is time and money.

*Limitations*

The major limitation of this study is the number of research subjects involved. There were only 9 organizations included, although 10 were invited to participate. Limited group size diminished the ability to draw significant inferences and apply them to the broader sector.

This study also was limited by the breadth of the areas tested in each element of capacity in an attempt to determine the relationship between capacity and capacity-building activities. There are seven elements of capacity; while this study addressed each element in the instruments, it used a small test sample of each. While an organization may have shown some capacity in an area based on the questions surveyed, if there were more in-depth questions asked in each element, the impact on that element might have assessed differently.

The level of capacity was not evaluated against any consistent standard that would indicate it to be an “effective” level of capacity. There were no related benchmarks in the literature to compare to the outcomes of this study.

The limited number of organizations combined with the focused geographical area and singular service type of the organizations also may have limited what could be applied to a more general population of community organizations. In addition, the results are limited due to the number of organizations where people were interviewed. The executive interviews allowed for more in-depth discussion of capacity-building activities related to each element and area tested. Only four of the nine subjects participated in the interviews, limiting the overall ability to see consistency of patterns, themes,

other factors, and types of capacity-building activities being utilized across all nine groups that may have impacted the capacity level.

*Capacity-Building Practices—Results*

This study focused on answering two questions for the purpose of expanding what is known about building capacity in community-based nonprofits:

1. What capacity-building factors increase or improve the capacity of CBOs?

2. What capacity-building activities do CBOs employ?

In segmenting this group of nonprofits, this study adds to the field by calling attention to this subgroup of the sector and the particular issues and circumstances to be considered in implementing effective capacity-building activities among these organizations.

This current study appears to be the first, to the investigator's knowledge, that exclusively looks at CBOs as a collective, segregated body to study and understand how capacity building impacts their ability to achieve their missions. This study further expands the knowledge of capacity building's impact on the sector and highlights the fact that this sub-section presents another perspective to be considered by funders, management support organizations, capacity builders or consultants, and researchers. It offers additional aspects for study as the field of capacity building matures and continues to grow, develop, and refine "best practice" models for improving the performance of nonprofits.

Additionally, results from the first question contribute to the understanding and knowledge base of factors that increase CBOs' levels of capacity based on

what is germane to CBOs. Results from this study found that the most common factors influencing an increase in capacity among CBOs were

1. Continuous review or restatement of the mission and vision.

2. Organizations whose leaders had some level of understanding and interest in building capacity.

3. Access to resources made readily available, when it was cost-effective to undertake, or made available pro bono.

4. Organization's board and executives jointly engaged in some degree of ongoing planning.

5. High engagement by the governance body.

These findings also had common elements among the findings by De Vita and Fleming (2001), Connolly and Lukas (2002), and McKinsey and Company, (2001). The experts from the literature identified the elements in the following terms: aspirations (mission, vision, and values); leadership capacity; outreach; program or product; governance; and resources. The researchers' list of factors also included additional elements such as management, knowledge, technology, capital structure, and organizational skills.

Answers to the second question, "What capacity-building activities do CBOs employ?" offer insights into the following activities that CBOs employ in building capacity:

1. Client feedback systems and satisfaction surveys for assessing community needs, developing resident engagement, and building community networks and program decision-making.

2. Coaching and training for staff development and performance improvement.

3. Consistent alignment of mission and vision with strategies and program development.

4. Board training and development to maintain high board engagement.

5. Ongoing fundraising involving board and other stakeholders.

6. Strategic planning with board and staff.

This study further revealed that these CBOs rarely conducted a holistic assessment approach in implementing capacity-building activity, which is a consistent “best practice” element theme among the four models discussed in the literature (De Vita & Fleming, 2001; Doherty & Mayer, 2003; James Irvine Foundation, 2000; Horton et al., 2003).

This present study further adds new information that expands a limited body of knowledge about capacity building in CBOs by offering baseline data to broaden the sector’s overall knowledge about how it includes or excludes subgroups in research regarding models and best practice studies. Further, it demonstrates that existing research regarding nonprofit capacity building does not always get at the most significant issues of capacity building in CBOs operated by people of color located in communities and cannot be uniformly applied. Without knowledge of the systemic and local issues of capacity related to this particular group of nonprofits, recommendations of capacity-building strategies may not prove to be the most culturally and socially appropriate approach for increasing capacity.

