

An Assessment of Capacity Building in Washington State

Prepared by –

The Giving Practice, a consultancy of Philanthropy Northwest

for

Bill & Melinda Gates Foundation

The Campion Foundation

Medina Foundation

M.J. Murdock Charitable Trust

The Seattle Foundation

Sherwood Trust

Social Venture Partners Seattle

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Funders' Preface

The grant makers that commissioned this study believe that a healthy nonprofit sector is vital to the quality of life in our society. The health of the nonprofit sector and of individual nonprofits is imperative if funders are to achieve the impacts to which our missions aspire. Building the capacity of individual nonprofits and of the sector is not only the right thing to do, it is strategic, logical and good business practice. We believe it is our responsibility as tax exempt foundations to leverage maximum impact from every dollar granted by investing in highly functioning resilient organizations.

All of us support capacity building activities in different ways, and strive to continue to learn and improve our strategic approaches. In order to better support our nonprofit partners in achieving their missions and ours – particularly during the current recession – we determined that we needed a better understanding of the landscape of capacity building resources in Washington State. We defined capacity building as *“Any service that enhances the organization’s internal effectiveness at achieving its mission sustainably - in other words, services which strengthen the foundation or “engine” of the organization, not its specific programs.”*

This research encompassed an assessment of current capacity building resources in Washington; identification of gaps in the services available; and recommendations for how to address these gaps. Our goals in supporting this research have been to inform our investments in capacity building in the state – whether made as individual grant makers, in cooperative alignment with each other, or through collaborative initiatives – and to inspire strategic capacity building investments from other funders, as well.

One of the pivotal findings of the study was that the capacity building field has not yet produced a strong framework for thinking systematically about capacity building investments at a state or community level. To fill this gap, study authors have proposed an ecosystem as a mental model to describe the set of nonprofits and related institutions in a given community whose underlying purpose is to sustain and improve the health of that community. In their framework, a nonprofit ecosystem is inherently local, and each local ecosystem requires a set of eight essential elements which are the basic conditions that need to exist on an ongoing basis in order for the local nonprofit sector – and by extension the broader community – to thrive.

Next Steps

The study concludes that while every community surveyed has strong examples of the essential elements in action, no community includes all of the eight elements functioning at a high level. The study’s recommended opportunities for investment are targeted at filling these service gaps, with suggestions for strategic investments aimed at a range of different leverage points in the system – at the individual nonprofit level, at a community’s nonprofit ecosystem level, or across multiple ecosystems statewide.

The recommendations offer a compelling course of action for funders of any size or focus interested in increasing their impact and improving the health of the sector. However, they do not offer prescriptive statewide or individual community solutions. Our hope is that the preliminary descriptions of each of the community ecosystems surveyed for this report can serve as a starting point for community dialog about

how to fill service gaps prioritized by each community. We plan to participate in these community dialogs in pursuit of a stronger nonprofit sector and vibrant, healthy communities.

Our Commitment & Call to Action

While the findings of this report may inform a variety of collective, statewide or individual actions, we believe that the current economy underscores the urgency and presents increased opportunity for the philanthropic sector to increase our commitment, leadership and action. We pledge to act on this research in the following ways and invite broad participation from the philanthropic community in Washington State.

Vision

Our vision as funders is that by leveraging our human and financial capital, we can respond to the study's identified service gaps to foster a healthy nonprofit ecosystem in communities throughout our state. We seek to ensure that all communities in Washington State have the resources to build and sustain the essential elements of a healthy nonprofit ecosystem.

Principles

Working toward this vision, we propose a call to action around four goals:

1. Expand overall capacity building resources by advocating for support of capacity building activities by Washington's philanthropic sector.
2. Advance learning and share best practices through such avenues as Philanthropy Northwest's *Capacity Building Learning Circle*.
3. Encourage collaborative investments in capacity building to leverage greater impact.
4. Strengthen our own capacity building investments by ensuring that they are informed by findings from this study in these ways:
 - We will seek to understand and honor the diversity of local needs and solutions across all communities in Washington.
 - Our investments will take into account the nonprofit ecosystem of the local community to support initiatives that fill identified gaps.
 - We will be transparent about our efforts and investments so we can continuously learn from our collective and individual successes and challenges.

We hope that this research will catalyze growth in the depth, variety and impact of investments in capacity building in our state, while fostering a diverse movement of philanthropic leaders committed to building the capacity and resiliency of our vital nonprofit sector.

Submitted December 10, 2009

Bill & Melinda Gates Foundation
The Champion Foundation
Medina Foundation
M.J. Murdock Charitable Trust

The Seattle Foundation
Sherwood Trust
Social Venture Partners Seattle

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1 Executive Summary

Fundamentally, this study is premised on the belief that a healthy nonprofit sector is vital to the quality of life in a democratic society. Nonprofits are a cornerstone for a vibrant “third sector,” where people can come together to address basic needs and problems, to bring new ideas to life, and to engage in meaningful leadership and service. Organized philanthropy is another cornerstone of the sector, with a critical role to play in supporting not only individual organizations and causes, but also the vibrancy of the sector as a whole, and the passionate, engaged civic leadership that animates it.

Members of Washington State’s philanthropic community convened in the spring of 2009 to discuss support of the nonprofit sector during the severe economic downturn, and concluded that an important step would be to assess the landscape of nonprofit capacity-building in Washington State. This study was therefore based on the premise that a better understanding of the capacity-building resources and gaps in the state would enable funders to make strategic decisions about supporting the nonprofit sector. The study defined capacity building as *“Any service that enhances the organization’s internal effectiveness at achieving its mission sustainably - in other words, services which strengthen the foundation or “engine” of the organization, not its specific programs.”*

A steering committee of sponsoring funders collectively retained The Giving Practice for this study: Bill and Melinda Gates Foundation, the Campion Foundation, Medina Foundation, Social Venture Partners Seattle, M.J. Murdock Charitable Trust, The Seattle Foundation, and Sherwood Trust. The methodology for this study includes a literature review; interviews with community leaders from 14 geographic “hubs” around the state; donor forums; and compilation of capacity-builders working in the state. We want to express our deep gratitude to the local nonprofit leaders who gave their time and insights to this process.

Our detailed, though not exhaustive, scan of reports and articles on the topic of capacity building found a continuum in terms of focal point: from case studies and assessment tools for looking at the capacity of an individual nonprofit, all the way up to studies of the entire capacity-building field or nonprofit sector. In between is research focused on cohorts of nonprofit organizations, capacity-building institutions themselves, and state or local nonprofit sectors. Many useful lessons, tools and conceptual frameworks can be found in each of these areas of focus, and we attempt to distill and summarize those. Some of the common findings include: the need for more general operating and capacity-building funding; the importance of approaching capacity-building in a long-term, flexible and holistic manner; barriers to capacity-building that include money, time, lack of appropriate providers, and lack of awareness; the particular challenges experienced by rural communities; and lack of evaluation and applied research in the field of capacity-building.

In our review of the literature, we did not find a strong framework or vocabulary for thinking *systematically* about capacity-building investments at a state or community level. We felt that such a framework would be important – in particular, one which acknowledges and honors the immense diversity that we saw across the communities we visited, and also ties that diversity together with common threads that allow for strategies and investments to be developed at the state as well as the local level.

An Assessment of Capacity-Building in Washington State

We found a helpful mental model to be that of an *ecosystem*. Biological systems – such as a pond – have multiple, interrelated parts working together towards a common purpose. The nonprofits in a local community form an ecosystem of institutions whose underlying purpose is to sustain and improve the health of the broader community. Individual nonprofits (like fish in a pond) will also be more effective if the nonprofit ecosystem in their community is healthy and resilient. A nonprofit ecosystem is inherently local, particularly in a state such as Washington where distance and geography loom large.

