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LAFRANCE ASSOCIATES

Assessment Findings and Recommendations for Strategic Development of the Hartford Foundation for Public Giving's Nonprofit Support Program

February 2005

Prepared for:
Nonprofit Support Program
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Executive Summary

Purpose and Methods of NSP's Strategic Assessment and Review

Over the past 15 years, the NSP has grown organically, in response to observed and expressed needs among Greater Hartford Area nonprofit organizations. Demand for NSP's services has increased over recent years, and HFPG's investment in the NSP has concurrently and responsively increased to help meet the demand. With this research effort, the NSP strategically moves into its next lifecycle stage, through a process of reflection based on systematically collected information.

Research Questions and Methods

Staff of the NSP and HFPG leaders selected a national evaluation firm, LaFrance Associates, LLC (LFA), to conduct this assessment. Staff and the LFA consultant team collaboratively developed a set of research questions to guide the effort. (*See right* ➲*.*)

LFA collected an extensive set of information from a vast array of NSP stakeholders and constituency groups, including a survey of 166 grantees and interviews with four thought leaders in the field. We based all recommendations on our analysis of findings across all sources of information. Exhibit 1 below provides a complete list of research methods.

> **NSP Assessment and Strategic Review
> Research Questions**
>
> 1. To what extent do NSP's approach and services reflect best practices in the field?
> 2. What can NSP learn from the latest findings and innovations in the field?
> 3. Is the current staffing of NSP adequate and appropriate?
> 4. Is NSP appropriately structured and integrated to ensure a customer-oriented ease of access to, and optimal use of, its services?
> 5. Are there new ways in which NSP's various assessments and services could or should be integrated?
> 6. Is the relationship of sharing information between NSP and HFPG's regular program activities appropriate?
> 7. Does the NSP adequately encompass the core elements that will meet nonprofits' needs and promote organizational effectiveness?
> 8. Are the eligibility criteria, selection processes, and funding levels for each of NSP's services appropriate?
> 9. What level of success is being achieved by each of NSP's services?
> 10. Are the current evaluation procedures for each of NSP's services adequate and if not, how can they be improved?

> **Exhibit 1
> Research Methods for the NSP Assessment and Strategic Review**
>
> - 5 key informant interviews with NSP staff
> - 4 key informant interviews with HFPG leadership and one focus group with program officers
> - 3 focus groups with consultants providing services to NSP grantees
> - A survey of 166 HFPG grantees, including NSP and non-NSP grantees
> - 4 focus groups with NSP grantees organized by NSP service area
> - 4 expert commentary and key informant interviews with thought leaders in the field of nonprofit organizational capacity building
> - A review of the literature on the best practices for funding nonprofit organizational capacity building

> **National Field Experts
> Who Reviewed the NSP**
>
> 1. **Barbara Kibbe**
>   Skoll Foundation
> 2. **Christine Letts**
>   Hauser Center for Nonprofit Organizations, Harvard University
> 3. **Jan Masaoka**
>   CompassPoint Nonprofit Services
> 4. **Ed Pauly**
>   The Wallace Foundation

In general, we found remarkable agreement and consistency in what varying groups whose input we solicited had to say about the NSP's effectiveness and development.

Assessment of the NSP's Current Capacity-Building Services and Strategies

One of the most significant findings from our assessment of the NSP is how well aligned NSP services and strategies are with best practices in the literature and the field. The NSP's consistency with best practices is reflected in positive evaluation findings for each major NSP program area.

✓ **The NSP has strong adaptive capacity.** The NSP's responsive development over time demonstrates adaptation to emerging needs and opportunities. At the same time, the NSP has looked to the literature and colleagues in the field to design and implement each new offering.

✓ **The NSP's major program areas address nearly all elements of a high-leverage model to develop effective nonprofits.** The NSP's in-depth focus on leadership development, planning, board governance, financial management and technology capacities is in alignment with best practices and what experts in the field and the literature describe as a high-leverage nonprofit capacity-building model. The model, depicted in Exhibit 2 below, is comprised of two types of capacities: 1) leaders as change agents and 2) systems to support and inform decision-making, change, and functioning within organizations.

> **Overarching Theme:**
> **Respect and Praise for the NSP**
>
> Our single most consistent finding in this inquiry is the high degree of respect, praise, and appreciation the NSP enjoys from virtually all stakeholder groups from HFPG staff internally (leadership and program officers), to grantees, to the field at large. In particular, stakeholders esteem NSP staff for their competence, dedication, and responsiveness.

**Exhibit 2:
High-Leverage Capacity-Building Areas for
Organizational Effectiveness and Sustainability**
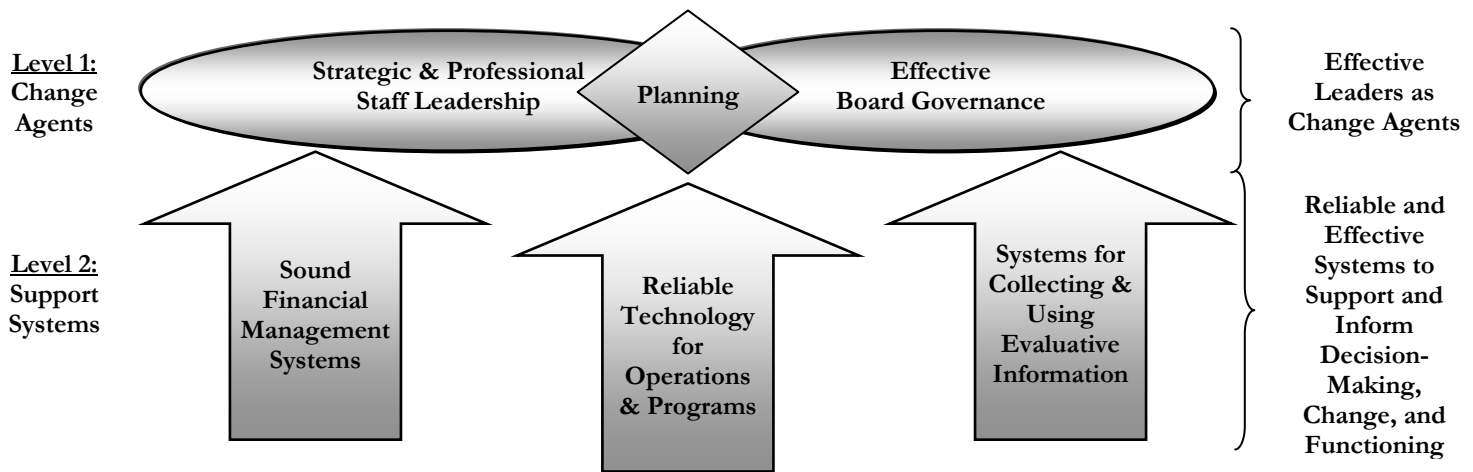
Strategic and professional staff leadership and **effective board governance** are key change agents for enhancing nonprofit organizational effectiveness. Effective leaders employ various forms of **planning** to involve stakeholders in a process of taking stock of their organization's strengths, weaknesses, opportunities, and threats, and to set a direction for the organization with an eye towards optimal mission achievement.

In terms of support systems for these change agents (level 2 of the model), the NSP provides in-depth programming and services in two of the three areas: **financial management** and **agency automation**. The third fundamental capacity for an effective organization in today's environment is **evaluation**. The NSP currently does not provide targeted services in the area of evaluation. Below we recommend the NSP develop targeted offerings to help nonprofits with systems for collecting and using information to reflect on and continuously improve services.

Program evaluation: the establishment of goals and collection of data draw a lot of change in organizations. This is a powerful change lever.
   —Christine Letts, Harvard University

✓ **The NSP's reach nearly saturates the Greater Hartford Area nonprofit community**. The NSP has done an excellent job of informing the nonprofit community of its existence as well as available services and grants. **Four out of five** Greater Hartford Area nonprofits are familiar with the NSP, and an additional 15% of nonprofits have at least heard of it, according to survey results. (*See right➲.)*

The NSP's Extensive Reach	
How Familiar Are You with the NSP?	
Very familiar with the NSP	42.3%
Aware of NSP and fairly familiar	39.9%
Heard of NSP, but not familiar	15.3%
Never heard of NSP before	2.5%

NSP **workshops** are a key gateway for nonprofits into additional services available to build capacity and enhance effectiveness. Significantly increased attendance at workshops has brought many new executives and board members to NSP and provided an important vehicle for publicizing other services. As a gateway mechanism, the workshops clearly contribute to the high awareness level of NSP we found in the survey. At the same time, the workshops provide peer networking opportunities while enhancing awareness of a broad range of management and board issues, which can then be addressed through NSP's other services.

✓ **The NSP's major program areas have created significant change in the effectiveness of Greater Hartford Area nonprofits.** As part of this assessment, NSP grantees provided evaluation data on change their organizations have experienced as a result of NSP support. A few select evaluation results are shown in the text box. (*See right➲.)* LFA provided the NSP with complete data summaries from the grantee surveys and focus groups including all evaluation findings. These evaluation results reveal that NSP services improve nonprofit organizational effectiveness in the service of their ability to provide quality programs in the community.

NSP Evaluation Highlights

▪ **Technical Assistance Grants (TAGs).** 70% of TAG recipients report significant improvement in their ability to deliver programs and services.

▪ **Agency Automation Program.** 1) 89% of grantees report a significant increase in staff productivity and 2) 89% of grantees report significant improvement in their ability to deliver programs and services.

▪ **Financial Management Program.** 100% of grantees report a significant improvement in their organization's ability to manage effectively.

Recommendations for New and Enhanced NSP Offerings

We recommend the NSP consider developing new or enhanced offerings in the following areas.

✓ **Evaluation: A New Focus Area.** Evaluation is the only capacity area in which the NSP does not currently provide a targeted set of services (although TAGs can and have been used for evaluation capacity-building projects). By developing a program to build nonprofit capacity in this area, the NSP's services would address each concept in the high-leverage organizational effectiveness model presented above. Although nonprofits rank evaluation as a low capacity-building priority relative to other areas (such as fund development), this is a unique opportunity for the HFPG/NSP to play a leadership role in the nonprofit community. In approaching this new area of work, the NSP should emphasize the development of organization-wide evaluation capacity that builds internal information systems providing feedback for program planning and development. This is the most consistent theme we heard in speaking with field experts and in reviewing the literature: effective nonprofits today have easy access to information about the effectiveness of their programs and services, so that they can reflect and make adjustments on an ongoing basis.

> ### A Note on Implications for NSP's Staff Capacity
>
> If the NSP were to implement our recommendations to begin work in a few new areas of capacity, and undertake more ongoing evaluation of its own activities (as recommended below), the program will undoubtedly require additional staff positions. The NSP staff currently experience excessive workloads, and any new responsibilities would be overwhelming. A key discussion for the NSP will be whether and how to phase new work and new positions into its existing structure, if it chooses to do so.

✓ **Effective Governance and Board Development: Explore Needs for Enhanced Offerings**. The NSP currently offers a two-part board development workshop followed by a day of consultant time to work on a board governance issue of the grantee's choice. The NSP also provides TAGs for the purpose of board development, as well as including support specifically for boards in some planning and fund development TAGs. Still, nonprofits report difficulty recruiting and training new board members, and many struggle with boards that operate at more of an operational than a governance level. We also interviewed the local United Way, who shared that they will be cutting back their work in the area of board-related capacity-building assistance. We recommend that the NSP explore whether there are feasible opportunities to expand or enhance board development services. If in this exploration the NSP discovers its current offerings best meet local needs, consider packaging or marketing existing offerings in new ways to reach nonprofits that need the services but are unaware of their availability through the NSP.

✓ **Other areas to consider.** The NSP might consider developing services in the areas of: 1) marketing and public relations and 2) human resources. Marketing and public relations services would focus on assisting organizations communicate the availability and value of the services they offer. Support in the area of marketing might be structured around a specific set of organizations selected because they do similar kinds of work. NSP also might consider supporting an organization or service where human resources functions for nonprofits could be outsourced. By outsourcing these functions, nonprofits would be able to streamline their administrative overhead.

"Fine-Tuning" Recommendations for How the NSP Does Its Work

In this section, we provide recommendations for fine-tuning how the NSP does its current work.