### *Recommendations for Future Research*

As a result of this study, the following are recommendations for future research which would help with broadening capacity building by expanding knowledge of capacity building in all types of nonprofits, enhancing knowledge of particular factors impacting CBOs, and broadening the knowledge of the field overall:

1. Conduct a comprehensive study focused on capacity-building activities as they are implemented by CBOs working with various models, include organizational assessment and evaluation of the process, and measure impact on the organization in real time.

2. Conduct additional research using the methodology from this study, expanding it to include

    A. A significant participant pool of CBOs, cluster groups from multiple regions or geographical areas

    B. Two or more individuals from each organization at the executive and board levels, and interview all participants

    C. Local community scan identifying relative environmental factors such as funding opportunities, access to resources, and historical barriers

3. Conduct a study testing strategies for implementing specific capacity-building activities in CBOs. Take an in-depth look at how capacity-building activities are implemented to expand best practice models from lessons learned to go deeper regarding whether one strategy is more effective than another.

4. Conduct focus groups with leaders across the sector among CBOs, management support organizations, residents, government, funders or

foundations, and political leaders addressing key issues in capacity building to help broaden common understanding of the issues and encourage innovation in developing action-solutions.

### *Implications*

When CBOs are intentional in capacity-building efforts, they raise their level of capacity in relation to the amount of financial and human resources invested. Groups in this study demonstrated that investing in planning for capital needs resulted in the ability to acquire state-of-the-art technology and facilities that more than meet organizational and programming needs. Taking a focused approach to building capacity has been shown to drive greater results for nonprofits.

Based on results from this study and findings from the existing literature, CBO executives might find it beneficial to identify opportunities for sharing resources to build capacity collaboratively. As indicated in the study, those who partnered with others were able to obtain more training and staff development resources for their employees. In addition, executives might find it reduces strain on human and financial resources, saves time, and enhances programs to share knowledge and resources.

Nonprofits are responsible for building capacity to provide services in a responsible manner to achieve mission and vision. The study revealed that these CBOs were not always intentional in undertaking capacity building; often a capacity-building initiative was precipitated by an event or crisis that forced them to have to react and “do something.” Conducting organizational assessments will help support CBOs in identifying and planning for capacity development through

a process which enables their investment in improving performance to be cost-effective and managed in a manner that adds benefit for and energy to the organization.

Fundraising efforts beyond grant writing were often absent among CBOs for various reasons, including cost of a professional fundraiser, knowledge of fundraising strategies, and individual will. This study showed that those CBOs that planned fundraising activities and engaged community residents and other volunteers, at a minimum, had resources that allowed them to effectively meet the financial needs of the organization and often garnered the good will of other stakeholders. Those that did not were usually strapped for cash to meet basic program needs and generally experienced funding gaps.

To support the strengthening of capacity, CBOs need to view board development as an important and key capacity-building activity. Of the executives in this study, only one had a board that had broad, diverse membership across generations, ethnicity, economics, geography, and other factors. This board also had an ongoing fundraising program, resident engagement, and organizational longevity. CBO executives and board members benefited from developing a diversity of leadership that supports the organization’s aspirations.

Nonprofits do not have the tools to objectively assess their capacity, and most cannot afford the cost of having independent consultants perform an assessment of the organization. In addition to making program funding available, foundations or funders should also provide general support grants for capacity building and organizational assessments in conjunction with program funding.

Many of the executives participating in this study had never heard of the term “capacity building” and had limited or no knowledge about capacity building and its impact on the ability of nonprofits to achieve mission and vision. Both funders and nonprofits would benefit from foundations taking on the role of awareness and educating executives about the importance of capacity building and its impact on program success.

Foundations and funders play a major role in how capacity-building resources are distributed in local and regional areas. They are the largest funders and provide the most resources for supporting individual nonprofits to build capacity. Foundations and funders should take the lead in targeting and identifying capacity-building needs by regions and then supporting those needs by providing management support organizations or nonprofit resource centers as well as paying for local experts or consultants to help with capacity building. Local grantmakers may offer alternatives for funding capacity-building activities by developing pooled funds for local area CBOs to access.