Just as a pond requires essential elements like air, water and nutrients to keep the system healthy, so too the local nonprofit ecosystem requires a set of essential elements – the basic conditions that need to exist in an ongoing way in order for nonprofits as a whole to survive and thrive. From the literature review and our interviews, we propose eight essential elements of a resilient nonprofit ecosystem.

1. *An ongoing source of nonprofit board and management basics or “Nonprofit 101,”* including basic roles and responsibilities of boards, and nonprofit management topics such as finance, grant writing, legal/compliance issues, etc.
2. *The availability of in-depth organizational assistance,* when organizations need it.
3. *Ongoing ways to surface, educate and sustain leadership* at both board and executive levels.
4. *Trusted information and referral resources* for “just-in-time” needs, including information and professional advice in key operational areas as well as a trusted referral system.
5. *A community infrastructure that supports volunteerism,* including skilled volunteerism for board leadership and capacity-building.
6. *The capacity to use technology in pursuit of mission,* including technology planning, ongoing IT support, and the ability to use data to inform needs and decisions
7. *Organizing and advocacy capacity* that allows nonprofits to positively influence their community and public policy context.
8. *A healthy funding and fundraising climate* that includes successful local fundraising practices, and a diversity of fundraising sources that includes local support.

All eight are essential for the sector to be healthy. These essential elements are brought to life by:

- critical areas of *knowledge* that must be found in individual leaders, organizations, and the community as a whole – governance, finance, human resource, volunteer management, etc.
- *institutions* which do the work of capacity-building – management support organizations, consultants, universities or community colleges, etc.
- *delivery mechanisms* used by these institutions to bring capacity-building services to nonprofits – training, distance learning, coaching, etc.

Using this framework, we used our interviews and donor forums to compile individual profiles of each of the 14 community hubs, as well as an assessment of the landscape statewide. Some of the key findings:

- Each community has a distinct nonprofit ecosystem, with unique assets and gaps. In our assessment, none of the communities we visited has all eight of the essential elements; but *every* community has strong examples of the essential elements in action.
- Nonprofits have insufficient funding for general operating and capacity building.

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- Larger nonprofits have more resources, including access to state and national associations, while small- and mid-sized organizations are more squeezed by lean staffing and program-restricted funding streams.
- Rural communities have common challenges, including isolation, reliance on all-volunteer organizations, and an absence of locally based capacity-builders.
- Improving board governance was the most commonly cited issue statewide. Knowledge gaps were also frequently cited in the areas of finance, fundraising, strategic planning, and leadership development.
- There is a wide diversity of capacity-building institutions in the 14 hubs, including 241 specific capacity-builders. Of these, 41% were located in King County; 66% were primarily local in their geographic focus; and about half were for-profit consultants. The most common service focus was strategic planning, followed roughly equally by board development, organizational development, and fund development.

We identified several promising avenues for capacity-building investment, each focusing on a different leverage point in the system. Depending on their goals and geographic interests, funders may choose to work individually, in cooperative alignment with one another, or in formal collaboration. All of these approaches could be at work within a commonly understood framework, particularly if there is a commitment to transparency and shared learning.

1. Invest in capacity-building at the *individual nonprofit level* – grants directly to nonprofits, or through local intermediaries with particular emphasis on small- and mid-sized organizations.
2. Invest in strengthening the nonprofit ecosystems of *specific local communities* - through grants to local capacity-building institutions, or by convening local partners to identify/prioritize weak or missing elements in the ecosystem.
3. Invest in *specific essential elements* across ecosystems statewide – for example, making Nonprofit 101 help reliably available everywhere, or building a common referral system for capacity building assistance.
4. Invest in *rural solutions* that address the specific challenges of rural Washington.
5. Invest in filling gaps for *specific knowledge and service delivery tools* – ways to effectively deliver knowledge about board governance, fundraising, financial management, strategic planning; or broadening the availability of service delivery tools such as distance learning or executive coaching.

Looking at capacity building from a strategic, statewide perspective is complex. There are many dimensions to capacity building, which are further complicated by the variations of geography. Funders themselves contribute to this complexity, creating a patchwork of funding and approaches based on their particular interests, geographies and philosophies. We have approached this report very mindful of that complexity. We also understand that the quality of capacity building services varies and that ultimately the success of investment in capacity building may not be readily apparent. Both funders and the nonprofit community will benefit from transparent and honest dialogue as they move forward with this important work. In this report, we offer a framework that we hope will provide a shared mental model for understanding it, and footholds for action in pursuit of a vibrant, resilient third sector at work in all communities in our state.

2 Introduction

Fundamentally, this study is premised on the belief that a healthy nonprofit sector is vital to the quality of life in society – the commitment to a vibrant “third sector” in our communities and in our state.

Nonprofits are a cornerstone for that sector, creating space where people can come together to address fundamental needs and problems, to bring new ideas to life, and to engage in meaningful leadership and service. Organized philanthropy is another cornerstone of the sector, with a critical role to play in supporting not only individual organizations and causes, but also the vibrancy of the sector as a whole, and the passionate, engaged civic leadership that animates it.

Members of the philanthropic community in Washington State convened in the spring of 2009 to discuss support of the nonprofit sector during the severe economic downturn which was affecting both the demands on nonprofit organizations and their sources of funding. A group of funders concluded that an important step would be to assess the landscape of nonprofit capacity building in Washington State, based on the premise that a better understanding of the capacity building resources in the state would enable funders to make strategic decisions about supporting the nonprofit sector.

Nicole Trimble, program officer with the Gates Foundation, took the initiative of preparing a scope of work after other funders expressed their interest in collaborating to support the study. The key deliverables expected from this work are: an assessment of the current capacity building resources in the state; identification of gaps in the services available; and recommendations of how to address these gaps. It was the expectation of the funders that this assessment would lead to strategic investments in capacity building in the state.

The following funders agreed to support this work and have constituted the Steering Committee for the project:

- Bill and Melinda Gates Foundation
- The Champion Foundation
- Medina Foundation
- Social Venture Partners Seattle
- M.J. Murdock Charitable Trust
- The Seattle Foundation
- Sherwood Trust

In June 2009, the funders’ collaborative retained The Giving Practice to perform the study. Jennifer Bright, Barbara Dingfield and John Smith, all partners with The Giving Practice, have worked on the project, with the assistance of three interns from Philanthropy Northwest and Social Venture Partners Seattle (Sally Gillis, Eleanor Humphries and Ben Sadler).

3 Methodology

To assess the landscape for nonprofit capacity building in Washington State, The Giving Practice has undertaken the following work elements.

- Analysis and synopsis of prior research regarding capacity building in the Puget Sound region and in Washington state.
- Identification of similar research, analysis and actions undertaken in other states through a literature review and select interviews.
- Selection of geographic 14 hubs in Washington State in which one-on-one interviews were conducted, primarily in person (a total of 50 people). In each hub nonprofit leaders were identified and interviewed, such as the CEO of the community foundation; the CEO of the United Way; leaders of nonprofit networks or capacity-building organizations; and leaders of local nonprofit organizations. In most hubs, three individuals were interviewed; in King County, TGP conducted six interviews with individuals engaged in capacity building research and those leading capacity building organizations. For each hub, a “community profile” was developed. The hubs were:
 - Snohomish County
 - King County
 - Tacoma / Pierce County
 - Olympia / South Sound
 - Bremerton / Kitsap County
 - Bellingham / Whatcom County
 - Port Townsend / Jefferson County
 - Grays Harbor & Pacific Counties
 - Vancouver / Clark County
 - Wenatchee / Chelan & Douglas Counties
 - Yakima
 - Tri-Cities / Benton & Franklin Counties
 - Walla Walla
 - Spokane
- Based on research and interviews, a taxonomy and list of capacity builders serving Washington State was compiled.
- Two donor forums were held to better understand local donors’ perspectives about capacity building. Information from the donors funding this study was also collected.
- Integrating the findings of all the work elements, TGP developed a framework for understanding capacity building activities, offered some preliminary recommendations for action and prepared this report.