- ✓ **Formally Codify and Maintain the NSP's Effective "Firewall" to Protect Sensitive Grantee Information.** Nonprofits report in our survey they have no concerns about sharing sensitive information regarding their organization with the NSP for fear that issues will be shared with other HFPG program officers. The "firewall" that the NSP maintains is therefore effective; however, it is not well codified, although it is clearly understood and practiced by NSP staff. Document what constitutes the firewall, make a statement available to nonprofits, and continue to maintain its integrity as has been the case to date.

- ✓ **Continuing Capacity-Building Initiatives and Connecting Strategically with HFPG's "Regular" Grantmaking.** The NSP is currently working effectively with other HFPG programs through some of the Foundation's strategic initiatives, such as the Multiservice Agency Initiative and the Community Wealth Ventures (CWV) initiative. This is the type of work that field experts want to encourage the NSP to do more of to target organizations for their services. In particular, the brief organizational assessments (BOAs) and TAGs could be focused on organizations that the HFPG has determined meet strategic goals for the Foundation in the communities in which it seeks to make the greatest impacts.

- ✓ **Ongoing Evaluation of NSP Grants and Services**. Currently, the NSP does some, but limited, work to evaluate its grants and services. Data from evaluations of workshops and learning opportunities appear to be reported on most commonly. We recommend that the NSP increase the amount of effort and resources it puts into evaluating its work to understand the value of its grants and services and to capture lessons grantees have learned.

Planning and Operational Recommendations

We recommend the NSP consider the following efforts to enhance its own planning and operation.

- ✓ **Assess External Needs and Assets in the Nonprofit Landscape.** While this strategic review of the NSP provides some data on nonprofit needs for capacity-building assistance, it does not provide a comprehensive picture of the nonprofit landscape in the Greater Hartford region. This could be addressed in a sector-wide landscape study that would benefit grantmaking for the entire Hartford Foundation.

- ✓ **Formally Codify NSP Values and Assumptions.** NSP management staff should more formally codify the implicit and informally documented values and assumptions guiding the NSP's work.

- ✓ **Formally Define NSP Purpose, Goals, and Objectives.** The product of the exercise to formally define goals and objectives is a logic model for each NSP component and a theory of change for the NSP as a whole. This process goes hand in hand with the exercise of clarifying underlying values and assumptions guiding the NSP's work.

- ✓ **Communicate Lessons Learned to the Community and the Field.** The nonprofit capacity-building field is still in an early stage of development, and the NSP experience surely would build and fill gaps in the literature. The level and type of any communications activities that the NSP undertakes should be determined by the will, interest, and capacity of the Hartford Foundation.

Assessment Findings and Recommendations for Strategic Development of the Hartford Foundation for Public Giving's Nonprofit Support Program

February 2005

I. Introduction and Purpose of the Strategic Review

This report provides LFA's findings and recommendations for the strategic development of the Hartford Foundation for Public Giving's (HFPG) Nonprofit Support Program (NSP). The NSP engaged the consulting services of LFA (LaFrance Associates, LLC) to conduct a strategic review and assessment of the NSP, with the following overarching goals:

- To determine which aspects of the NSP's current offerings and approach are in alignment with best practices as known in the literature and the field;
- To assess whether the NSP's structure, staffing, and offerings are in alignment with program goals;
- To evaluate impacts on organizations that have received NSP grants and services; and
- To identify areas for development and growth based on needs of the Greater Hartford Area nonprofit community.

Brief Background on the NSP

The HFPG started the Nonprofit Support Program in the late 1980's in order to support the effective management of local nonprofit organizations. Begun as a small grants program, NSP was originally staffed by a part-time program officer, one part-time administrative assistant, a part-time volunteer, and a consultant. Its program initially consisted of Technical Assistance Grants (TAGs) to purchase consulting services to help agencies with general organizational needs such as strategic planning, board development, and marketing. Over time, organizational assessments, leadership training, a nonprofit loan program, and a technology program were added. The most recent addition has been a financial management program.

> ### The NSP Today
>
> The mission of NSP is to help strengthen the effectiveness of nonprofit organizations in Greater Hartford. The NSP is a resource to nonprofits, providing learning opportunities, assessments, grants, consultation and networking to help nonprofit leaders govern and manage their organizations effectively. The NSP offers its services free of charge and with the understanding that all information gathered through any of its assessment processes will be kept confidential unless an agency expressly requests the information to be released.

Study Methods

To inform this strategic review and assessment process, LFA collected an extensive set of information from a vast array of NSP stakeholders and constituency groups. We based all recommendations on our analysis of findings across the following sources of information:

- Five key informant interviews with NSP staff;
- Four key informant interviews with HFPG leadership and one focus group with program officers;
- Three focus groups with consultants providing financial management assessment, agency automation, and organizational assessment services to NSP grantees;
- A survey of all HFPG grantees, including NSP grantees as well as organizations that have not received any NSP services or grants (n=166 survey respondents);

- Four focus groups with NSP grantees organized by type of major NSP service area (financial management, agency automation, organizational assessment and technical assistance grants, and workshop series);
- Four expert commentary and key informant interviews with thought leaders in the field of nonprofit organizational capacity building, including funders, academics, and management support providers[1];
- A review of the literature on best practices for funding nonprofit organizational capacity building; and
- Observations and assessments of the LFA consultant team.

While we certainly encountered differing and at times at-odds opinions across stakeholder groups about how and in what directions the NSP should change and develop, in general our experience was one of remarkable agreement and consistency in what varying groups whose input we solicited had to say about the NSP's development. Ultimately, we used our judgment—grounded in the data collected and our understanding of the culture and capacities of the NSP in particular and the HFPG in general—in formulating the recommendations this report describes.

Report Overview

This report is organized into the following four main sections:

1. **Assessment of the NSP's Current Capacity-Building Services and Strategies** – this section provides findings from our assessment of whether NSP areas of focus and its approach to nonprofit capacity-building grants and services are in alignment with best practices;

2. **Recommendations for Enhanced and New NSP Offerings** – in this section, we describe areas where the NSP could enhance current offerings as well as potential new areas of focus for the NSP;

3. **Recommendations for How the NSP Does its Work** – this section includes suggestions for how the NSP could clarify and possibly modify its current approaches to nonprofit capacity-building work; and

4. **Recommendations at the Planning and Policy Level** – this final section offers recommendations for internal development of the NSP and ideas for how to approach future planning strategically, with an eye for optimal impact.

LFA is also providing the NSP with data summaries for each current NSP service area from the information-gathering processes conducted for this project, including the grantee survey and focus groups. These data summaries by NSP program area provide detailed findings from our evaluative inquiries from grantees as well as the complete set of suggestions for improvement that grantees identified in the survey and focus groups.

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[1] LFA, with input from NSP staff, developed a Program Profile describing in detail each of the NSP's services and grants. We sent this Program Profile along with a set of questions for reflection and discussion to each of the field expert key informants in advance of our interviews in order to ground their recommendations and comments in the specific current reality of the NSP, the HFPG, and the Hartford community context. Please see the Appendix for the NSP Program Profile.

II. Assessment of the NSP's Current Capacity-Building Services and Strategies

Key Findings

One of the NSP's key research questions for this strategic review is whether its current offerings are in alignment with best practices as known in the field. The following provides our key findings on how well aligned NSP services and strategies are with best practices in the literature and the field. Where we identify areas for growth and development, specific recommendations can be found in subsequent sections of this report.

> **Overarching Theme**
>
> Our single most consistent finding in this inquiry is the high degree of respect, praise, and appreciation the NSP enjoys from virtually all stakeholder groups from HFPG staff internally (leadership and program officers), to grantees, to the field at large. In particular, stakeholders esteem NSP staff for their competence, dedication, and responsiveness. All recommendations must be understood within this context.

A. **NSP's Responsive and Organic Development.** The NSP's responsive development over time demonstrates its propensity and capacity for **adaptive capacity**: to learn and adapt to evolving and emerging needs and opportunities. At the same time, the NSP has looked to the literature and colleagues in the field to design and implement each new offering with an eye for learning from experience and adhering to what is known to work most effectively for funding nonprofit organizational capacity building. Furthermore, the NSP's interest in undertaking this strategic review is a prime indicator of its internal culture of hungering for effectiveness. These characteristics of the NSP's development are very much in alignment with best practices in the field.

B. **Focus on Leadership Development, Planning, Financial Management and Agency Automation.** The NSP's in-depth focus on **leadership development**, **planning**, **financial management** and **technology** capacities is also in alignment with what experts in the field and the literature describe as a high-leverage nonprofit capacity-building model for organizational effectiveness and sustainability. The model, depicted graphically below, is comprised of two types of capacities: 1) leaders as change agents, and 2) systems to support and inform decision-making, change, and functioning within organizations.

The NSP's current work in the area of leadership development is in alignment with best practices in the field. The literature and field experts describe **strategic and professional staff leadership** and **effective board governance** as the key change agents for enhancing nonprofit organizational effectiveness. Effective leaders employ various forms of **planning** to involve stakeholders in a process of taking stock of their organization's strengths, weaknesses, opportunities, and threats, and to set a direction for the organization with an eye towards optimal mission achievement. The NSP supports leadership development in a variety of ways, such as the Executive Management Institute workshop series and Leader's Circle peer learning groups. The NSP provides planning grants to nonprofits through the Technical Assistance Grants (TAG) program. Workshops and TAGs can support board development, although governance is also an area where we recommend the NSP enhance their work in a later section of this report.

In terms of the second level of our high-leverage capacity-building model—support systems—the NSP provides in-depth programming and services in two of the three areas

(financial management and agency automation). The third fundamental capacity for an effective organization in today's environment is **evaluation**, defined basically as systems for collecting and using information for reflection and continuous improvement. The NSP currently does not provide intensive services in the area of evaluation; we discuss the recommendation for the NSP to develop a focus in the area of evaluation in a subsequent section of this report. We also provide specific recommendations regarding potential modifications to the financial management and agency automation programs below.

High-Leverage Capacity-Building Areas for Organizational Effectiveness and Sustainability
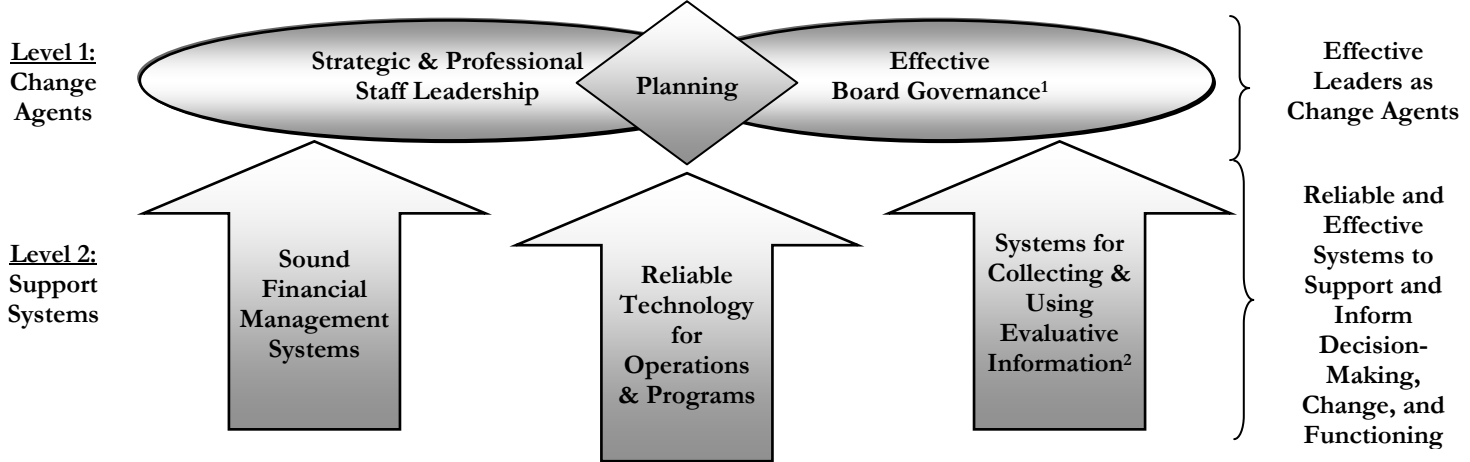
Notes: 1. The NSP currently offers a two-part governance-focused workshop followed by a day of consultant time, in addition to providing TAGs for board development. This is also an area where the NSP might consider incrementally enhancing offerings in the future.
2. Developing focused offerings to build nonprofit capacity for evaluation would be a new area of work for the NSP.

