*A Study of Nonprofit Capacity Building in Minnesota*

A collaboration between Texas A&M University and the Minnesota Council of Nonprofits

# AN ANALYSIS OF THE NONPROFIT CAPACITY-BUILDING INDUSTRY IN MINNESOTA

A Report Compiled for the Minnesota Council of Nonprofits

Funded by the Otto Bremer Foundation

*Based on Research Conducted by*
*The Bush School of Government and Public Service*
*at Texas A&M University*

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## EXECUTIVE SUMMARY

Recent research has identified explosive growth in the nonprofit sector and an increased interest in evaluating and improving nonprofit performance through organizational capacity building. The growing emphasis on capacity-building services for nonprofits nationwide has resulted in the need for better information about support services for the sector. Considering the burgeoning role of capacity building in nonprofit operations, it is important to understand more about the industry that provides support and resources to nonprofits, including in the Minnesota community. This study of the nonprofit capacity-building industry in Minnesota is the result of research conducted by graduate students from the Bush School of Government and Public Service at Texas A&M University under the supervision of Dr. Angela Bies. Five students coordinated and conducted the research and analysis for this report from September 2006 through April 2007. (Information about the authors can be found in Appendix E.)

The purpose was to understand the industry providing support and resources to nonprofit organizations in Minnesota. Funding for the study came from the Otto Bremer Foundation. Our research client was the Minnesota Council of Nonprofits (MCN) which is a member organization serving the state of Minnesota's nonprofit organizations.

Our primary research objective was to replicate two recent studies on nonprofit capacity building – a Pittsburgh-based study and a study focused in Central-Texas. Both, Millesen and Bies' 2004 report for the Forbes Funds, "An Analysis of the Pittsburgh Region's Capacity-Building 'Industry" (hereinafter referred to as "the Pittsburgh study") and Bies and Rehnborg's 2005 report for United Way Capital Area and the Texas Nonprofit Management Assistance Program, "An Analysis of the Nonprofit and Volunteer Capacity-Building Industries in Central Texas" (hereinafter referred to as "the Texas study"), were significant to the study's research design.

In line with the two previous reports, our core research purpose was to describe and analyze the quantity and quality of capacity-building services provided to nonprofit organizations within Minnesota. The Pittsburgh and Texas studies provided a template for our "multi-method research process, designed to capture both the diversity of the sector and the continuum of capacity-building services offered to nonprofit organizations" (Millesen & Bies, 2004, 1). Our research, however, diverged from the prior studies in some areas. The Texas replication added to the area of study set forth from Pittsburgh by conducting a specific examination of volunteer management capacity and disaster response in the wake of Hurricanes Katrina and Rita. In this study we addressed nonprofit advocacy and public policy capacity in addition to capacity-building issues covered in our foundational research questions.

### Literature Review

The literature review component of our study examined existing theories, research and practice in capacity building for the nonprofit sector. Researchers have noted that, despite a variety of capacity-building resources for nonprofits, many organizations remain hampered by a lack of access to capacity building, due to a variety of internal and external barriers (Baumann, Lowell, Mallick, & Okonkwo, 1999; Blumenthal, 2003; De Vita & Fleming, 2001; Draper, 2000; Greene, 2001; Jacobs, 2001; Kearns, 2004; Millesen & Bies, 2004; Szabat & Otten, n.d.).

Prior studies of nonprofit capacity building have found the following: nonprofits need better, more centralized access to capacity builders; that nonprofits benefit from sharing resources and interacting with their peer organizations; and that much more research is needed to document the impact of and ongoing need for capacity building (Backer & Oshima, 2004; Millesen & Bies, 2004; Theisen, Paine, Cobb, Lyons-Mayer, & Pope, 2003).

## Methods

Using past studies, we created a four-stage multi-method research design to gather in-depth quantitative and qualitative data about capacity building and advocacy in Minnesota. Our mixed methods qualitative and quantitative research included four-stages:

- We utilized the capacity building literature review conducted for the 2005 Texas Study to inform our study. We also researched contextual data regarding Minnesota' environment;
- Interviews: we conducted 75 in-person and phone interviews with: 25 nonprofit executives, 28 capacity builders and 25 funders.
- Focus Groups: we conducted 8 focus groups with nonprofit executives; and
- Survey: we gathered data from 621 Minnesota nonprofits with 311 completed surveys and 310 partially completed surveys.

## Context of Capacity Building in Minnesota

To learn about the specific context within which local nonprofits and capacity builders operate, we conducted an environmental scan of Minnesota, examining demographic, economic, and social service statistics and trends throughout the state. Together, these counties have a population of 1.5 million (U.S. Census Bureau, 2006) and are home to more than 1,600 nonprofit organizations (Minnesota Association of Nonprofit Organizations, 2002). Dozens of independent, corporate, and community foundations exist in Minnesota (Foundation Center, 2006). As the Minnesota nonprofit sector has grown with the boom in the local population, a range of consultants, nonprofit management support organizations (MSOs), and service providers at academic institutions have emerged to provide capacity-building support to organizations.

## The Environment for Nonprofit Capacity Building in Minnesota

The themes explored are, reported critical issues, geographic context, commercial business influences, government and funder policies and peer networking. Critical issues covered a wide spectrum of areas in which a nonprofit executive director places their focus, time and resources. These focal issues can determine organizational orientation at any given time and understanding these issues begins to facilitate an understanding of the context in which Minnesota nonprofits operate.

In the course of interviews and focus groups for this study, discussion arose regarding geographic issues, particularly focused on rural-metropolitan challenges faced by participants. On the whole rural participants reported barriers to participation and certain services because their geographic location lies outside of Minnesota metropolitan areas. As private companies emerge with an interest in human services, nonprofits from across the state reported that they were left struggling to compete. The policies that government and funders introduce to nonprofits invoke certain pressures to move towards a business integration model and to try to market their mission differently. Nonprofit study participants discussed policy changes that affect nonprofit funding and the increasing need to re-package existing programs and services.

Despite resource limitations and other factors that could lead to a highly competitive environment, nonprofits in our study reported the existence of a very collaborative environment with each other. Many nonprofits participants noted that together, as a nonprofit community, they are more equipped to create innovative capacity-building initiatives that can change how programs and planning are done in the nonprofit world.

## Defining Capacity Building

Minnesota nonprofits felt the following definition of capacity building was similar to their personal definition: capacity building is "an organization's ability to fulfill its mission measurably through a blend of sound management, strong governance, and a persistent rededication to assessing and achieving results" (Bies and Rehnborg, 2005). Many participants discussed, however, that the working definition provided in the study was only a starting point for their definitions. Nonprofit executives incorporated other issues into their definition, such as mandates from national organizations and strategic planning. Funders noted capacity building is related to the survival of the organization. And capacity builders defined capacity building as the commitment to the organization to better develop their skills in certain areas.

**Drivers of and Barriers to Capacity Building**

Capacity builders enter the industry to help nonprofits build their knowledge base. Funders have a similar reason; they would like to see nonprofits better their services provided to the community. Nonprofit executives held differing views on what drives them to participate in capacity building but they discussed more uniformly the barriers. They noted organizational change, sustainability of the organization and funding issues as barriers.

**Capacity-Building Services**

The study participants were asked to discuss their observations on capacity building in general as well as their experiences with the adequacy, accessibility and assessment of capacity building industry in Minnesota that the participants have utilized. One of the more common concerns shared by nonprofit executives and funders was seeing more quality consultants available through the consultant being more truthful when asked about their abilities, especially when the money spent on consulting is very indicative of the quality produced. Research participants reported an absence of capacity builders in: information technology consulting assistance and management support organizations.

Overall, Minnesota nonprofits surveyed believe that capacity-building consultants offer high quality services. In terms of accessibility, many of the rural nonprofits indicated that they do not have much access to management support organizations because they typically focus their efforts in the Twin Cities. Survey respondents did not express difficulty in obtaining information about capacity building in Minnesota. But they did express difficulty in obtaining information about capacity-building workshops in Minnesota. Nonprofit executives most often use word-of-mouth for assessment. For this reason many nonprofits expressed a desire to have reviews of capacity builders posted at one place on the internet for them to view many opinions at once.

According to both funders and nonprofits, successful capacity builders are said to be very organized, methodical and detail-oriented. They are also responsive to the individual needs and organizational culture of a nonprofit organization. In addition, a few nonprofits suggested that an evaluation or watchdog sort of organization would be beneficial in the capacity-building industry. Many funders offered their input on monitoring the success of capacity building. Most of them discussed some form of benchmarking or reporting required for evaluating the success of the capacity-building project in stages. Organization, methodology and detail-orientation are very necessary for capacity builders to be successful in all of these types of evaluation.

**Capacity-Building Initiatives Desired**

Nonprofit participants are most interested in capacity building that will help them to grow their resources or more effectively and efficiently use their resources. In addition, many nonprofits noted networking with other organizations, with similar missions, as beneficial and useful. Many of the nonprofit respondents expressed the desire for more available consultants who have specific knowledge in a particular field of expertise. An area in which nonprofits generally focus their capacity-building expenditures and internal resources is the more functional and technical skills like

human resources, web design, accounting and auditing, media relations, legal advice and technological upgrading. A few nonprofits indicated that they would like help with the relational aspects of their leadership—board development, succession plans, leadership development and building mentorship relationship that would help the executive director could grow professionally.

Most nonprofits agreed that the best way to decide which trainings to offer in a community would be to ask the nonprofit executives in the community which trainings they would like to see happen before planning a conference or workshop. Funders also stressed that they would like for nonprofit management support organizations to make more of an effort to personalize their training services to nonprofits.

The areas in which Minnesota nonprofits are most likely to have engaged in are board development and governance along with strategic planning, which fits within the nonprofit industry culture stressing these issues. In Minnesota, nonprofit organizations are least likely to have engaged in capacity building within the areas of social entrepreneurship and venture capital along with legal methods and litigation. There was more apparent lack of participation in management capacity issues than in any other type of capacity. One of the most overwhelmingly discussed successes was executive directors' ability to cultivate board leadership.

Other individual successes have been:

- re-branding of the organizational culture;
- cultivating an entrepreneurial and innovative spirit in the organization;
- being able to develop a strategic plan that coincides with the budget;
- developing relationships with the corporate world and knowing how to engage them;
- seeing projects through to completion;
- enabling new leadership to take over and old leadership to retire through a successful succession plan;
- understanding of how to better meet an organization's mission, fundraising with improved techniques;
- evaluating and better understanding client needs; addressing and responding to community changes in demographics, in population size, and so forth;
- and knowing where to start new programs and hire new staff.

Board training emerged as a key element of successful capacity-building interventions in both nonprofit and capacity-building interviews.

To effectively utilize staff and volunteers, executive directors and capacity builders discussed proper personnel management, effective use of board member proficiencies and the ability to perceive interest and skills of staff and volunteers. A key management issue was discussed as the nonprofit executive's ability to motivate members of the organization and its affiliates to maintain mission focus. The final major management issue discussed was that of resource management. Participants noted that nonprofit management often involves a daily ability to adapt a nonprofit organization. Several of the different areas of adaptation discussed by participants are focused primarily on reinventing the organization, re-framing programs for funding and adapting to changing community needs. The next adaptation issue discussed by nonprofits was the ability to re-frame program needs to receive funding. Adaptive capacity also involves meeting the changing needs of the community such as, changing population makeup, changing government policies and culture changes. There were several technical issues that participants noted as particularly crucial in their operations; sufficiently sophisticated electronic technology resources, advocacy in the community regarding electronic technology needs, pooled resources and current by-laws.

Some of the more unsuccessful capacity-building efforts were in the areas of funding strategies, board turnover and executive director board oversight. Homogeneous funding sources are a real problem perceived by our participants. If they lose the source, then the organizations' financial

stability is put at risk. In addition, the experiences communicated by some focus group participants was that board members are being kept on too long and they get stale in their insight and contributions. There was a general theme in participant discussions that executive directors need to make an effort to engage in more board development.

**Nonprofit Advocacy**

In the course of our focus groups and interviews, participants identified three main areas of advocacy in which they would like to see greater advocacy: legislatures, funders and citizens. They also identified areas in which they would appreciate more education regarding advocacy. Many participants expressed the impression that legislatures do not have a sufficient understanding of the needs that nonprofits meet for legislators constituents. Participants shared a great deal of information regarding how they would like to advocate as nonprofit service providers to nonprofit funders. The thrust of their discussion had to do with helping funders, much like they desired with legislators, understand the resource limitations faced by nonprofits. Nonprofit participants also pointed out the areas in which they saw a need for additional understanding amongst the citizenry. In particular they expressed a need for citizens to take an active role in supporting nonprofits to improve nonprofits' effectiveness and lessen the burden placed back on tax-paying citizens. The last constituent group that participants discussed was nonprofit professionals and the areas in which they perceived a need within the field to advocate or improve advocacy skills.

In the area of advocacy, survey responses generally indicate levels of lesser support and effectiveness than is evidenced with other types of capacity building. Of the respondents, 281 engage in public policy and advocacy activities and 215 do not engage in public policy and advocacy activities. In addition to examining whether or not nonprofit organizations feel equipped and supported. The highest level of improvement listed was in the organizations' participation in coalition advocacy efforts. The respondents rated this area at a 6.1 on a scale of one to ten. Overall, the respondents have less capacity-building support for advocacy efforts then they do for other capacity-building activities.

**Participant Recommendations**

Nonprofits indicated several specific recommendations that they had for ways to improve capacity building for themselves. The recommendations listed below are the few that emerged as trends in focus groups and interviews. Because of the direct and sometimes highly specific nature of study participant perspectives and comments, the research team presents the following respondent recommendations separately from recommendations that have emerged based upon the study's findings. The participant recommendations are as follows:

- Nonprofits, capacity builders and funders have expressed a desire for a website (an internet-based or electronic) directory to review capacity builders.
- Nonprofit participants stated that they like more consistency in terms of grant proposal requirements, but they do not want a one-size-fits-all document. They want the opportunity to shed light on distinguishing characteristics that their specific organizations provide in the community.
- Nonprofits expressed that foundations are in the unique position to provide incentives on personnel development in nonprofits.
- Nonprofits discussed the opportunities they have to collaborate and to be willing to withhold their requests for money if they think a funder could fund more pressing needs in the community.
- Nonprofits should look to civically-minded corporations as a source of funding and capacity building ideas.

- Regional nonprofit associations and coalitions can help MCN and others bring their trainings to communities beyond the Twin Cities.

**Summary and Preliminary Study Recommendations**

The following recommendations flow naturally from the research team's analysis but are presented cautiously as they are tentative given the preliminary status of the current report. The recommendations are provided to generate discussion and further reflection. A full set of recommendations will be provided in the final report to Minnesota Council of Nonprofits, available in summer 2007.

- Compile a website of capacity builders in Minnesota by region and reviews of capacity building services.
- Funders who fund capacity building can also be part of this capacity builder database.
- Funders should incorporate longer terms for the grants.
- Prescribed benchmarks or capacity building by capacity builders, funders or corporate partners could be very helpful to ensuring that nonprofits meet their capacity building goals.

- Nonprofits seem to experience an information overload from all the different types of trainings available. Further study is necessary for more effective ways to disseminate and manage these opportunities.
- Nonprofits and universities need to work together to better utilize the university capacity building services--specifically, community colleges in the rural areas.
- In some situations, higher learning institutions need to be made aware that they can serve as capacity builders. There is a great opportunity to enrich the learning experience of students and to enrich the service provision of nonprofits if the two entities collaborate to build nonprofit capacity.

## INTRODUCTION

This study of the nonprofit capacity-building industry in Minnesota is the result of research conducted by graduate students from the Bush School of Government and Public Service at Texas A&M University under the supervision of Dr. Angela Bies. Five students coordinated and conducted the research and analysis for this report from September 2006 through April 2007. (Information about the authors can be found in Appendix E.) The purpose was to better understand the industry providing support and resources to nonprofit organizations in Minnesota. Funding for the study came from the Otto Bremer Foundation. Our research client was the Minnesota Council of Nonprofits (MCN) which is a member organization serving the state of Minnesota's nonprofit organizations.

Our primary research objective was to replicate two recent studies on nonprofit capacity building – a Pittsburgh-based study and a study focused in Central Texas. Both, Millesen and Bies' 2004 report for the Forbes Funds, "An Analysis of the Pittsburgh Region's Capacity-Building 'Industry" (hereinafter referred to as "the Pittsburgh study") and Bies and Rehnborg's 2005 report for United Way Capital Area and the Texas Nonprofit Management Assistance Program, "An Analysis of the Nonprofit and Volunteer Capacity-Building Industries in Central Texas" (hereinafter referred to as "the Texas study"), were significant to our research design in this study. In line with this report, our core research purpose was to describe and analyze the quantity and quality of capacity-building services provided to nonprofits organizations within Minnesota. The Pittsburgh and Central Texas studies provided a template for our "multi-method research process, designed to capture both the diversity of the sector and the continuum of capacity-building services offered to nonprofit organizations" (Millesen & Bies, 2004, p. 1).

Our research, however, diverged from the prior studies in some areas. The Texas study added to the area of research set forth from Pittsburgh by conducted a specific examination of volunteer management capacity and disaster response in the wake of Hurricanes Katrina and Rita. In this study we addressed nonprofit advocacy and public policy capacity in addition to our foundational.

This report continues the comprehensive study of nonprofit capacity-building activities. At a time when government social services are increasingly devolved to local actors, including nonprofit organizations (Alexander, 1999), and when the nonprofit sector is experiencing exponential growth to fill important service gaps (Salamon, 1999), this report is critical. In conjunction with the

Pittsburgh and Texas studies and future studies in other areas of the country, this study will help community leaders understand whether nonprofits are currently capable of accomplishing the tasks being asked of them and, if not, what capacity-building services may be needed.

The following sections outline the purpose and key research questions of the study, provide a summary of the literature on the subject of nonprofit capacity building, describe contextual issues relative to Minnesota, detail the research methodology employed and present the key findings and implications of the research. Similar to the research process, the report structure is parallel to that in the Pittsburgh and Texas studies in order to facilitate comparisons between the two regions. These studies focused on explaining "*who* (the capacity builders) is doing *what* (the kinds of support services available) for *whom* (the types of nonprofits engaging in capacity-building initiatives), and *to what end* (whether capacity-building initiatives produce desired organizational change)" (Millesen & Bies, 2004, p. 1). Using the same four-part framework, we describe our findings in terms of capacity-building *providers*, *services*, *recipients* and *results.* In addition to exploring these broad areas of capacity building, we discuss also: relationships among capacity-building providers, recipients and funders; incentives and barriers to capacity building; qualities of effective and ineffective interventions; evaluation and assessment of capacity building; advocacy and public policy capacity; and participant recommendations from Minnesota nonprofits. We conclude with preliminary recommendations for future research and policy.

## PURPOSE

Our study of Minnesota nonprofit capacity building centered on four foundational research questions. We examined each question within the context of the experiences and opinions of capacity-building providers, nonprofit executives and funders supporting agencies in the state. These research questions were modeled on previous studies on nonprofit capacity building in Pittsburgh and Texas (Millesen and Bies, 2004, Bies and Rehnborg, 2006):

- *What types of capacity-building initiatives are most desired by Minnesota nonprofit organizations?*

  This initial question provided a foundational understanding of the experience with capacity building that our participants possessed. Through focus groups with nonprofit executives and interviews with nonprofit executives, funders and capacity builders an understanding of the nonprofit environment in the region was communicated. Discussion was particularly pertaining to types of providers available and how well providers met participants' perceived needs.