### *Conclusion*

Studying and understanding capacity building among nonprofit organizations is a complex proposition at best. There are three levels where capacity building makes an impact: the sector or system, the region, and the local community. The literature on capacity building does not point to any standard of measures for organizational outcomes or any methodology that allows comparison across different types of capacity-building engagements and programs. Light (2000) asserts that the challenge of sorting out the current trends in the field is that the research base is just beginning to develop. This points to

another challenge in the research in that there are no clear guidelines and widely accepted agreement on what works, what does not, and under what conditions.

This study and the research reviewed clearly revealed that there is limited knowledge and awareness of what really works at any level in the nonprofit arena as it relates to building capacity in the sector as a whole as well as at a local level and its impact on successful outcomes and mission achievement for CBOs.

This study points to a need for dialogue among local CBO leaders, capacity builders or management support organizations, foundations or funders, and other stakeholders to explore opportunities to learn and work on developing a systems approach to building capacity at all levels in the nonprofit sector.

Finally, the challenge to nonprofit leaders and stakeholders is to become vigilant in educating themselves about capacity building in order to facilitate change and influence this growing field of practice in the best interest of their constituents.

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# Appendix A

## Informed Consent Form for Participation in Research Activities

**INFORMED CONSENT FOR PARTICIPATION IN RESEARCH ACTIVITIES**

Participant: _____

Principal Investigator: Valerie K. Wright _____

Title of Project: *Building Nonprofit Capacity: A Comparative Case Study of Organizational Effectiveness in Community-based organizations*

1. *I _____ , agree to participate in the research study being conducted by Valerie K. Wright under the direction of Dr. Ann Feyerherm, Faculty Advisor, Pepperdine University.*

2. *The overall purpose of this research is:*
The purpose of this research is to conduct a comparative analysis of Community-based organizations (CBOs) that employ capacity building measures to determine what, if any impact these measures have in helping achieve the mission of those organizations that use them against those that do not. The research project is designed to test the ability of CBOs to achieve their mission by using capacity building measures. This research is being conducted in partial completion of my master's thesis at Pepperdine University.

3. My participation will involve the following:
Complete the capacity assessment survey and engage in a one-on-one interview with the investigator. Have the organization ranked by an independent expert. This information will be provided directly to the Investigator and treated with the same confidentiality measures as all other data collected in this research project.

4. My participation in the study involves time to complete the survey which is estimated to take less than an hour and engage in an interview which is estimated to last 30-45 minutes. The timeframe for involvement is three to four weeks from the beginning with completing the survey and sitting with the investigator in an interview and is based on scheduling availability of the subject. The study shall be conducted at a location selected by the subject and may include the subject's office, the Investigator's home office or another neutral location such as restaurant, public library.

5. I understand that the possible benefits to myself or society from this research are:
Potentially gain insight of the organization's capacity to deliver services and areas the organization might develop to improve its capacity. The societal gain is to understand what organizations working in communities might need to support them in enhancing capacity to provide services.

6. I understand that there are certain risks and discomforts that might be associated with this research. These risks include:
The minimal risk to this project is the imposition on the individual's time. The release of documents like strategic plans, foundational documents (mission, vision, values), annual reports, organizational charts. There are no other risks for voluntarily engaging in this research project. Participants may opt out at any point and there are no repercussions to their employment status for doing so.
7. I understand that I may choose not to participate in this research.

8. I understand that my participation is voluntary and that I may refuse to participate and/or withdraw my consent and discontinue participation in the project or activity at any time without penalty or loss of benefits to which I am otherwise entitled.

9. I understand that the investigator(s) will take all reasonable measures to protect the confidentiality of my records and my identity will not be revealed in any publication that may result from this project. All data collected will be kept in a secure/locked file in a private location accessible only to the investigator.

10. I understand that the investigator is willing to answer any inquiries I may have concerning the research herein described. I understand that I may contact Dr. Ann Feyerherm, Faculty Advisor at afeyer@pepperdine.edu if I have other questions or concerns about this research. If I have questions about my rights as a research participant, I understand that I can contact Doug Leigh, Chairperson of the Graduate Institutional Review Board, Pepperdine University, at dleigh@pepperdine.edu.