C. **Brief Organizational Assessments and Technical Assistance Grants.** The literature strongly supports the practice of conducting organizational assessments to identify areas of focus for a

> *"In the case of capacity building, one size fits one. Use assessments when there is confusion. If you have to sequence the work, use NSP staff judgment or ask the organization how they would sequence it to get the best leverage. If neither can answer the question, then do an organizational assessment."*
> **—Key Informant, Field Expert**

nonprofit seeking to strengthen its effectiveness. Many NSP grantees also described how useful the brief organizational assessment (BOA) they received through the NSP were in chartering a course for the organization, surfacing issues, and bringing board and staff members into alignment with their visions for the organization and understanding of areas for development. Similarly, the availability of a custom Technical Assistance Grant (TAG) is an excellent practice, allowing nonprofits to tailor their capacity-building project to their organization's specific needs. At the same time, while it is in alignment with best practices to provide organizational assessments and customized technical assistance grants, the NSP might consider some modifications to the parameters and guidelines for the BOAs and TAGs. Specific recommendations are provided below.

D. **Services to Develop Skills Among the Local Consultant Pool.** The NSP's current practice of providing services to build the skills of the local consultant pool is in alignment with best practices in the field. The NSP works with a cadre of consultants in the Greater Hartford Area, soliciting their input when possible and appropriate, to provide intermediate to advanced learning experiences targeted to consultants with existing practices. The NSP should continue to do this kind of work, seeking new opportunities for consultant development as resources permit.

E. **Workshop Participation as Component of Second Opportunity Grants and Financial Management Grants.** Having nonprofit representatives participate in workshops, particularly teams of staff and board members in attendance together, as part of their capacity-building grant experience is solid best practice in general. NSP grantees that have participated in these workshops also, for the most part, have described the benefit they have gotten out of them. At the same time, nonprofit executives expressed the following concerns: 1) when their board members attended the financial management workshop and the workshop covered material that was basic for the board member given his/her professional expertise (e.g., as a CPA); 2) when board members attend workshops that address functions that staff will fulfill, rather than functions that board members fulfill.

We suggest that the NSP make every attempt to keep the number of sessions in sequenced workshops, particularly those in these series (for the agency automation and financial management programs), to a minimum so as not to overtax the time commitment of participating agency representatives.

For **all workshops** that the NSP provides (including other types of learning opportunities not associated with the Second Opportunity Grants or Financial Management Programs) that include board members as participants, nonprofit executives suggested being mindful of logistics, particularly in terms of offering workshops at times that board members can make.

F. **Providing Follow-up Consultation Post-workshop Participation.** It is also in alignment with current best practices to provide follow-up consultation to organizations after participating in a workshop to facilitate implementation of learning from the workshop in the organization. The NSP should continue this practice, including the accountability process of having leaders identify what s/he wishes to implement from the workshop and how the consultant can aid in the launch of this work, and then asking for feedback at a follow-up point in time (e.g., three months after receiving the consultation). The NSP solicits feedback in a variety of formats: 1) asking for a brief report on progress relative to initial goals established, 2) in a peer discussion group, or 3) having the consultant return to the organization to informally assess progress and report back to the organization and the NSP.

G. **Awareness and Reach of the NSP.** The NSP has done an excellent job of informing the nonprofit community of its existence as well as available services and grants. The vast majority (97.5%) of nonprofit survey respondents report they have heard of the NSP, and four out of five (82.2%) report they are fairly or very familiar with the NSP (see text box at right). The survey sample is comprised of HFPG grantees since 2000, so the actual awareness and reach among all Greater Hartford Area nonprofits is likely a little lower than these findings; nonetheless, the findings are remarkable. This suggests that the NSP should continue to implement its current outreach strategies. If the NSP chooses to implement some of the recommendations about studying the nonprofit ecosystem in the Greater Hartford Area made in the last section of this report, it will make further inroads beyond current HFPG grantees.

> **The NSP's Extensive Reach
> Into the Nonprofit Community**
>
> Four out of five Greater Hartford Area nonprofits are familiar with the NSP, according to survey results from 163 HFPG grantees:
>
> **How Familiar Are You with the NSP?**
>
> | | |
> |---|---|
> | Very familiar with the NSP | 42.3% |
> | Aware of NSP and fairly familiar | 39.9% |
> | Heard of NSP, but not familiar | 15.3% |
> | Never heard of NSP before | 2.5% |

H. **The Nonprofit Loan Fund.** The Nonprofit Loan Fund that the NSP supports is a good and useful service for those few nonprofit organizations that find themselves in the position of needing to access it. A little over one in ten (12.6%) of nonprofit survey respondents reported using the Nonprofit Loan Fund. See Section III for more specific recommendations.

> *We have drawn from the Loan Fund periodically over the years to address cash flow needs. This fund has enabled us to continue operations when delays in funding may have otherwise resulted in us having to suspend or temporarily close.*
> **—NSP Grantee**

III. Recommendations for Enhanced or New NSP Offerings

Based on our research, the top four areas of organizational capacity in which the NSP should consider developing new offerings or enhancing existing activities are **governance**, **evaluation**, **marketing**, and **human resources**. The criteria we used for selecting these as the top areas of possible future focus for the NSP are, in rank order of importance:

> *Strong, engaged boards and professional leadership is the equation.*
>
> *Program evaluation: the establishment of goals and collection of data draw a lot of change in organizations. This is a powerful change lever.*
>
> *Marketing, in the broad sense of the strategy, to raise awareness and ultimately identify and secure support for organizations and the needs of the communities they are serving.*
> **—Key Informants, Field Experts**

1. They are part of the "High-Leverage Capacity-Building Areas for Organizational Effectiveness and Sustainability" framework, and thus represent areas in which the literature and field experts encourage intervention;
2. A significant percentage of nonprofit survey respondents indicated average to low capacity in this area of capacity;

3. A critical mass of nonprofit survey respondents expressed this area for capacity-building assistance as a top three priority need for their organization; and/or
4. An expressed need for capacity-building assistance in this area became a theme in what nonprofit focus group participants reported.

In making our recommendations, not all of the criteria had to be met, and at times a higher order criteria trumped lower order criteria if there was not consistency in indications across criteria. However, for each of these three areas of organizational capacity building, it is always the case that they meet two to three of the criteria above.

One area of capacity building in which the majority (63%) of nonprofits ranked themselves as currently having average to low capacity and for which nonprofits most commonly (65%) expressed as a top priority for desired capacity-building assistance is **fundraising and development**. We have not recommended this area of capacity as an explicit potential future focus for the NSP for a few main reasons. First, the field shares a view, and it is also our experience, that requests for fundraising and development assistance typically mask underlying needs for other types of capacity-building assistance in organizations. In other words, we believe that enhances in evaluation and marketing capacities, for example, will lead to greater fundraising and development capacity. Second, the NSP currently supports a significant number of capacity-building projects in the area of fundraising and development through its TAG program. And third, the most common type of project (undertaken by 41.1% of nonprofit survey respondents) that nonprofits have worked on with consultants outside of NSP support are focused on fundraising and development, suggesting that nonprofits are finding ways to get this need met.

Below we provide details on how the NSP can develop new or enhanced work, as well as the rationale and supporting data, for growing into providing more intensive service in the areas of governance, evaluation, marketing, and human resources.

A. Governance and Board Development: Enhanced Offerings

As noted above, the NSP currently offers a two-part workshop followed by a day of consultant time to work on a board governance issue of the grantee's choice, in addition to TAGS for board development. We recommend the NSP consider developing additional offerings in the area of governance incrementally over time.

1. Rationale and Supporting Data
- Governance is part of the "High-Leverage Capacity-Building" model presented earlier in this report (based in the literature and discussed by field experts).
- About half (48%) of nonprofit survey respondents say they have average to low capacity in this area.
- A third (34%) of nonprofit survey respondents rank this area as one of their top three capacity-building priorities.
- Nonprofit focus group participants expressed need for capacity-building in this area.
- HFPG program officers and leadership identify this as an area of capacity-building need among area nonprofits.
- The local United Way is cutting back its work in the area of governance and board development.

2. **Explanatory Notes**
   - The issues related to building organizational capacity in the area of governance include: 1) a lack of understanding among board members about their roles and responsibilities, 2) a lack of skill among boards to fulfill their roles and responsibilities, and 3) a lack of supply of quality, reliable board members relative to demand.
   - The NSP's approach to developing work in this area should be based on the specific local need and known best practices. Next steps for the NSP would include further investigating the local need, reviewing current approaches in the field, and then tailoring a program informed by this exploratory process.

3. **Notes on Priority Level**
   - We recommend that developing enhanced offerings in the area of governance should be high priority for the NSP, particularly given that the United Way's board-related offerings are being reduced.

B. Evaluation: A New Focus Area

Also as noted above, developing specific offerings to build evaluation capacity among nonprofit organizations would be a new focus area for the NSP. The NSP should take its time researching and exploring how best to approach a set of services in this area.

While only about 10% of nonprofit survey respondents ranked evaluation as one of their top three capacity-building priorities, we recommend this as an area where the HFPG/NSP play a leadership role in the nonprofit community, providing training and support for evaluation that goes beyond funder-required evaluations to building internal information systems that can provide feedback for program planning and development as well as contribute to fundraising capacity by enhancing nonprofit's ability to communicate the value of their work.

1. **Rationale and Supporting Data**
   - Field experts and the literature on best practices agree and strongly encourage a focus on building nonprofit capacity to collect feedback and other information to reflect and improve service delivery on an ongoing basis.
   - HFPG program officers identified evaluation as a key area of need for capacity-building development among Greater Hartford Area nonprofits.
   - Some nonprofit focus group participants identified evaluation as a need for capacity-building development.
   - Over half (58%) of nonprofit survey respondents rank their current evaluation capacity as average to low, making evaluation capacity 10th lowest of 16 areas of capacity assessed.

2. **Explanatory Notes**
   - As mentioned above, this is an area where the NSP could take leadership in advancing the Greater Hartford Area nonprofit community to get ahead of the curve in terms of using evaluation for continuous improvement and learning, as well as a key source of information for marketing and fundraising.
   - Philosophically, the NSP should promote evaluation as a process of learning and reflection, rather than one of accountability for its own sake.

- The NSP could provide a combination of services in the area of evaluation, including a workshop series and a targeted grants program.
- The NSP's existing agency automation program supports the goal of building organizational capacity to collect and use information on clients/patrons and services by providing the tools to store and analyze this information.
- If the NSP found the right consultant, a circuit rider for evaluation consultation to nonprofits could be an efficient way to provide capacity-building assistance in this area.

3. Notes on Priority Level

- We recommend developing services and grants in the area of evaluation as a moderate priority. This is an area where the NSP could grow into working over the next two to three years. While we firmly believe that the need is significant, and that building capacity in this area serves nonprofit's greatest expressed need of building fundraising capacity, the community is not making outright demands for this service and therefore the NSP could take more time to phase this work into its offerings.
- The NSP can continue to use its existing TAG offering as a mechanism for providing targeted grants in the area of program evaluation.

C. Other Areas to Consider

The NSP might consider developing services in the areas of: 1) marketing and public relations and 2) human resources. Marketing and public relations services would focus on assisting organizations communicate the availability and value of the services they offer. Support in the area of marketing might be structured around a specific set of organizations selected because they do similar kinds of work. NSP also might consider supporting an organization or service where human resources functions for nonprofits could be outsourced. By outsourcing these functions, nonprofits would be able to streamline their administrative overhead.

Marketing and Public Relations

1. Rationale and Supporting Data

- Field experts identify marketing as an innovative area for funding nonprofit organizational capacity building.
- Two-thirds (63%) of nonprofit survey respondents rank their current marketing capacity as average to low. Nonprofits rank current marketing capacity 13th lowest of 16 areas of capacity assessed.
- A third (35%) of nonprofit survey respondents rank marketing and public relations as one of their top three capacity-building priorities.
- Nonprofit focus group participants identified marketing as an interest and need for capacity-building development.