- *To what extent are nonprofit leaders well-served by local consultants, management support organizations and educators? How accessible are providers? What are the barriers to participation?*

  We inquired into the nature of capacity-building providers and their success in meeting the needs of Minnesota nonprofit organizations. We utilized focus groups and interviews, as well as a survey of nonprofit executives, to ascertain the success of interventions in the region and to better understand the barriers to participation that were experienced.

- *What strategies resulted in greater ability to accomplish mission-focused, goals and objectives?*

  To address this research question we explored the practical aspects of capacity building that are most successful and those that are not as successful. We asked participants to discuss the results of capacity-building endeavors. And we also asked capacity builders in the sector how they develop their services and adjust to a changing environment.

- *In what ways do successful capacity-building initiatives lead to other organizational outcomes and activities?*

  Participants were asked questions regarding their experience with networking and advocacy. These questions regard how their organizations are influenced by and influence their community and other organizations through their capacity-building activities.

## LITERATURE REVIEW[1]

To provide a context for assessing the condition of the capacity-building industry for the clients of this study, our initial research involved a thorough literature review examining theories, research and practices in capacity building for the nonprofit sector. This first component of the research served to provide background about the history of the capacity-building industry, as well as to define the various processes of capacity building, commonly encountered services and participants in the field. We performed a survey of published materials through journal article database searches, research of prior studies conducted in the fields of capacity building and examination of works by established authors in the capacity-building field.

The literature review revealed an explosive growth in the nonprofit sector, brought about in part by a fundamental shift in attitudes about the government's role in providing welfare and community services (De Vita and Fleming, 2001; Salamon and Anheier, 1998). This growth has recently combined with greater levels of social innovation and increasing sophistication in the nonprofit sector as a whole and has generated new and growing demand for capacity-building services (Warren and Aronson, 1981). The histories of capacity building in other sectors (private, federal, state and local public sectors) showed similar trends as in the nonprofit arena, where demand for capacity building grew alongside an increasing need to make tighter budgets work more efficiently, broadening sophistication in audiences and participants and heightened competition among providers (Cigler, 1984; Jones and Doss, 1978; Warren and Aronson, 1981). Likewise, parallel research found that effective capacity building for private foundations supporting nonprofits could lead to greater outcomes in funding initiatives (Backer and Bare, 2000; Greene, 2001; Mayer, 2000).

Despite a variety of capacity-building resources for nonprofits, we found ample evidence that some in the nonprofit sector remain hampered by a lack of access to these resources, due to geographical constraints or consultants' unfamiliarity with challenges specific to the nonprofit field (Baumann, et al., 1999; Blumenthal, 2003; De Vita and Fleming, 2001; Draper, 2000; Greene, 2001; Jacobs, 2001; Kearns, 2004; Millesen and Bies, 2004; Szabat and Otten, n.d.). Additionally, many organizations face other external and internal barriers to successful capacity building. Both Backer

[1] The Literature Review for this report was conducted as part of the 2005 Texas study and is excerpted here. . A full citation of the 2005 Texas Study follows in the appendices of this paper.

(2000) and Light (2005) found that nonprofit staffers often lacked the time and funds to engage in or plan for capacity-building efforts. Additionally, Light (2005) and McKinsey and Company (2001) found that funders often preferred to support direct program expenses rather than capacity building, which they tended to regard as overhead or administrative costs. A lack of extensive research on capacity building also acted as a barrier, as several studies noted that an information void prevented nonprofits from knowing about or being able to advocate for the value of such support services (Light and Hubbard, 2004; McKinsey and Company, 2001; Millesen and Bies, 2004).

Four major empirical studies to date have examined nonprofit capacity building extensively in Greater Los Angeles, Pittsburgh, Arizona and Central Texas respectively (Backer and Oshima, 2004; Millesen and Bies, 2004; Theisen, et. al, 2003; Bies and Rehnborg, 2005). From these studies, several common themes emerged about the challenges and issues facing capacity builders and nonprofit organizations. Among the conclusions shared by all three studies were (1) that nonprofits needed better, more centralized access to capacity builders; (2) that nonprofits benefited from sharing resources and interacting with their peer organizations; and (3) that much more research needed to be undertaken to document impact of and ongoing need for capacity building in nonprofits. Other findings included that funders played an integral role in the success of capacity-building initiatives (Backer and Oshima, 2004; Millesen and Bies, 2004); that capacity-building needs varied significantly between rural versus urban nonprofits (Theisen et. al, 2003); that financial planning represented an area for capacity improvement in most organizations (Backer and Oshima, 2004); and that diagnostic tools to help nonprofits identify their capacity-building needs might be warranted (Millesen and Bies, 2004).

Other researchers in more targeted studies of capacity building have found that effective capacity building was characterized by relevant content and services tailored to meet the unique needs of each client organization (Backer, 2000; Blumenthal, 2003; De Vita and Fleming, 2001; Kearns, 2000; Light, 2000). In addition, because capacity building is an incremental and ongoing process, successful interventions required that management and capacity builders alike acknowledge the potential length of, as well as allow for flexibility in, the process (Blumenthal, 2003; De Vita and Fleming, 2001; Greene, 2001; Jacobs, 2001; Light, Hubbard and Kibbe, 2004; Wing, 2004). The practice of sharing information and advice about capacity building among sister nonprofits also appeared to be a predictable indicator of success (De Vita and Fleming, 2001; Jacobs, 2001).

Research on the relationship between capacity building and volunteer management revealed that the greatest success in maximizing volunteer utility tended to come from training staff in best practices and volunteer protocol (Ellis, 1996; Rehnborg, Fallon and Hinerfeld, 2002; Brudney and Kellough, 2000). Nonetheless, various studies found that the realities of limited funding, time constraints and a lack of understanding of volunteer management frequently hampered the attempts of nonprofit organizations to offer this type of staff development (Hager, 2004; Hager and Brudney, 2004; Hange, Seevers and Van Leeuwen, 2001). In addition, Dolan (2002) documented that few offerings in subject matters other than fundraising were available in professional development for nonprofit employees, including those working with volunteers.

Finally, the literature review suggested the growing emphasis on capacity building for nonprofits generally could be contributing to new trends in the sector. For one, researchers have found an increasing amenability among nonprofits towards building cross-sector coalitions to advocate for better quantity and quality of support services (Abernathy and Fine, n.d.; Boris, 2001; Constantine, 2000). Others have noted the development of and call for better research and evaluation techniques to identify what services nonprofits most desire, as well as which capacity-building practices yield the best results (Boris, 2001; Houchin and Nicholson, 2002; Light and Hubbard, 2004; Bies and Millesen, 2005).

In summary, the literature suggests more research is needed to evaluate effective nonprofit capacity building, to examine capacity-building needs across rural and urban communities and to identify widespread practices and trends. With these issues in mind, the critical importance of understanding the Minnesota capacity-building landscape and conducting the present study becomes evident.

## CONTEXT OF NONPROFIT CAPACITY BUILDING IN MINNESOTA

### MINNESOTA'S CAPACITY FOR NONPROFITS

By any number of measures, Minnesota enjoys a strong philanthropic spirit, civic life, and voluntary traditions imbued through many different experiences as a state but most saliently, from the philanthropic examples set by business leaders and governmental officials at the turn of the 20th century (Pratt 2000). This spirit of philanthropy has made the state a hospitable environment for nonprofit activity and nonprofit capacity building and this ultimately culminated in a public commitment by major corporations to give away 5% of their profits for philanthropic efforts. This corporate tithe was formalized by the Minneapolis Chamber of Commerce in 1976 when the Five Percent Club was created. Since then, the club has been re-named the Keystone Awards. The organization formalized philanthropic support of member organizations by setting a fixed 5% percentage of pretax profits (Pratt 2000).

At the same time that this philanthropic culture has grown so too did the government support of, or partnership with, charitable efforts. Following the world wars a new generation came to be, including Hubert Humphrey. Namesake to the Hubert Humphrey School of Public Affairs at the University of Minnesota, Mr. Humphrey founded the Democratic-Farmer-Labor Party in 1944 and became U.S. Senator in 1948. He went on to become the 38th Vice-President of the United States. With this new wave of leaders came a wave of political liberalism reinforcing the philanthropic spirit of the state (Pratt 2000). This philanthropic spirit continues to enjoy strong support from business members and government officials in Minnesota, which many argue has led to a strong nonprofit sector in the state. The data below bear this out.

### MINNESOTA'S NONPROFIT SECTOR

According to data from the National Center for Charitable Statistics at the Urban Institute, Minnesota ranks above national averages for public charities in average number of organizations per 10,000 residents, average revenue per resident and average expenses per resident. Minnesota nonprofits report an average of 13.8 organizations per 10,000 residents while the national average is only 10.2. The national average revenue of nonprofit organizations is $3,587 per resident but Minnesota's revenue per resident ranks above that at $4,604. The national average for nonprofit organizations' expenses per resident is $3,351 but Minnesota's expenses per resident are $4,314 representing an additional $963 of expenditures per resident above the national average.

## A Regional Understanding of Minnesota

There are important regional differences within the state's sector that are worth noting in order to better understand the context within which our study participants operate. In addition to Minnesota nonprofits' above-average financial expenditures and size, the Minnesota Council of Nonprofits 2006 "Nonprofit Economy Report" states that one of out every ten workers in Minnesota is a nonprofit employee. In every region of the state the nonprofit employment sector saw an increase in the number of employment locations as well as the size of the nonprofit workforce (NPER, 2006).

### *Demographic Overview and Understanding*

Our research is geographically focused on the state of Minnesota with particular qualitative sampling from seven key cities throughout the state: Duluth, Grand Rapids, St. Cloud, Minneapolis, St. Paul, Mankato and Rochester. The capital of Minnesota is located in St. Paul and the most populous city is Minneapolis, St. Paul's twin city. Table 1 highlights major social and economic statistics for the seven Minnesota cities where focus groups and interviews were conducted and compares them with the overall state statistics (U.S. Census Bureau, 2005). While the overall state had a mostly stable, though modest growth in population from 2000-2005 there was a great deal of variation in growth and loss across the seven key cities.

The Duluth area, for example, experienced a 13% decline in population from 2000-2005, and the city is currently facing possible bankruptcy because of the cost of their City Employee Retirement Plan. At the same time Duluth has also experienced a loss of industry. Duluth was once home to the highest per capita census of millionaires in the state from the iron, timber and shipping industries. These manufacturing employers are now mostly gone and in 2004 the majority of citizens, approximately 56,792, were employed in the service industry (2005 Duluth Community Guide, 2005).

Income is fairly steady across the cities in our sample, with the lowest per capita income recorded in Grand Rapids and the highest in Mankato. As noted above, there are also differences in population growth rates across cities. But, on the whole these seven cities act as proximal representatives of the state at large for purposes of this qualitative component of our study.

Table 1: Demographics of Minnesota Cities in Survey

| | | Duluth | Grand Rapids (2000) | St. Cloud | Minneapolis | St. Paul | Mankato (2000) | Rochester |
|---|---|---|---|---|---|---|---|---|
| Total Population | 4,989,848 | 76,918 | 11,747 | 59,624 | 350,260 | 261,559 | 32,427 | 88,338 |
| Population Growth 2000-2005 (Loss) | 1.41% | -13.00% | *2005 data not available for comparison | 0.87% | -9.24% | -9.78% | *2005 data not available for comparison | 2.87% |
| White | 87.98% | 92.06% | 96.19% | 89.82% | 65.18% | 66.11% | 92.86% | 87.24% |
| African-American | 4.11% | 2.23% | 0.23% | 4.49% | 16.63% | 13.70% | 1.90% | 4.51% |
| American-Indian/Alaska Native | 1.07% | 2.69% | 1.66% | N/A | 1.29% | 0.73% | 0.34% | 0.09% |
| Hispanic | 3.65% | 1.07% | 0.73% | N/A | 10.57% | 8.56% | 2.22% | 3.05% |
| Median Age | 36.7 | 37.5 | 39.9 | 30.4 | 32.1 | 33.4 | 25.3 | 36.3 |
| Per Capita Personal Income 1999 Dollars | $27,248 **2005 Dollars | $22,627 **2005 Dollars | $17,095 | $23,512 | $26,886 | $23,541 | $47,297 | $31,142 **2005 Dollars |

*Source: http://www.census.gov/acs/www/index.html*

*Comparison of Key Nonprofit Sector Aspects*

Outside of the Twin Cities, the Northwestern region of Minnesota holds the largest share of nonprofit employment locations. This is most likely a result of the numerous small population centers spread about the region. Nonprofit employment locations average about 35 workers. And yet the percentage of nonprofit employees is closer to the state average. The largest percentage of nonprofit employers was in the healthcare fields, which is comparable to the whole state of Minnesota in which healthcare also holds the majority share of nonprofit organizations (NPER, 2006). Northeast Minnesota, in contrast to Northwest, has the fewest number of nonprofit employment locations and the second-smallest nonprofit workforces. Despite this nonprofits still play a key role in the economy because of their strong nonprofit health presence which accounts from 32% of nonprofit employers (NPER, 2006).

Even though Central Minnesota lies near the political and population centers of the state, the Twin Cities, it holds a very small percentage of the states nonprofit employees at only 8%. But from 2004 to 2005 the sector saw an increase of 7% of employment locations and a workforce increase of

nearly 3% (NPER, 2006). The Twin Cities house nearly 2,600 nonprofit employment locations and nearly 133,000 nonprofit employees. This accounts for the majority of the state's nonprofit sector. The Twin Cities have experienced only modest growth in the number of nonprofit employees recently, but there has been strong growth in nonprofit employment locations over the past two years (NPER, 2006).

With fewer than 15,500 employees, Southwest Minnesota holds the smallest percentage of nonprofit employees with 6% of the state nonprofit workforce. But, the region experienced growth over the past two years in employment locations, number of employees and total nonprofits wages. This region also has largely disbursed centers of activity throughout the region even though the Mankato area is the largest center of nonprofit activity (NPER, 2006). Southeast Minnesota contains Rochester, home of the world-renowned Mayo Clinic. Although healthcare acts as the largest nonprofit employer in all regions of the state, nonprofit healthcare workers are four out of every five employees in the region. The nonprofit sector plays a more important role in this region than in any other in the state, accounting for 20% of the region's workforce (NPER, 2006).

## METHODOLOGY

To answer our four primary research questions we utilized a four-stage, mixed methods research design to gather a breadth of qualitative and quantitative data. We collected data regarding capacity-building providers, services, recipients and results in Minnesota. We based our definition of capacity building on the work of Hansberry (2002), Millesen and Bies (2004) and Bies and Rehnborg (2006), "focusing on nonprofit support services that enable long-term improvement and sustainability within organizations" (Bies and Rehnborg, 2006). Interviews and focus groups were conducted in Duluth, Grand Rapids, St. Cloud, Minneapolis, St. Paul, Mankato and Rochester. These cities were chosen for their population concentrations, their geographic location and their varied nonprofit sectoral attributes, so that we could gain in-depth access to the viewpoints of key nonprofit professionals across the state. Based on our working understanding of capacity building, we sought data related to nonprofit support services' ability to adapt to the changing nonprofit landscape, address management and governance issues and develop their technical proficiency to ensure effective mission attainment.

Our four stage mixed methods qualitative and quantitative research approach included the following:

- Archival Data: we utilized the capacity-building literature review completed for the 2005 Bies and Rehnborg study and completed an environmental scan of Minnesota. We also collected and reviewed documents from capacity builders and funders related to their capacity-building activities;
- Interviews: we conducted 78 in-person and phone interviews comprising 25 nonprofit executives, 28 capacity builders and 25 funders.
- Focus Groups: we conducted 8 focus groups with 46 of nonprofit executives; and
- Survey: we gathered data from 621 Minnesota nonprofits with 311 completed surveys and 310 partially completed surveys.

In the sections to follow we present information regarding our interviews, focus groups and survey collection methods, as well as a more complete description of our samples and participants.

### NONPROFIT EXECUTIVE, CAPACITY BUILDER AND FUNDER INTERVIEWS

We interviewed a total of 75 individuals with an even proportion of 25 nonprofit executives, 25 capacity builders and 25 nonprofit funders. To engage interview participants, we utilized the Minnesota Council of Nonprofits member and non-member contact lists and gained additional contacts through recommendations from our client and their members. Finally, we utilized local

United Way and Chamber of Commerce websites for additional research to gain contacts and update contact information. We contacted interview participants by email, phone and fax to invite them to participate in our study. Trips to Minnesota were completed in November and December of 2006 to conduct focus groups and interviews; phone interviews were also completed from October 2006 through March 2007.

Three written interview protocols were developed for each of the three participant groups interviewed. These protocols were based on the Pittsburgh and Central Texas studies, but refined to meet the needs of our client, the Minnesota Council of Nonprofits, and to suit the Minnesota context. We conducted interviews on an individual basis with a few exceptions where a pair of researchers conducted interviews, which occurred in two cases. On average the interviews lasted about an hour and fifteen minutes. A coding system was developed based on the codebook developed for the previous two studies. This coding system aided the analysis and synthesis of the interview data.

### Nonprofit Executive Focus Groups

We conducted eight focus groups of nonprofit executives in November 2006. The written protocol for nonprofit executive interviews was utilized for purposes of guiding the nonprofit executive focus groups. The list of contacts for focus group participation was generated in the same manner as the lists of interview participants. Focus group participants represented a large range of nonprofit service providers in health and human services to include elderly care, food banks, arts organizations, historical societies and faith-based organizations. Each focus group was coded based on the same coding scheme utilized for our interviews.

### Survey of Minnesota Nonprofits

To better understand how Minnesota nonprofits utilize capacity-building services and why they engage in such services, a survey was conducted with a sample of 3,062 nonprofits throughout the state. Included in the sample of 3,062 were 1,642 MCN members and 1,600 additional Minnesota nonprofits. The 1,600 additional nonprofits in the sample were randomly selected from an original list of 4,643 non-MCN member organizations using a random number generator. Capacity builders and funders who had not participated in the quantitative or qualitative study were removed from the sample based on their NTEE code. We developed both an online and paper survey that probed for detailed reactions to capacity-building experiences as well as assessments of the results of such experiences. The survey also probed for demographic data of the respondents' organization such as

number of staff, years the organization has existed, annual budgets, as well as satisfaction with capacity-building efforts.

Table 2: Mission Areas of Survey Participants

| Purpose | Frequency | Percent |
|---|---|---|
| Arts and Culture | 37 | 7.3% |
| Education | 63 | 12.5% |
| International | 5 | 1.0% |
| Advocacy/Public Societal Benefit | 47 | 9.3% |
| Environment | 17 | 3.4% |
| Legal | 15 | 3.0% |
| Economic Development | 8 | 1.6% |
| Community Development | 27 | 5.4% |
| Health | 28 | 5.6% |
| Human Services | 155 | 30.8% |
| Other | 102 | 20.2% |
| **Total** | **504** | **100%** |

The organizations are fairly evenly disbursed among the various mission classifications. Of interest to our study, 30% of the sample is comprised of human service organizations and 12.5% are education organizations. In addition, over 79% of the respondent organizations provide direct services. Organizational year founded responses range from 1853-2007, with 25% of the nonprofits founded between 1970-2007. These findings indicate a diverse and slightly older philanthropic tradition within the respondent pool.

In terms of their size and scope, nearly 25% of respondents report budgets of less than $222,000, another 25% of the nonprofits have budgets between $222,001 and $877,826. Seventy-five percent of respondents report expenditures less than $28 million. The remaining quartile of nonprofits has budgets above $28 million. With varying expenditure levels also comes varying levels of staffing. The paid staff of the organizations varies in number from 1 to 5,777. The average number of staff members is 37.75, though slightly more than half have 8 or less staff. The most frequent number of paid staff was only 1 person. The volunteer range is also varied, with organizations having 3 to 30,033 volunteers. The average number of volunteers is 448 but half have 68 volunteers or less serving their organizations.