11. I will be informed of any significant new findings developed during the course of my participation in this research which may have a bearing on my willingness to continue in the study.

12. I understand to my satisfaction the information regarding participation in the research project. All my questions have been answered to my satisfaction. I have received a copy of this informed consent form which I have read and understand. I hereby consent to participate in the research described above.

_____
Participant's Signature

_____
Date

_____
Witness

_____
Date

I have explained and defined in detail the research procedure in which the subject has consented to participate. Having explained this and answered any questions, I am cosigning this form and accepting this person's consent.

_____ _____
Principal Investigator Date

# Appendix B

## Capacity Survey of Community-Based Nonprofit Organizations

# CAPACITY SURVEY OF COMMUNITY-BASED NONPROFIT ORGANIZATIONS CONDUCTED BY VALERIE WRIGHT

## INTRODUCTION AND INSTRUCTIONS

Thank you for agreeing to participate in a survey on community based nonprofits organizations (CBOs) as a component of a research project I am conducting. This research project is being conducted in partial fulfillment of the requirements of my Master's thesis at Pepperdine University.

The purpose of this study is to identify and understand how capacity building practices may impact nonprofit performance. The research will help determine if and how specific capacity-building activities affect CBOs' ability to achieve their mission when utilized to improve performance. Your feedback will be used to identify how community based nonprofits use capacity building tools and practices and compare higher performing community based nonprofits to lower performing ones.

I have enclosed a capacity assessment that asks you to rate your organization on specific performance areas. Detailed instructions for completing the form are listed below. Participation in this project is voluntary. You do not have to answer every question on the assessment. By completing and returning your assessment, you are voluntarily giving permission for you organization's results to be included in the research, but not the organization's name. Your name and your organization's name will be kept confidential. All information obtained will be marked with anonymous identifiers and after that your name will not be associated with your feedback.

You will receive a copy of the consent form.

**If you have questions about this research project or your rights as a participant in the research, please contact me at (619) 298-0806 or WrightValerieK@aol.com, Ann E. Feyerherm, Ph.D., Faculty Advisor at afeyer@pepperdine.edu or Doug Leigh, Chair of the Graduate Institutional Review Board at Pepperdine University at dleigh@pepperdine.edu.**

## INSTRUCTIONS

Read each question, think about your organization's performance then check the level you believe most accurately reflects how your organization is currently performing in that area. Please feel free to add additional comments at the end of the survey that helps to clarify how you perceive your organization's performance.

**CAPACITY SURVEY OF COMMUNITY-BASED NONPROFIT ORGANIZATIONS**

**CONDUCTED BY VALERIE K. WRIGHT**

**GENERAL INFORMATION**

Name of Organization:_____ Date Established:_____

Type of Nonprofit:_____

Tenure of Current Executive/Leader:_____ Gender: ☐ Male ☐ Female

Current Number of Employees:_____ Annual Budget:_____

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**Mission, Vision and Values**

---

1. To what extent does mission describe the work and purpose of your existence and express the values operating within the organization?

   ☐ 1 - not well ☐ 2 - some ☐ 3 - moderate ☐ 4 - high ☐ 5 - exceptional

2. Please indicate the level of shared understanding that exists for the organization's mission and vision among stakeholders?

   ☐ 1 - not well ☐ 2 - some ☐ 3 - moderate ☐ 4 - high ☐ 5 - exceptional

3. Is the vision of the organization clearly articulated with an inspiring view of the future?

   ☐ 1- not well ☐ 2 - some ☐ 3 - moderate ☐ 4 - high ☐ 5 - exceptional

4. How often is the mission, vision and values reviewed or revised?

   ☐ every 5 years ☐ every 4 years ☐ 3years ☐ 2 years ☐ annually

---

**Board Governance**

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5. To what extent does the Board's membership include a variety of fields of practice and expertise drawn from a broad spectrum of constituencies (nonprofit, academia, corporate, government, community, clients, etc.)?

   ☐ 1 - limited ☐ 2 - adequate ☐ 3 - most ☐ 4 - high ☐ 5 - exceptional

6. To what extent does the Board have a willingness and proven track record of investing in learning about the organization and addressing its issues?