2. Explanatory Notes

- Building capacity in the area of marketing contributes to organizations' fundraising capacity.
- One field expert key informant suggested incorporating marketing as a topic addressed in the leadership development training to develop this competence in the leadership context. Nonprofit survey respondents suggest using the model of providing access to follow-up

consultation after a workshop on marketing to work with a consultant who would develop a marketing plan for the organization.
▪ HFPG program officers suggested the NSP consider providing a circuit rider for marketing and public relations services.

3. Notes on Priority Level
1. We recommend developing services and grants in the area of marketing as a low priority, if the NSP chooses to do additional work in this area at all. This is an area where the NSP could grow into working over the next three to four years.
2. The NSP can use its existing TAG offering as a mechanism for providing targeted grants in the area of marketing and public relations.

Human Resources

A final potential area in which the NSP could consider developing programming, also based on the criteria above, is **human resources**. From the perspective of nonprofit grantee participants in our survey and focus groups, the need and interest in support in the area of human resources is comparable to their need and interest for support in the area of marketing. While we do encourage the NSP to develop programming in the area of human resources capacity, we ranked marketing over human resources because we believe that marketing has greater potential to contribute to organizational sustainability by way of increasing visibility for the need/community served or service provided by the organization, as well as for the organization itself.

With regards to building capacity in the area of human resources, nonprofit representatives in our focus groups suggested that the NSP support an organization or service where human resources functions for nonprofits could be outsourced. In other words, small- to medium-sized nonprofits often cannot support a full-time HR position, yet have the need to professionally fulfill functions such as payroll and benefits management. By outsourcing these functions, nonprofits would be able to streamline their administrative overhead.

Additionally, the NSP might consider whether there are ways to build human resources capacity so that nonprofits are better positioned to retain staff. Focus group representatives shared frustrations about training staff and then losing them to the public sector. While this is more of a systems-level issue over which the NSP has little or no control, from the nonprofit perspective retaining staff is a critical issue and merits at least some consideration and attention.

According to the survey data, relatively few nonprofits (just under 10%) identify human resources and personnel as one of their top three capacity-building priorities, and about one-third (37%) report they have average to low current HR capacity. However, this is an area where the descriptive data collected in the focus groups better illuminates the specific ways in which nonprofits could benefit from HR capacity support. Generally, this type of support is likely to benefit smaller nonprofits, and might be a service of value to a small segment of the nonprofit community; still, for those who need and avail themselves of such services, it could be immensely beneficial.

IV. Recommendations for How the NSP Does Its Work

In this section, we discuss recommendations regarding how the NSP currently approaches its work. Most of the recommendations regard the process of how the NSP works with grantees and what nonprofits are expected to do in the process of undertaking an NSP-supported project. We also include a few highlights from our outcomes evaluation-related questions in the survey. These evaluation data are summarized in their entirety in the data summaries LFA is providing to the NSP for each service area.

A. Determining Organizational Readiness to Undertake Capacity-Building Work

One of the NSP's questions for this strategic review was to receive guidance from the field and literature about best practices in how to determine whether an organization is ready to undertake capacity-building work. In general, we found the NSP's current practices to be in alignment with what the field and literature recommend. At the same time, we identified some themes and insights from a variety of our sources to share with the NSP to support and develop their practice:

> *When you're talking about small organizations, you're talking about building blocks. This is not about readiness. This is about leaders who are willing to do what it takes to put the building blocks in place to support sustainable and quality programs and organizations.*
> —**Key Informant, Field Expert**

1. A number of sources—self-awareness and identification, HFPG program officers, NSP staff, or consultant recommendation—can bring an area of capacity-building focus to a nonprofit leader's attention. Once the capacity-building area of focus has been raised, it is a matter of the leader's responsiveness to the question of whether they are willing to commit to making the change happen within their organization. Survey data strongly support trusting the nonprofit leader's intuition about whether they can undertake a particular capacity-building project. Of the nonprofit organizations responding to the survey that have considered applying for an NSP grant but then decided not to, three out of four (72.4%) reported their reason as "My agency was not ready to take on the work at the time" or "There were too many other pressing organizational priorities at the time." This finding strongly indicates that most nonprofit leaders have a good internal sense about their own readiness to undertake capacity-building projects.

2. Following from the above point, the capacity-building project needs an internal champion – either a key staff person or board member, or ideally one of each. A study on the success of nonprofit capacity-building projects shows significantly better outcomes for those projects that enjoyed the commitment of an internal champion.

3. All organizations should be competent in working with consultants. Competence could be indicated by a leader having prior experience in selecting and working with a consultant. If a leader or other appropriate staff person in the organization does not have prior experience in selecting and working with a consultant, then the NSP should provide a set of guidelines, workshop, or coaching on this topic. About a third (31.8%) of nonprofit survey respondents report they have never worked with a professional consultant on an organizational change or development effort.

In short, the NSP should continue to use their staff's assessment skills and judgment to determine organizational readiness. We do not recommend a more formal process for assessing readiness. However, given that the determination rests largely in NSP staff's assessment abilities, it could be valuable to provide staff in the position of making such judgments with training in the brief organizational assessment process, if they are not already familiar with what an assessor asks and how they make determinations about organizational needs and assets.

B. Brief Organizational Assessments as a Gateway for any Capacity-Building Effort

Currently, the NSP does not require organizations to undergo a brief organizational assessment (BOA) as a gateway process for receiving NSP grants and services. Rather, organizations can apply for a brief organizational assessment if they determine the need for one on their own, or the NSP or a consultant may recommend one for an organization. Circumstances that might indicate the utility of a brief organizational assessment include the following:

1. If the organization has undergone recent turmoil or significant transition or change;
2. If there is no strategic plan currently in place;
3. When the leader is new to the organization;
4. When the leader is new to leading a nonprofit; or
5. If the board is not functioning at a governance level.

NSP staff currently do use these and other criteria when assessing the need for a BOA. Field experts interviewed in this process resoundingly agreed that the NSP should maintain its current practice of using their judgment to determine when a BOA would be useful. We echo this recommendation.

C. Keep Assessment Processes Distinct

The various assessments that the NSP offers to organizations—BOAs, agency automation reviews, and financial management assessments—should remain distinct processes. The different assessments involve distinct skill sets on the consultant's part, and in many cases will also involve different people in the organization.

D. The NSP's Effective "Firewall" to Protect Sensitive Grantee Information: Codify and Maintain It

At the outset of this strategic review, the NSP and HFPG staff wondered whether a fear among nonprofit organizations that the NSP would share sensitive information with other program officers at the HFPG posed a barrier to applying for or seeking NSP services. Our findings strongly suggest that this is not the case. Of responding nonprofits that considered applying for an NSP grant or service but then decided not to, not a single one reported they chose not do so because they "did not want to reveal confidential organizational information to HFPG." Furthermore, the **vast majority (94.8%)** of nonprofit survey respondents reported that they **have never "been concerned that the NSP staff might share information about (their) organization with other Hartford Foundation staff."**

Field expert key informants encourage the NSP to let go of these concerns. They agree that maintaining a "firewall" is a good idea, but they suggest that the NSP codify, document, and share

the terms of the firewall, and then continue to maintain the integrity they have in honoring it. The important point for the NSP is that they should not feel they cannot work more closely with the general grantmaking side of the HFPG because of a perceived fear among nonprofits about information sharing.

E. Technical Assistance Grants: Developing Capacity-Building Initiatives and Connecting Strategically with HFPG's Regular Grantmaking

The NSP's Technical Assistance Grants (TAG) program is the most widely used of NSP's offerings: one half of nonprofit survey respondents have received a TAG from the NSP. Through the TAG program, the NSP makes funding available to nonprofits to work on capacity-building issues that either they have identified on their own or have identified though the Brief Organizational Assessment service of the NSP. An organization may use their TAG to address one or more capacity-related need in the organization. About three out of four organizations use a TAG for strategic planning, about one-third use their TAG for development and fundraising issues, and one quarter use the TAG for board development (see table in text box at right).

In terms of recommendations, one of the most striking findings from the field expert interviews was their common recommendation that the NSP, particularly the technical assistance grants (TAGs) program, embrace and strengthen its relationship with the HFPG's "regular" grantmaking programs. More specifically, these key informants recognize that the NSP must choose a way to focus its capacity-building services, as there will always be a greater level and broader spectrum of need than the NSP could possibly meet. To date, the NSP primarily has chosen to focus the type of organizations with which it works by narrowing in on small- to medium-sized organizations.

While field experts do agree that this is a perfectly reasonable principle on which to formulate a criterion for NSP grant eligibility, they also suggest that the NSP begin to explore ways that it can partner more closely with HFPG program officers to determine strategies for strengthening the nonprofit sector in the Greater Hartford area at the **communities** and **systems** levels. Implicit in this comment is that the NSP's current approach does an excellent job of targeting capacity-building

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**Evaluation Results Preview:
Technical Assistance Grants (TAGs)**

- 70% of TAG recipients report significant improvement in their ability to deliver programs and services.

"The strategic plan has allowed us to focus on 5 specific goals. We have moved in a direction of growth and transition. Our organization has benefited greatly from this TAG from board development, marketing/PR, and most importantly, in moving forward in building a new facility that will meet the needs of our growing programs and services."

—NSP Grantee

**Organizational Issue(s) Addressed
With NSP Technical Assistance Grants**
(n=67)

Organizational Issue	Percent	Number
Strategic Planning	71.6%	48
Development and Fundraising	38.8%	26
Board Development	25.4%	17
Organizational Transitions	9.0%	6
Marketing and Public Relations	6.0%	4
Executive Coaching	6.0%	4
Financial Management	6.0%	4
Endowment Planning	3.0%	2
Collaboration and Mergers	1.5%	1

* The sum of percentages is greater than 100% because respondents could check all that apply.

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efforts at the **individual** and **organizational** levels. By capacity-building at the community level, we specifically mean focusing on organizations serving or working within particular communities (defined geographically or by identity) in the Greater Hartford Area.

The NSP is currently working together with other HFPG programs through some of the Foundation's strategic initiatives, such as the Multiservice Agency Initiative and the CWV initiative. This is the type of work that field expert key informants want to encourage the NSP to do more of in terms of finding ways to target organizations for their services. In particular, the BOAs and TAGs could be focused more closely on organizations that the HFPG has determined meet strategic goals for the Foundation in the communities in which it seeks to make the greatest impacts.

> *The demand is exceeding the NSP's capacity, so they have to make choices about when these kinds of grants and supports (BOAs and TAGs) is high leverage. Link it back up to the program side of the Foundation. Who are the priority grantees of the HFPG? If the program staff and leadership can say, 'In our various portfolios, these are the organizations we are counting on,' then the NSP should put a priority on them.*
> —**Key Informant, Field Expert**

F. Selecting Consultants and Requiring Grantees to Undertake an RFP Process (TAGs)

Field expert key informants and nonprofit participants in this study agree that nonprofits need to be savvy consumers of consultant services, and that there are multiple ways to achieve this goal. They recommend that the NSP require nonprofits undertake some formal process when selecting a consultant for their capacity-building project. Whether this needs to be a full-blown RFP process in every case is up for debate. We suggest that the NSP clarify for nonprofits that they do need to undertake some formal process for selecting consultants, and that the NSP recommends the RFP process as an effective option so that organizations clarify for potential consultants: 1) what the organization does and other important organizational details; 2) what the purpose and goals of the consulting project are, and 3) what the scope of services expected of the consultant is.

One recommendation we heard from multiple stakeholders and participants in this assessment process regarding the consultant selection process was for the NSP to supply, on its consultant directory, the names and contact information of organizations that listed consultants have worked with as well as the type of project conducted to help organizations narrow the pool of consultants and do reference checks.

G. Agency Automation Program

Nonprofit survey and focus group participants as well as agency automation consultant focus group participants provided feedback on how they would suggest modifying the agency automation program. We will supply a complete set of findings from the survey and focus group to the NSP Director to share with staff as appropriate.