The planned next steps in the process include funder dialogues with stakeholders to share the findings and gather further input, possibly including a survey of nonprofits, before making investments.

Throughout our work, we have defined capacity building as:

“Any service that enhances the organization’s (or group of organizations’) internal effectiveness at achieving its mission sustainably. In other words, services which strengthen the foundation or “engine” of the organization, not its specific programs. This can include things like: strategic planning; board development; management support or executive coaching; evaluation; HR/personnel systems and practices; fundraising; financial management; marketing, PR or communications; facilities management or development; assistance with technology or information management.”

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While we believe that the methodology we used was successful in assessing the landscape of capacity building in Washington State, we know that it had some gaps and limitations.

- The “hubs” studied encompass the most populous counties of Washington State, as well as a mix of urban, small city and rural areas; but we did not visit more than half the counties in the State, particularly some of the most rural areas of eastern Washington.
- In choosing to do intensive (and time-consuming) in-person interviews, we most certainly neglected to contact some community leaders and nonprofit organizations who are engaged in capacity building or have important opinions to offer. We fully recognize that one cannot “know” how a community functions with a one-day visit and were humbled by the commitment of many individuals who are contributing their time and talent to make the “third” sector a true community asset.
- Our scan of individuals and entities that are providing capacity building services was based on prior research, our interviews, our familiarity with the sector, and some basic web research. It is not a comprehensive list, and it focuses primarily on the 14 geographic hubs where we conducted interviews.
- Our donor forums only included 10 organizations; this was supplemented with a scan of the activities of the funders of this study. We do not have a summary of the support funders are currently providing for capacity building in Washington state.
- Our initial scope of work anticipated a survey of nonprofits to supplement our research; we have deferred doing this survey to the next phase of the project because we believe that it will be more useful if the survey can address – and engage nonprofit leaders in – some of the study recommendations.

4 Nonprofit Sector in Washington

Before discussing the capacity building landscape it is helpful to understand the size of the “market” for nonprofits potentially needing capacity building in the state of Washington.

4.1 Data Sources

Various sources of data are available to study the size of the nonprofit sector at the state, county, and zip code level. The University of Washington’s Nancy Bell Evans Center (NBEC) conducts an annual study of the sector, drawing on data from the Washington Secretary of State’s Corporations and Charity divisions, as well as employment data from the Washington State Department of Employment Security. In addition, the Internal Revenue Service (IRS) provides data from federally exempt nonprofits to the National Center for Charitable Statistics (NCCS). NCCS provides detailed analysis, down to the zip code level, of the various types and finances of nonprofit entities.

Public charities operating in the state of Washington must file articles of incorporation and submit an annual report to the Secretary of State’s office. These same charities *may* or *may not* also be required to register with the Secretary of State’s Charities division. They are required if they intend to solicit funds for charitable purposes, but there are some that are excluded, such as those with revenues less than \$25,000 annually. Washington State nonprofits can also file an IRS Form 1023 to receive federal tax exempt designation, but are only required to do so if they wish to receive federally tax-exempt donations. Until 2008, federally-designated tax exempt nonprofits with less than \$25,000 in annual revenue were not required to form an IRS form 990.

Both state and NCCS data include foundations and charitable trusts. For this study’s purposes, we focused only on public charities.

4.2 Size of Nonprofit Sector

From the NBEC data, we know that there are approximately 52,000 active nonprofit corporations domiciled in Washington State. This includes foundations and charitable trusts. Those that register with the Charities Division at the Secretary of State currently total about 8,500. This is a more realistic number of public charities but does exclude many very small nonprofits, potentially 20,000 or more, who have revenues less than \$25,000 per year.

From the NCCS data, we know that there are approximately 24,000 public charities (501c3 public charity designation) of all types registered with the IRS (i.e. filed a form 1023). Of those, 13,000 filed 990s in the most recent year of recorded data at NCCS (2007). Of those 13,000, about 8,500 are nonprofits that are *not* of the following types: *hospital and universities*. These 8,500 are the bulk of the nonprofit sector in Washington State, and include religious organizations. But this figure excludes small, typically all-volunteer, nonprofits that have less than \$25,000 in revenue, about which little additional data is available. In future years, we will be able to see more data on those nonprofits because they will be required to file a simple “e-postcard” 990 form (online or by mail) to verify their continued existence and purpose.

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The following figures present details of the nonprofit sector in Washington State. For more details on the sector, see Appendix 10.6.

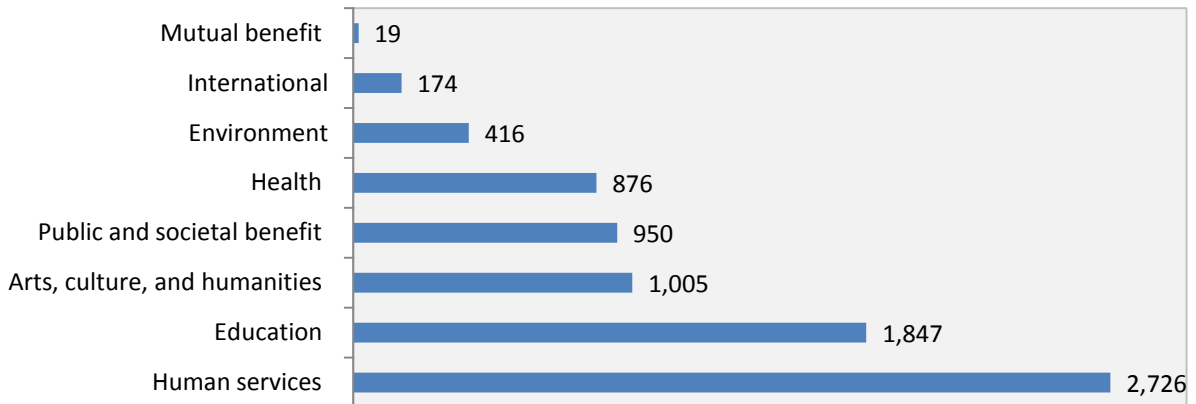


Figure 1 - Filing Nonprofits by NTEE Major Code, excluding religious organizations, hospitals, and universities. 2007. Source: NCCS.

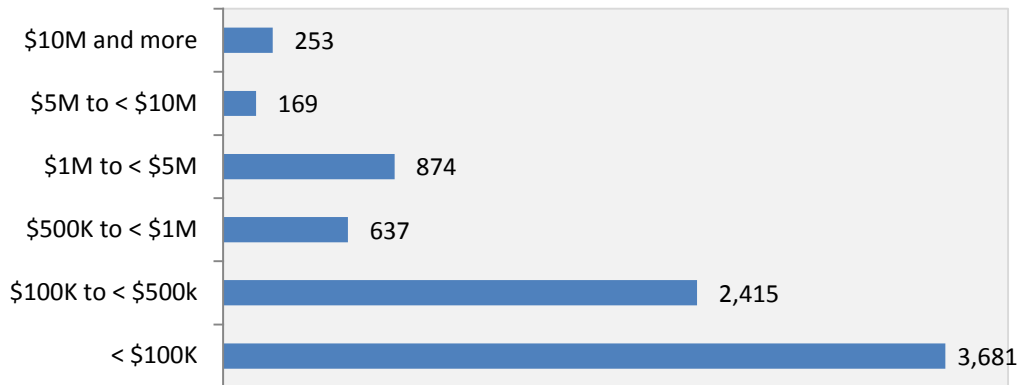


Figure 2 - Filing Nonprofits by Annual Revenue Bracket, excluding religious organizations, hospitals, and universities. (2007). Source: NCCS

County	Nonprofits	County	Nonprofits	County	Nonprofits
Adams	10	Grays Harbor	74	Pierce	955
Asotin	15	Island	102	San Juan	81
Benton	162	Jefferson	72	Skagit	136
Chelan	120	King	3,137	Skamania	8
Clallam	112	Kitsap	295	Snohomish	526
Clark	317	Kittitas	53	Spokane	490
Columbia	6	Klickitat	22	Stevens	36
Cowlitz	86	Lewis	75	Thurston	277
Douglas	10	Lincoln	13	Wahkiakum	4
Ferry	7	Mason	48	Walla Walla	83
Franklin	34	Okanogan	64	Whatcom	247
Garfield	1	Pacific	40	Whitman	50
Grant	58	Pend Oreille	5	Yakima	198

Figure 3 - Filing Nonprofits by County, excluding religious organizations, hospitals, and universities. (2007). Source: NCCS

5 Literature Review

A significant volume of research and literature has been created on the topic of nonprofit capacity-building. It was not within the scope of this project to conduct an exhaustive literature review. However, a careful scan shows that the focus of the various studies, and the applied tools and frameworks that come from them, can be grouped into several broad categories.