   ☐ 1 - limited ☐ 2 - adequate ☐ 3 - most ☐ 4 - high ☐ 5 - exceptional

7. To what extent do board subcommittees meet to focus on issues of the organization?

   ☐ 1 - limited ☐ 2 - adequate ☐ 3 - most ☐ 4 - high ☐ 5 - exceptional

8. To what extent does the Board meet in person regularly, with good attendance to conduct the business of the organization?

   ☐ 1 - limited ☐ 2 - adequate ☐ 3 - most ☐ 4 - high ☐ 5 - exceptional

9. At what level does the Board function according to the by-laws?

   ☐ 1 - not well ☐ 2 - some ☐ 3 - moderate ☐ 4 - high ☐ 5 - exceptional

10. To what extent does the Board provide strong direction, support, and accountability to programmatic leadership and engage as a strategic resource?

    ☐ 1 - not well ☐ 2 - some ☐ 3 - moderate ☐ 4 - high ☐ 5 - exceptional

11. To what degree does communication between board and leadership reflect mutual respect, appreciation for roles and responsibilities, shared commitment and valuing of collective wisdom?

    ☐ 1 - not well ☐ 2 - some ☐ 3 - moderate ☐ 4 - high ☐ 5 - exceptional

12. To what extent do the Board review budgets, audits, and other fiscal matters?

    ☐ 1 - limited ☐ 2 - adequate ☐ 3 - most ☐ 4 - high ☐ 5 - exceptional

13. To what extent does the Board review the CEO's performance and hold the CEO accountable?

    ☐ 1 - limited ☐ 2 - adequate ☐ 3 - most ☐ 4 - high ☐ 5 - exceptional

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**Executive/Leader**

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14. What is the education level of the Executive/Leader?

    ☐ High school ☐Associates Degree ☐ Bachelors Degree ☐ Masters Degree ☐ Doctorate

15. What is the average term of the Executive/Leader?

    ☐ 0-1 year ☐ 2-5 years ☐ 6-9 ☐ 10-14 years ☐ 15-20 years ☐ 21+ years

16. What is the level of passion and commitment of the Executive/Leader?

    ☐ 1 - not well ☐ 2 - some ☐ 3 - moderate ☐ 4 - high ☐ 5 - high

17. To what extent is the Executive/Leader able to compellingly articulate the path to achieving the vision that enables others to see where they are going?

☐ 1 - not well ☐ 2 - some ☐ 3 - moderate ☐ 4- high ☐ 5 - exceptional

18. To what degree is he/she capable of providing sound financial judgment and decision-making?

☐ 1 - not well ☐ 2 - some ☐ 3 - moderate ☐ 4 - high ☐ 5 - exceptional

19. What level of analytical and strategic thinking is he/she capable of?

☐ 1 - not well ☐ 2 - some ☐ 3 - moderate ☐ 4 - high ☐ 5 - exceptional

20. What level of nonprofit management experience does he/she have?

☐ 1 - limited ☐ 2 - some ☐ 3 - relevant ☐ 4 - significant ☐ 5 - exceptional

21. To what degree is Executive/Leader capable of developing and growing relationships with funders and donors?

☐ 1 - not well ☐ 2 - some ☐ 3 - moderate ☐ 4 - high ☐ 5 - exceptional

22. To what degree does the Executive/Leader guide the organization to succeed simultaneously in dual mission of social impact and optimal financial efficiency?

☐ 1 - not well ☐ 2 - some ☐ 3 - moderate ☐ 4 - high ☐ 5 - exceptional

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**Organization/Operations**

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23. To what extent are roles and responsibilities of all organizational entities formalized, clear and complement each other?

☐ 1 - not well ☐ 2 - some ☐ 3 - moderate ☐ 4 - high ☐ 5 - exceptional

24. To what extent does the organization develops and refines concrete, realistic and detailed operational plans?

☐ 1 - not well ☐ 2 - some ☐ 3 - moderate ☐ 4 - high ☐ 5 - exceptional

25. To what extent are operational plans linked to strategic planning activities and systematically used to direct operations?