> **Evaluation Results Preview: Agency Automation Program**
>
> Based on survey results:
> - 89% of grantees report a significant increase in staff productivity
> - 89% of grantees report significant improvement in their ability to deliver programs and services

The overarching themes that emerged from our data collection across all sources regarding the agency automation program are to:

1. **Simplify the process for getting a Second Opportunity Grant.** Our recommendation is to increase the flexibility regarding what are now specific requirements, including the workshop and the development of a technology plan. Ideally, the NSP would work with the organization to determine if the workshop makes sense and who in the organization should attend, and the same with a technology plan. If a technology plan is indicated for an organization, have the consultant be responsible for developing it.

> *The most precious and scarce resource in a nonprofit, especially a small nonprofit, is the time of the executive director. If the NSP can find ways to reduce the amount of time the executive director has to spend on developing a technology plan, that would serve these organizations immensely in the big picture of their capacity-building needs.*
> **—Key Informant, Field Expert**

2. **Customize the agency automation grants and process.** The goal of modifying the agency automation program is ultimately to provide agency automation grants that are more customized to organizational needs and fund them on a case-by-case basis rather than by formula depending on agency size. Also as mentioned above, perhaps the NSP will begin to focus on the organization's position in the community and as part of HFPG's overall strategy for impacting the community as a criteria for prioritizing organizations to receive this type of support.

We also collected extensive information on the outcomes experienced by organizations that have received agency automation program grants and will provide these data summaries to the NSP.

H. Financial Management Program

As above, nonprofit survey and focus group participants as well as financial management consultant focus group participants provided feedback on how they suggest modifying the financial management program. We will supply a complete set of findings from the survey and focus group to the NSP Director to share with staff as appropriate.

> **Evaluation Results Preview: Financial Management Program**
>
> - 100% of grantees report a significant improvement in their organization's ability to manage effectively.
>
> *"Our organization has experienced greater efficiency in grant reporting and producing timely financial statements to the board."*
> **—NSP Grantee**

The overarching theme that emerged from our data collection across all sources regarding the agency automation program is to:

1. **Have the consultants play a project manager role in the process.** One of the key issues that organizations encounter in the financial management program is difficulty in maintaining momentum in the process. Our recommendation, informed by our focus groups with financial management consultants and nonprofit grantees, is to charge the consultants with more of a project manager role to shepherd the process along and keep progress moving forward.

One key informant suggested that all organizations funded by the Hartford Foundation should be able to demonstrate competence in the area of financial management. If they cannot demonstrate

competence, then they should receive a financial management assessment. We interpret this comment largely to indicate the value and importance of the NSP providing capacity-building grants and services in the area of financial management. However, if the NSP were to restructure its approach to work primarily with grantees identified as key to community change through the HFPG, then this type of mindset could be appropriate for the NSP and the HFPG to adopt.

I.   The Nonprofit Loan Fund

Nonprofit survey respondents provided only a few minor comments about how the NSP could improve the Nonprofit Loan Fund:

1.   Simplify the reapplication process;
2.   Make the application and line of credit active for five years; and
3.   Increase the loan repayment term.

Nonprofit focus group participants also encouraged the NSP to consider ways that the Nonprofit Loan Fund might be a resource to help organizations grow.

Our supplemental data summaries provide reports of outcomes nonprofits experienced from the Nonprofit Loan Fund.

J.   Evaluating NSP Grants and Services

Currently, the NSP does some, but limited, work to evaluate its grants and services. While grantees are asked to provide objectives for their project, it does not appear that they are asked consistently to report on progress towards achieving those objectives at the end of their grant. Data from evaluations of workshops and learning opportunities appear to be reported on most commonly.

This strategic review has yielded significant evaluative information about the outcomes of NSP grants and services. These findings will be summarized in detail in data summaries by NSP program area. Furthermore, this exploration into NSP outcomes establishes a firm foundation for developing ongoing systems for evaluating NSP in the future: the outcomes identified in this process can be used to develop simple evaluation forms and report templates, as discussed below.

Another of the clearest recommendations that emerged from our interviews with field experts and review of the literature on best practices is that the NSP should increase the amount of effort and resources it puts into evaluating its work to understand the value of its grants and services and to capture lessons grantees have learned. Every evaluative activity that the NSP undertakes or requires of a grantee should have a clear purpose, and we recommend different approaches to evaluation for different purposes:

   ▪   **For ongoing reflection and learning** develop a simple online report for the grantee to complete at the end of each grant, with a combination of open- and closed-ended questions.[2]

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[2]   In Section IV below, we discuss recommendations at the planning and policy level, one of which is relevant here: the NSP should develop a logic model for each NSP service/grantmaking component that can inform an evaluation plan for that component.

Closed-ended questions get at three to five process and outcome items that can be developed from the surveys and focus groups conducted for this strategic review. Open-ended questions assess lessons learned in the process for the NSP to reflect on its own practice and to become an ever better support to future grantees; sample questions include: What did you do with the money? What did you learn? What progress did you make on the objectives you've set? What lessons have you learned that you incorporated into the management and operations of your organization? What would you do differently next time and what advice would you give someone else?

- **For more intensive outcomes measurement** the NSP might consider conducting a study of the effectiveness and outcomes associated with the TAGs and workshop series. Given that the NSP has been providing TAGs and workshops for many years, there is now a critical mass of organizations that have received one or both of these services. Given that it takes time for the change associated with capacity-building work to take root in an organization, a retrospective study of organizations that have received a TAG only as well as those that have received a TAG and have participated in a workshop series could yield meaningful and interesting results on the long-term impacts of these NSP services. Implicit in this recommendation is that we do not believe the financial management or agency automation programs need to be studied in any more depth than the grant closeout report suggested in the point above.

- **For planning and strategy development**, which is also discussed in the next section of this report, the NSP should consider investing in a study of the nonprofit landscape and ecosystem in the Greater Hartford Area, to the benefit of the NSP in particular as well as the strategic grantmaking of the HFPG in general.

One key informant specifically recommends the NSP budget 10%-15% of funds for evaluative activities. Our primary recommendation is that the NSP should support at least a partial staff position in its program to take the lead on the evaluative components of its work. These responsibilities would include helping organizations develop objectives at the start, developing reporting templates, reviewing reports on progress and outcomes, and preparing periodic summary reports for the NSP and the HFPG on what's working and what could be improved.

K. Staffing Implications for the NSP

If the NSP were to implement our recommendations to begin work in a few new areas of capacity, and undertake more ongoing evaluation activities, the program will undoubtedly require additional staff positions. The NSP staff currently experience excessive workloads, and any new responsibilities would be overwhelming. A key discussion for the NSP will be whether and how to phase new work and new positions into its existing structure, if it chooses to do so.

V. Recommendations at the Planning and Policy Level

In this section, we summarize our recommendations for the NSP at the planning and policy.

A. Assess the Nonprofit Landscape: External Needs and Assets

While this strategic review of the NSP provides some data on nonprofit needs for capacity-building assistance, it does not provide a comprehensive picture of the nonprofit landscape in the Greater Hartford region, nor does it map community needs and assets. What does (or would) a healthy nonprofit sector in the Greater Hartford region look like? Is there a good match between the nonprofit ecosystem and community need in the Greater Hartford region? These questions could be addressed in a sector-wide landscape study that would benefit grantmaking for the entire Hartford Foundation. If undertaken, the Foundation should coordinate the timing of this study with any other major data collection activities planned with grantees. This can be outsourced to a research consultant but needs an internal champion and manager.

B. Acknowledge and Codify NSP Values and Assumptions

While NSP management staff has done this informally, the program as a whole should engage in a conversation about the values and assumptions guiding the NSP's work, and the results documented and shared. This strategic review also has yielded work in the service of accomplishing this recommendation. This needn't be a time-consuming or resource-intensive process and a consultant can facilitate and document this process, though it will require NSP staff participation and leadership from the NSP Director. This work should happen in conjunction with the following recommendation regarding the development of goals and objectives for the NSP. We suggest this should be a high priority activity.

C. Define NSP Purpose, Goals, and Objectives

The NSP has a mission statement that serves as the basis for this work, and some of the work done in this strategic review serves the process of clarifying goals and objectives for the NSP. The product of the exercise to define goals and objectives is a logic model for each NSP component and a theory of change for the NSP as a whole. We do not envision this would take significant time or resources, as there clearly is an implicit logic and theory to all of the NSP's work. As mentioned above, this process goes hand in hand with the exercise of clarifying underlying values and assumptions guiding the NSP's work.

D. Communicate Lessons Learned to the Community and the Field

From HFPG program staff to experts in the field, we heard an interest in having the NSP document and share their experiences and lessons learned to a broad audience. The nonprofit capacity-building field is still in an early stage of development, and the NSP experience surely would build and fill gaps in the literature. The NSP currently publishes the *NSP Update*, which is an excellent community-level communications strategy according to the survey and other findings from this process. The level and type of any additional communications activities that the NSP undertakes, if any, is completely determined by the will and interest of the Hartford Foundation leadership and NSP staff.

Appendix A:
Nonprofit Support Program
Program Profile for Expert Review and Commentary

Overview of the Nonprofit Support Program

Brief Background and Context

The Hartford Foundation for Public Giving (HFPG) started the Nonprofit Support Program (NSP) in the late 1980's in order to support the effective management of local nonprofit organizations. Begun as a small grants program, NSP was originally staffed by a part-time program officer, one part-time administrative assistant, a part-time volunteer, and a consultant. Its program initially consisted of Technical Assistance Grants (TAGs) to purchase consulting services to help agencies with general organizational needs such as strategic planning; board development, and marketing. Over time, organizational assessments, leadership training, a nonprofit loan program, a technology program were added. The most recent addition has been a financial management program.

The Hartford Foundation serves the Greater Hartford region—a racially/ethnically diverse urban area with a significant population of low-income residents. HFPG is a significant resource to the region, with an asset base around $600,000,000. Through NSP, the Foundation is one of the only local funders specifically supporting nonprofit organizational capacity, although the local United Way also operates a Nonprofit Resource & Training Center.

The NSP Today

The mission of NSP is to help strengthen the effectiveness of nonprofit organizations in Greater Hartford. NSP is a resource to nonprofits, providing learning opportunities, assessments, grants, consultation and networking to help nonprofit leaders govern and manage their organizations effectively. NSP offers its services free of charge and with the understanding that all information gathered through any of its assessment processes will be kept confidential unless an agency expressly requests the information to be released.