The Chief Executive Officers/Executive Directors' (CEO/ED) are diverse in education, age, gender, race and tenure at the organizations. The majority of the CEO/EDs that responded to the survey are full time employees (84%) and the average tenure as CEO/ED within the organization is 8.57 years. Sixty-two percent of the CEO/EDs surveyed are female. The average age is 51, although the most common age was 55. The majority of the respondents were Caucasian (90%), followed by African American (5%), Asian (1%) and Latino (.9%). This representation is fairly similar to the state's demographic makeup. Also interesting to note is the variation in educational attainment amongst CEO/EDs. The majority of the respondents have a master's degree (38%) or some level of graduate schooling (18.5%). The remaining respondents have bachelor's degrees (6%) or some undergraduate education (23%), doctorates (8%) or law degrees (4.6%).

## FINDINGS

The findings reported here reflect a diversity of nonprofit capacity-building experiences in Minnesota as communicated by study participants in focus groups, interviews and survey responses. These findings shed light on the existence and efficacy of nonprofit capacity-building services, what types of assistance are most needed and utilized, where challenges and barriers to capacity-building service exist and how specific groups or events within organizations in the environment shape nonprofit capacity and advocacy.

In the first section of findings, we describe what nonprofit executives, capacity builders and funders report about their thoughts on the Minnesota nonprofit sector as a context for capacity building. Then we examine some of the motivations for and barriers to engaging in capacity building. Next, we explore how the three groups in our sample understand and define capacity building. The findings that follow within the next section describe what we learned about capacity-building *providers, services, recipients and results* based on responses in surveys, interviews and focus groups. And we conclude with specific findings related to nonprofit capacity to engage in advocacy activities.

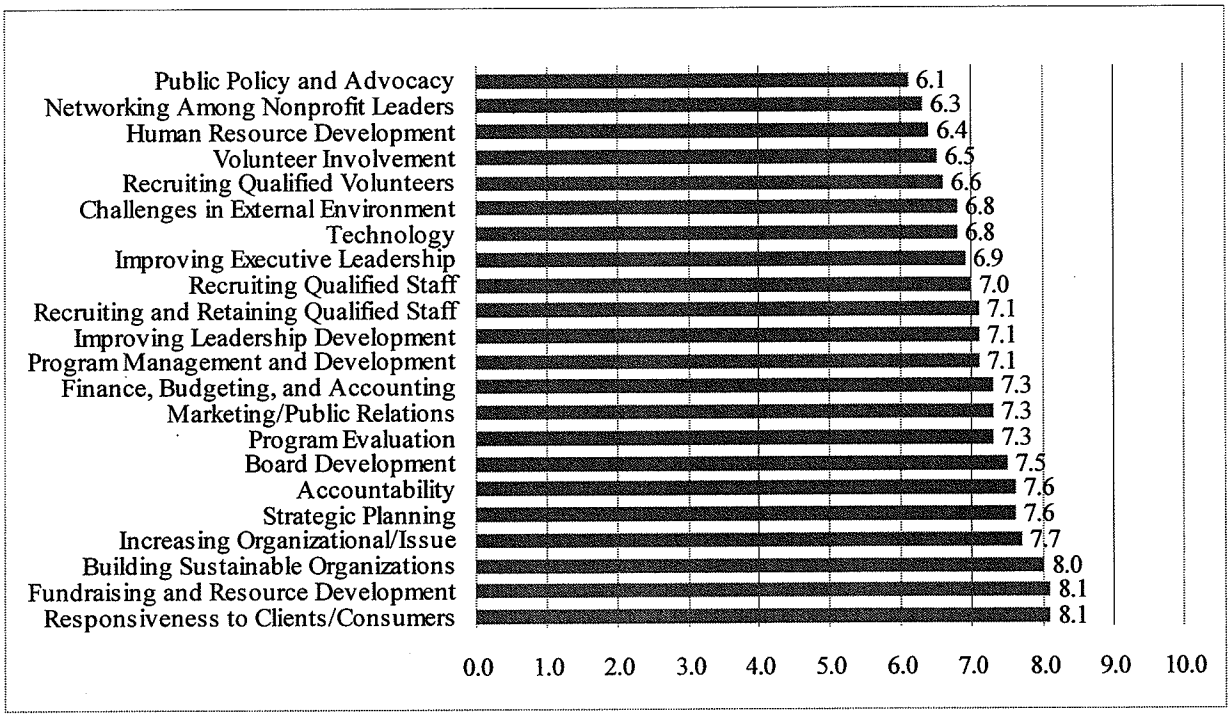
### THE ENVIRONMENT FOR NONPROFIT CAPACITY BUILDING IN MINNESOTA

To lay the groundwork for the findings of this study of nonprofit capacity building in Minnesota, it is useful to understand the environments where our study participants operate. There are a number of complexities that emerge from our research that relate to nonprofit capacity-building needs. In the sections that follow many different facets of capacity building, ranging from reported critical issues, geographic context, commercial business influences, government and funder policies and peer networking, are explored.

#### *Critical Issues*

The capacity-building landscape is outlined in Figure 1 below through critical issues facing survey respondents in relation to capacity-building needs. The table represents how critical each issue is to Minnesota nonprofits on a scale of zero to ten, with ten being extremely critical and zero being not at all critical. As is illustrated in the table, nonprofits are faced with a variety of challenges; capacity building could potentially be a resource to help Minnesota nonprofits with these critical issues. These critical issues range from public policy and advocacy reported as being on the low end of the criticalness scale and responsiveness to clients/customers on the high end of the criticalness scale; however, all of the issues listed below are listed as critical by the nonprofits surveyed.

Figure 1: Critical Issues Facing Nonprofit Leaders in Minnesota




*Geographic Context*

In the course of interviews and focus groups for this study, discussion arose regarding geographic issues, particularly focused on rural-metropolitan challenges faced by participants. On the whole rural participants reported barriers to participation and certain services because their geographic location lies outside of Minnesota metropolitan areas. One executive director summed up the difficulties for a rural nonprofit in the following manner:

> We're a very small community and the potential for volunteers is limited and the potential for dollars is limited … in terms of donations, and I think that as more and more government programs are being cut back there is more and more being asked of the nonprofit community …eventually my concern is that we're going to run out. I know that there are a lot of people that don't volunteer, but I also know that we have a very high poverty rate in this community and I think that's fairly common for rural communities … if you've got a high poverty rate you've got people that don't have the time the energy or the money to volunteer or to donate and I think that's a big issue in a rural community too … that interferes with our ability to reach out and bring more people into what we're doing.

There were several different capacity-building issues related to geographic context brought forth by participants; service accessibility, rural technology barriers and small nonprofit funding challenges.

Rural geographies often impose a broader consumer base, and related costs and complexities, for rural nonprofits in comparison with metropolitan-based nonprofit organizations, which typically enjoy more concentrated definitions of service catchments. Participants in more rural areas of Minnesota also reported struggling with diversifying their board of directors. At the same time, rural nonprofits expressed concerns that they might burn out the few existing board members that they have.

Rural participants communicated that annual budgets of about $150,000 were perceived as being fairly large budgets within rural nonprofit communities. In such small nonprofits, volunteers are vital to helping fulfill mission and project work because of limited resources. Nonprofit organizations in Minnesota have a larger range of volunteers than they do paid staff members. Our respondents reported that often, for example, smaller nonprofits do not have the luxury of research and development capacity for grant proposal writing and programming, which makes capacity building challenging at times.

Rural Minnesota nonprofits consistently reported the impression that resources are concentrated around the Twin Cities. Generally, there are fewer consultants and fewer educational opportunities through venues such as management support organizations (MSO) and universities in these areas, which may explain survey results presented in later sections about the types of services used. Nonprofit participants discussed their appreciation of the opportunities they do have through MCN and a few other agencies but some participants still expressed that workshops are not very accessible. There was, however, hope expressed that in the future regional or satellite offices will be opened. Regional offices could then provide more workshops which could potentially cut down on cost and travel time for rural nonprofits no longer needing to have to travel to the Twin Cities for such services. Several funders discussed trying to provide trainings in rural areas to help mitigate the lack of access to educational resources in the rural nonprofit community. Funders also indicated a desire to build relationships and working with management support organizations in creating educational opportunities for rural nonprofits. A consensus emerged across survey respondent groups relating to a desire to provide more educational opportunities in rural areas; the rural respondents in our study would applaud action in such a direction.

One specific area in which rural nonprofits expressed a wish to grow and have learning opportunities is in the area of technology. With technology comes the need to learn about the newest and the latest, as well as to regulate usage. Rural areas in Minnesota are just now getting technological amenities such as broadband and fiber optics, so there is less development in these aspects of technology. Nonprofit participants noted that navigating the internet was critical in developing a client base and public relations within the community. Many nonprofits are even hesitant to admit they use their funding to purchase sophisticated technology because it is viewed as a luxury item by the community, despite its necessity.

As people move from rural to urban areas, many rural nonprofits are at risk of closing down, though they are still experiencing overall usage increases and a constantly wider demographic base of clientele. As rural nonprofits reach out to their customers in increasingly more broader and more remote areas, they report experiencing a harder and harder time obtaining funding because remote services do not look very effective on paper in terms of cost-effectiveness. There are also significant transportation and communication costs associated with helping clients in remote areas. Also, as economies struggle in rural areas, small private businesses were reported as being perceived to be receiving preferential treatment over nonprofits by city governments and chambers of commerce. These small commercial organizations are springing up with services that were formerly provided by nonprofits such assisted living and subsidized housing. Many rural nonprofits reported being overlooked, in favor of small businesses, when applying for larger grant proposals, even though they meet a comparable need. There is a perceived bias present toward small commercial business over small nonprofits.

*Commercial Business Influences*

As private companies emerge with an interest in human services, nonprofits from across the state reported being generally left struggling to compete. Small rural nonprofits report that small businesses in their communities are often duplicating services already provided by nonprofits. Several rural nonprofit participants commented that resources are being shifted toward small business and away from nonprofits, particularly as government contracts become less available. Rural nonprofits noted their hyper-focus on fundraising in the effort to survive. Participating funders expressed the strain of a bigger push by local nonprofits to raise funds, especially in rural areas where there are fewer funders and where those few funders receive multiple and competing requests. Many nonprofit executive directors have expressed an interest in forming coalitions regarding

different fundraising issues such as technology and marketing. There is a sentiment that perhaps such a coalition could help nonprofits no longer have to battle amongst themselves for the same few dollars. One nonprofit executive director indicated that the types of fundraising initiatives in which nonprofits are currently engaging is a "shotgun approach," where you just shoot everywhere and hope you hit something.

Some nonprofit and capacity builder participants expressed that for-profit organization can also be of benefit to the nonprofit sector. Some for-profit organizations have developed charitable giving commitments such as the Keystone Awards mentioned earlier, with their own funds serving as a resource to community nonprofits. Some have developed needed community programs. With their resources, they are often in a position to help nonprofits move their mission forward and some have the good will to do so. Many for-profit staff members also serve on advisory committees for financing, programming and fundraising initiatives. Many also serve as volunteers.

*Government and Funder Policy Influences*

A number of respondents reported that aspects of the Minnesota policy environment makes nonprofits feel pressure to move toward a business integration model and to be transparent in their financing so as to be above reproach. In addition, many nonprofits report feeling that the political and social climate has changed so that helping the disadvantaged is no longer viewed in positive terms; some public policies are seen as resulting in even widely changing the client base of certain nonprofits. Nonprofits are expected to accomplish a great deal with very little resources; capacity building is seen as the cost that can be trimmed out of the budget. Nonprofit participants expressed the perception that funding is focused on direct services, not to staff development. Funding is especially given to new programs that are seen as cutting edge, versus sustaining programs that already exist with demonstrated need. Many nonprofits express the stress of trying to frame and spin a project to appeal to a funder to "make it sexy," as more than one executive director described. Often times, grants are targeted to a particular demographic, which excludes many nonprofit services from even being considered. Nonprofit study participants discussed policy changes that affect nonprofit funding and the increasing need to re-package existing programs and services. Many executive directors expressed that their client service is dependent on what is in style, as the following focus group conversation indicates:

> Participant 1: This constant, this is a popular idea and we will give you money for it for now and then a new political wave comes in and then you're done. And like

> another person said, the needs don't go away. [[...]] There's just something wrong to me with a system that is so politicized, you know? That's the whole thing. I mean, 'cause we're talking about people's lives here. We're not talking about the whims or...
>
> Participant 2, "What's in style."

During this conversation, the people sitting in the room participating in the focus group conversation were all nodding their heads and expressing their agreement with this statement.

Many nonprofits expressed difficulty navigating the changing laws in terms of labor and financial requirements. Education on changing nonprofit legal requirements was noted as a very useful topic of training for nonprofits, especially since certain grants require an audit of some sort to establish nonprofits compliance with applicable laws. These differing funding requirements result in frustration that such varied requirements make grant writing very time consuming for nonprofit staff. As part of these differing requirements some funders want reports on the daily time devoted to a project. Keeping such records was noted as an example of being tiresome and placing undo pressure on the staff to focus on grant-funded programs and neglect capacity-building needs. Yet, another example of differing requirements is the level of sophistication some funders require with evaluations and assessments. Few nonprofits participants reported access to a statistician on their staff that can quickly or with reasonable ease interpret data results and provide a clear empirical analysis for the funder. Also, while considering the difficulty in mediating the different requirements, nonprofits expressed that one-size-fits-all funding requirements do not work with the widely diverse needs of the state.

Many capacity builders indicated that their role involves aiding Minnesota nonprofits in mitigating the policy pressures of government and funders. A number of capacity builders also reported coaching nonprofits on how to influence the decisions of key policy decision makers. Capacity builders reported striving to equip the nonprofit community to survive despite the fact that the perception is that policy makers and funders often want more for less. It is perceived that over time, government and funders have started to provide fewer resources while expecting nonprofits to continue producing the same quality and quantity of services.

In lieu of a desire to influence funder decisions, many participants expressed that capacity building is simply the current popular issue to fund in nonprofits. Several nonprofits expressed that they engage in capacity-building initiatives to stay current and therefore continue to receive funding. A positive aspect of this effort to stay current is that it can help communities better identify a need that no one is addressing in the community or in the agency itself. Most participants, however, noted that competition for funding carries a burden to label general operating funding in program terms. It was noted that sometimes re-framing can be of benefit to nonprofits when it causes them to seek new ways to build their organizational capacity. Yet, many participants commented on capacity building as feeling like just another organizational cost versus an investment in themselves or the community because it is such a trendy thing to fund. Many nonprofits indicate that it would be nice to be able to have a small pool of money set aside by funders for general operating expenses.

Another strain on nonprofits is that some funders are starting to compete with nonprofits by providing their own direct services. A number of nonprofits reported seeing this as duplication of services and mission creep on the part of funders. It puts an additional pressure upon nonprofits to prove that they are the most efficient provider in the community and to build personal relationships with grant providers to know their biases in funding and their future plans for providing services. The problem with duplication of services in general was also highlighted by capacity builders as inhibiting effective nonprofit service provision to the community.

*Peer Networking*

Despite resource limitations and other factors that could lead to a highly competitive environment, nonprofits in our study reported the existence of a very collaborative environment with each other. Participants noted that they use each other as outside resources when hiring consultants, to be certain the person who is hired will be an effective and efficient use of their resources. Along the same lines, participants also seem to look out for one another in terms of funder relationships. One community expressed that a funder asked a nonprofit to tell them who they should not fund in the community to be able to fund this particular nonprofit and this nonprofit told them that they would not be subject to making this decision. They refused to potentially damage their relationship with any of the nonprofits in their community because of the tightly knit working environment in which they operate. While they clearly recognize the competitive environment in which they are forced to exist, they are considerate of one another.

Many nonprofits participants noted that together, as a nonprofit community, they are more equipped to create innovative capacity-building initiatives that can change how programs and planning are done in the nonprofit world. Sometimes new nonprofits form through what were originally partnerships and collaborative efforts. The collaboration is beneficial to nonprofits because it cuts down on duplication of funding requests and program initiatives and it allows agencies to engage in open dialogues of what needs still exist in the community and must be addressed by the sector.

A negative aspect that was expressed about such collaborations is that nonprofits can become too dependent upon each other. For example, if a new executive director takes over a nonprofit and wants to move it in a different direction, it can be a jarring change to a nonprofit that relies on collaboration. In addition, if an organization has devoted resources to an expected collaboration and plans fall through, the board of directors or an outside viewer may perceive that money as wasted.

On the positive side, many executive directors discussed the learning that takes place in collaborative environments and expressed that the benefits outweigh any negatives. In addition, numerous nonprofit executives stated that they hope to educate the public regarding the need for coalition building. There are several factors that provide an ample return on the investment of collaboration, such as being able to learn from other executive directors, to come together and plan one's own set of trainings in a needed area such as information technology or marketing, to serve as consultants to one another on a variety of issues or to build a national network of relationships. Having a peer network to be able to discuss ideas with was discussed as an invaluable resource to many executive directors. This is particularly important because many executive directors describe their job as isolated. Through collaboration, executive directors have the opportunity to develop understanding of policy issues, rely on colleagues in a time of need, advocate for the needs of a community and to build personal and professional relationships that will help them succeed. Networks can also help nonprofits as they consider branching into a new geographic area. They can learn from others already working in that area.

Many nonprofits express that collaborative relationships keep their organizations from falling prey to mission creep. As nonprofit executives observe the actions of other organizations in the community, they report not being motivated to duplicate those services or go beyond the scope of their mission. Collaboration also helps nonprofit agencies find new clientele, tailor their own services in a more direct manner to their clientele and know where to refer clients if a new need arises. In

addition, collaboration provides nonprofits with the opportunity to gain more funding. If a funder sees that three agencies together are fully equipped to address a certain need, often a larger grant may be in store for them.

If collaboration is implemented to its fullest extent, many nonprofits expressed a desire to be able to share client information in necessary situations without violating confidentiality. Sharing a database of information would help clients avoid filling out a form and re-telling their story every time they needed a service. Nonprofits expressed the desire to find a way to streamline services as much as possible. One executive director described streamlining the process as "more gets accomplished for everyone." Such streamlining can even cut down on expenses. When working with each other, nonprofits can build a stronger presence in the community. Capacity builders expressed a desire to see peer networks evolve and utilize assessment tools that give them a true meaning and purpose to be most effective. As a result capacity builders therefore desire increased capacity building efforts related to information systems and data sharing policies. They further indicate that networks should have goals and a vision and the strategic plan that goes with it. A charter should define the membership, the decision making process and the outcomes of the collaborative.

## Participants' Definitions of Capacity Building

The study's working definition of capacity building, adapted from *Grantmakers for Effective Organizations,* is "an organization's ability to fulfill its mission measurably through a blend of sound management, strong governance, and a persistent rededication to assessing and achieving results" (Bies and Rehnborg, 2005). Most study participants voiced agreement with the definition of capacity building from prior studies that Texas A&M University researchers provided to study participants. Participants also reported a strong familiarity with capacity-building efforts because of the interest of funders, policymakers and clients in capacity building. Although many participants agreed with the definition above, most of them indicated that our general definition served as more of a jumping off point for defining capacity building. More specific conceptualizations of the term capacity building emerged in the interviews, and are discussed in turn below.