☐ 1 - not well ☐ 2 - some ☐ 3 - moderate ☐ 4 - high ☐ 5 – exceptional

26. To what extent does the organization has critical mass of internal expertise in operational planning?

☐ 1- not well ☐ 2 - some ☐ 3 - moderate ☐ 4 - high ☐ 5 - exceptional

27. To what extent are processes well-designed and in place in all areas to ensure effective and efficient functioning of the organization?

☐ 1- not well ☐ 2 - some ☐ 3 - moderate ☐ 4 - high ☐ 5 - exceptional

28. To what extent are processes widely known, used and accepted and as key to ensuring full impact of organization?

☐ 1- not well ☐ 2 - some ☐ 3 - moderate ☐ 4 - high ☐ 5 - exceptional

29. To what extent are processes continually monitored and assessed and systematic improvement made?

☐ 1- not well ☐ 2 - some ☐ 3 - moderate ☐ 4 - high ☐ 5 - exceptional

30. To what extent are there clear, formal lines/systems for decision making that involve as broad participation as practical and appropriate along with dissemination/interpretation of decision?

☐ 1 - not well ☐ 2 - some ☐ 3 - moderate ☐ 4 - high ☐ 5 - exceptional

31. To what extent are there clear, formal systems for data collection in all relevant areas?

☐ 1 - not well ☐ 2 - some ☐ 3 - moderate ☐ 4 - high ☐ 5 - exceptional

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**Human Resources Management**

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32. To what extent is internal HR activities regularly carried out by trained, dedicated HR manager?

☐ 1 - not well ☐ 2 - some ☐ 3 - moderate ☐ 4 - high ☐ 5 - exceptional

33. To what extent is the organization able to develop and refine concrete, realistic, and detailed HR plan?

☐ 1 - not well ☐ 2 - some ☐ 3 - moderate ☐ 4 - high ☐ 5 - exceptional

34. To what extent is HR planning tightly linked to strategic planning activities and systematically used to direct HR activities?

☐ 1 - not well ☐ 2 - some ☐ 3 - moderate ☐ 4 - high ☐ 5 – exceptional

35. To what degree is there a well-planned process to recruit, develop, and retain key managers and staff?

☐ 1- not well ☐ 2 - some ☐ 3 - moderate ☐ 4 - high ☐ 5 - exceptional

**Management Team**

36. How would you describe the experience of the management team?

☐ 1 - limited ☐ 2 - some ☐ 3 - relevant ☐ 4 - significant ☐ 5 - exceptional

37. What level of nonprofit management experience does the management team possess?

☐ 1 - limited ☐ 2 - some ☐ 3 - relevant ☐ 4 - significant ☐ 5 - exceptional

**Strategic Planning**

38. How often does your organization engage in Strategic Planning?

☐ Annually ☐ Semi-Annually ☐ Quarterly ☐ Monthly

39. Please indicate all of the groups who participate in strategic planning?

☐ Clients ☐ Volunteers ☐ Program Staff ☐ Managers ☐ CEO ☐ Board Members

40. How well is the strategic plan carried out in daily activities?

☐ 1 - not well ☐ 2 - some ☐ 3 - moderate ☐ 4 - high ☐ 5 - exceptional

41. Who conducts/facilitates strategic planning sessions?

☐ Outside Consultant ☐ Internal Consultant/Managers ☐ CEO/ED ☐ Board Member

42. To what degree is data used systematically to support planning effort and to improve it?

☐ 1 - not well ☐ 2 - some ☐ 3 - moderate ☐ 4 - high ☐ 5 - exceptional

**Technological Infrastructure**

43. What is the status of the organization's databases and management reporting system?

☐ none ☐ basic ☐ comprehensive ☐ sophisticated

44. Who is responsible for managing the organization's technology function?

☐ untrained staff ☐ staff as secondary function ☐ outside consultant ☐ IT manager

45. To what extent do all employees have access to computers, applications, network and email?

☐ 1 - limited ☐ 2 - adequate ☐ 3 - most ☐ 4 - high ☐ 5 - exceptional

46. To what extent do all employees have access to telephone/fax/copiers?

☐ 1 - limited ☐ 2 - adequate ☐ 3 - most ☐ 4 - high ☐ 5 - exceptional

47. To what extent are telephone/fax/copiers reliable?

☐ 1 - not well ☐ 2 - some ☐ 3 - moderate ☐ 4 - high ☐ 5 - exceptional

48. What is the status of the organization's website?

☐ none ☐ basic ☐ comprehensive ☐ sophisticated ☐ interactive site

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**Training and Staff Development**

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49. To what extent do all employees have access to and are supported in personal development?