The graphic below depicts NSP services currently available. Narrative descriptions follow explaining NSP staffing, operating and grantmaking budgets, and key details about NSP services and grants.
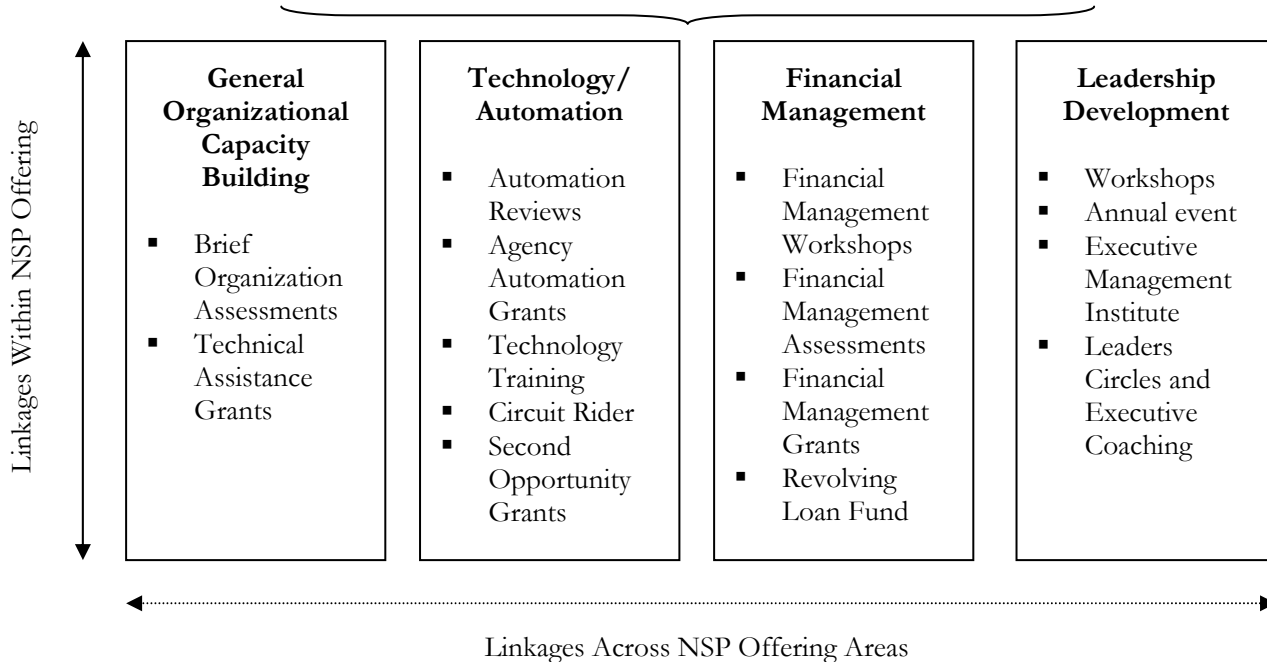
Nonprofit Support Program
Program Profile for Expert Review and Commentary
Overview of NSP Services and Grants

Communications

To promote NSP services and to support NSP goals

Newsletter – Consultant Database – Website – Brochure

Linkages Within NSP Offering

General Organizational Capacity Building	Technology/ Automation	Financial Management	Leadership Development
▪ Brief Organization Assessments ▪ Technical Assistance Grants	▪ Automation Reviews ▪ Agency Automation Grants ▪ Technology Training ▪ Circuit Rider ▪ Second Opportunity Grants	▪ Financial Management Workshops ▪ Financial Management Assessments ▪ Financial Management Grants ▪ Revolving Loan Fund	▪ Workshops ▪ Annual event ▪ Executive Management Institute ▪ Leaders Circles and Executive Coaching

Linkages Across NSP Offering Areas

Staffing, Operating Budget, and Grantmaking Budget

The NSP enjoys extensive support from the Hartford Foundation's senior leadership and board. Over the past 15 years, the Nonprofit Support Program has grown considerably. NSP's current staff comprises four full-time staff, and a volunteer who works approximately 3/4 time. All signs indicate that the NSP staff is very dedicated, skilled, efficient, and effective; however, they are facing heavy workloads, and the volunteer may retire within the next several years. There are also 10 consultants under contract to HFPG, providing assessment and planning services directly to NSP's grantees.

Demand for NSP's services has increased over recent years, and HFPG's investment in the NSP has increased to help meet the demand. As a result of NSP's expanded services and programs, its operating budget has expanded from about $500,000 to approximately $900,000 in the period from 2000-2004, and its annual grantmaking, comprising over 60 grants per year, all under $50,000, now approaches $1.5 million. Today the NSP seeks to move into its next lifecycle stage strategically, through a process of reflection based on systematically collected information from all key stakeholders as well as thought leaders in the field.

NSP Services and Grants

Elaborating on the graphic depiction above, current NSP services and grants, which are provided at no financial cost and with no matching requirement, include the following:

- **Brief Organizational Assessments and Technical Assistance**: The NSP offers a service of Brief **Organizational Assessments**, conducted by consultants under contract to HFPG. Before organizations apply for NSP services, an NSP staff member has a conversation with the organization's director about the organization's needs. From this conversation, NSP determines whether or not to advise the organization to apply for an organizational assessment. Upon completion of the assessment, the consultant submits a report including recommendations for focusing capacity-building efforts. *OAs are not a prerequisite for receiving NSP funding*. These assessments may, but do not necessarily, lead to a **Technical Assistance Grant (TAG)**. Of the 42 organizations that received a TAG in 2003, 19 had previously received an organizational assessment from NSP.

  TAGs are used to hire a consultant to address organizational issues such as:
  - Annual and Strategic Planning
  - Board Development
  - Fundraising Planning
  - Financial Management
  - Marketing and Public Relations
  - Executive Coaching
  - Organizational Transitions
  - Collaborations and Mergers
  - Management Audits
  - Organizational Evaluations

The amount of a TAG is generally determined based on the budget size of the requesting organization, according to the following guidelines:

Agency Budget Size	Eligible TAG Amount
Up to $1,000,000	Up to $10,000
$1 to $3,000,000	Up to $15,000
$3 to $5,000,000	Up to $20,000

When they apply for a TAG, agencies may also receive implementation support that provides limited funding for consultants to check in with the agencies to ensure progress is being made after a project's completion. A requirement of the TAG program is that agencies review at least two consultant proposals before making their selection.

- **Agency Automation Program**. Through the NSP Agency Automation Program, nonprofits can 1) receive an agency **automation review (technology assessment)**, 2) receive an agency **automation grant**, 3) participate in a **technology training** series; 4) receive support from a technology **circuit rider**, and 5) receive a **second opportunity grant** to update technology needs.

  Key details about NSP's Automation Assistance Program include the following:

  o The Automation Review is a prerequisite for receiving an automation grant. Consultants under contract to the NSP conduct the Automation Reviews, and the NSP assigns the

consultant to each agency. The Reviews result in reports to organizations about technology-related capacities and gaps.

o Automation grants are generally made according to the following scale:

Agency Budget Size	Eligible Automation Grant Amount
Up to $750,000	Up to $25,000
$750,000 to $2,000,000	Up to $40,000
$2,000,000 to $3,000,000	Up to $50,000

Organizations use their **automation grants** to purchase technology (including office equipment, telephone systems, computer hardware and software) and hire consultants to address technology needs. Grantees must solicit at least two quotes for major technology equipment purchases.

o In order to be eligible for a **Second Opportunity Grant**, organizations must have received an initial Agency Automation Grant at least 30 months previously, and must fulfill two requirements:
   1. Participate in a two-session Strategic Technology Training series
   2. Work with the technology Circuit Rider to develop a strategic technology plan.

o **Second Opportunity Grants** are generally made according to the following scale:

Agency Budget Size	Eligible Second Opportunity Grant Amount
Less than $250,000	Up to 10% of annual budget
$250,000 to $750,000	Up to $25,000
$750,000 to $2,000,000	Up to $40,000
$2,000,000 to $3,000,000	Up to $50,000

▪ **Financial Management Program**. About two years ago, the NSP launched a pilot program to build capacity among nonprofit organizations in the area of financial management. Available services include: 1) Financial Management Training Course; 2) Financial Management Assessment; 3) Financial Management Grants; and 4) Financial Management Continuation Grants. The financial management services are sequenced so that organizations first attend the training course, then participate in the assessment, and lastly receive a grant. At the present time, only agencies with budgets between $300,000 and $2 million are eligible for this program

o The **Financial Management Training Course** comprises four half-day sessions that occur over four months and are offered to agency teams. NSP has been somewhat surprised that it has been more difficult than anticipated to fill each class, but can only speculate at the reasons for this. NSP current practice is to request that organizations participating in the training course, submit an application for assessment. NSP encourages organizations to apply for the assessment while the course is in progress in order to decrease the length of time the overall process takes an agency.

o NSP contracts with and assigns consultants to conduct **Financial Management Assessments** for agencies that apply for and are awarded this service. Once the assessment is completed, the consultant prepares a report of findings and recommendations. *The application for the Financial Management Assessment specifically assures applicants that the assessment is not an audit.*

o **Financial Management Grants** support implementation of recommendations from the assessment. These grants are generally made according to the following scale:

Agency Budget Size	Eligible Financial Management Grant Amount
Up to $1,000,000	Up to $25,000
$1 to $3,000,000	Up to $40,000

o The **Financial Management Continuation Grants** are three-year declining grants to support the continuation of outside bookkeeping services or finance staff as funded in the initial one-year Financial Management Grant. These grants are generally made according to the following scale:

Agency Budget Size	Eligible Financial Management Grant Amount
Up to $1,000,000	Up to $25,000 over 3 years
$1 to $3,000,000	Up to $40,000 over 3 years

- **<u>Leadership Development.</u>** NSP offers several leadership development opportunities for organizational directors and board members, including 1) the Executive Management Institute, 2) the Leader's Circle, and 3) the Board Development Program, and 4) Fundraising Training.

o Every two years, NSP runs its **Executive Management Institute** (EMI), a 9-month training program for executive directors. Participants meet once a month over the course of the EMI to learn about a different topic related to nonprofit management. Participation in each EMI has averaged approximately 20 executive directors.

o Following the EMI, NSP convenes its **Leader's Circle**, a professionally facilitated forum where EDs (who have completed the EMI) discuss specific challenges and share strategies and insights. At each meeting, a different participant presents a case study on an issue she is facing in her organization. During the remainder of the meeting, the other participants discuss and offer feedback. Each participant commits to action steps which are reported upon at the following session. Participants in the Leader's Circle also have access to an executive coach.

- o NSP's **Board Leadership Program** is a two-day program that brings together an organization's executive director and members of the board to learn how to strengthen board governance. NSP asks that at least four individuals from each organization—including the executive director, board chair and two board members—participate in order to increase the likelihood of success. NSP also offers a subsequent one-day consultation to organizations that want to begin to work on issues that surface through their participation in the workshop.

- **<u>Learning Opportunities.</u>** In addition to its training and workshop series, NSP offers approximately nine stand-alone half-day workshops per year—in the fall and spring. Topics cover the spectrum of nonprofit management issues. Workshops target EDs and board chairs and average 50-120 participants. NSP contracts trainers from around the country to lead the workshops.

- **<u>Consultant Training and Professional Development</u>**. The NSP relies heavily on the availability of quality consulting services to effectively assess and build the capacity of grantee organizations. Therefore, over the years the NSP has provided various trainings and professional development workshops for Hartford Area consultants, at no cost to participants. Last Spring, NSP hired CompassPoint's Institute for Nonprofit Consulting (INC) to run a three-day training program for Hartford area consultants. Because 36 individuals applied for 18 slots, NSP plans to offer the training again. NSP also offers approximately four half-day training workshops for consultants per year. The topics for these workshops emerge from focus groups that NSP conducts with consultants.

  At times, the lack of available quality consulting services has been a barrier to NSP in offering more extensive capacity-building services, including finding quality presenters from the local area for NSP-sponsored learning opportunities. NSP has successfully reached out to and brought in presenters and consultants from outside of the Greater Hartford region; however, this strategy is more effective for workshops than for providing ongoing capacity-building services.

  Consultants interviewed as part of this strategic review and assessment expressed appreciation for the opportunities the NSP has provided for their professional development and indicated interest in having access to additional experiences. Moreover, one of the by-products of the CompassPoint INC training has been the establishment of an informal network of consultants who meet periodically to network and share experiences, given that many are sole practitioners.

Current Evaluation Practices

Like most funders of organizational capacity building, the Hartford Foundation in general and the NSP in particular would like to know to what extent and in what ways their capacity-building efforts are contributing to the enhanced effectiveness of their nonprofit grantee partners, specifically in terms of improved quality and increased quantity of services provided.

NSP asks its grantees to submit interim project reports that are tied to funding. At the end of an engagement, NSP asks grantees general questions about what worked and what didn't work. NSP has used the information it receives in these reflections for ad hoc purposes but has not analyzed the results as a whole. NSP has also conducted 15-20 informal interviews with grantees to get feedback

about its services. NSP is aware that conducting these interviews in house can limit the honesty of grantee feedback. Still, NSP staff feels it have received useful feedback from these interviews.

Currently, the degree and type of evaluation that the NSP engages in are limited for a number of typical reasons:

1. NSP wants to balance their desire for data with their desire to minimize the burden they place on the organizations they fund.
2. The field lacks reliable and easy-to-implement metrics to assess how enhancements in organizational capacity bring about changes in the effectiveness of nonprofit programs and services.
3. The Hartford Foundation has focused most of its evaluation efforts on its special, long-term initiatives that lend themselves well to evaluation. The organizational leadership has direct evaluation experience, having conducted sophisticated evaluations in the past.
4. Generally, HFPG prefers to fund services rather than evaluation.

While they would like to have an answer to the question of how their capacity-building efforts lead to organizational effectiveness, the NSP staff are aware that there likely are limitations to what they can know about the impact of their grantmaking.