### *Definitions Identified by Nonprofits*

Interview, focus group and survey respondents all were asked to react to the study's definition of capacity building and to state their own organization's working definitions of the term. Most nonprofit respondents stated that capacity building involves a component of organization sustainability. Many also noted that the definition of capacity building should evolve as an

organization moves through its life cycle. One executive director stated the needs in organizing a nonprofit life cycle as follows: "When you get nonprofits that are maybe somewhat in survival in mode, there's that capacity development that needs to be implemented like creating immediate earned income strategies, creating fund development...Maybe a nonprofit that's struggling with technology, then you throw in the technology development and then you know, you throw in those tools to help the nonprofits survive. But I also think that in [later] life stages, nonprofits [need to focus] more strategically...look at efficiency, look at niche, look at how we can do our job better." That is to say, a nonprofit organization in its infancy is focused on building a board of directors and building a client-base, where a mature nonprofit may need to reassess how effectively they are meeting their mission and what new sources of support they can access; conceptualizations of capacity building would in turn stem from these varied life cycle stages.

Participants indicated that the term capacity building needs to include both relevant aspects of nonprofits' internal abilities and the expectations of external stakeholders such as clients, policymakers and funders. Such an orientation to the definition also means an ability to research the market forces affecting the organization and the other providers in a given service field or the lack of other providers in a given service field. Assessment can also involve gathering research on previous capacity-building efforts used, their effectiveness and lessons learned. Qualitative data on previous capacity building efforts can then be utilized to guide organizations' understanding of their effectiveness and to inform donors and other stakeholders as to why they should support and advocate for such capacity-building efforts.

Responsiveness and adaptability were also included in the capacity-building definition put forth by some nonprofit participants. An organization must be capable of reframing its existing programs and mission-related activities to stay relevant to its community or to sustain donative sources of revenue. One executive director worded his definition of capacity building in terms of adaptability in the following manner: "I consider that it is extremely important for the capacity building of any organization to have the fluid dynamics to adjust to the needs of the population and the communities that we serve. The last twenty years in Minnesota, especially in the Twin Cities, we have changed the dynamics of the population tremendously, so capacity building has taken a new meaning." A great deal of flexibility is necessary to be responsive. Participants did comment that it can unfortunately be difficult to be both flexible and strategic in nature.

Strategic planning was also noted by participants, both nonprofits and capacity builders, as an important aspect of the definition of capacity building, particularly as it pertains to achieving goals. Strategic planning necessitates an understanding of the organization and its environment such that the organization's leadership can plan adequately for the future. More specifically, a strategic plan involves managing growth, proper preparation and ensured adequate monetary and non-monetary resources. It will also likely include an ability to think creatively, particularly when dealing with a mature organization with engrained practices. So, the organization's leadership must be able to see how changes in the organization's program, funding or clients pursued will help to sustain the organization long-term and to ensure mission success.

Another definition component noted by nonprofit participants was the role that parent organizations or service field standards play. National headquarters or parent organizations can require measurement methods to measure organizational success. Such methods can come in the form of accountability or performance measures implemented at the national level. And, capacity building can also be accomplished through standard thresholds created through research and experience at the national level that make evident organizational efficiency and effectiveness.

*Definitions Identified by Funders*

Funders discussed their observations of how nonprofit executive directors must scramble for time to build their capacity. They state that capacity building and the reasoning behind the funding of it is to see executive directors take the time they need to step back, reflect, and enable the organization internally to meet organizational needs. One funder indicated that capacity building for nonprofits is largely being able to see the potential for the future of the organization. Another funder described capacity building for nonprofits as inner effectiveness, being equipped to meet all the challenges that lie ahead and meet client needs. Funders generally state that they are not looking for one key ingredient in capacity building, but that look at what an organization has done to attain a certain level of capacity. Funders express that they are looking for the ways that nonprofits fulfill their mission and overcome difficulties. The process is critical and dynamic, and does not center on just one single element to capacity building. Funders also expressed wanting nonprofits to find ways to engage in their own capacity building versus simply hiring someone to tell them how to do things. Many funders view capacity building as primarily about nonprofit staff learning.

*Capacity Builder Definitions*

Capacity builders define capacity building as the commitment of people working within an organization to hone their own skills. They also discuss empowering nonprofit staff to have the ability to recognize their weaknesses/strengths and to know where to grow. Respondent capacity builders recognize that a large amount of capacity building takes place internally, without the help of someone outside of the agency even thought that is their livelihood. Many capacity builders see capacity building in terms of a larger picture, the infrastructure of the nonprofits community. One nonprofit executive director used the well-known symbolism of, "Give a man a fish and he will have a fish for a day. Teach a man to fish and he will have fish for life." Capacity builders see their role in the definition of capacity building as teaching nonprofits to be more effective and more efficient with their resources and service provision. A respondent capacity builder summed up nonprofit capacity building in the following way, "Well, I think in order to be meaningful to our customers, our clients, our participants, we have to be concerned and driven about those same things that they are concerned and driven about and if we are not, we are not a very relevant portion of their world. And so in order to be relevant, we need to take that on and we need to address it, and we need to be more providing resources for them, because it is a big issue for nonprofits."

## DRIVERS FOR CAPACITY BUILDING

One of the questions this study explores is what factors encourage engagement in capacity building efforts? This question was posed to participants in focus groups and interviews and to all three types of providers in the study: nonprofit executives, funders and capacity builders. Based on their role in the capacity-building process responses differed among types of providers.

*Nonprofits' Drivers for Capacity Building*

In the course of the focus groups and interviews with Minnesota nonprofits some participants identified the board of directors as the leaders of capacity-building efforts; others identified executive directors as providing the impetus. A great deal of the participant discussion regarded the characteristics of a board of directors that results in successful capacity-building interventions. This discussion led to considerations of leadership skills necessary for success, a subject delved into with much breadth and depth. There were however, some participants that saw other parts of the organization as providing the primary drive for capacity-building efforts such as, executive directors, national organizations, government and other staff champions.

Based on participant comments, the sentiments were evenly split between those who see boards of directors and those who see executive directors as the primary leadership force for engaging in capacity building. Even those participants who identified the board of directors as the main leadership influence still offered a great deal of discussion regarding the role of the executive director in mentoring or shepherding board members through the leadership process. These executive director efforts to build board capacity ranged from education regarding the basics of nonprofit boards to education on the specific mission and needs of their organization. To inform boards on the work of the organization, site visits were identified as particularly effective means of informing as well as motivating boards members regarding the work of the organization.

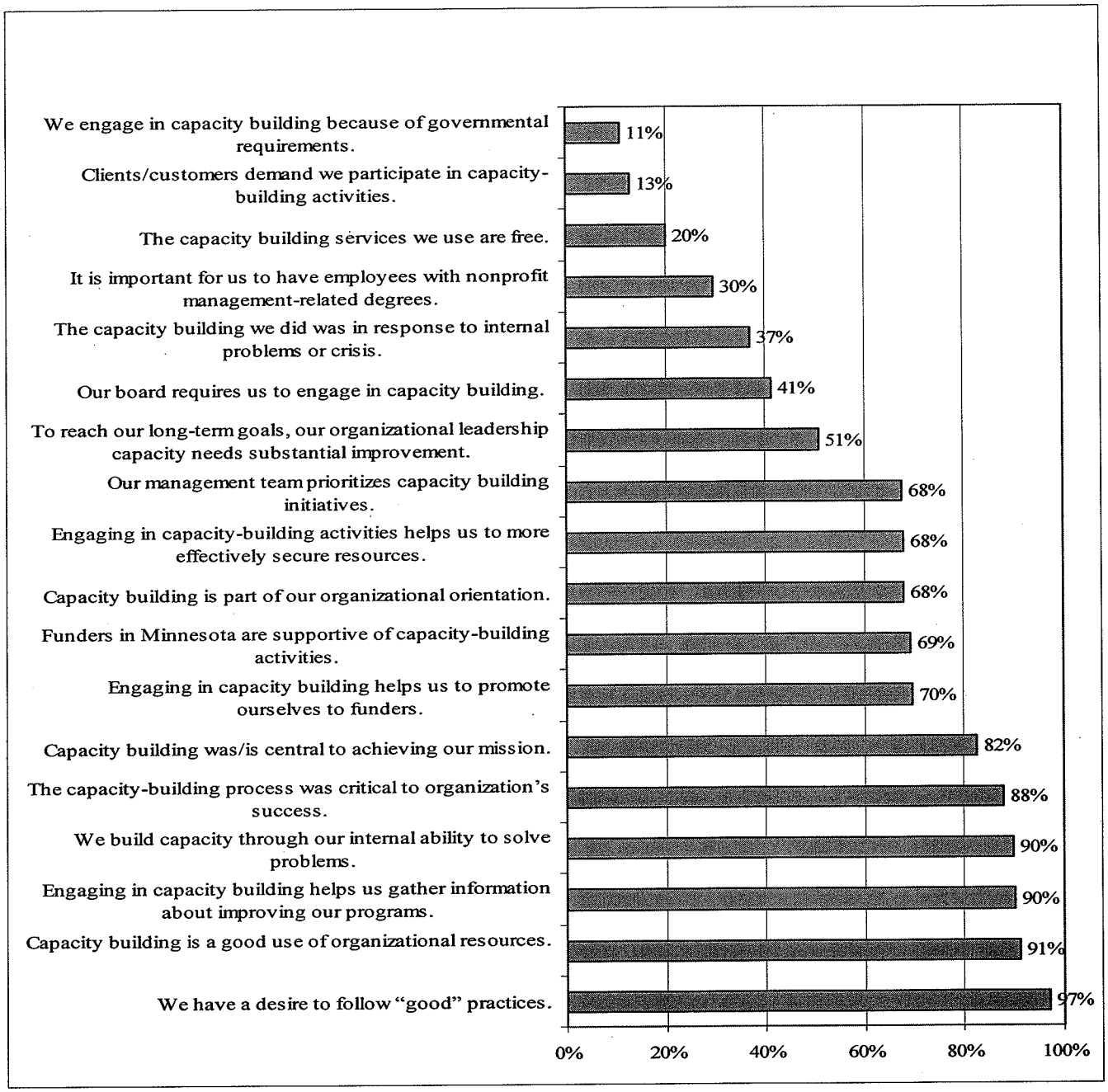
Another positive aspect of board involvement with capacity building included an engaged and eager board. In one particular organization, the executive director described her board as being inquisitive and interested in what ways they could help the organization, always looking for new projects. In this case, the level of interest led to increased involvement in and support for capacity building. The level of interest also reduced the share of work left to the executive director. Often in respondent discussions a motivated and engaged board was deemed synonymous with an experienced board. In several discussions, other aspects of motivated and engaged boards were referenced. In these discussions some other themes of board interest and influence arose. For example, an element of capacity that surfaced as being of particular interest to many boards is that of organizational stability. And others identified the influence of the board as largely in the role of strategic planning. Still others noted boards' roles in assessing and attempting to meet community needs, even beyond the scope of an organization's clients.

There were exceptions to the sentiments expressed that leadership efforts rely on the board being in concert with the executive director. In the exceptions a diversity of influencers ranging from executive directors to national organizations and government agents to staff members were noted as driving forces behind capacity-building efforts. In some participant organizations, particularly small or very young organizations, capacity-building leadership was expressed as belonging solely with the executive director. Another segment of nonprofits said to drive capacity building were staff members. In this case capacity building leadership is provided by a team of key staff members or a leadership team. When staff was identified as the primary leadership force behind capacity building the board was often sited as a participant in the process but in more of a supportive role in which they review the data brought forth by staff members and act on their recommendations. Also interesting to note,

in some organizations that are part of a national network, leadership influence is largely felt from the parent organization and its capacity goals for network entities. A nonprofit executive described the leadership influence of their national organization,"...[N]ow [our organization] has taken it on as their mission statement that they will increase capacity down to the agency level...they're really putting pressure on us to expand capacity..." This can also be accomplished through accountability and performance measures that are required of the local organization, which then compels the organization to engage in capacity-building efforts.

Nonprofit participants were asked in the survey questionnaire to examine factors that orient or motivate their capacity-building participation. This orientation is the driving factor behind why many nonprofit organizations participate in capacity building at all. The percentage of different orienting factors reported by Minnesota nonprofits can be seen in the figure above. The vast majority (274/97%) of respondents agree that they have a desire to follow "good" practices. Other motivators to engage in capacity building include believing that capacity building is a good use of organizational resources (257/91%) and that engaging in capacity building helps to gather information about improving programs (254/90%). Furthermore, respondents agree (252/90%) that they build capacity through their internal ability to solve problems and that the capacity-building process is critical to achieving their mission (246/88%). However, the respondents generally did not agree that capacity building was driven by outside motivators. For example, the respondents do not identify their clients/customers (36/13%) or governmental requirements (30/11%) as reasons why they participate in capacity building. Additionally, only83 respondents (30%) noted that it was important for their employees to have nonprofit management-related degrees.

Figure 2: Capacity-Building Orientation in Nonprofits




*Capacity Builders' Drivers for Capacity Building*

Many capacity builders defined their successes as the clients' self-identified successes. Similarly, they structured their own programs based on client feedback. Based on this information, one can conclude that capacity builders enter their industry primarily because they want to equip nonprofits and build their own knowledge base so they can continuously be successful. Capacity

builders were the largest respondent group that discussed the need for quality capacity building and a method to ensure nonprofits were receiving the services for which they paid.

### *Funders' Drivers for Capacity Building*

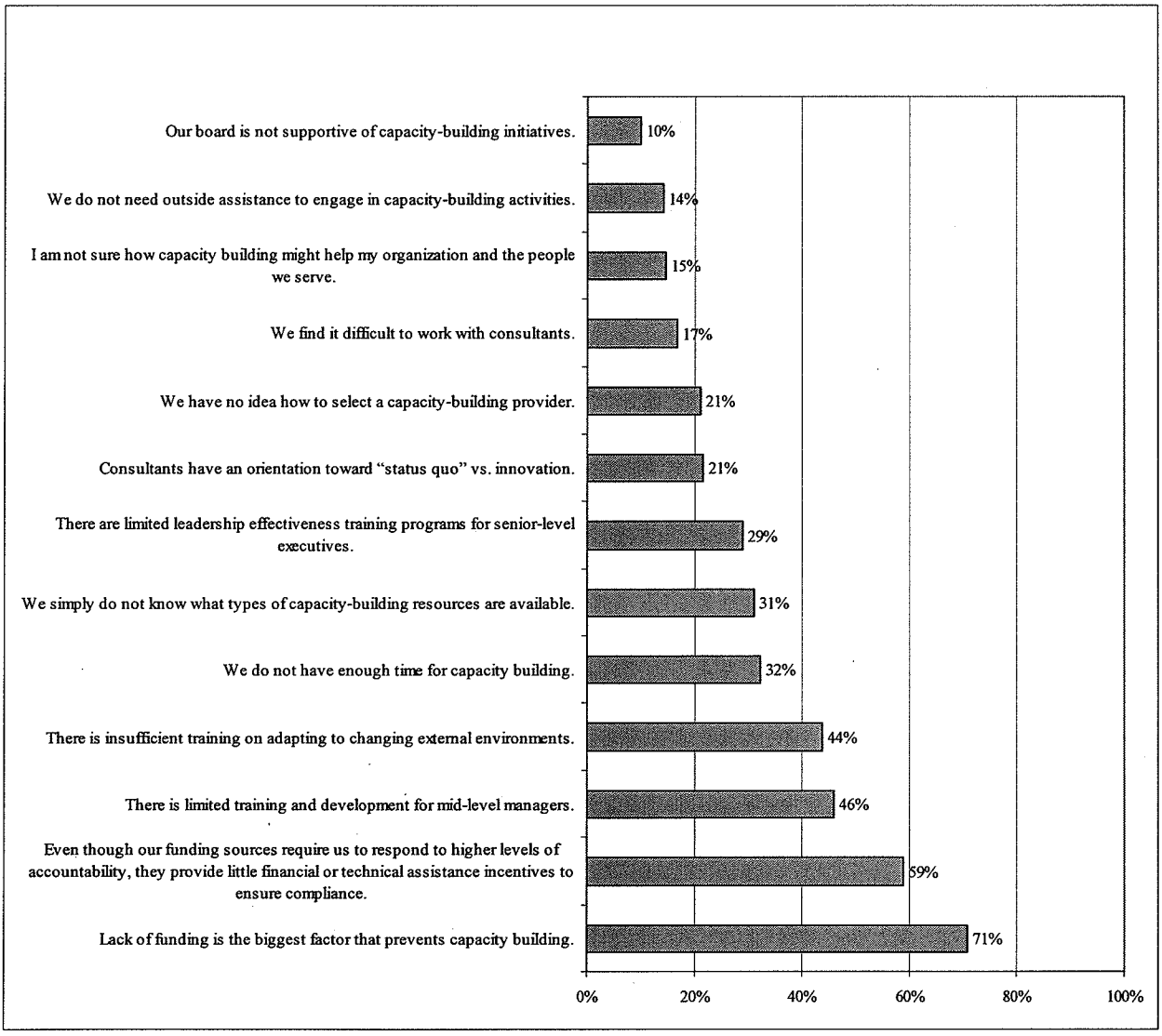
Funders across the board indicated that their drive for capacity building came from a desire to see higher quality services provided to the communities and clients served by nonprofits that they fund. In contrast to the capacity builders' drivers for capacity building, funders focused more on immediate goals and direct services. This immediate focus necessitates that nonprofits' internal success be reflected in terms of direct service success. Some funders perceive an economic need for their services to ensure that nonprofits succeed in grant contract goals.

## Barriers to Engaging in Capacity Building

Nonprofit participants face obstacles in their organizations in capacity-building initiatives. Many nonprofits expressed that their capacity-building goals are not met. As a result, nonprofits cannot achieve the capacity they desire. Many executive directors expressed difficulty teaching their staff to understand capacity-building initiatives. For example, if an organization goes through all of the work to outline their goals to ensure that everyone is on board with the plan, the last thing they want is to not achieve those goals. Clear communication on the part of the board, the staff, the executive director and the capacity builder was also identified as being necessary to achieve capacity-building success. Even with clear communication and goals, barriers may still exist as capacity building is a complex process linked to even more complex organizational processes. The figure below provides an overview of general barriers to the initiation of capacity building and the percentage of nonprofit survey participants that indicated experiencing such barriers.

The chart below examines what the respondents view as barriers to their organizations capacity building. The largest barrier to capacity building is funding, with 196 respondents (71%) agreeing or strongly agreeing. The second largest barrier to capacity building also related to funding. A majority of the respondents (163/59%) agreed that even though their funding sources require them to respond to higher levels of accountability, the funders provide little financial or technical assistance incentives to insure compliance. Overall, a majority of respondents indicate that they need outside assistance to engage in capacity-building activities (14/39%). Additionally, they indicate an understanding of how capacity building can help their organization and the people that they serve (15/40%).

Figure 3: Barriers to Capacity Building




*Sustainability Challenges: Image and Support*

Another challenge faced by nonprofits involves public perceptions and maintaining public support. Some nonprofits expressed that there is a cultural stigma associated with helping the disadvantaged. Nonprofits are often viewed as giving handouts versus aiding in the self-sustainability of a client. Many nonprofits expressed that because they have so few donors who support their mission, their fundraising is ineffective since it targets the same few donors repeatedly. In addition, they continually tap into the same pool of volunteers and that can lead to burn out. Even board and committee members have difficulty seeing the social value of the organizational mission at times. Several executive directors mentioned that board and committee members will often not come to meetings. Executive directors report that often people in a community just do not want to address the

needs nonprofits are meeting because these needs are unpleasant. Thus, it is hard to get community members involved in nonprofit organizations. For example, one executive director who operated a rape crisis center discussed that she had difficulty finding volunteers because nobody wants to deal with sexual assaults. In poverty-stricken communities, sometimes everyone needs the services of a nonprofit. Thus, it is difficult to find volunteers outside of the situation or anyone who can help meet the need. Often in poverty-stricken communities, people feel that the situation cannot be improved regardless of how much help is offered.