☐ 1 - limited ☐ 2 - adequate ☐ 3 - most ☐ 4 - high ☐ 5 - exceptional

50. To what extent are resources included in the budget to ensure training is available to increase the skills and knowledge of workforce?

☐ 1 - not well ☐ 2 - some ☐ 3 - moderate ☐ 4 - high ☐ 5 - exceptional

51. To what extent is there well-thought-out and targeted plans for key employees/positions?

☐ 1 - limited ☐ 2 - adequate ☐ 3 - moderate ☐ 4 - high ☐ 5 - exceptional

52. To what degree are relevant and regular internal and external training, job rotation, coaching/feedback and consistent performance appraisal institutionalized?

☐ 1 - not well ☐ 2 - some ☐ 3 - moderate ☐ 4 - high ☐ 5 – exceptional

**Fiscal Management**

53. To what extent does fiscal management include budget planning and forecasting, budget integrated into operations?

☐ 1 - limited ☐ 2 - adequate ☐ 3 - most ☐ 4 - high ☐ 5 - exceptional

54. To what extent is the budget reflective of the organization's needs and objectives?

☐ 1 - not well ☐ 2 - some ☐ 3 - moderate ☐ 4 - high ☐ 5 - exceptional

55. To what extent is performance-to-budget closely and regularly monitored?

☐ 1 - limited ☐ 2 - adequate ☐ 3 - most ☐ 4 - high ☐ 5 - exceptional

56. To what extent is monthly or quarterly budget reports developed and distributed to responsible authority?

☐ 1 - not well ☐ 2 - some ☐ 3 - moderate ☐ 4 - high ☐ 5 - exceptional

**Fundraising**

57. To what degree is fundraising conducted to support the overall operation of the organization?

☐ 1 - not well ☐ 2 - some ☐ 3 - moderate ☐ 4 - high ☐ 5 - exceptional

58. To what extent does the funding model support diversified funding across multiple source types?

☐ 1 - not well ☐ 2 - some ☐ 3 - moderate ☐ 4 - high ☐ 5 - exceptional

59. Who is responsible for conducting fundraising?

☐ program staff ☐ CEO/ED ☐ professional consultant ☐ internal professional

60. To what extent is performance-to-budget closely and regularly monitored?

☐ 1 - limited ☐ 2 - adequate ☐ 3 - most ☐ 4 - high ☐ 5 - exceptional

61. To what extent is monthly or quarterly budget reports developed and distributed to responsible staff?

☐ 1 - not well ☐ 2 - some ☐ 3 - moderate ☐ 4 - high ☐ 5 - exceptional

62. To what degree is fundraising conducted utilizing fundraising plan?

☐ 1 - not well ☐ 2 - some ☐ 3 - moderate ☐ 4 - high ☐ 5 - exceptional

**Program Development/Management**

63. To what extent are core programs of quality and well regarded?

☐ 1 - limited ☐ 2 - adequate ☐ 3 - most ☐ 4 - high ☐ 5 - exceptional

64. To what extent does the organization operates programs that demonstrate tangible outcomes commensurate with the resources invested?

☐ 1 - not well ☐ 2 - some ☐ 3 - moderate ☐ 4 - high ☐ 5 - exceptional

65. To what extent does the organization operates programs that demonstrate tangible outcomes commensurate with the resources invested?

☐ 1 - not well ☐ 2 - some ☐ 3 - moderate ☐ 4 - high ☐ 5 - exceptional

66. To what extent can existing programs be modified to create new programs?

☐ 1 - limited ☐ 2 - adequate ☐ 3 - most ☐ 4 - high ☐ 5 - exceptional

67. To what degree does the organization have formal mechanisms for assessing internal and external factors that affect achievement of goals?