- **Individual nonprofit organizations:** Case studies and assessment tools for the health or capacity of an organization
- **Cohorts of nonprofits:** Best practices for funder capacity-building initiatives for groups or subsectors of nonprofits
- **Capacity-builders:** Best practices for capacity-building service delivery
- **State or local nonprofit sector:** Needs assessments for capacity building at a state or local level
- **National capacity-building field of practice:** Frameworks for understanding and building the national capacity-building infrastructure, including evaluation of capacity-building impact

Some studies and tools span more than one of these areas, but each area represents a different *leverage point* within the capacity-building process or system – and therefore offers different lessons. The following scan highlights some of the most relevant lessons from each area, as well as a “meta-scan” of comprehensive literature reviews conducted for other studies. (See Appendix 10.1 for a detailed bibliography.)

5.1.1 Meta-scan: Other reviews

Angela Bies and Judith Milleson conducted an extensive literature review as part of three different needs assessment studies, in Central Texas, Pittsburgh and Minnesota.¹ Each study used the same literature review (published in full in the Texas study), which distilled the following broad themes.

- An explosive growth in the nonprofit sector, along with increasing social innovation and sophistication, has generated greater demand for capacity-building services.
- Despite an increase in capacity-building resources, nonprofits face many barriers to accessing these services, including time, money, geography, information, funding streams that are program-restricted, and consultants/trainers unfamiliar with nonprofits.
- Nonprofits need better, more centralized access to capacity-builders, and content that is relevant and tailored to the unique needs of nonprofits.
- Capacity-building is an incremental, ongoing and holistic process, which requires adequate time and flexibility to be successful.
- Capacity-building needs differ significantly between rural and urban areas.
- Nonprofits benefit from sharing resources and interacting with peer organizations.

¹ *An analysis of the Pittsburgh region’s capacity-building industry*, Forbes Fund, 2004; *Analysis of the Nonprofit and Volunteer Capacity-Building Industries in Central Texas*, United Way Capital Area and Texas Nonprofit Assistance Network, 2006; *An Analysis of the Nonprofit Capacity-Building Industry in Minnesota*, Minnesota Council of Nonprofits and Otto Bremer Fund, 2007.

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- Funders play a key role in capacity-building initiatives.
- Diagnostic tools that help nonprofits identify their needs can be valuable.
- For nonprofits to make effective use of volunteers as a source of capacity-building, staff need training in volunteer best practices and protocols, but time and funding constraints frequently hamper this type of staff development.
- There is a need for more research on the impact of, and ongoing needs for, capacity-building in the sector.

5.1.2 Leverage point: Individual nonprofits

Several tools are currently in use for assessing the capacity of nonprofits and identifying capacity-building priorities. See the sidebar *Nonprofit Capacity Assessments* for more details on these approaches:

- Venture Philanthropy Partners and McKinsey & Company developed an *Organizational Capacity Assessment Tool*,² based on seven areas of capacity.
- Based on this work, Social Venture Partners created their *Capacity Building Assessment Tool*,³ organized around ten areas of capacity.
- The Conservation Company (TCC) offers the *Core Capacity Assessment Tool*⁴, organized around four broader lenses which have been adopted by several other studies of capacity-building. In analyzing the data from over 700 CCAT users, TCC found adaptive and leadership capacities to be the greatest areas of capacity-building need.

Social Venture Partners Seattle's 2007-2012 strategic plan⁵ also offers key lessons for capacity-building with nonprofits, based on their extensive experience over more than ten years of work. Those lessons are:

1. Know what “good” looks like and how to get there – the need for tools to help an organization systematically examine itself, set priorities and develop a plan
2. Financial management is more than just an audit.
3. People with pocketbooks don't necessarily make good boards - many qualities (mix/balance of skills, structure and working practices, board/staff balance) make for strong governance.
4. Good leaders lead. They don't walk away and leave a mess.
5. Program evaluation is hard if you do not have the capacity to measure results.
6. Give general operating (unrestricted) support.
7. Flexibility is crucial.
8. Share best practices and wisdom.

² Available free of charge at <http://www.vpppartners.org/learning/mckinsey/index.html>

³ Available free of charge at <http://www.svpseattle.org/about/key-documents>

⁴ Available for purchase at <http://www.tcccat.com/>

⁵ Available for download at www.svpseattle.org.

Nonprofit Capacity Assessments: Three Approaches

A variety of tools exist to help nonprofits assess their own organizational capacity and needs.

Venture Philanthropy Partners/McKinsey

1. *Aspirations*: Mission, vision and overarching goals
2. *Strategy*: Overall strategy, goals, performance targets, programs, funding model
3. *Organizational skills*: Performance management, planning, fundraising and revenue generation, external relationship-building, communications/marketing, legal/liability management, influencing policy-makers
4. *Human resources*: Board, executive leadership and senior management, staffing, volunteers
5. *Systems and infrastructure*: Planning, finance, HR, facilities, technology, knowledge management
6. *Organizational structure*: Governance, organizational design, job design
7. *Culture*: Shared beliefs, values, and practice

Social Venture Partners

1. Mission, vision & strategy
2. Board leadership
3. Senior management leadership
4. Program design & evaluation
5. Financial management
6. Fund development
7. Communications & external relationships
8. Human resources
9. Legal affairs
10. Information technology

The Conservation Company

1. *Adaptive capacity*: The ability to monitor, assess, respond to, and create internal and external changes
2. *Leadership capacity*: The ability to create and sustain a vision; to inspire, model, prioritize, make decisions, provide direction, and innovate, in an effort to achieve the organization's mission
3. *Management capacity*: The ability to use resources effectively and efficiently
4. *Technical capacity*: The skills, experience, knowledge, tools and facilities needed to implement all programmatic, organizational and community strategies

In addition, TCC's tool places organizations on a life cycle continuum:

- Core program development
- Infrastructure development for the purposes of taking programs to scale
- Impact expansion – community leadership that changes the systems and policies that affect an organization's ability to achieve its mission

5.1.3 Leverage point: Cohorts of nonprofit organizations

It has become somewhat common for foundations to design capacity-building initiatives in support of a cohort of grantees in their portfolio, or in a subsector of interest. A 2007 study funded by the James Irvine Foundation⁶, based on work done in Michigan, details several steps for funders to consider in designing such an initiative.

1. *Set goals for the initiative* based on the funder's overall mission and theory of change, and also addressing exit strategy and public relations goals.
2. *Establish the duration of the initiative*, devoting at least three years to each cohort.

⁶ *Deeper Capacity Building for Greater Impact: Designing a Long-term Initiative to Strengthen a Set of Nonprofit Organizations*. Based on work by four funders: C.S. Mott Foundation, Ruth Mott Foundation, Community Foundation of Greater Flint, and Genesee County United Way.