A crucial barrier which nonprofits participants struggle with is resource scarcity. A large majority of nonprofits executives interviewed feel that they have too small of a budget with which to work. Generally all nonprofits feel that they do not have enough time to devote to capacity building because there is so much to be done with so few staff members. Many nonprofits feel they do not even have the money to pay the staff they have a decent living wage. One executive director said that attending and paying for trainings feels self-indulgent when there is not enough money to pay the staff well or provide services. Capacity builders also feel the lack of resources and are hesitant to discount consulting services to nonprofits because of the possibility that they will get too many requests for discounted services from other nonprofits if they offer such services to one.

In terms of obtaining money from foundations, many nonprofit organizations say that they struggle with what they indicate as the need to "spin" their programs or "make them sexy." They want the service they provide to seem attractive to funders so they can get the money they need to continue. When organizations must always pay attention to how they look to funders, a difficulty can arise in finding the time to focus internally and build capacity. As one executive director put it, "We do not have time to focus on the process, just the end result." Funders carry their own biases in evaluating nonprofits—preference for a particular population, preference for a particular type of service—and these biases are often very burdensome to nonprofits. A huge factor in whether they are able to get funding is whether they are able to market themselves correctly to one particular funder's preferences. A few funders, however, expressed the strides they take to protect against their own biases. One in particular discussed guarding against becoming another "contract organization," because such organizations generally grant very little discretion and flexibility to the nonprofit. For the most part, contracts are organized in great detail. Few funders try to meet nonprofits where they are.

*Organizational Culture*

Organizational culture in many participating organizations is largely shaped by obstacles the organization has faced such as a loss of funding, inadequate administrative capacity for a growing program effort, insufficient monetary compensation of the executive director, or independent organizational capacity from the organization's founders or executive director. To deal with these obstacles, organizations have found ways to adapt that have shaped their culture. As state funding and large foundation funding became more scarce, one particular organization responded by becoming more fiscally independent as well as developing a more entrepreneurial spirit as an organization. This entrepreneurial spirit meant that the executive director takes programs that are financially successful and focuses the whole organization on that program. In another case, an organization saw national seminars as crucial to educating their board on the inner workings and motivations of their organization thereby integrating the board into the organizational culture. Yet other organizations rely on multiple methods of training for organization members ranging from job clubs that teach soft skills to online training courses.

Some organizations spoke to the need to understand where an organization is in the nonprofit life cycle. This came up in particular when discussing capacity sustaining that is independent of the founders or executive director. Not only was there a need seen for succession plans but also for board of director participation in capacity-building efforts so that such efforts would subsist regardless of job cycling. Capacity builders expressed that organizational cultures need to move towards visionary ownership by all players in a nonprofit—the staff, the board, the clients and the greater community.

*Change Process*

Change, whether abrupt and unexpected or predicted, emerged as general theme relating to the difficulty and complexity of capacity building. For example on a leadership and staffing change level, many respondents discussed developing succession plans, when a founder or executive director resigns, as being difficult. The difficulty is accentuated when a nonprofit founder has difficulty separating from the organization. Another change that nonprofits expressed as commonly having to mitigate is funding cuts. Many individuals discussed the changes in staff members and new staff acculturation as well as some of the generational differences as a difficult process for nonprofits. A few executive directors discussed natural disasters, particularly their impact on funder priorities, as a relevant change. Change in the economy was also discussed as affecting the contracts and grants available to nonprofits. Many nonprofits also have to deal with labor legal issues—knowledge of when to fire staff members and how to do so without being sued. Some changes in the nonprofit

they would like more consultants who have a specifically nonprofit interest, instead of primarily for-profit expertise.

Funders generally expressed that they would like to see higher quality consultants. Though funders acknowledged that there certainly are high quality consultants, funders nevertheless expressed a desire to refer consultants more regularly to nonprofits and by doing so afford nonprofits greater access to capacity-building services. One capacity building professional explained that "the most important thing that we do that determines the success or failure of your project is really good contracting up front... Having a really clear contract and the right goals for the consulting project. Getting the right talent on it." Capacity builders indicated that for them to produce a high quality product is to have all the expectations and plans agreed upon from the start of the project.

### Types of Capacity Building Available

Focus groups and interviews with nonprofits participants shared capacity builder organizations they had utilized as well as some areas of the capacity-building field where some participants would like to see more providers. Capacity builders that were explicitly identified by nonprofit participants in focus groups and interviews :

- Local Initatives Support Corporation-Duluth,
- Northwoods Nonprofit
- Center for Continuing Education Nonprofit Program, University Wisconsin-Superior
- Minnesota Council of Nonprofits
- St. Thomas University Institute for Executive Director Leadership
- St. Thomas University Mini MBA Program
- Blandin Foundation's Leadership Program
- Nonprofit Assistant Fund
- Board Source
- University of Minnesota, Duluth
- College of St. Scholastica
- Management Assistance Program for Nonprofits
- Itasca Economic Board of Development Small Business Department
- United Way
- Chambers of Commerce
- Minnesota Power
- Americorp/VISTA
- Itasca Community College
- Mary Jo Wimmer, Grand Rapids Consultant
- Northern Minnesota Colleges: Rainy River, Hibbing, Vermillion
- Better Business Bureau
- National Peer to Peer Associations
- Powderhorn Wellness Center, Hamlin University, Pillsbury
- Council of Federations

- Association of Fundraising Professionals
- Boy Scouts of America trainings
- Boys and Girls Club trainings
- The Central Minnesota Agencies Collaborating to Enhance Services
- St Cloud State University
- St Cloud Technical College
- College of St. Benidict-St. John's University
- Pew Partnership
- University of Wisconsin Superior
- National ARC, Larson Allen
- Hamlin, Humphrey Institute
- Carlson, Oxford
- Creation in Common
- Young Women's Christian Association
- Initiative Foundation's Healthy Organizations Partnership and Full Circle Communications

Some substantive areas in which participants noted an absence of capacity builders were, information technology consultants, and to a lesser degree, management support organizations. One executive director mentioned the lack of management support organizations particularly in terms of youth development. A few of the nonprofits also mentioned that while there are many universities available in the communities, they could be more helpful with capacity building.

In the table below, respondents reported on the accessibility and availability of different capacity-building services. Survey respondents indicate that they have good access to capacity-building research. Overall respondents indicated satisfaction in their quantity, access and quality to different academic programs and resources. Responses were mixed on whether or not staff, at all levels of the organization, have access to capacity building. Slightly less than half of the respondents think most funders that fund capacity building allow the nonprofit to tailor capacity building to meet their specific needs. It is mixed whether or not there are enough capacity-building programs that are able to be tailored to individual nonprofits' needs. While only 34% of the respondents have knowledge of programs that serve specific ethnic communities, those that do note that there are too few programs.

Table 3: Quantity, Access and Quality of Capacity-Building Services

| Note: the "+" sign indicates strength or a positive response from the respondent, a "-" sign suggests a weakness or area of improvement would be desired and a "+/-" symbol indicates mixed results | Quantity | Access | Quality | Lack of Knowledge |
|---|---|---|---|---|
| **General Observations** | | | | |
| *Nonprofit CEOs have good access to capacity-building research, publications and tools* | | + | | 10.7% |
| *Staff at all levels of our organization are exposed to capacity building* | | +/- | | 10.9% |
| *The capacity-building programs in Minnesota have demonstrated they can achieve results* | | | + | 48.8% |
| *Most funders that fund capacity building allow the nonprofit to tailor capacity building to meet their specific needs* | | | + | 42.2% |
| *There are enough capacity-building programs that are able to be tailored to an individual nonprofit's needs* | +/- | | | 45.3% |
| *There are too few capacity-building programs that serve specific ethnic communities* | + | | | 66.2% |
| *There are enough capacity-building programs that address the needs of more advanced nonprofits* | +/- | | | 57.8% |
| **Academic Programs and Resources** | | | | |
| *It is difficult to obtain information about nonprofit-related degree programs (e.g. executive education, continuing education, workshops and certificate programs) at local universities* | | - | | 11.9% |
| *The university and college-based capacity-building offerings bring a higher level of quality to local capacity-building offerings* | | | + | 39.7% |
| *Research conducted at local universities on nonprofit issues is important to improving nonprofit capacity* | | | + | 32.9% |
| *Non-degree programs (e.g. executive education, continuing education, workshops and certificate programs) in the area are of high quality* | | | + | 38.9% |
| *Nonprofit management degree programs offered at local universities are of high quality* | | | + | 51.6% |
| *There are too few non-degree programs (e.g. executive education, continuing education, workshops and certificate programs) in the area* | - | | | 38.8% |
| *There are too few nonprofit-related degree programs at local universities* | - | | | 45.7% |
| **Consulting Services** | | | | |
| *It is difficult to obtain information about Minnesota's capacity-building consultants* | | +/- | | 15.6% |
| *There is an adequate number of consultants and trainers who "get it," i.e., who are able to meet organizations where they are and address their current needs* | | | +/- | 30.2% |
| *There is a trust that confidentiality will be maintained by capacity-building professionals* | | | + | 34.8% |
| *Capacity-building consultants in Minnesota offer high quality services* | | | + | 44.4% |
| *There are an adequate number of people of color working as consultants and trainers* | - | | | 52.6% |
| *There are too few capacity-building consultants in Minnesota* | +/- | | | 54.4% |
| **Workshops and Training** | | | | |
| *It is difficult to obtain information about capacity-building workshops in Minnesota* | | - | | 12.4% |
| *It is difficult to obtain information about non-degree programs in Minnesota* | | + | | 20.8% |
| **Peer Interaction** | | | | |
| *There should be more opportunities to interact with peers for the purposes of learning about capacity-building practices* | | + | | 9.6% |
| *I find it really useful when I interact with peers for the purposes of learning about capacity building* | | | + | 16.0% |

## *Adequacy of Capacity-Building Services*

Most nonprofit professionals interviewed expressed an enjoyment of leadership development programs and trainings they have undergone. These executives liked being able to qualify their own staff and volunteers to do capacity building because these are people with whom they have a long-standing relationship and trust their expertise. And they experienced more successful capacity-building interventions when they were carried out by their staff.

Overall, Minnesota nonprofits surveyed expressed that the university and academic programs are good resources for capacity building. Although a little more than half were not knowledgeable about the degree of quality of nonprofit programs at local universities. Most professionals surveyed are knowledgeable but they are mixed about whether or not it is difficult to obtain information about Minnesota's capacity-building consultants. People are unsure whether or not consultants and trainers "get it." Organizations feel that they can trust that capacity-building professionals will maintain confidentiality. Those that are knowledgeable about the issue believe that capacity-building consultants offer high quality services. Only 44% note that they are knowledgeable about the subject. Only 53% are knowledgeable on the subject, however, those that are knowledgeable do not think that there are an adequate number of people of color working as consultants and trainers. It is mixed whether or not nonprofits think that there are two few capacity-building consultants in Minnesota. A large majority of the respondents are knowledgeable on the subject of capacity building but add that there should be more opportunities to interact with peers for the purposes of learning about capacity-building practices. The majority of respondents find it really useful to interact with peers for the purposes of learning about capacity building. Further discussions about the successful elements nonprofits identified in this interaction is in the section entitled Peer Networking.

*Accessibility of Capacity Building*

Many of the rural nonprofits indicated that they do not have much access to management support organizations because they typically focus their efforts in the Twin Cities. In many of these areas, funders can also serve a capacity-building role by providing trainings. Nonprofits expressed that they want funders to serve as capacity builders by providing feedback to nonprofits regarding why they did not get funded. Survey respondents did not express difficulty in obtaining information about capacity building in Minnesota. But they did express difficulty in obtaining information about capacity-building workshops in Minnesota. The disparity between survey respondents and focus group/interview respondents in this area is generally between the accessibility of rural versus urban nonprofits.

*Assessment of Capacity Building*

The main assessment tool used across the board in the nonprofit community is word-of-mouth. For this reason many nonprofits expressed a desire to have reviews of capacity builders posted at one place on the internet for them to view many opinions at once. The desire for one website, where nonprofits can read and post their reviews of capacity builders, was a strong theme that emerged through our analysis of the data.

A few nonprofits said that they like to have their clients serve as consult for nonprofits about services provided and how best to serve their specific needs. Many of the nonprofits expressed the desire to serve as capacity builders to each other and to share the knowledge they have experience at brown bags or similar events. In addition, to sharing knowledge, many nonprofits expressed that such meetings could keep services from being duplicated in the community, which one executive director stated "hurts everybody's capacity building."

*The Evolution of Capacity Building Services and the Industry of Providers in Minnesota*

According to both funders and nonprofits, successful capacity builders said to be very organized, methodical and detail-oriented. They are also responsive to the individual needs and organizational culture of a nonprofit organization. A few people mentioned that the nonprofits themselves also need to be organized in their requests for services and have a plan of what they expect from the consultant. Many nonprofit are also appreciative of capacity builders who build their own capacity and evaluate their own services. In addition, a few nonprofits suggested that an evaluation or watchdog sort of organization would be beneficial in the capacity-building industry. Many funders offered their input on monitoring the success of capacity building. Most of them discussed some form of benchmarking or reporting required for evaluating the success of the capacity-building project in stages. Organization, methodology and detail-orientation are very necessary for capacity builders to be successful in all of these types of evaluation.

## CAPACITY-BUILDING INITIATIVES DESIRED

When nonprofits were asked what they capacity building initiatives they desire, the focus of their responses was on resource multiplying. Nonprofit participants are most interested in capacity-building that will help them to grow their resources or more effectively and efficiently use their resources. Many funders, on the other hand, feel that they are addressing this need of resources, particularly consistent resources, more so than they have in the past. They are trying to juggle the needs of new nonprofits that require large amounts of funding with the needs of older nonprofits for a steady funding stream.

A common theme in terms of training their staff for many nonprofits was wishing that there were shorter, more specific trainings to their specific mission areas and fields. Many nonprofits noted networking with other organizations, with similar missions, as beneficial and useful. Yet other nonprofit participants saw peer networking as not very useful. To deal with the low perceived utility

expressed some nonprofit participants would like to have meeting that pertain to their field and attract like organizations. One funder examined unsuccessful capacity building efforts and noticed that many of nonprofit organizations had trouble, in their service field, relating to their clients in the service they were providing. Another funder expressed that one thing he really looks for in funding clients is "academic maturity," which he defined as the ability for nonprofits to conduct successful empirical evaluations of their services and to learn more about their field from research studies and apply concepts to their particular organization. In contrast to building specific field knowledge, many nonprofits said that they would like training on adapting to funding cuts because that is big issue with which all of the nonprofits struggle. A few nonprofits also mentioned that they would like training on how to adjust to generational changes as well.

Many of the nonprofit respondents also wished that there were more consultants available who had specific knowledge in a particular field of expertise. Otherwise, the nonprofits feel that they are hiring someone to tell them things they already know. They do not find as useful what they consider general knowledge consulting, like strategic planning, especially if it is not tempered or applied well to the context of their substantive mission areas and related core organizational practices. They also wish consultants would make efforts to build relationships and get to know the organization before making recommendations, as well as being passionate about the particular nonprofit organization and mission. Similar sentiments were expressed by participants and expounded upon later in the

An area in which nonprofits generally focus their capacity-building expenditures and internal resources is the more functional and technical skills like human resources, web design, accounting and auditing, media relations, legal advice and technological upgrading. So while many nonprofits say that they would like to have more services in their field knowledge, most of their resources go to expanding their technical knowledge. Many nonprofits indicated that they would like to have trainings geared more specifically to nonprofits trying to build their technical knowledge. In some of these more technical areas, nonprofits indicated that they would like to collaborate with their peers on technical services like information technology and human resources in order to pool services and provide capacity to small nonprofits that could not otherwise afford these services. Funders also indicated the need that they observe nonprofits have for education in technical areas. Many nonprofits approach funders requesting technical training.

A few nonprofits also indicated that they would like help with the relational aspects of their leadership—board development, succession plans, leadership development and building mentorship relationship that would help the executive director could grow professionally. Funders discussed the need for nonprofit executives and boards to learn the relational aspects of leadership as well, especially between the executive director and the board to support one another and the organization. A couple of executive directors also mentioned the help consultants have provided for them in re-branding the organization and rebuilding a positive culture.

Since there were so many different types of capacity-building services that were desired, most of the nonprofits agreed that the best way to decide which trainings to offer in a community would be to ask the nonprofit executives in the community which trainings they would like to see happen before planning a conference or workshop. Funders also stressed that they would like for nonprofit management support organizations to make more of an effort to personalize their training services to nonprofits. Funders suggest that many of the presentations are so "formulaic that [they] weren't even talking to people...perhaps [they] are a little bit not in touch with the people they are working with." Another funder discussed that at the end of a capacity-building project, the nonprofit is left with goals and a strategic plan that are "too lofty."

Many executive directors of nonprofits mentioned that finding ways to build capacity involved taking the time to sit back, reflect and to think outside the box versus hiring someone to do these things for them. Nonprofits said that empirically-based research reports on community needs and ways to build their performance in the community could help inform their thinking and better meet their mission.

Funders emphasized the difference between the obligation they feel to build community capacity as well as organizational capacity. Funders must examine the needs on both sides and desire to see both the community and the individual organizations improve their capacity building. Sometimes the community and the individual organizations have conflicting needs.

*Current Capacity-building Services and Respondent Satisfaction*

The table that follows encapsulates the types of services available to the Minnesota nonprofit community, the satisfaction levels with these services on a scale of zero to ten, as well as the ways in which the capacity building was conducted and the type of provider that aided in each type of service.