Relationship of the NSP to the HFPG

The NSP has always been a program of the Hartford Foundation for Public Giving. The HFPG has a regular grantmaking program, through which nonprofits can apply for grants to support programs and services as well as some limited operating support. In addition to the regular grantmaking program, HFPG supports Initiatives and Special Projects, such as the Brighter Futures Initiative, After-School Initiative, and Multi-service Agency Initiative. These special projects and initiatives are long-term efforts that receive targeted focus over a number of years (for example, the early childhood initiative is a 20-year project). NSP is considered a Special Project and the Director of the NSP reports to the Vice President for Programs and Special Projects.

NSP staff also provides support to HFPG program staff, when NSP services may be helpful to grantees. All Hartford Foundation staff receive a weekly docket of all grants in process, so NSP staff can see if one of their grantees is applying for a regular grant, and vice versa. NSP staff used to attend all of the regular program officer staff meetings, but over time, largely for efficiency's sake, the NSP has moved to a model of attending program officer meetings if there is an agenda item of mutual concern.

The relationship between HFPG's program staff and NSP is not one way, and it is very helpful in designing NSP's services and working with grantees to understand the context of the community from the program staff's perspective. Given that HFPG is the only funder in Greater Hartford with the capacity and inclination to support NSP or an analogous capacity-building program, the challenge is to determine ways to make NSP services as accessible as possible.

NSP offers services to HFPG's small to mid-sized grantees, as well as to non-HFPG grantees. While it is clear that NSP offers some of HFPG's grantees additional resources, it is also somewhat of a concern that some agencies may be less likely to take advantage of essential services specifically

because NSP is viewed as part of the Hartford Foundation. We are testing the extent of this concern as part of this strategic review and assessment process through the grantee survey and focus groups. To date, the NSP is unaware of any real instances of a grantee declining to take advantage of NSP resources because of its relationship with HFPG.

To create a sense of security when agencies share sensitive information, NSP maintains a "firewall" relative to the information learned through the assessments it offers. Practically speaking, this firewall consists of a set of procedures for storing and sharing information about nonprofits. The reliability of the firewall rests on the integrity of the NSP and HFPG program staff, which, as mentioned above, to date has never been called into question.

Key NSP Design Elements and Principles

- *Focus on small- to medium-sized nonprofits with grantmaking scales proportional to agency budget size.*

Except for events and workshops, NSP grants and services are **not available** to organizations with budgets greater than $3,000,000 (for Agency Automation, Financial Management) to $5,000,000 (for TAGs). It is the NSP's philosophy that organizations with budgets greater than $5,000,000 should have the resources available or at least have greater access to such resources to address capacity-building needs.

- *Capacity-building efforts best take hold in an organization when learning occurs in teams.*

It is NSP's philosophy that organizational learning is more likely to be institutionalized when key leaders are exposed simultaneously to the same subject matter. For some NSP grants, teams of board members and staff leaders/managers are required to attend training sessions together before an implementation grant is awarded. By sending a team, organizations demonstrate commitment to, and perhaps to some extent readiness for, the organizational change process.

- *Organizational learning and change occur most effectively when interventions address change on both a systems level and an individual level.*

Organizations are a unique blend of systems and individuals. NSP interventions frequently combine a focus on systems change with attention to the development of the individuals in the organization who carry the change effort. For example, when receiving financial management assistance, key agency staff must first complete a financial management training course before receiving the review of the agency's financial management system and the financial management grant. Besides offering systems reviews and grants, NSP offers an array of individual skills and leadership training courses, such as the Executive Management Institute and Leader's Circle, and frequently requires its grantees to engage in both systems and individual change efforts.

- *The consultant's work with an agency is most effective when the organizational leadership also has a basic level of technical knowledge.*

This is another rationale for requiring agency staff (and sometimes board members) to attend trainings before receiving grants. The NSP believes that nonprofits will be better consumers of

consultants' services if they also have some insight into the content area in which capacity is to be built.

- *Because organizational change process takes time, capacity building interventions are most effective when they build on each other over time.*

The NSP is realistic about the time it takes to create change in organizations. NSP staff also understand that it takes time, effort, and intention on the part of the nonprofit to successfully achieve change. Moreover, addressing capacity issues at one point in time does not necessarily mean that the issue is solved for good. For these reasons, the NSP sequences grants and services, offering training courses before grants as well as follow-up services and second opportunity grants for technology and continuation grants for financial management assistance.

Appendix B:
A Review and Summary of the Literature on
Best Practices for Funding
Nonprofit Organizational Capacity Building

A Review and Summary of the Literature on
Best Practices for Funding Nonprofit Organizational Capacity-Building

Introduction and Context

The Hartford Foundation started the Nonprofit Support Program (NSP) in the late 1980s as a small grants program whose aim was to help nonprofit organizations in the Greater Hartford Region do their work more effectively. Today, NSP remains focused on helping nonprofits govern, lead, develop, and manage their organizations more effectively.

As a funder concerned with nonprofit organizational effectiveness, NSP is not alone. The literature from the last five years refers to a growing interest within the philanthropic community in helping organizations build capacity. Light and Hubbard (2004) note that the growth in "capacity building," which itself is the latest term for activities that have also been called organizational development, leadership training, technical assistance or management improvement, can be gauged by among other things, the rapid growth of Grantmakers for Effective Organizations (GEO). Formed in 1997, GEO is the fastest growing affinity group of the Council on Foundations with 600 members. It aims to create a community of practice among funders interested in organizational effectiveness. Available data also shows that the amount of financial resources foundations are investing in nonprofit capacity building increased from 132 million in 1994 to 422 million in 2000.

The literature about funding capacity building, like the field itself, is young and growing. The field still lacks solid data to inform the strategic decisions of funders. According to Light, "Better information is needed about both the outcomes of different types of capacity building engagement or activities and different types of funding strategies. Without this kind of information, there is little guidance available to funders who are trying to determine whether and how to invest in capacity building" (2002). Yet, with organizations like GEO, Urban Institute's Center on Nonprofits and Philanthropy, and the Brookings Institution contributing to the research of the field, the literature on funding nonprofit capacity building is expanding. This literature review synthesizes the latest facts and findings from the field of nonprofit capacity building to better inform NSP's strategic review and assessment.

Funding Capacity Building

The literature describes the basic and essential steps that funders should consider taking in order to effectively fund capacity building (Light, Kibbe, Connolly, and De Vita). The key steps for successful capacity building are:

1. Take stock

2. Set Direction

3. Implement

4. Reflect

A Review and Summary of the Literature on
Best Practices for Funding Nonprofit Organizational Capacity-Building

1. *Take Stock*

Taking stock means making an external assessment of assets and needs in the community and an internal assessment of your organization's capabilities, values, and assumptions with respect to capacity building. Taking stock includes:

Review your organization's readiness and capabilities

According to Connolly, funders should examine their organizations in the areas of commitment, leadership, financial and non-financial assets, and reputation. Doing so will allow funders to identify where they need to build their own capacity. Questions include:

- Is our mission clear, understood, and aligned with our current efforts?
- Do we have an up-to-date strategic plan that is used, monitored, and updated?
- Is our board clear about its roles and responsibilities?
- Do we routinely collaborate with other organizations with similar missions, service areas, or funding priorities?
- Do we systematically evaluate the impact of our grantmaking and use that information to improve our funding practices? (Connolly)

Examining their own internal operations helps to ensure that funders have sufficient strength to undertake the effort and the integrity to speak about organizational effectiveness.

Assess external needs and assets

Assessing community and nonprofit needs and resources grounds capacity building work in the dynamic reality of the community and helps funders adapt to changing realities (Sussman, Connolly). Like market research in the for-profit sector, external assessments provide a supply and demand picture for the funder in the nonprofit sector. External assessments, which can be completed via interviews, surveys, focus groups, town meeting or community indicators, allow funders to understand the environmental context in which nonprofits operate, including macro-level trends, issues, and policies (De Vita).

Funders should come to the assessment with an idea of what organizations they are targeting, whether it is organizations working in a particular issue area, within a geographic region, or some other defining characteristic. With their audience in mind, funders need to assess the number and types of nonprofit organizations in their target community (Backer). The assessment should examine both what nonprofits need in terms of capacity building as well as what their strengths are. A funder does not have to limit its capacity building strategy to addressing needs; it can also build on organizational assets, such as focusing on organizations that have strong executive leadership (Connolly). Other relevant issues to examine in an external assessment include determining what trends—such as in demographics, public policy, the economy, or technology—are affecting nonprofits in the target group, what other funders are doing, and what capacity building resources exist in the community (Backer). Capacity building

funders can also leverage existing capacity building infrastructure to enhance their impact.

Acknowledge your organization's values and assumptions

Being clear about values and assumptions allows the funder to consciously examine them and act more intentionally in relation to them. The consequence is often wiser strategic choices and more open relationships with grantees and the community. Connolly describes several kinds of values that relate to capacity building, including values relating to ultimate ends (e.g. youth development or the environment), values relating to how to best build capacity (strategy), and values regarding who will be served. Communicating values and assumptions explicitly to grantee establishes clear expectations and the foundations for a trusting relationship (Connolly).

2. Set Direction

Define your goals and objectives

Empirical results indisputably show that people do not improve their performance unless they set a goal to do so (Wing). Funders need to set clear objectives for their capacity building program in order to be successful. What impact do you want to have? (Connolly) What will be different if you are successful? The broader program's goals statement is akin to an organizational mission statement.

For each grantee and intervention, funders should also set goals and agree on expected outcomes with grantees at the outset (Connolly). Wing stresses the importance of the grantee setting explicit goals for the intervention and notes the lack of attention that has been paid to grantee goal-setting in the literature. Lack of goal alignment—between funder and grantee for sure, but also between consultant and grantee, or between staff members of the grantee organization—threatens the success of a capacity building intervention (Wing).

Select strategies

Choosing a strategy will depend on a combination of the many factors discussed above, including external needs and assets, the funder's values and assumptions, and ultimately, the funder's goals and objectives. There is a wide range of strategies that are now being funded (Light). Some of the key dimensions along which these strategies vary are the following:

- Target: Individuals→ Organizations→ Region/Community→ Nonprofit Sector
- Timeframe: Short-term upgrade → Long-term sustained effort
- Scope of intervention: Selective → Comprehensive

Target
Capacity Building targets can range from the individual to the nonprofit sector as a whole. Examples of strategies that target individuals include leadership development

and skills training. Examples of organizational strategies include technical assistance grants, organizational assessments, and board development. Some regional strategies include studying the landscape of nonprofits in the region, including the size and types of organizations, what the greatest needs are, and how the region compares with others in terms of availability of capacity building support. Finally, strategies that target the nonprofit sector as a whole include commissioning research on current trends in the sector and formulating and advocating for policy changes that affect the sector. To be sure, capacity building efforts have impacts on multiple levels. For example, a training focused on building individual skills will also affect the organization and interventions targeting organizational systems can impact both individuals and the sector as a whole. However, most strategies primarily target one part of the spectrum.

Capacity building is necessary at all levels, from individuals to organizations to regions to the sector as a whole. The funder's choice of the strategic target depends greatly on the funder's assessment of its capabilities, values and goals. NSP's current capacity building strategies focus primarily on individuals and organizations. While the literature does not suggest that targeting one particular level supersedes other levels, two pieces of literature hold potential relevance for NSP's strategic assessment and review.

- *Combining organizational systems change with individual change.*
  Wing writes that organizational change cannot be successful without individual development and vice versa. This simple yet powerful premise supports NSP's practice of combining grants that fund systems improvement, such as its agency automation and financial management programs, with training courses for the leaders of organizations that receive the grants.

- *The case for a regional approach.*
  Whereas most capacity building strategies' target scope is the organization, Kearns, in his case study of the Forbes Fund, lays the case for a regional approach to capacity building. The Forbes Fund is a management capacity building organization housed within and endowed by the Pittsburgh Foundation. The rationale for a regional approach, according to Kearns, is that many issues that organizations face are regional trends and idiosyncrasies that affect many of the area's nonprofits. The potential for coordination of assets, collaboration, and creation of cohort and peer learning systems also supports a regional approach.