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3. *Determine the level of resources to be allocated*, based on budget, desired impact, duration, number of participants, level of support for each grantee, and adequate costs for planning, management and evaluation.
4. *Clarify your role in the initiative* – do you have sufficient expertise and objectivity for in-house management, or do you require an outside intermediary?
5. *Decide if you will work alone or collaborate with other funders*.
6. *Determine the selection process for participants*. Pre-selected group or an open/competitive process? Use of organizational assessments? Obligations of participants in terms of time, meetings, etc.?
7. *Choose what type of assistance will be offered to participants*. Help participants with an assessment and capacity-building plan. Consider a range of options, so services can be selected and scaled based on type and level of need. (In a different report, TCC suggests three tiers of offerings: Tier 1, tools, resources, workshops and convenings; Tier 2, peer exchanges and coaching; Tier 3, consulting services and grants.⁷)
8. *Decide how you will evaluate the initiative*.
9. *Decide what will happen with participating organizations after the initiative* to ensure skill/knowledge transfer and funding for participants' post-initiative work.

5.1.4 Leverage point: Capacity-builders

The Conservation Company's *Building the Capacity of Capacity-Builders*, published in 2003, is probably the most comprehensive look at the field of capacity-building to date. Within that study are a number of overall best practices, as well as in the specific areas of consulting, training and peer networks. In addition, two of the funders sponsoring this current study (Murdock Charitable Trust and the Bill & Melinda Gates Foundation) have conducted scans of their own through literature review and interviews, and their findings echo many of those in the TCC study. See the inset box *Capacity-Building Best Practices* for details.

Lastly, the Murdock Charitable Trust has been funding and convening a learning circle of capacity builders in the Pacific Northwest, and through that process has identified practices that help management assistance organizations to be effective.

- Creating a clear mission
- Planning, monitoring and adapting its own infrastructure, programs and services
- Engaging volunteer board members
- Hiring and training committed and experienced team of staff, consultants, service providers and volunteers
- Demonstrating strong financial management and developing diverse income sources
- Being accountable and transparent to its clients and the nonprofit community
- Staying current and competent to change in the field, and sharing those learnings with clients

⁷ *Design of a State-Wide Capacity-Building Initiative for Arts Organizations*, The Conservation Company, 2008.

Capacity-building Best Practices, from The Conservation Company

Overall capacity-building best practices

- Use a holistic approach to integrating capacity building work into the overall organization.
- A one-size-fits-all model for capacity building does not work. Assess an organization's readiness for capacity building, appropriate level of engagement, organizational culture, and the "fit" between capacity builder and nonprofit.
- Working with change agents (board and staff) is necessary to transcend individual programs and create lasting change.
- Successful capacity building requires a solid foundation in leadership and adaptive capacity.
- Capacity-builders need an engaged, credible, and visible working relationship with the community.
- Capacity-builders serve as knowledge "curators," gathering and circulating information about the nonprofit community and its constituents.
- Require a monetary commitment from the nonprofits, and create incentives for nonprofits to follow through.

Consulting Best Practices (from the Wilder Center for Communities)

- Use experienced consultants.
- Work with consultants who have a high awareness of community needs and resources as well as access to the community.
- Engage stakeholders to agree upon goals and strategies for consulting engagements.
- Create a contract defining responsibilities, scope of work, budget, timeline, as well as a process and approach for assessing success.
- Incorporate a formal process for soliciting ongoing feedback from the client.
- Agree on confidentiality issues.
- Provide individualized training/skill development to key staff/board to help sustain the work beyond the consulting engagement.

Training Best Practices

- Customize trainings/workshops tailored to the needs of the organization/audience.
- Consider team trainings for a group of change agents within an organization.
- Facilitate long term trainings when possible.
- Provide training tools, in order for knowledge to reach a larger audience.

Peer Network Best Practices

- Ensure that participants are both "teachers" and "learners."
- Planning and implementation should be done by an experienced facilitator.
- Allow for participants to assess and modify the process.
- Provide time for informal sharing and networking.
- Begin sessions with introductions and remind everyone of ground rules with respect to confidentiality and the sharing process.

5.1.5 Leverage point: State or local nonprofit sector

Numerous studies have been done in recent years on the capacity needs and resources in a given state or locality (including two such studies in King County). Some of these studies were specifically designed as need or feasibility assessments for the possible creation of a management services organization (MSO) or statewide nonprofit association. Others were more general reports to funders on the state of nonprofit health and capacity-building infrastructure, with suggested avenues for investment and effort. Many of

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these were lengthy and detailed reports of up to 100 pages, with study methodologies that included literature review, interviews, focus groups and surveys.

In reviewing the needs assessments of **other states/regions**⁸, it is clear that each geography has a unique context and history, with a particular set of challenges as well as assets to build upon. Some common themes that do emerge include:

- The importance of unrestricted, multi-year funding to support capacity-building.
- Every study identified gaps in nonprofits' ability to find appropriate services in some areas, even when capacity-building resources were perceived as fairly abundant; but the *specific* gaps differed.
- The desire for a centralized, vetted referral source and information clearinghouse.
- The differing needs of nonprofits in urban versus rural areas. (See side bar on *Rural Challenges*)
- The value of peer learning and networking.
- The value of needs assessments or benchmarks as tools for structuring and evaluating capacity-building.
- In terms of specific areas of knowledge or skill, information technology and fund/resource development were two particular needs that came up most consistently; beyond that, needs differed by geography.
- Mixed response on the part of nonprofits to the idea of forming new nonprofit associations or shared service arrangements.

Rural Challenges

Many of the state studies highlight rural nonprofits that are smaller, isolated, more reliant on volunteers, constrained by transportation and communication limitations, and serving broader constituencies. Given the common finding that rural challenges differ significantly from those of urban areas, we specifically looked for studies focused on rural communities. A collection of short articles entitled *The Resiliency of Rural America* from the Council on Foundations offered several promising practices.

- Create opportunities to bring the voices and realities of rural communities to the attention of policy makers, business leaders and philanthropy. In southeast Colorado, a biannual "Rural Philanthropy Days" educates grantmakers about rural issues and capacity-building opportunities in rural communities.
- Capacity-building in rural areas often begins with identifying local community leaders and engaging/supporting them in community-building activities and efforts to improve social and economic conditions.
- There are opportunities to improve data and research on current conditions in rural communities.

There have been several studies done in **Washington State, mostly focused on King County**⁹. Separate studies in 2001 and 2004 looked at the need for capacity-building services in King County and the possibility of creating a MSO. Some of the findings of these reports included:

- Capacity-building services were generally considered to be available and of high quality.

⁸ We reviewed studies done in Arizona, Indiana, Michigan, Minnesota, Missouri, Pittsburgh, Wisconsin, and Texas – see bibliography for details.

⁹ *Building Capacity in King County*, Heliotrope, 2001, funded by Family Leadership Fund, SAFECO, Seattle Foundation and United Way of King County; and *Capacity Building Technical Assistance Business Plan*, Melora Hiller, 2004.

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- Cost and time were listed as the most significant barriers to capacity-building.
- Additional barriers were experienced by very small organizations and those serving communities of color.
- Nonprofits expressed a desire for a centralized source for referral, vetting and evaluation of capacity-building information and service providers.
- In both cases, the idea of forming a new MSO did not bear fruit.
- The Heliotrope study found a need to educate nonprofits on the need for capacity-building and how to use those services.
- The studies found the top needs to be fund development, board/governance, PR/community relations (Heliotrope) and information technology (Hiller).

More recently, a few funders have commissioned studies to look at the impact of the economic downturn on various groups of nonprofits.¹⁰ These studies suggest an increase in the need for certain capacity-building activities to help weather revenue cuts: planning, governance, financial management, and leadership development. They also suggested an increased interest in developing advocacy skills. Lastly, the economic downturn appears to have exacerbated the lack of general operating funding needed for capacity-building activities.