Table 4: Experiences with Capacity Building (n=311)

| Areas of Assistance | Did Not Do | Satisfaction | Ways Capacity Building Was Conducted | | | | | | Providers of Capacity-Building Assistance | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Mean based on a scale of 0-10 with 10= most satisfied | Did Research | Purchased a publication | Paid for a workshop/training/ seminar/course | Hired a consultant | Got assistance from formal peer learning/ exchange opportunity | Other | Consultant(s) | Government Agency | Management Support Organization* | State or Regional Association | National Field Building Organization** | Academic Center | University-Based Course | Internal Resources (e.g., by our board, staff or volunteers) | Other _____ |
| **Leadership Capacity** | | | | | | | | | | | | | | | | | |
| Board Development/Governance | 137 | 6.6 (n=248) | 65 | 55 | 81 | 107 | 53 | 34 | 103 | 8 | 51 | 29 | 16 | 8 | 21 | 71 | 24 |
| Executive Leadership Development | 185 | 7.5 (n=184) | 55 | 39 | 113 | 48 | 45 | 19 | 56 | 8 | 34 | 28 | 20 | 15 | 33 | 25 | 19 |
| Social Entrepreneurship/Venture Capital | 298 | 7 (n=45) | 19 | 6 | 9 | 9 | 13 | 9 | 9 | 1 | 10 | 4 | 4 | - | 1 | 21 | 5 |
| Cultural Competency | 247 | 7 (n=103) | 24 | 14 | 40 | 23 | 32 | 15 | 31 | 4 | 7 | 13 | 5 | 3 | 5 | 28 | 16 |
| **Technical Capacity** | | | | | | | | | | | | | | | | | |
| Finance, Budgeting, Accounting | 165 | 7.1 (n=187) | 48 | 21 | 59 | 74 | 44 | 27 | 68 | 10 | 37 | 14 | 9 | 7 | 12 | 58 | 15 |
| Marketing/Public Relations | 173 | 6.8 (n=176) | 49 | 22 | 46 | 62 | 36 | 31 | 63 | 2 | 21 | 16 | 7 | 7 | 9 | 44 | 21 |
| Resource Development/Fundraising | 156 | 7 (n=196) | 71 | 44 | 89 | 68 | 54 | 19 | 75 | 9 | 32 | 25 | 18 | 10 | 17 | 61 | 25 |
| Information Technology Systems | 159 | 6.8 (n=207) | 66 | 18 | 29 | 95 | 40 | 37 | 82 | 1 | 29 | 11 | 5 | 6 | 4 | 47 | 24 |
| Legal Methods/Litigation | 271 | 7.4 (n=88) | 20 | 6 | 16 | 30 | 14 | 17 | 38 | 2 | 10 | 5 | 3 | 1 | 5 | 20 | 5 |
| **Adaptive Capacity** | | | | | | | | | | | | | | | | | |
| Program Evaluation | 167 | 6.6 (n=207) | 77 | 23 | 41 | 60 | 50 | 40 | 55 | 20 | 20 | 15 | 9 | 19 | 15 | 58 | 22 |
| Strategic Planning | 146 | 7.2 (n=207) | 67 | 18 | 18 | 120 | 38 | 32 | 101 | 1 | 25 | 8 | 10 | 3 | 6 | 70 | 15 |
| Collaborations/Partnering | 244 | 7.4 (n=91) | 21 | 11 | 12 | 13 | 31 | 26 | 14 | 5 | 13 | 12 | 3 | 1 | 3 | 40 | 15 |
| Accountability, Ethics | 250 | 7.7 (n=93) | 28 | 13 | 26 | 11 | 23 | 18 | 16 | 4 | 20 | 16 | 3 | 2 | 5 | 28 | 14 |
| Organizational Assessment | 220 | 6.9 (n=128) | 37 | 9 | 18 | 63 | 23 | 13 | 51 | 2 | 15 | 8 | 6 | 5 | 9 | 32 | 6 |
| Public Policy and Advocacy | 242 | 7.4 (n=106) | 40 | 12 | 23 | 9 | 39 | 31 | 8 | 7 | 16 | 30 | 11 | 5 | 1 | 39 | 15 |
| **Management Capacity** | | | | | | | | | | | | | | | | | |
| Program Development | 213 | 7.3 (n=134) | 30 | 18 | 36 | 24 | 38 | 22 | 32 | 7 | 11 | 18 | 10 | 5 | 11 | 41 | 11 |
| Volunteer Management | 261 | 6.7 (n=82) | 22 | 9 | 34 | 7 | 19 | 14 | 9 | 3 | 22 | 13 | 5 | 2 | 7 | 31 | 10 |
| Operational Management | 252 | 6.4 (n=84) | 21 | 6 | 20 | 30 | 21 | 7 | 22 | 2 | 12 | 10 | 4 | 2 | 6 | 25 | 6 |
| Facilities Planning | 255 | 6.6 (n=114) | 45 | 6 | 6 | 37 | 21 | 27 | 34 | 6 | 6 | 3 | 3 | 4 | 2 | 38 | 16 |
| Human Resource Development | 207 | 6.5 (n=148) | 49 | 30 | 50 | 43 | 35 | 25 | 43 | 3 | 28 | 19 | 5 | 7 | 5 | 46 | 12 |
| **Other** | 191 | 7.7 (n=6) | 3 | - | 2 | - | 3 | 4 | 1 | - | 2 | - | - | - | 1 | 3 | 3 |

The table provides information about engaging in specific types of capacity building and how nonprofits do so. There are several points to highlight that can add to understanding of capacity-building services in Minnesota. Nonprofit organizations are least likely to have engaged in capacity building within the areas of social entrepreneurship and venture capital along with legal methods and litigation. The areas in which Minnesota nonprofits are most likely to have engaged in capacity building are board development/governance and strategic planning.

There was more apparent lack of participation in management capacity issues than in any other type of capacity. According to the findings, nonprofit organizations only minimally engaged in management capacity building, which includes volunteer management, operational management, facilities planning, program development and human resource development. Management capacity is not indicated as an area in which nonprofits are currently engaged based on survey findings.

Also, nonprofits are largely not as engaged in capacity building in public policy or advocacy as they are in other capacity building areas. The lack of involvement in this area could indicate it as an area in which the nonprofit community would appreciate educational opportunities, as noted in the section below entitled "Nonprofit Capacity." Even still, when nonprofits did receive services in this area, 106 participants responded with some level of satisfaction.

Satisfaction levels with all capacity-building services are fairly consistent amongst all areas scored with means between six and eight. In terms of preference, consultants seem to be the preferred providers of capacity building, though many nonprofits stated that their internal resources were also often used.

### Capacity-Building Results

This section discusses the results of Minnesota capacity-building efforts. There have been some successes and some less successful initiatives. One of the most overwhelmingly discussed successes was executive directors' ability to cultivate board leadership. Many of them have recruited a whole new board and built it into a skilled and involved board.

Other individual successes have been re-branding of the organizational culture; cultivating an entrepreneurial and innovative spirit in the organization; being able to develop a strategic plan that coincides with the budget; developing relationships with the corporate world and knowing how to engage them; seeing projects through to completion; enabling new leadership to take over and old leadership to retire through a successful succession plan; understanding of how to better meet an

organization's mission, fundraising with improved techniques; evaluating and better understanding client needs; addressing and responding to community changes in demographics and in population size; and knowing where to start new programs and hire new staff.

Less successful capacity building occurred predominantly in situations where no new knowledge was offered to the organization. A few executive directors expressed unsuccessful sessions occurred when all of the information provided in certain consultation experiences was either, already known, or was something the executive director could have easily discovered. Most individuals that expressed a lack of appreciation for their capacity-building experiences talked about situations in which the capacity builder did not fulfill what he or she was hired to do. Instead, they completed a much simpler project. Capacity builders expressed their responsibility, along with nonprofits, to work beyond the quick fix of a situation and to build a relationship that leads to the appropriate methodology, albeit difficult, in addressing a situation.

*Elements of Successful Capacity Building*

Many characteristics of nonprofit organizations' successful capacity-building efforts were discussed in interviews and focus groups. In particular, nonprofit executives shared their perceived needs in the four areas of capacity building: nonprofit leadership capacity, management capacity, adaptive capacity and technical capacity.

*Nonprofit Leadership Capacity.*

Nonprofit executives who participated in our focus groups identified several different areas of competency indications for their boards; training and development, strategic planning and a sound understanding of capacity building.

Board training emerged as a key element of successful capacity-building interventions in both nonprofit and capacity-building interviews. One participant commented on training and education as a lifestyle choice, "I am just personally of the mind that you just need to continually be a lifelong learner, continue to grow and just never say, 'Well I've arrive[d] and know it all." These sentiments were also touched on by another focus group participant who described their reasoning for avidly focusing on board development through training explaining that, "If [the executive director] leave[s] ... the board organization itself, it will change, there will be some changes in the personnel, but the mission, the vision, those

things should continue." These sentiments also cover another element of leadership capacity that leads to successful organizational capacity, strategic planning, as discussed in the previous section.

Another need, perceived and expressed by nonprofit executives, was the need for boards to clearly understand the importance capacity-building efforts hold for nonprofit organizational persistence. A few participants went so far as to equate engagement in capacity-building with survival. Although this may be a somewhat isolated comment, the general sentiment was that part of strategic thinking for a board is to understand the need to engage in capacity-building efforts to keep up with contemporary organizations and to satisfy their constituencies.

Though it was not extensively discussed in nonprofit interviews, capacity builders discussed leadership capacity as equipping the executive director to lead the organization. Some suggestions they offered in this area were that executive directors should still get out into the field and work with the people that they serve from time to time. Leaders need to be involved with the people they serve to keep their passion and mission orientation. According to several capacity builders, leaders need to be willing to lead by example if they want to be effective.

*Nonprofit Management Capacity.*

Minnesota nonprofit executive directors seem to be challenged every day to find new and practical ways of keeping their nonprofits effective, efficient and relevant. Some major issues emerged through our participants discussions regarding their management experiences including effective use of staff and volunteers, maintaining mission focus and resource management.

To effectively utilize staff and volunteers, executive directors and capacity builders discussed proper personnel management, effective use of board member proficiencies and the ability to perceive interest and skills of staff and volunteers. In their discussion of hiring and managing personnel, participants noted that instincts are important and the ability to continue to manage personnel without micromanaging. One executive director summed it up nicely when saying,

> Hiring the right people. Having a real good gut instinct when you're interviewing not just reading the resume, but having that gut tell you this is the right person...But for me management, managing and building capacity is you hire the right people, you give them what they need to do their job and then you walk away and let them do their job.... because micromanagement is a waste of time and it's disrespectful for people who work for me.

Mission focus is a key management issue that was discussed by participants. In their discussion their focus was more on their ability to motivate members of the organization and its affiliates to maintain mission focus and less about the need for the executive director to have a mission focus but rather. There were several slightly differing sentiments expressed regarding the proper way to motivate mission focus, but all of these sentiments point to the importance of motivation and mission relevance for organization members. One executive director noted, "What has worked for [me] is making it meaningful to...be engaged with us to help...see the connection." In this way staff, volunteers and board members can be engaged to help the organization in areas where they possess proficiency. Board members, staff and volunteers can have special skills in accounting, human resources or legal issues, areas in which the organization may need help and expertise. Participants also pointed out the possible benefits to staff and volunteers who would feel more closely involved in the mission of the organization by their additional involvement. Specifically, they pointed out that board members who experience a closer feeling of affiliation can improve their leadership skills.

The final major management issue discussed was that of resource management. Participants discussed several different resources including, executive director succession, risk management and time management. A number of executive directors pointed out the importance of a succession strategy for the executive director position. Some discussed their previous efforts to put such a plan in place, some even discussed succession planning for staff positions outside of the executive director. Planning for the succession of staff positions, individual necessitates detailing a day-to-day job description. In the area of risk management, participants pointed out the need for more risk management training because they, as executive directors, spend a great deal of their efforts on risk management issues. Participants also noted that some deal with the large volume of their risk management issues by utilizing a board member who has technical expertise in the law to adequately manage issues such as labor disputes. The final resource management issue that executive directors discussed was time allocation. They discussed mission focus as a key in weeding out different tasks and

functions to determine what is truly important. Nonprofit participants also suggest that appointment-making can be approached with a strategic focus to increase effective time available in the day. By utilizing their strategic goals as a framework, executives can then organize their daily agenda to choose which activities to engage in and to maximize strategic effectiveness.

*Nonprofit Adaptive Capacity.*

Participants noted that nonprofit management often involves a daily ability to adapt a nonprofit organization. Several of the different areas of adaptation discussed by participants are focused primarily on reinventing the organization, re-framing programs for funding and adapting to changing community needs. In the area of organizational reinvention, one suggestion was that nonprofits should attempt to reinvent or reconceptualize themselves every two to five years. But, in most cases, the suggestions for renewal were more broadly defined. There were suggestions to re-brand the organization periodically or to "refresh, renew and reframe the mission." The other element of renewal was the need to stay current in the many communities concerning field and community knowledge. The knowledge involves current terminology for the nonprofit field or the latest management training. The executive director must be able to decipher between the newest movements that are useful for the organization and those that are not.

The next adaptation issue discussed by nonprofits was the ability to re-frame program needs to receive funding. This can involve re-packaging an existing program as a new effort. Re-framing for funders must balance the competing needs of innovation and stability. One of the issues that came out of discussion was a shared frustration that re-framing can become more of a game for receiving funding rather than a true effort toward innovation.

Adaptive capacity also involves meeting the changing needs of the community such as, changing population makeup, changing government policies and culture changes. Particularly in the Twin Cities, but to a lesser extent in other areas of the state, the population mix is becoming increasingly heterogeneous in ethnic makeup. This change has led to restructuring the way nonprofits serve their growing ethnic community through cultural sensitivity and attention to their specific needs. Participants also pointed out that as

government funding contracts in healthcare, domestic abuse protection and other areas diminish, nonprofits are being called on to fill in the service gap that government has left behind. The final area of community adaptation that nonprofits discussed was that of societal change. Participants noted that society is increasingly fast-paced with shorter and shorter attention spans. As a result, nonprofits must be more and more efficient at engaging community members and giving them impactful ways to contribute that are not unduly burdensome. Capacity builders discussed the need to be sensitive to community needs as well. They often noted that to successfully adapt, a nonprofit must continually assess its position in the community and measure the advancement of the mission.

*Nonprofit Technical Capacity.*

We discussed above broad adaptation needs but technology can often be the means by which adaptation takes place. There were several technical issues that participants noted as particularly crucial in their operations; sufficiently sophisticated electronic technology resources, advocacy in the community regarding electronic technology needs, pooled resources and current by-laws.

There were several discussions by both nonprofits and capacity builders that touched on the need for sophisticated electronic technology that is comparable to commercial resources. In particular one executive director discussed frustration with donated computers saying that they "don't even use [donated computers] anymore, because we had a million different computers, that didn't talk to each other, that used different systems, that broke down and we couldn't get them fixed. So we've gone through and we're slowly replacing computers with the same system and operating system and software." The issue of donated technology which does not adequately address the nonprofits' needs is further discussed in the following issue.

Some participants went beyond sharing the need to have sophisticated and integrated technology to discuss the need to educate the community on nonprofit technology needs. Participants discussed the observed misconception, that nonprofits should be thankful for whatever technology is available because of their charitable nature and purposes. But, they point out that they have the same basic needs of a commercial organization. Their technology

must be sufficient to support their day to day efforts. And to that end, a great deal of time and resources is invested in trying to use computers that will not network properly, that continue to break down, and that hinder day to day operations rather than assisting them.

The final technology issue discussed by participants was the need for current by-laws that are relevant and useful to the organizations' operations. Participants discussed the importance of having documents that can truly steer the decision-making process of the board and staff of an organization. One particular participant commented about by-laws revision, "We had a committee on our board that re-did the by-laws. They hadn't been, we had a constitution, ancient by-laws and articles. Three documents and they were in conflict with each other. So, we're now finalizing the process with one document that is up-to-date..." This final technology issue can help nonprofit organizations to know their organizational boundaries so that they can effectively navigate and operate within them.

*Elements of Unsuccessful Capacity Building*

In contrast to some of the issues discussed above that resulted in successful capacity-building interventions there were also some efforts that proved unsuccessful. These unsuccessful elements point to further adaptations in capacity building that are necessary. Some of the more unsuccessful capacity-building efforts were in the areas of funding strategies, board turnover and executive director board oversight.

*Funding.*

Homogeneous funding sources are a real problem perceived by our participants. Nonprofits can relay too heavily on one or, a select few, funding sources. If they lose the source, then the organizations' financial stability is put at risk. Participants discussed learning from their experiences the need to diversify funding sources. Diversifying sources enables them to be less resource dependent and more adaptive to a changing funding landscape.

*Board Turnover.*

The experience communicated by some focus group participants was that board members are being kept on too long and they get stale in their insight and contributions. One particular nonprofit had board members that stayed on for 12-15 years or more. Participants

pointed out from these experiences the need for turnover mechanism, such as term limits, so that a board of directors is kept fresh and focused.

*Executive Directors' Responsibility to Overcome Barriers.*

There was a general theme in participant discussions that executive directors need to make an effort to engage in board development, since the model of board oversight is likely not going to change. Participants expressed that too many board members are simply signing on because someone they know is already on the board. Nothing is expected of these individuals once they are on the board. A few executive directors discussed striving to have a positive influence over the boards, instead of complaining about what their boards will not do. In addition, these executive directors discussed the need to advocate to funders for the funding they need, instead of assuming that the funder will automatically create a grant for it.

There was the suggestion that if a funder is not behaving in accordance with the desires of the local nonprofits that the nonprofits can simply refuse to ask for money. This could provide an opportunity for nonprofits to influence funder decisions. A few nonprofits admitted to using this in leveraging what they offer to big funders to convince them to focus their efforts in one area or another, either through funding, direct services, or training. Many executive directors discussed funding as a matter of who you know and how to appeal to people you know. As one executive director expressed, "Attaining a grant has become a popularity contest." While nonprofit executive directors indeed face these obstacles and have option to refuse services, capacity builders discussed their encouragement of nonprofits to look at the grant process as a capacity-building tool in and of itself. Many capacity builders identified that funders are very equipped to provide a wealth of information on where the nonprofit needs to improve to get funded. Nonprofits just need to ask for this information. Also, for those nonprofits that do receive funding, the capacity-building opportunity is in the information of where the nonprofit is seen to be at the time of funding and where they are expected to grow at the end of the grant project completion.

## NONPROFIT ADVOCACY

Nonprofit advocacy is an additional area of capacity building analyzed in the Minnesota replication of the Pittsburgh and Texas studies. Focus group and interview participants, as well as

survey respondents, shared their experiences with nonprofit advocacy. Participants and respondents also shared how they would like to see nonprofit advocacy change in the future. In the course of our focus groups and interviews, participants identified three main areas of advocacy in which they would like to see greater advocacy: legislatures, funders and citizens. They also identified areas in which they would appreciate more education regarding advocacy.

*Legislatures*

Many participants expressed the impression that legislatures do not have a sufficient understanding of the needs that nonprofits meet for legislators constituents. One participant expressed and several participants concurred, that government should move to provide more affordable housing and work to better meet hunger needs. If government made more of an effort to do this, rather than relying on nonprofits to meet those needs, then the seemingly insurmountable tasks faced by nonprofits might prove to be surmountable. Other participants noted that government needs to have a clearer understanding of the resource limitations that nonprofits face and the increasing need for services brought on by reduced government social services. One particular nonprofit executive made this proposition, "Let's for one year have this [stadium] money come toward nonprofits and then [sports teams can] exist on what the nonprofits get for a year." Although this was said in jest, their point is that there is not sufficient understanding of the resource limitations faced by nonprofit organizations and that the funding which nonprofits receive from government should reflect the large segment of the population that they serve and the resources necessary to serve that large segment.

*Funders*

Participants shared a great deal of information regarding how they would like to advocate as nonprofit service providers to nonprofit funders. The thrust of their discussion had to do with helping funders, much like they desired with legislators, understand the resource limitations faced by nonprofits. In particular, quite a few participants noted that funders need to understand that nonprofit employees need a living wage even if they are working for an organization that has a charitable purpose. It was also noted that an element of this information asymmetry problem is that nonprofits are asked to work for lower wages and serve an increasing client population, while not being understood like commercial organizations in which an increasing customer base would mean an increasing wage to compensate. There was also general concern expressed that funders do not understand the strain that is placed on organizations when they must constantly re-frame their

programs so they can be funded. One of the particular funding nuances was the focus on the percentage of expense being spent on operating cost or other costs. The point was made that instead there should be attention given to the activities on which such monies were spent rather than the percentage of total expenditures with the belief that this change in focus would result in a more accurate measure of organizational effectiveness than would a percentage. Participants focus regarding funders was to better facilitate understanding for funders on the everyday business of nonprofits.