  The Forbes Fund offers traditional capacity-building grants to individual organizations. However, the Forbes Fund also takes a regional approach by providing grants for applied research of the nonprofit sector in the Pittsburgh region. Forbes then uses the insight gained from the applied research to both inform and develop its own capacity building strategies and also share the knowledge with other capacity-building stakeholders in Pittsburgh. Research studies that Forbes has commissioned include a study of what types of professional development and training programs nonprofit organizations need as well as a study of the number of nonprofits that have launched revenue generating social enterprises and the challenges they have faced. The former study was instrumental in helping universities and other regional training organizations and universities revamp their educational programs to meet the needs of nonprofit executives. The latter study helped Forbes staff make more

intelligent grants to organizations that need help launching social enterprises and contributed to the development of a new program, the Pittsburgh Social Enterprise Accelerator, funded by two other foundations. Forbes also convenes quarterly forums inviting nonprofit executives, trustees, staff, volunteers, and funders to learn about and discuss local and national trends as well as learn from each other's challenges and successes. In these ways, Forbes acts not only as a grantmaker to individual organizations but also as a regional catalyst for capacity building.

Adding a regional or community-wide approach to capacity building contributes to a funder's external orientation. An external orientation, according to the Center for Effective Philanthropy's research on what nonprofits value in their foundation funders, is one of the three best predictors of grantee satisfaction with foundation effectiveness. CEP found that "Nonprofits want foundations and program officers to possess a vision of change for the field or community in which the nonprofit works—and the expertise to help make that change happen." Expanding one's view of capacity building from just the organizational level to include a community-level or regional view of the nonprofit landscape heightens a funder's ability to envision the larger picture and make a broad impact.

Scope of Intervention
The literature offers a subtle yet clear portrait of what scope of capacity building intervention within an organization is most effective. Light suggests that effective interventions are targeted at key leverage points (200). De Vita concurs: "If nonprofit organizations are asked to undertake too many changes simultaneously, the efforts are likely to be diluted, ineffective, or ignored." At the same time, the James Irvine Foundation found that providing comprehensive "one-stop shopping" capacity building services in its Youth Development Initiative (YDI), a capacity building program for youth development nonprofits, had several payoffs. It allowed a wider range of needs to be met, especially for very young nonprofits. The comprehensive approach also illuminated the connections between different areas of capacity building. Backer's analysis of 200 capacity building programs found that the most effective programs tended to provide "one-stop shopping" services. A combination of the targeted and comprehensive approaches suggest that **offering multiple services is effective but that funders should limit the number of areas addressed at any one point to avoid overwhelming organizations**. Funders should also consider the timing and sequence of the areas addressed to maximize impact of the intervention. For instance, according to Backer and YDI, starting with an organizational assessment had large positive impact on the effectiveness of the interventions.

Timeframe
The consensus in the literature is that capacity building takes time, measured in years. Part of the complexity of capacity building is that conditions, both internal and external, can change in the middle of an intervention. Mid-course assessment and corrections are likely and necessary (Backer). Many programs, like NSP, employ a blend of short-term and longer-term strategies or sequencing a series of shorter-term interventions over

several years. This blend helps strike a balance between the importance of periodic adjustments and longer-term commitment for truly affecting change in an organization.

3. Implement

Though the internal and external assessment, goal setting, and selection of strategy are all important components of the process of funding capacity building, the real work begins with implementation. It is part art and part science. It begins with committing human and financial resources. There is overwhelming agreement in the literature that there is not enough research to develop a proven list of best practices for funding capacity building. However, the literature does contain a set of general principles for funders who are implementing capacity building efforts that can provide food for thought for NSP as it moves forward. They are the result of analyses of provisional capacity building efforts and best practices from the fields of philanthropy and nonprofit management. They show that successful capacity building programs tend to:

- *Be assessment-based.* The James Irvine Foundation's YDI found that its most successful interventions tended to be those that were developed after an organizational assessment was conducted. They felt that a six-month "start-up" period—to build trust, conduct an assessment—was essential to having the greatest impact. Whether a full organization assessment should be required or not, effective interventions tend to be assessment-based (Backer).
- *Be competence-based.* The most effective capacity building services employ competent staff and consultants **and** are requested by knowledgeable, sophisticated "consumers" of services (Backer). Organizations that do not know how to buy the right consultant decrease the effectiveness of the funder's investment (Backer).
- *Choose the organizations that are ready.* Organizations must be ready to change and want to change in order for capacity building to work. Readiness on a basic level means that the organization must have adequate desire and the resources to put into the effort. When 318 nonprofits were asked what factors affected the success of their organization's capacity building effort, 77 percent of respondents said that staff commitment was very important, 61 percent said adequate time was very important, and 46 percent felt board leadership was critical (Light, 2004).
- *Develop peer learning networks among grantees.* Funders can play an important role in linking grantees with others who are facing similar organizational challenges. Doing so fosters exchange, learning, and support between organizations. The Boston Foundation's Common Ground program begins its capacity building efforts by bringing all of its grantees together to develop trust, share information and network on common problems. The Community Foundation of Silicon Valley's Mentorship Project links small arts nonprofits with larger organizations that agree to serve in a mentoring role. As Backer writes, "A funder's most important role may be in providing the platform on which true peers can identify each other and then decide to interact on an ongoing basis."
- *Have clear objectives.* Many capacity building ventures do not have clear, measurable, objectives, either from the foundation side or the grantee side. The clearer the goals, the greater chance they will be achieved.

- *Be collaborative.* Collaboration leverages the strengths of different organizations to maximize capacity building power. The James's Irvine Foundation's YDI utilized the local knowledge of Fresno and Los Angeles foundations to serve as intermediaries. The Forbes Fund leveraged the existing management trainings at local universities by commissioning and disseminating a study that examined what kind of trainings Pittsburgh nonprofits most needed. The report was instrumental in helping universities revamp their educational programs for nonprofit executives. The Forbes Fund also partners with local media to publicize its annual nonprofit management award.
- *Be customized.* The most effective capacity building services are tailored to the type of nonprofit, its community environment and its place in the organizational life cycle. In a study of 318 nonprofits who have engaged in capacity building activities, Light found that age, size, and level of growth of organizations tend to favor different types of capacity building services (Light 2004). For example, younger smaller organizations are more likely to embrace collaboration and assessment and not media relations, leadership development and new information technology. Larger, older organizations are more likely than smaller or younger organizations to focus on mergers, reorganization, team building, and evaluation. Older, smaller organizations are less likely than younger or larger organizations to focus on outcomes measurement or staff diversity, reflecting an organizational middle age marked by low growth and lower engagement in evaluation and outcomes measurement. This data suggests that organizations of different characteristics will be drawn to different capacity building interventions and that a one-size-fits-all approach would not be most effective.
- *Establish trust between funder and grantee.* Trust allows the grantee to discuss organizational challenges honestly and without fear of retribution or judgment. Trust involves clear communication of expectations and roles as well as of values and assumptions.
- *Engage grantees with humility.* Funders should engage grantees as partners rather than experts. Funders that seek constant learning and feedback can more adequately address the unique and changing circumstances of each grantee organization. According to a Center for Effective Philanthropy report, the quality of a grantee's interaction with the funder—including responsiveness, comfort, and fairness—is the leading predictor of a grantee's satisfaction after a grant experience (2004).

4. Reflect

Evaluate

Evaluation of capacity building programs has been sparse (Backer). Most evaluations of capacity building examine outputs (Wing). Measuring outcomes of capacity building, such as organizational change, remains elusive. The challenges of evaluating capacity building programs include:

- Finding a concrete measure for an abstract concept such as performance improvement

- Knowing whose goals—the funder, the grantee, or intermediary—to measure success against. The field has not emphasized the importance of the grantees setting explicit improvement goals (Wing).
- The limited timeframe of most capacity building evaluations. Because change takes time to happen and to manifest, the relatively short time-frame of evaluations can fail to catch any delayed impacts of capacity building interventions.

The benefits of evaluation accrue to both the funder and to the field at large. For funders, evaluation is an inextricable part of the capacity building process that begins with setting goals and objectives for the intervention (Connolly). Evaluation tells the funder whether the goal was achieved and what lessons can be learned to do it better next time. Empirical data also suggests that a commitment to measurement is essential for successful interventions. In Light's capacity building survey, a leading predictor of a nonprofit rating a capacity building intervention a success is whether the nonprofit had hard evidence on which to draw their conclusions (2004). Some potential recommendations from the literature regarding evaluating capacity building programs include:

- Funders **and** grantees should both set clear goals and make sure they are aligned. If external consultants are used, then their goals should also be accounted for (Wing).
- Evaluation should be useful and the results should be used and shared (Connolly).
- Evaluation can be multilayered (Connolly). Program outputs and grantee satisfaction are easier to measure, but also less meaningful. Understanding how the organization's operations and its programs improved as a result of the intervention takes longer to measure but is more meaningful. These different evaluation strategies should be combined and used together.
- Funders should be conservative in setting the timeframes for expecting measurable change in organizations (Wing).
- Logic models and theories of change help guide evaluations. They provide the framework for the evaluation (Connoly). A theory of change not only can guide the evaluation but also the entire capacity building strategy. As Backer writes, "some of the most innovative capacity-building programs are theory driven. Choosing a theory of change provides a means for guiding development of the entire capacity-building strategy a foundation selects."

Stay Current

Because the field of capacity building as we know it is young and growing, the best practices of the field are still forming. The field currently lacks the volume of data to support many substantial recommendations or lessons learned that are generally applicable. However, the volume of evidence coming from the field is growing. In the time since starting research for this literature review, an important new book by Light was published that builds a case for capacity building using a new national survey of 318 nonprofits as well as twenty-five case studies of high-performing nonprofits (2004). Several journals devote their time to discussing issues in nonprofit management, organizational effectiveness and the sector as a whole, including *Nonprofit Management and Leadership* and *Nonprofit and Voluntary Sector Quarterly*. Affinity groups such as GEO also help funders stay current. As Backer writes, "Good capacity building needs to draw from current management approaches, and it needs

to reflect the changing nature of both the nonprofit world and the environment at large"
(67)

Contribute to Dialogue

As the field of capacity building grows, the experience of each funder is a valuable learning
opportunity for the entire field. The more funders contribute to the dialogue by sharing their
experiences, the faster the field will develop (Kibbe). Options include sharing the lessons
learned from evaluations, composing a case study, or presenting at funder conferences.

Other Types of Organizational Capacity

Most of the literature refers to capacity building more along the lines of program delivery
capacity and program expansion capacity. Traditionally, capacity building has been thought
of as solidifying organizational infrastructure and systems to improve program effectiveness.
Sussman argues that the field should not overlook the 3rd type of organizational capacity—
adaptive capacity. Adaptive capacity refers to an organization's ability to respond to changes
in the environment through learning and innovation. The four essential qualities of an
organization with high adaptive capacity are:

1. External Focus—Organizations are means to ends. Do not let internal
   organizational concerns obscure the bigger picture (Magretta and Stone).
   Environments are constantly changing and the organization as part of the ecosystem
   changes along with it.
2. Network Connectedness—In systems theory, the architecture of the most complex
   systems that are able to respond to change are not corporate but rather are networks.
3. Inquisitiveness—High performing nonprofit organizations are voracious learners.
   They seek out data, transform it into knowledge and apply it to their work.
   Evaluators of a James Irvine Foundation capacity building initiative that focused on
   measurement processes found that "the project's success had less to do with whether
   measurement systems were developed and more to do with whether the
   organizations were able to create a culture that valued the process of self-evaluation."
   They called it a "culture of inquiry." ()
4. Innovation—Innovation is the creation of change. Organizations can create
   conditions that promote innovation by committing staff time and resources to
   thoughtful experimentation and rewarding successes and failures, promoting
   organizational diversity, and seeding the organizational environment with new ideas
   and influences.

While the literature does not reveal any capacity building programs geared specifically
towards building adaptive capacity, programs like the Forbes Fund and Boston Foundation's
Common Ground do aim to create networks of organizations. The idea of adaptive capacity
also supports the importance of organizations constantly evaluating and learning from their
work. The idea of adaptive capacity complements the traditional view of capacity building by
reminding us that organizations need to be both sturdy and resilient, cultivating both stability
and change.

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