5.1.6 Leverage point: National capacity-building field

Capacity-building has recently received prominent national attention, from recent comprehensive studies to the inclusion of capacity-building funds in the federal stimulus bill and associated policy discussions.

Two recent studies seek to describe and assess the national nonprofit landscape. First, the Conservation Company's *Building the Capacity of Capacity Builders* proposes an overall taxonomy for the nonprofit sector, and identifies various ways to categorize capacity-builders. Using this framework, they identify gaps in the national capacity-building infrastructure, many of which echo findings at the state and local levels: funder preferences for program-specific rather than general operating grants; nonprofits lacking resources or knowledge to use capacity-building services; gaps in the supply of well-qualified MSOs and consultants; and lack of evaluation, documentation and sharing about capacity-building efforts and results. TCC also highlights undercapitalized MSOs with limited business planning tools, and a lack of high-quality research of applied use for practitioners.

From this analysis, TCC developed its four-part capacity-building framework of adaptive, leadership, management and technical capacities (see the inset in the *Individual nonprofits* section). In addition to the recommended best practices for capacity-building services described above in the *Capacity-builders* section, the study concludes with recommendations targeted at three broader audiences.

- *Funders* should:
 - be more supportive of capacity-building – thinking of it as an investment rather than an expense – and do so in a way that is realistic about the time requirements and ongoing nature of capacity-building;

¹⁰ The Medina Foundation conducted a survey of its grantees, and a coalition of arts funders commissioned a study from Helicon on the recession's impact on arts organizations;

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- support capacity-building infrastructure at the local, regional and national levels;
- work as partners with MSOs to identify needs and provide support to nonprofits.
- *Field-building organizations* should:
 - provide leadership development opportunities and business planning, evaluation, and organizational assessment tools for MSOs;
 - help MSOs educate and communicate with funders;
 - help spread knowledge of innovative practices.
- *Researchers* should:
 - continue mapping the field of capacity-builders, and conduct research that analyzes quality and availability of MSO services at a regional level;
 - develop and test models for understanding organizational effectiveness, readiness, and adaptive capacity;
 - conduct more research on the impact of capacity-building.

Another recent and extensive national-level study is *The Nonprofit Quarterly Study on Nonprofit and Philanthropic Infrastructure*, a complex and wide-ranging report which maps several taxonomies of the nonprofit sector as a whole. The major finding of the study is that “*the current financing system for nonprofit infrastructure—including foundation funding—favors organizations that support and represent the larger nonprofits of the sector (which make up a small fraction of nonprofits overall) while networks and infrastructure organizations that serve tens of thousands of small to midsize nonprofits have been consistently under-funded.*” Therefore, they conclude, capacity-building services have not reached small and midsize nonprofits. The study concludes with five major recommendations.

- *Invest in the national networks of state associations and nonprofit capacity builders* serving nonprofits of all types and sizes on a state and local basis. This will not only help develop and disseminate knowledge, but also ensure that national policies are informed by small/midsize nonprofits and state-level policy and program developments.
- *Establish a capital grant pool*, administered by an intermediary, to help smaller infrastructure groups invest in more sophisticated growth and sustainability efforts.
- Fund advocacy aimed at obtaining *federal funding to support select portions of the national infrastructure*, particularly databases on the nonprofit and philanthropic sectors.
- Launch a campaign to *encourage all foundations to “tithe” a percentage of their grant money for infrastructure* that is available to all nonprofits.
- Provide incentives for and support efforts to *develop an annual research agenda that has practical use* for nonprofits.

These two national studies, as well as many of the state studies, cite the lack of evaluation work on the effectiveness and outcomes of capacity-building. Such evaluation is complex, as it is difficult to isolate the effects of a capacity-building intervention from the many other internal and external forces affecting an organization. However, there are several notable efforts to conduct this type of evaluation.

- Paul Light’s 2004 book, *Sustaining Nonprofit Performance: The Case for Capacity-Building and the Evidence to Support It*, contains a full chapter on assessing capacity-building’s impact on organizational effectiveness, emphasizing the complexity of untangling these complex linkages.

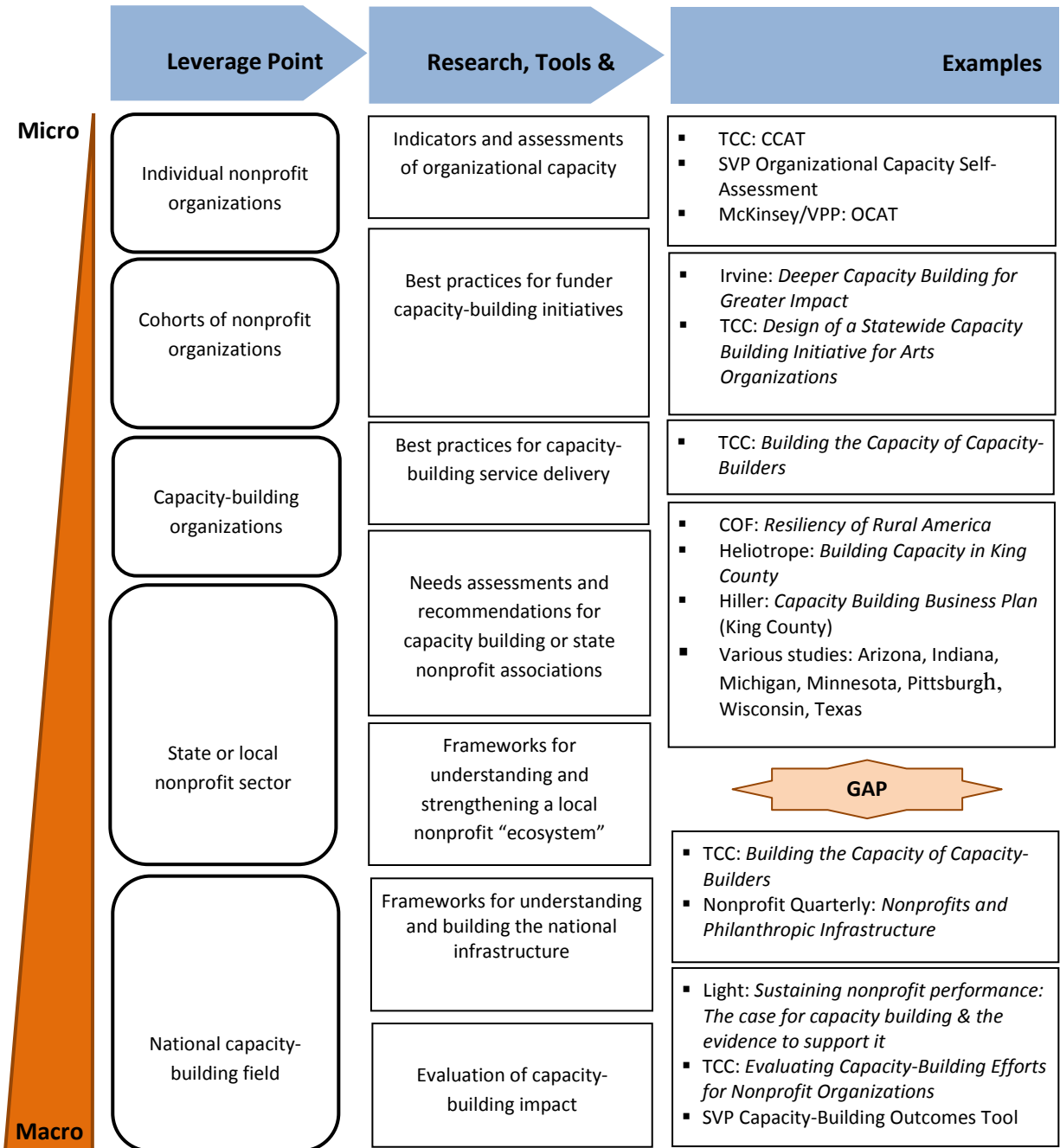
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- TCC's *Evaluating Capacity-Building Efforts for Nonprofit Organizations* offers a framework for designing and conducting a capacity-building evaluation, based on a continuum ranging from the activity/engagement level, to short-term outcomes on individual participants, to long-term outcomes on the organization and community. The article includes a sample logic model and evaluation design.
- The SVP Network has developed a suite of outcome measurement tools, *Demonstrating SVP Impact*,¹¹ which include an assessment of capacity-building outcomes for investees.