☐ 1 - not well ☐ 2 - some ☐ 3 - moderate ☐ 4 - high ☐ 5 - exceptional

68. To what degree does the organization utilizes program evaluation results to inform its strategic goals?

☐ 1 - not well ☐ 2 - some ☐ 3 - moderate ☐ 4 - high ☐ 5 - exceptional

69. To what extent does program staff experience and education support the requirements of the positions?

☐ 1 - not well ☐ 2 - some ☐ 3 - moderate ☐ 4 - high ☐ 5 - exceptional

**Additional Comments**

Please feel free to provide any other information that will be useful in understanding your organization's performance.

# Appendix C

## Perception Analysis Survey

**Perception Analysis Survey**

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**(Organization)**

Reflecting on your knowledge, experience and interaction with this organization, please rate your perception of this organization's capacity based on this scale: 1 = Not Well 2 = Some 3 = Moderate 4 = High 5 = Exceptional

Please provide brief comments that would explain why you hold this perception.

| Area of Capacity | Description | Rating | Additional Comments |
|---|---|---|---|
| Aspirations | Written mission statement, clarity and boldness of vision, and overarching goals. | | |
| Strategy | Overall strategy, goals and performance targets, program relevance and integration, program growth and replication, new program development and funding model | | |
| Organizational Skills | Performance management, planning, fundraising and revenue generation, external relationship building and management, and others such as public relations and marketing, influencing of policymaking, management of legal and liability matters, and organizational processes use and development | | |
| Governance | Board composition and commitment, involvement and support | | |
| Staffing | Chief Executive and senior management team including passion and vision, people and organizational leadership/effectiveness, personal and interpersonal effectiveness, analytical and strategic thinking, financial judgment, experience and standing, senior management team and staff dependence on Chief Executive, volunteers, technological | | |
| Systems | Planning, decision making, financial operations management, human resources management, knowledge management, and | | |
| Infrastructure | Physical (buildings and office space), (telephone/fax, computers, applications, network, email, and website) | | |
| Organizational Structure | Boards, organizational design, interfunctional coordination, and individual job design | | |
| Culture | Rewards and encourages collective effort; performance as shared value, other shared beliefs and values and share references and practices. | | |

# Appendix D

## Follow-Up Interview Questions

## Follow-Up Interview Questions

**Mission, Vision and Values**

1) Is there a clearly articulated and written vision for the organization?
2) When was the last time the vision was revised or totally changed?
3) How is the overall strategy communicated and implemented throughout the organization?
4) Do you believe your organization is carrying out the mission statement as it is intended?
5) Is there a relevant mission statement; what process is used to revise the strategic direction of the mission?
6) Are there programs and services you provide that are not in the perimeter of your mission?
7) Who participates in determining the organization's vision and when it should be revised?
8) How does the organization ensure programs are developed and designed relevant to community need?

**Board Governances**

9) Is there an agreed upon board governance process?
10) Are there current bylaws? How often does the board update by-laws?
11) Is the community clearly represented in the board composition?
12) Does the Board provide a performance review for the CEO annually? If so, how is performance managed?
13) Does the Board and leadership conduct joint "strategic planning"? How often?

**Executive/Leader**

14) Does the executive engage senior leaders in operational planning and goal setting?
15) Is there a system for joint decision-making?
16) Are other team members empowered to lead?
17) Does the executive understand his role as coach?

**Human Resources**

18) Is there a succession plan in place for the key executive and senior staff?
19) Does HR and IT have interfacing data systems?
20) Are there standardized job descriptions?

**Technology Infrastructure**

21) What percent of the organization's staff use computers and other technology to perform their duties?
22) Is there a functioning computer system and email system?

**Training and Staff Development**

23) How is staff development provided to key leaders? How are others in the organization provided training and professional development?
24) Are resources allocated in the budget for staff development?

**Fiscal Management**

25) Is there a full time accounting executive/manager?
26) How is strategic planning integrated into the budget development process?
27) Are programs fully funded?
28) Does the Agency conduct an annual audit by outside entity?

**General / Organizational**

29) What are the key barriers to the organization performing at its optimal level?
30) What are the four (4) key areas where you feel the organization performance excels?
31) Is there a system to measure organizational and human performance?
32) Do you believe the organization has the capacity needed to achieve the mission?
33) What are the top three operational issues that impact your organization's capacity?
34) How are you addressing these issues?
35) Is there a sense of the community within the culture of the organization?
36) Does the organization have a core of volunteers actively involved with the organization