*Citizens*

Nonprofit participants also pointed out the areas in which they saw a need for additional understanding amongst the citizenry. In particular they expressed a need for citizens to take an active role in supporting nonprofits to improve nonprofits' effectiveness and lessen the burden placed back on tax-paying citizens. One element of frustration shared was that, with nonprofits that serve youth, the parents must continue their involvement to effect change. For example, parents must still actively participate in their children's homework even if they cannot provide tutoring. Parents must hold their child accountable, even if the child participates in a nonprofit after-school program where tutoring is provided. This example can be generalized to all citizens served by nonprofits that must still take an active role in meeting needs. There was also discussion regarding citizens' values and the need for a values shift. One participant stated that citizens are willing to pay $120 for a ticket to see the Minnesota Vikings play but they do not support nonprofits at the same level. The point of this example was that we have the funds as a society to better support the nonprofit sector financially; instead, society places value on things like football. Another element concerning a values shift was that citizens need to understand the benefits that they can experience if they support nonprofits more actively. The following discussion among two nonprofit focus group participants explains this further:

> Participant 1, its good business to help people because if you help people get a good life-sustaining job you're not gonna have to pay for it....
>
> Participant 2, Exactly! We have to push that message and show the value of it to the community.

Participants also discussed the need for citizens to understand that nonprofits must have rules and guidelines in place to limit their service so that they can sufficiently serve their clients. If nonprofits did not have limitations in place, then they would face even greater resource limitations then they already experience.

*Nonprofits*

The last constituent group that participants discussed was nonprofit professionals and the areas in which they perceived a need within the field to advocate or improve advocacy skills. One participant suggested that nonprofits should organize more think tanks to carry out nonprofit scholarship because they perceived a need for more research regarding the field. They pointed out the value that was added to the Republican Party when they participated in the creation of numerous think tanks 25 years ago this participant believed nonprofits could experience the same positive effects. Most participants said that they would like to see more clarity given, within the sector, to the role that 501(c)3 nonprofits can play in advocacy.

*Advocacy Support and Effectiveness*

This section on nonprofit advocacy addresses survey questions regarding the level of nonprofit support in different advocacy areas and the contribution of capacity building to nonprofits' advocacy effectiveness. Survey responses generally indicate less support for advocacy and lower levels of effectiveness. Of the respondents, 281 (56%) engage in public policy and advocacy activities and 215 (44%) do not engage in public policy and advocacy activities. One hundred and twenty-five participants did not respond to this question on the survey. Only 12 of the respondents filed for the 501(h) election. Such low levels of filing, suggest that nonprofits may need additional training about their legal rights to participate in advocacy and lobbying. One hundred and ninety-five respondents did not file for this election, so 501(h) responses should be qualified since they were ineligible for it. And yet, 85 respondents did not know whether or not they were eligible. Three hundred and twenty-nine participants did not respond at all to the survey question regarding 501(h) filing. In the question of whether or not survey members lobby, only a slightly larger handful of nonprofits responded that they do lobby on behalf of their organization. Only 66 of the respondents stated that they do lobby. 189 respondents stated that they do not lobby and 37 respondents did not know either way. 329 participants did not respond to this question on the survey. Lobbying may represent another area for education and capacity building, since only a small number of respondents participate in this practice.

The table below further displays nonprofits' perceptions of support for capacity building on advocacy and public policy. On a scale of one to ten, with one being completely insufficient and ten being completely sufficient, most responses fell in a range from four to six. Some of the lower levels

of support were in institutions of internal information and tracking systems for advocacy, identifying resources to support advocacy, and board members prepared to be engaged in advocacy. Some of the higher levels of support were in systems for communicating with elected officials, understanding the legislative process at the federal, state and local level and understanding the laws that govern nonprofit advocacy. And yet, overall organizations surveyed believe that they have moderately sufficient support for each of the areas.

Table 5: Sufficient Support for Capacity Building for Public Policy and Advocacy

| Public Policy and Advocacy Area | Organizations with Sufficient Support | How sufficient the capacity-building support is in this area on a scale of 0 to 10 |
|---|---|---|
| Planning for advocacy | 104 (n=221) | 5.4 (n=185) |
| Research for advocacy | 80 (n=212) | 5.0 (n=167) |
| Setting a policy agenda | 100 (n=212) | 5.6 (n=171) |
| Institution of internal information and tracking systems for advocacy | 56 (n=207) | 4.1 (n=152) |
| Systems for communicating with elected officials | 132 (n=214) | 6.1 (n=193) |
| Systems for communicating with supporters | 123 (n=211) | 5.7 (n=188) |
| Identifying resources to support advocacy | 88 (n=276) | 4.4 (n=175) |
| Understanding the legislative process at the federal, state, or local level | 139 (n=209) | 6.5 (n=194) |
| Skills in direct lobbying | 91 (n=203) | 5.6 (n=163) |
| Skills in grassroots lobbying | 98 (n=207) | 5.4 (n=170) |
| Skills in media advocacy | 84 (n=203) | 5.1 (n=173) |
| Board members prepared to be engaged in advocacy | 92 (n=227) | 4.5 (n=171) |
| Readiness to respond to fast moving issues | 110 (n=226) | 5.3 (n=170) |
| Understanding of the laws governing nonprofit advocacy and lobbying | 145 (n=229) | 6.0 (n=190) |
| Understand the reporting required for nonprofit advocacy and lobbying | 112 (n=220) | 5.3 (n=180) |
| Understanding of the laws governing nonprofit, nonpartisan voter mobilization | 97 (n=220) | 5.6 (n=173) |
| Planning nonprofit, nonpartisan voter mobilization | 78 (n=208) | 4.8 (n=153) |
| Skills for nonprofit voter mobilization | 67 (n=202) | 4.4 (n=150) |
| Skills for evaluating public policy and advocacy | 82 (n=206) | 4.7 (n=157) |
| Skills for evaluating voter mobilization efforts | 45 (n=198) | 3.6 (n=140) |

*Advocacy Effectiveness*

Table 6: Effects of Capacity Building on Public Policy and Advocacy Work

| Activity | Average Level of Improvement |
|---|---|
| Organization understands the state and federal laws that relate to nonprofit advocacy and lobbying. | 5.3 (n=174) |
| Organization has a plan for public policy initiatives. | 4.7 (n=159) |
| Policy planning is included in overall strategic planning. | 4.8 (n=168) |
| Organization has a policy committee. | 3.8 (n=163) |
| Policy objectives are clear. | 4.6 (n=172) |
| Policy agenda is set. | 4.2 (n=170) |
| Board and staff have adequate training in policy skills. | 4.4 (n=175) |
| Board and staff roles for public policy work are clearly delineated. | 4.2 (n=171) |
| Board, staff, participants, and/or volunteers engage in direct lobbying. | 4.5 (n=145) |
| Board, staff, participants, and/or volunteers engage in grassroots lobbying. | 4.6 (n=151) |
| Board, staff, participants, and/or volunteers engage in media advocacy. | 4.2 (n=160) |
| Organization has systems in place to educate, inform, and mobilize members and constituencies in support of issues. | 4.9 (n=159) |
| Organization participates in advocacy efforts of coalitions. | 6.1 (n=167) |
| Organization has systematic method for evaluating public policy work. | 3.7 (n=148) |
| Organization engages in nonprofit, nonpartisan voter mobilization activities. | 4.1 (n=132) |

The effects of capacity building in supporting advocacy work were examined in the survey. For the most part, nonprofits expressed that capacity-building's effect on their public policy and advocacy work is approximately a four, on a scale of one through ten, with ten being most improved and one indicating no improvement. Activities that fell on the lower range of the improvement scale were organizations having a policy committee and organizations having a method for evaluating public policy work. The highest level of improvement listed was in the organizations' participation in

coalition advocacy efforts. The respondents rated this area at a 6.1 on a scale of one to ten. Overall, the respondents have less capacity-building support for advocacy efforts then they do for other capacity-building activities.

## RECOMMENDATIONS FROM STUDY PARTICIPANTS

Study participants shared specific recommendations regarding capacity building for consideration by the Minnesota Council of Nonprofits. Because of the direct and sometimes highly specific nature of study participant perspectives and comments, the research team presents the following respondent recommendations separately from recommendations that the researchers have arrived at based upon the study's findings. The recommendations of the study participants are listed and described in the paragraphs to follow.

**Nonprofits, capacity builders and funders have expressed a desire for a website (an internet-based or electronic) directory to review capacity builders who specialize in the nonprofit sector.**

Nonprofits shared the desire to be able to submit reviews of their capacity-building experiences. Through a review system, newly interested customers in the capacity-building industry can make decisions based on the service experiences of prior nonprofit customers before engaging a consultant or other capacity-building firm. Nonprofits also stated the advantage of such a review system being placed on the internet as one central website with links to capacity builders and their respective service areas. Funders also report valuing a website review system because it could serve as a source of information to predict whether a grant contract with a particular capacity builder is likely to succeed based on past performance. Funders could also use such a resource to recommend alternative courses of action or capacity-building providers, if necessary. Even capacity builders indicated their hopes for such a review system because of the disparity in the quality of services available; most capacity builders expressed difficulty in establishing their own credentials when they are only self-proclaimed. One specific capacity builder went so far as to state that he would like a certification system put into place for capacity builders, to identify the providers that meet certain criteria.

**Nonprofit participants stated that they would like to have a more consistent system in terms of grant proposal requirements, but they do not want a one-size-fits-all document. General operating support remains a priority.**

Suggestions were posited in both focus groups and interviews of the need for grant applications to provide opportunities to highlight a nonprofit organization's own individual characteristics that distinguish it from other organizations. However, nonprofits are hesitant to recommend changes because they appreciate the common grant system and do not want to return to the old system of navigating the different requirements for each grant proposal they must submit. A number of nonprofits also expressed that they would appreciate if foundations made a priority to fund the areas nonprofits find are major needs in their respective communities, instead of funding solely based on the foundation's priorities. Nonprofits also discussed their ever-present need for operational and capacity-building funds, not just direct services funds. . It was not immediately evident whether participants who expressed this viewpoint were familiar with the Minnesota Common Grant, developed by the Minnesota Council of Foundation and used by a group of funders in Minnesota. Regardless of the existence of the Minnesota Common Grant, these viewpoints were expressed by a large number of participants and with emphasis, which suggests that either nonprofits need to be more familiar with the Minnesota Common Grant process or that more feedback regarding the Minnesota Common Grant process may be advised.

**Nonprofits expressed that foundations are in the unique position to provide incentives on personnel development in nonprofits.**

One respondent expressed an example that relates to the development of competitive salaries in the sector in which a foundation could offer salary matches beyond certain pre-existing salary levels. In addition, if an organization successfully met funding criteria by being able to maintain salaries at higher levels, the possibility could be made available to continue receiving the same level of funding, at minimum. In general, nonprofits shared that at times they get the impression that politics and personal relationships inhibit adhering to pre-established funding guidelines. Nonprofits expressed the hope that eventually they will be able to receive funding without identifying what was termed a "sexy factor" and attempting to appeal to funders' biases.

**Nonprofits discussed the opportunities they have to collaborate and to be willing to withhold their requests for money if they think a funder could fund more pressing needs in the community. In turn, funding a much needed project could build community capacity versus individual nonprofit capacity..**

One participant posed the thought that funders need nonprofits to fund, just like nonprofits need them. Keeping this in mind may help funders and nonprofits work together to evaluate and prioritize the needs in the community. Both nonprofits and capacity builders discussed the opportunities funders have to cultivate relationships in the nonprofit community by being involved in the capacity building process and guiding the nonprofits that submit grant proposals in steps towards successful grant completion.

**Civically-minded corporations could be matched with nonprofits for funding and collaboration purposes.**

One particular focus group discussed the idea of having a civically-minded corporation reach out to the nonprofit community by "adopting" nonprofits and helping them succeed, not just through funding but additionally through consultation. Capacity builders further discussed this idea in terms of the business strategies these corporations implement. Because corporations have the experience of implementing projects that involve multiple steps, a clear strategic plan, these corporations could be in the position to guide in the implementation of a nonprofit's capacity-building plan, once the hired capacity builder is out of the picture. While the capacity builder can provide the plan, the nonprofits need someone to additionally guide them through the process. This particular recommendation seems to emerge from organizations with limited capacity building program experience that exist currently to match nonprofits with corporate resources and volunteers, such as MAP for Nonprofits. This information asymmetry suggests that further education regarding existing corporate matching services may be the more appropriate action step to further nonprofit capacity.

**Regional nonprofit associations and coalitions can help MCN and others bring their trainings to communities beyond the Twin Cities.**

Many nonprofits expressed the desire to have additional training in their area. They also expressed a willingness to help host training events if the organizations providing the trainings will bring the experts to their communities. In addition, many nonprofits expressed the desire for management support organizations to provide discounted services. Such services could include visiting specific nonprofits, building relationships and tailoring recommendations to these specific nonprofits. For example, arts organizations want to learn how to best meet the arts needs of a community both individually within their organizations and as an art network.

It should be noted that the experience level of the nonprofit study participants with the capacity building service providers available to them is unknown. Specifically, the researchers do not know if these nonprofits are informed of all the resources that could aid them in achieving their recommendations at this point in time. These recommendations came from the compiled information of experienced and inexperienced nonprofit executive directors.

## SUMMARY AND PRELIMINARY STUDY RECOMMENDATIONS

Although some recommendations were made by participants, in examining the report as a whole, the research team developed an additional list of recommendations. The following recommendations flow naturally from the research team's analysis but are presented cautiously as they tentative given the preliminary status of the current report. The recommendations are provided to generate discussion and further reflection. A full set of recommendations will be provided in the final report to Minnesota Council of Nonprofits, available in summer 2007.

**Compile an electronic, web-based database of capacity builders in Minnesota by region to contain reviews of capacity building services.**

Nonprofits, funders and capacity builders alike all expressed the desire for such a database with links to the capacity builders available in each region and electronic reviews submitted by nonprofits who have utilized the capacity building services. Nonprofits, funders and capacity builders were in agreement that quality capacity building services should be more easily accessed by the nonprofit community. In addition, capacity builders like the idea of a publicized review system to serve as a credential or formalized endorsement.

**Funders who will provide financial support for capacity building can also be part of this capacity builder database.**

Such a website would provide a unique opportunity for nonprofits to connect to available capacity building resources. If funders provide the financial backing for such projects, the website directory would be a good place to market the funding they provide. The funders can also specify the requirements for their particular capacity building grants, as many nonprofits are searching for grants that will pay for overhead related to programming and other up front costs.

**Funders should consider incorporating longer terms to the grants.**

For example, the Bush Foundation has funds available for 10 year projects. Longer terms of grants allow organizations to more fully develop their programs. In terms of capacity building, organizational change efforts, such as strategic planning and related implementation. Grants of a longer-term nature would allow for substantive change and related evaluation.

**Prescribed benchmarks provided by capacity builders, funders or corporate partners could serve to ensure that nonprofits meet their capacity building goals.**

Such benchmarks could enrich nonprofits by helping them learn from capacity building over the course of an intervention. In turn, nonprofits will be more equipped to build aspects of internal operations because they will understand the process, instead of merely the results. It should be noted that benchmarks should serve be multi-faceted with a description of ways the nonprofit is meeting their goals currently, areas needing improvement and ways to achieve the final goal. In this way benchmarks differ from annual evaluations because benchmarks serve to further learning versus being purely summative. Final determination of whether or not the nonprofit will be able to continue the project. Benchmarks, in this context, are based on the assumption that on-going, formative evaluation will stimulate organizational improvement.

**Nonprofits seem to experience an information overload from all the different types of trainings available. Further study is necessary for more effective ways to disseminate and manage these opportunities.**

Some nonprofits expressed that they would like more online courses and training because of nonprofit time constraints. Online courses would serve to increase flexibility and geographic range. Other nonprofits expressed that they want more individualized trainings, such as trainings oriented toward their own individual organizational situation or pertaining to specific service fields. Yet, other nonprofits did express value in attending larger meetings, trainings and conferences, partially because of the opportunities afforded. These opportunities include networking and collegiality. A balance between all the available types of trainings is necessary to help nonprofits attain the most worthwhile educational opportunities for their specific needs. Involving the nonprofit community in the decisions of what educational opportunities to provide is one way to ensure that their needs are best met.

**Nonprofits and universities need to work together to better utilize the university capacity building services--specifically, community colleges in the rural areas.**

In some situations, higher learning institutions need to be made aware that they can serve as capacity builders, particularly in some non-Twin City settings. Nonprofit organizations also would benefit from enhanced research collaborations with university and college partners. Nonprofits could benefit from a perspective of universities as resource rather than a fundraising competitor. There is a

great opportunity to enrich the learning experience of students and to enrich the service provision of nonprofits if the two entities collaborate to build nonprofit capacity.

## Preliminary Concluding Comments

From a synthesis of our research and prior studies emerges a contribution to *Grantmakers* "an organization's ability to fulfill its mission measurably through a blend of sound management, strong governance, and a persistent rededication to assessing and achieving results" (Bies and Rehnborg, 2005). Although it is clear that much remains to be learned about the role of capacity building in the nonprofit sector – particularly with regard to capacity building's long-term impact on mission achievement in the nonprofit sector – our research adds to an enduring conversation about best management practices, organizational development, and strategic change in nonprofit organizations. Beyond providing data about the state of Minnesota studied here, this study offers new insights about the capacity-building needs of rural and urban nonprofit organizations, awareness of capacity building issues among diverse organizations, and the role advocacy serves in 501(c)3 nonprofit organizations. As such, the study illuminates recurring capacity-building issues and challenges at the same time it offers new implications about the ways in which context shapes nonprofit capacity needs.

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## APPENDICES

### APPENDIX A: INTERVIEW PROTOCOL CAPACITY-BUILDING ACTORS

Notes: Confirm/obtain signature on consent form, review aims of study, confidentiality, ask for permission to audiotape.

**Section One – Background, Experiences with Capacity Building**

1. Please provide a brief overview of your background. [Prompts: years with this organization, responsibilities, experience with capacity building in the NPO sector, etc…]

2. Please provide a brief overview of your organization. [Prompts: history, mission/purpose, types of programs/initiatives, staff/volunteer size, budget size, etc…]

3. What does the term capacity building mean to your organization/firm? [Probes: How would you describe capacity building in the nonprofit sector? What does the term "capacity building" mean to you in your work? What does it mean to your organization?]

4. Please provide a brief overview of your organization's recent experiences with nonprofit capacity building. [Prompts: focus of capacity-building initiative, type of capacity builder]

5. Tell me a little bit about the leadership of this organization/firm in relationship to capacity building: *Just who provides leadership on capacity building*? [Prompts: founder, key personnel, CEO/Executive Director, board chair, board of directors. Seeking a sense of who leads and what matters to them. Probe for leadership on capacity building/organizational change.]

**Section Two – Perspectives on Capacity Building Capabilities, Outcomes, Organizational Change**

We are interested to learn about specifically about the nonprofit capacity-building projects that your organization/firm has engaged in over the course of the past three years.

6. ***Re. Adaptive Capacity:*** *How (or how not) has your organization's/firm's experiences with nonprofit capacity-building projects affected the ability of your clients/constituents to* ***monitor, assess and respond to internal and external changes?***

[Probe for Goal setting/planning for the future, Organizational assessment, Evaluating programmatic and service effectiveness, Forming strategic alliances/collaborating/networking, Information sharing]

7. ***Re. Leadership Capacity:*** *How (or how not) has your organization's/firm's experiences with nonprofit capacity-building projects affected* ***the ability of your clients'/constituents' organizational leaders to inspire, prioritize, make decision, provide direction and innovate, all in an effort to achieve the organization's mission?***

[Probe for Board development and Leadership development and key words such as visioning, inspiring, prioritizing, directing, innovating, modeling, decision making]

8. ***Re. Management Capacity:*** *How (or how not) has your organization's/firm's experiences with nonprofit capacity-building projects* ***affected the ability of your clients/constituents to ensure the effective and efficient use of resources?***

[Probe for Human resource, Operational and Volunteer management]

9. ***Re. Technical Capacity:*** *How (or how not) has your organization's/firm's experiences with nonprofit capacity-building projects* ***affected the ability of your clients/constituents to implement key organizational and programmatic functions?***

[Probe for Technology, Accounting and budgeting, Fundraising, Facilities development and maintenance, Marketing and communications, Evaluation and research, Legal, Program development]

10. Think about a capacity-building project that was particularly successful. What happened? What affect did it have on your work? The work of your organization/firm? Your client? Any other outcomes? [Probe for aspects facilitative of organizational change, including lasting change or specific aspects of change and unexpected outcomes.]