Figure 4 provides a snapshot of these different areas of the literature review – from individual organizations to the national field of practice – and some of the examples highlighted here. A complete bibliography is available in Appendix 10.1.

¹¹ Social Venture Partners International, www.svpi.org

Figure 4. Capacity-Building: Scan of the Field of Practice



6 Framework: The Nonprofit Ecosystem

The literature review of state and local needs assessments largely boils down to a list of specific needs – a mix of topics, service providers, and funding. The topical needs are simultaneously generic – e.g. board development, financial management, peer networks, vetting of consultants – and at the same time specific to each unique environment and context.

None of these studies puts forward a framework for designing a capacity-building intervention at a community or state level. We found best practices for the delivery of capacity-building services, but no framework for prioritizing which services were needed. We found logic models and theories of action for capacity-building at the level of a single nonprofit or MSO. But we did not find a framework or an explicit theory of action for broadly strengthening the capacity of nonprofits in a geographic area.

Given that every community's nonprofits have a unique combination of capacity building circumstances, needs, and community institutions to fill those needs, a **statewide** capacity-building strategy requires an overarching framework that does three things:

1. Articulates the intended impact on the health and effectiveness of the collective nonprofit sector at the community level
2. Addresses the particular local reality of diverse communities in a way that both honors local community institutions and addresses specific capacity building needs
3. Ties together local efforts with common threads across geographies to help fashion strategy and investments on a broader scale

We found a helpful mental model for that overarching framework to be that of an *ecosystem*. Biological systems – a cell, a human body, a pond – have multiple, interrelated parts working together toward a common purpose, which collectively are greater than the sum of their parts. The nonprofits in a given community form an ecosystem of institutions whose underlying purpose is to sustain and improve the health of the broader community. The nonprofit ecosystem includes a mix of organizations of different sizes and purposes. It has inputs and processes - people, money, activities. Its outputs are outcomes, on nonprofits, people, and the vitality of the community as a whole.

Just as a pond requires essential elements like air, water and nutrients to keep the system healthy, so too the local nonprofit ecosystem requires a set of essential elements to support the health and resiliency of the sector, and by extension, the community. The *essential elements* of a resilient nonprofit ecosystem are the basic conditions that need to exist in an ongoing way in order for nonprofits as a whole to survive and thrive. Essential elements should not be confused with methods of service delivery (e.g. consulting or training), or even with the types of organizations that deliver those services (MSOs, nonprofit associations, community foundations, etc.); and they are more complex than simple areas of topical knowledge or expertise, like fundraising or information technology.

A nonprofit ecosystem is inherently local, particularly in a state such as Washington where distance and geography loom large. Conceptually, individual nonprofits (like fish in a pond) will be healthier and more effective if the nonprofit ecosystem of their community is healthy and resilient. In looking across the

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literature review and the interviews, we propose **eight essential elements of a resilient nonprofit ecosystem**. If you were to visit a community with a healthy ecosystem you would find:

- 1. An ongoing source of nonprofit board and management basics – “Nonprofit 101”**
 - Boards: Basic roles and responsibilities
 - Nonprofit management topics: e.g. finance, grant writing, legal/compliance
- 2. The availability of in-depth organizational assistance, when organizations need it**
 - Organizational development
 - Strategic and business planning
- 3. Ongoing ways to surface, educate and sustain leadership at both board and executive levels**
 - Skill development and coaching for current leaders – beyond Nonprofit 101
 - A forum for leaders to support and learn from each other
 - Pipeline for surfacing and growing leaders for board and management roles
- 4. Trusted information and referral resources for “just-in-time” needs**
 - Information and professional advice in key operational areas: finance, fundraising, legal/compliance, HR, communication
 - Trusted referral and vetting system of capacity builders.
- 5. A community infrastructure that supports volunteerism, including skilled volunteerism for board leadership and capacity-building**
 - Recruiting, training and matching volunteers
 - Building nonprofit capacity to utilize volunteers
- 6. The capacity to use technology in pursuit of mission**
 - Technology planning
 - Ongoing IT support
 - Access to data that can inform needs and decisions
- 7. Organizing and advocacy capacity that allows nonprofits to positively influence their community and public policy context**
 - Coalition-building
 - Mobilization and advocacy
- 8. A healthy funding and fundraising climate**
 - Successful local fundraising practices
 - Diversity of fundraising sources, which include local support

To bring these elements to life, nonprofits need access to key *knowledge and expertise*, and will need the resources (time and money) to use them effectively. The key areas of knowledge and expertise include:

- Governance
- Leadership and management
- Planning and strategy
- Evaluation
- Finance
- Fundraising
- Human resource management
- Volunteer management
- Legal/regulatory environment
- Organizing and advocacy
- Collaboration
- Communications/marketing
- Information technology

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Knowledge and skill-building help can be provided directly to individual nonprofits or collectively through intermediaries (such as community foundations or volunteer centers). The knowledge can be delivered in a variety of different ways, by many different kinds of providers. What's important is that *all* of these knowledge areas must be available *in an ongoing way* to the system – for individual leaders, organizations, and in the community as a whole.

The ecosystem also needs *institutions* that can do the work of capacity-building. We use the term “institution” to mean both formal organizations as well as more informal – but established or customary – sets of people that nonprofits turn to for assistance. Some kinds of institutions are commonly identified with capacity building, such as management assistance organizations, private consultants, peer networks, and nonprofit associations; others, such as volunteer or leadership programs, may be less obvious sources of capacity-building. Funders can play a role in direct capacity-building services, as can universities, community colleges, and local government.

These institutions must have *delivery mechanisms* to bring services to nonprofits – training, consulting, distance learning, self-directed information resources, etc. The choice of delivery mechanism depends on the content to be delivered, the needs of the nonprofits, and the capabilities of the capacity-builder institution.

Lastly, *funding* is necessary to support this work, both directly to nonprofits and capacity-builders, as well as through local intermediaries who intimately know the local community and have the relationships and the capacity to engage with smaller organizations.

Our observation is therefore that a healthy nonprofit sector in a particular local community requires:

- All eight of the essential ecosystem elements
- A comprehensive range of knowledge, expertise and skills available to the nonprofit community.
- Community institutions that can deliver services and are, to the extent possible, embedded in the community so as to be sustainable and trusted
- Different and locally appropriate methods of service delivery
- Unrestricted funding and capacity building funding

Figure 5 further details each of these ingredients, and how they support the essential elements of the nonprofit ecosystem. Funders and community members seeking to strengthen a nonprofit ecosystem therefore have several points of potential leverage:

- Providing nonprofits with unrestricted and capacity-building *funding*
- Focusing on particular *essential elements* that are weak or missing in an ecosystem
- Supporting *capacity building institutions* as partners or intermediaries
- Helping to bring lacking *knowledge and expertise* or *delivery mechanisms* to the community.