11. Think about a capacity-building project that was NOT particularly successful. What happened? What affect did it have on your work? The work of your organization/firm? Your client? Any other outcomes? [Probe for barriers, constraints, threats, aspects of organizational change and unexpected outcomes.]

12. If you had the time and the resources to invest in whatever capacity-building initiative you could, what would it be and why?

## Section Three – Influences, Drivers and Constraints

13. Why do you engage in capacity-building initiatives? [Probe for internal and external influences, including funders, policymakers, board of directors, clients, etc…]

14. What motivates your organization/firm to engage in capacity building or rewarded for responding? What gets in the way of your organization/firm to engage in capacity building or rewarded for responding? Could you tell us about those experiences? [Probe for "carrots and sticks" including incentives and other issues related to influences.]

15. Do you ever feel pressure to participate in capacity building? Could you tell us about those experiences? [Probe for "carrots and sticks" and other issues related to influences.]

16. Tell me about your relationship with other organizations, such as other nonprofits, local government, media, local citizens, funders, etc... Do these relationships ever involve capacity-building issues or opportunities for your organization? How or how not?

17. Are you familiar with any policies related to capacity building that local funders or policymakers have? Please describe the policies. How do these policies affect your work? The work of your organization/firm?

18. What prevents your firm from engaging in capacity-building projects?

19. How (or how not) does your organization/firm keep "up to speed" on the needs of nonprofits in the Minnesota context?

## Section Four – Relationships with Nonprofits

20. How do nonprofits/nonprofit clients enter into projects with you?

21. What kind of nonprofit constituents/clients do you serve? How do you make the decision to enter into projects? [probe for preferences, values, etc... re. stakeholder/client relationships, thoughts on nonprofit "readiness" for capacity building]

22. What has "worked" in your relationships with nonprofits/nonprofit clients? What has been more challenging?

23. How (or how not) do you assess the nonprofit's progress?

24. How (or how not) do you assess your own performance?

25. How (or how not) do nonprofit clients/constituents assess your performance?

26. How often do you have repeat clients/constituents? [Probe for duration of relationships, repeated interactions, client problems/successes]

27. If there were one thing that could be done to improve your relationships with nonprofits/nonprofit clients, what would it be?

## Section Five– Perspectives on the Minnesota Context

28. In your opinion, what types of capacity-building initiatives are most desired by Minnesota nonprofit organizations? [Probe for: What types of providers typically offer services to meet the capacity-building needs of Minnesota nonprofits? Do capacity-building needs differ among different types of nonprofit organizations?]

29. What barriers exist for nonprofits in accessing capacity-building services?

30. We are interested in your thoughts on the adequacy and quality of the capacity-building industry in the Minnesota region. For each of the following types of providers, please give us your sense of the quality of the provider and the adequacy, in terms of number of providers or access to providers: Are there enough? How is the quality? How is access to them?

a. consultants
b. management support organizations and
c. colleges and universities

31. Has Minnesota's capacity-building industry evolved in ways that continue to meet the changing needs and increasing complexity of the region's nonprofit organizations? [Probe for: Are there gaps and if so, which gaps seem to matter most? How might such gaps be addressed?]

32. If there were one thing that could be done to improve the capacity-building industry in the Minnesota context, what would it be?

**[Inquire about reviewing any documents related to capacity building, marketing, evaluation, etc..., if appropriate.]**

Finish group interview with thanks and opportunity for any questions. Review any items that are unclear.

APPENDIX B: INTERVIEW PROTOCOL FOUNDATIONS/FUNDERS

I. Introduction

1. Moderators and the Study

b. Expectations for the interview (time allotment, etc…)

c. IRB requirements
   1) Approved by A&M
   2) Confidentiality
   3) Voluntary, not paid
   4) May we audio tape this interview?
   5) Consent form

## II. Experience with Capacity Building

1. Overview of your background.
- Organization, responsibilities, experience with capacity building in non profit sector.

2. What does the phrase "nonprofit capacity building" mean to you?
- Nonprofit sector, your work, foundation

3. Describe your foundation's commitment to/interest in capacity building
- Reasons for supporting
- Mission, capacity-building history and budget

4. If not, have you ever considered funding capacity building? Why/why not

## III. Motivations and Constraints

1. ***Why*** do you think do nonprofit organizations engage in capacity building?

2. What's typically going on in the nonprofit when they approach you for assistance or funding related to capacity building?

- What motivates them to ask for help?

3. **Why don't** more nonprofit organizations engage in capacity building?

4. What barriers exist for nonprofits in accessing capacity-building services?

## IV. Funding Strategy

1. How does the foundation support capacity building?
- Consultants
- Training/conferences

- Direct service

2. What type of capacity building does the foundation fund?

- Adaptive capacity: monitor, asses, respond
- Leadership capacity: inspire, innovate, prioritize
- Management capacity: effective use of resources
- Technical capacity

5. How does the foundation assure that the nonprofit is **"ready"** to engage in capacity building?

- Adequate financial, leadership and infrastructure supports?

6. Do you offer **incentives** to participate in capacity building

- Legitimacy or visibility benefits?

7. What **strategies** do you have to promote your services?

8. Are nonprofit orgs **aware** of the types of initiatives that are funded – do they respect the guidelines you set up?

9. Does the foundation provide support for follow-through?

10. How can funders assure sustained change after the intervention?

## V. Performance Assessment and Impact

1. How (or how not) do you assess the nonprofit's progress?

- In the short and long term.

2. How (or how not) do you assess your own performance and impact?

- In the short and long term.

3. Do grantees have an opportunity to assess foundation capacity-building performance?

4. Think about a successful capacity-building project. How did the organization demonstrate meaningful change?

5. Think about an unsuccessful capacity-building project. Why do you think the project/initiative failed?

## VI. The Minnesota Context

1. In your opinion, what types of capacity-building initiatives are most desired in Minnesota?

- What types of CBs are located in/absent from Minnesota?

- Do capacity-building needs differ among different types of nonprofit organizations?

2. Please give us your sense of the **quality and adequacy** of the following providers, in terms of **number** of providers or **access** to providers:
    d. consultants
    e. management support organizations
    f. colleges and universities

3. Why is there a variety of provider types? Is a certain provider "responsible" for or "expected" to undertake specific activities?

4. How has the Minnesota industry evolved in ways that continue to meet the changing needs and increasing complexity of the region's nonprofit organizations?

- Are there gaps?
- Which gaps matter most?
- How might such gaps be addressed?

5. If there were one thing that could be done to improve the CB industry in Minnesota, what would it be?

If appropriate, inquire about:

- reviewing funding guidelines
- grant applications
- OR any documents related to capacity building, marketing, evaluation, etc...,

APPENDIX C: FOCUS GROUP AND INTERVIEW PROTOCOL NONPROFIT EXECUTIVES

Notes: Confirm consent form, review aims of study, confidentiality/anonymity issues, ask for permission to audiotape.

## Section One – Background, Experiences with Capacity Building

**1. What does the term capacity building mean to you? [Probes: What does the term "capacity building" mean to you in your work? To your organization?]**

**2. Please provide a (very) brief overview of your organization's recent experiences with capacity building. [Prompts: focus of capacity-building initiative, type of capacity builder]**

**3. In your organization, *who provides leadership on capacity building*? [Prompts: founder, CEO/Executive Director, board chair, board of directors. Seeking a sense of who leads and what matters to them. Probe for leadership on capacity building/organizational change.]**

## Section Two – Perspectives on Capacity-building Capabilities, Outcomes, Organizational Change

***!! NOTE: PURSUE THESE ONLY IF NOT CAPTURED ABOVE !!***

*4. "**Adaptive Capacity** relates to the ability of a nonprofit organization to **monitor, assess and respond to internal and external changes.**"*

***How (or how not) have your organization's experiences with capacity building advanced your organization's ability to adapt to internal and external changes?***
[Probe for Goal setting/planning for the future, Organizational assessment, Evaluating programmatic and service effectiveness, Forming strategic alliances/collaborating/networking, Information sharing]

*5. "**Leadership Capacity** relates to the ability of all organizational leaders to inspire, prioritize, make decision, provide direction and innovate, all in an effort to achieve the organization's mission."*

***How (or how not) have your organization's experiences with capacity building advanced your organization's leadership capacity?***
[Probe for Board development and Leadership development and key words such as visioning, inspiring, prioritizing, directing, innovating, modeling, decision making]

*6. "**Management Capacity** relates to the ability of a nonprofit organization to ensure the effective and efficient use of resources."*

***How (or how not) have your organization's experiences with capacity building advanced your organization's management capacity?***
[Probe for Human resource, Operational and Volunteer management]

*7. "**Technical Capacity** relates to the ability of a nonprofit organization to implement key organizational and programmatic functions."*

***How (or how not) have your organization's experiences with capacity building advanced your organization's technical capacity?***

[Probe for Technology, Accounting and budgeting, Fundraising, Facilities development and maintenance, Marketing and communications, Evaluation and research, Legal, Program development]

## Section Three – Influences, Drivers and Constraints

**8. Why do you engage in capacity-building initiatives? [Probe for internal and external influences, including funders, policymakers, board of directors, clients, etc...]**

**9. What prevents you from engaging in capacity building?**

## Section Four – Relationships with Capacity Builders

10. How do you identify and engage nonprofit capacity-building consultants or educational resources? How (or how not) do you assess the capacity builder?

**11. What has "worked" in your relationships with capacity builders? What has been more challenging?**

**12. If there were one thing that could be done to improve your relationships with capacity builders, what would it be?**

## Section Five– Perspectives on Minnesota

13. We are interested in your thoughts on the adequacy and quality of the capacity-building industry in the Minnesota. For each of the following types of providers, please give us your sense of the quality of the provider and the adequacy, in terms of number of providers or access to providers: Are there enough? How is the quality? How is access to them?

g. consultants
h. management support organizations and
i. colleges and universities
j.

**14. If there were one thing that could be done to improve the capacity-building industry in the Minnesota, what would it be?**

**[Inquire about reviewing any publicly available agency documents related to capacity building, if appropriate.]**

Finish group interview with thanks and opportunity for any questions. Review any items that are unclear.

## APPENDIX D: SURVEY INSTRUMENT

The nonprofit survey instrument will is available in paper and electronic formats. For a copy of the survey instrument, please contact Dr. Angela Bies, at: abies@tamu.edu

APPENDIX E: TABLE RESULTS OF NONPROFIT CAPACITY BUILDING

| **Leadership and Management** | **Average Level of Improvement** |
|---|---|
| Regular communication of mission and vision by organizational leaders | 6.7 (n=255) |
| Evidence of personal leadership plans for the executive staff | 6.2 (n=231) |
| Board composition more reflective of organizational priorities | 6.2 (n=242) |
| Board participation in program planning | 5.8 (n=238) |
| Greater assessment of community needs by organizational leaders | 6.2 (n=238) |
| Leaders' ability to inspire staff | 6.5 (n=230) |
| Greater tolerance for creativity and innovation by organizational leaders | 6.6 (n=225) |
| Board's ability to lead | 6.1 (n=242) |
| Greater prioritization by organizational leaders | 6.8 (n=236) |
| Future orientation of leaders | 6.5 (n=228) |

| **External Relationships** | **Average Level of Improvement** |
|---|---|
| Quality of collaborative partnerships | 6.3 (n=235) |
| Program responsiveness to client needs | 6.9 (n=240) |
| Involving clients/constituents in decision-making related to programs and services | 6.0 (n=230) |
| Quality of relationships with funders | 6.5 (n=228) |

| **Planning and Improvement** | **Average Level of Improvement** |
|---|---|
| Aligning strategies and goals with mission | 6.7 (n=255) |
| Successful planning | 6.7 (n=255) |
| Integration of evaluation findings into planning | 6.1 (n=242) |
| Expansion of scope of services | 6.3 (n=238) |
| Organizational control and monitoring systems | 6.1 (n=241) |
| Creative partnership between board and staff | 6.1 |

| | |
|---|---|
| | (n=237) |
| Greater self-assessment | 6.3 (n=245) |
| Well-defined goals and objectives for programs | 6.7 (n=254) |
| Discussion of mission among staff and organizational leadership | 7.2 (n=245) |
| Increased accountability to board, staff and community | 6.9 (n=246) |
| Quality of programs and services | 7.2 (n=252) |

| **Volunteer and Human Resources Management** | **Average Level of Improvement** |
|---|---|
| Addition of new staff | 5.6 (n=206) |
| Volunteer involvement that helps accomplish organization's goals | 5.7 (n=221) |
| Job enrichment opportunities for employees | 5.4 (n=218) |
| Enhanced human resource (recruiting, developing and retaining capable staff)<br>Application of teamwork techniques | 5.1 (n=207) |
| Enhanced volunteer management systems (e.g., recruiting, training, placing and recognizing volunteers) | 5.8 (n=222) |
| Increased staff engagement in mission at all levels of the organization | 6.4 (n=226) |

| **Financial Management/Resource Development** | **Average Level of Improvement** |
|---|---|
| Greater efficiency | 6.2 (n=242) |
| Financial sustainability | 6.1 (n=243) |
| Alignment of resource development plan with strategic direction | 6.2 (n=231) |
| Cultivation of new funding sources | 6.0 (n=244) |
| Sound financial operations | 6.6 (n=244) |

| **Other Operations** | **Average Level of Improvement** |
|---|---|

| | |
|---|---|
| Noticeable enhancements in managing operations | 5.9 (n=237) |
| Emphasis on internal and external communication | 6.3 (n=243) |
| Facilities planning | 5.4 (n=188) |
| Improved community presence | 6.7 (n=238) |
| Improved use of technology | 6.4 (n=247) |

## APPENDIX F: INFORMATION ABOUT THE AUTHORS

### Maggie Flowers

Maggie graduated from the University of Texas at Austin in 2001 with a B.A. in Government and a concentration in Women's Studies. She began work at NARAL Pro-Choice Texas as an intern in 2000 and later became the grassroots organizer and office manager. Maggie was a lead organizer for the Texas delegation to the March for Women's Lives, which brought 1.15 million people to Washington, DC, in April 2004. During the 2004 Presidential election, she was a volunteer for NARAL Pro-Choice America and America Coming Together, helping organize the election protection teams in Wisconsin. At the Bush School, Maggie is co-founder and co-chair of the Student Government Association's Diversity Committee, whose main goal is to create a nurturing environment for all people in the school. She interned with the City of Savannah Office of Budget and Research in the summer of 2006. Maggie will be moving to the Washington, D.C. area following graduation. She hopes to work for a progressive political nonprofit organization.

### Kimberly Jones

Kimberly attended the University of Texas at Arlington, graduating with an Honors Bachelor of Social Work in 2005. Her public service experience is primarily in the areas of refugee assistance, low-income community development, homelessness, troubled teenagers and sexual assault crisis intervention. Kimberly places an importance on learning from different cultural perspectives through travel; her undergraduate research focus was cross-cultural sensitivity and international studies. While at the Bush School, Kimberly has maintained her interests in social and international issues and she has expanded her interests to environmental issues. She participates in the Public Service Organization and the Diversity Committee of the Student Government Association in her graduate program. She completed her internship at Texas Forest Service in College Station as an analyst of the ecosystem services market. Kimberly will continue her career goal of promoting social justice when she assumes the Senior Field and Policy Coordinator position for Parents, Families and Friends of Lesbians and Gays (PFLAG).

### Rachel Hilborn

Rachel graduated from Texas A&M University in 2005 with a degree in English literature and a minor in Political Science. She was part of the College of Liberal Arts Dean's Honor Roll as well as on its Distinguished Students list. She was a member of Aggie Sisters for Christ, prayer team member for IMPACT and a conversation partner with an international student. She also was a member of Women's Chorus, serving as its chaplain. In 2004 she and her husband co-founded Kirkuk Kids, a nonprofit organization supplying the children of Kirkuk, Iraq, with adequate dental and school supplies. Rachel completed an internship with San Jacinto Girl Scout Council in the summer of 2006. While at the Bush School she has served as a Public Service Organization Committee Chair for the Afghan NGO Committee. Following graduation Rachel will move to Houston where she will pursue a career in nonprofit management.

**Ainsley Morisseau**

Ainsley was raised in Rhode Island and Georgia and graduated from Rhode Island College in 2005 with a B.A. in Communications receiving general education and departmental honors distinctions. Enriching her education, Ainsley volunteered for many local organizations, including the Urban Debate League of Rhode Island, working with inner-city high school students. She participated and served as a leader in various organizations at Rhode Island College, including Student Community Government, Inc., The American Democracy Project and Lambda Pi Eta Communications Honor Society. She served as the President of the Bush School Student Government Association from January 2006 to January 2007. She also serves as a staff member of the Public Servant. In the summer of 2006 she interned at the Integrative Center for Homeland Security over the summer. Ainsley looks forward to a long and illustrious career in public service.

**Kenneth Pearson**

Kenneth is a 2005 graduate, summa cum laude, of the University of Wisconsin-Superior, with a B.S. in Sociology and a criminal justice minor. His major highlights at UW-Superior include being a Student Senate representative for two full terms, being accepted into and completing the McNair Scholarship Program and serving as president for the Criminal Justice Honor Society and the English Club. Kenneth's major accomplishment during his first year at the Bush School was being named the 2006-2007 Athletic Director for Bushwhacker Athletics. He was also involved in the Habitat for Humanity PSO Committee, the SGA Social Committee, the PSO Afghan Walk, the Big Build and the Big Event. He also served as the starting pitcher for the Bushwhacker Softball team and played Flag Football. In the summer of 2007 he completed a sports marketing for the Athletics Department of the University of Wisconsin-Superior. Kenneth will serve as the Gonfalon carrier for the Bush School of Government Class of 2007 Graduation ceremony in May 2007.

**Dr. Angela Bies**
*Faculty Capstone Advisor*

Dr. Bies joined Texas A and M University in 2001 as a visiting faculty member with a joint appointment in the Bush School of Government and Public Service and the College of Education. She is now an Assistant Professor at the Bush School where provides leadership on the School's nonprofit studies curriculum and teaches the following courses:

- BUSH 641: Organization for the Public Sector;
- BUSH 689: Foundations of the Nonprofit and Voluntary Sector: Theoretical and Policy Perspectives; and
- BUSH 689: Management of Nonprofit Organizations.

Her research interests include training and organizational development in nonprofit, nongovernmental and educational contexts with particular emphases on accountability, evaluation and policy development. Her current research focuses on a national accountability reform in Poland's nongovernmental sector. She is also part of a longitudinal study concerned with accountability and U.S. secondary school reform, which is sponsored by the National Science Foundation. She has held a number of nonprofit executive posts and has consulted with and served in voluntary leadership roles in a variety of nonprofit and public sector settings including the US Peace Corps, the United Way of the Greater Minneapolis Area, the National Endowment for the Arts, the Council on Standards for International Education and Travel and the National Charities Information Bureau/Rockefeller Brothers Fund national panel on nonprofit accountability.

Dr. Bies is active in the Association for Research on Nonprofit and Voluntary Action, the International Society of Third Sector Research and the Comparative International Education Society. She is also a visiting faculty member at the Catholic University of Lublin, Poland.