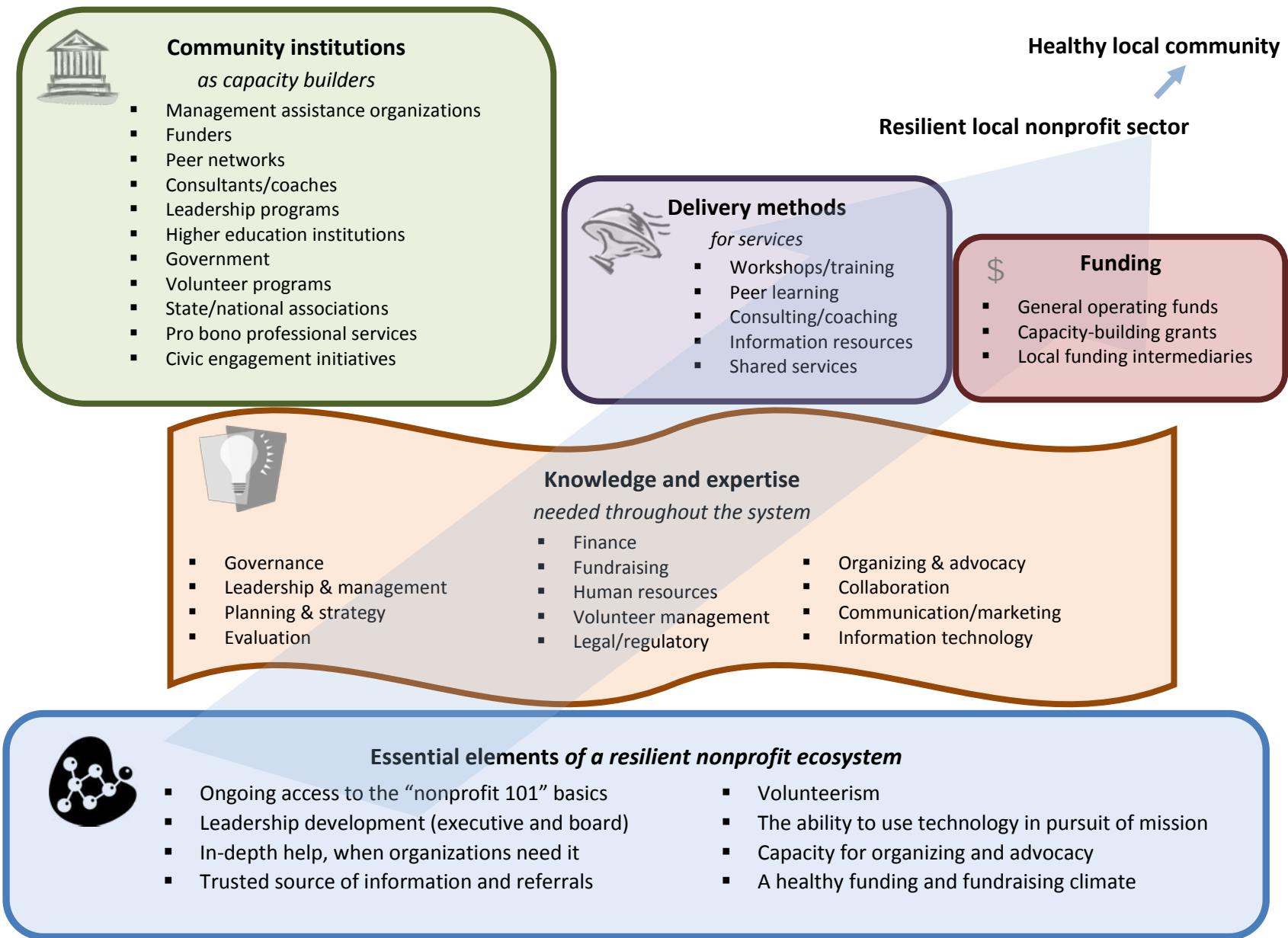


Figure 5: The Ecosystem Framework

7 Assessment of the Capacity Building Landscape

The Giving Practice conducted extensive interviews throughout 14 communities around the state. Most of these interviews were in person, allowing the interviewees to give us a candid assessment of the strengths and weaknesses of the sector and their capacity building landscape. From these interviews a picture emerged of how each local nonprofit ecosystem functioned. For a detailed snapshot of a particular community, see Appendix 10.2. Further information is provided in Appendix 10.3 on the institutions in each community, including those which were part of the interview process.

In addition, we compiled a list of capacity building entities used in those communities. This researched list was organized into a taxonomy showing the location, type of capacity builder, geographic and organizational focus, and area of capacity building expertise. The detailed list of capacity-builders identified is included in Appendix 10.4.

In this section, we will summarize what we learned about the capacity building landscape in Washington:

- Overarching themes
- What we learned about capacity-building institutions and service providers
- What we heard about knowledge and expertise needs and gaps
- Overall barriers to capacity building
- What we heard from donors

7.1 Summary Themes

Several macro themes emerged from the interviews: the variation in the composition of each local ecosystem, the specific issues arising in rural communities, issues around funding, issues relating to the size of individual nonprofits in the ecosystem, and issues of board leadership.

The **specific nonprofit ecosystems** - and the capacity building happening within them - varied widely by community. There was variety in the prevalence of local capacity builders, variety in the types of community institutions that were providing capacity building, and variety in the perceived expertise and types of delivery methods needed to assist the sector in each community. Some communities exhibited few of the key essential elements and others exhibited them in abundance. We recognized this variation would have implications for funding strategies attempting to span communities across the state.

Funding issues were a common refrain. Lack of sufficient general operating and capacity building funds were mentioned frequently in our interviews as barriers to gaining stability, capacity, and resiliency. In some cases, available capacity opportunities are missed because of a lack of matching funds. One example was the availability of Americorps/Vista volunteer stipends which required a match from the receiving nonprofit.

Rural communities have a common set of characteristics in their nonprofit ecosystems. A common set of barriers was the lack of local capacity builders and the corresponding requirement to either travel to, or hire experts to travel from, more populated cities. Another characteristic was a strong reliance on volunteers to run many of the institutions which, in larger cities, might be run by paid staff. Rural nonprofits also rely more heavily on informal networks of support, through board members or other

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connections. This suggests that strategies to support volunteerism take on particular importance in rural areas.

The size of the individual nonprofits in the ecosystem had implications for their capacity building needs. We found that larger, more established nonprofits have much better access to capacity-building services, and more bandwidth to use those services. These nonprofits are also able to rely upon state, regional, and national associations for capacity building services not available to smaller and mid-sized nonprofits unaffiliated with these kinds of state and national structures. Mid-sized nonprofits (budgets less than \$500,000 per year) and small nonprofits (many with budgets less than \$25,000 per year who rely exclusively on volunteers) were often described as having a narrow mission focus, and thus narrowly targeted funding streams, which limit the time, money and mental space available to attend to organizational infrastructure and staff development.

Lastly, a common theme was the **ongoing need for communities to produce and support active and engaged community trustees** to serve on boards and be effective leaders of their institutions. This central essential element of the ecosystem was mentioned as a need in almost every community we visited.

Connection between Civic Engagement and Capacity Building

There are points where *capacity-building* and *civic engagement* begin to overlap, and even blur. When a community has a strong tradition of civic participation, people engage in many ways – including as nonprofit volunteers and board members. When communities do not feel empowered to engage in civic life, nonprofit leadership suffers. Thus, for example, we see that community-based leadership programs may include a component of preparing participants for service on local boards of directors.

This connection is stronger in rural communities, where even very basic community services like food and shelter rely on organizations that are volunteer-run and volunteer-driven. Whether a rural community is grappling with a dwindling school district or the need for a new food bank, regular citizens must work together to define problems and solutions. Capacity-building becomes almost inseparable from civic engagement and community development, as we see in some of the promising models that we have identified for rural communities. (See the sidebar on *Rural Solutions* in section 8.)

We heard a similar dynamic in talking with capacity-builders serving organizations of color and recent immigrant/refugee communities. When a group of people lack knowledge about or access to the broader community's political power base and financial resources, their organizations are also more likely to be small and volunteer-run. As in rural communities, the starting point may need to be identifying problems, priorities, assets, desired solutions, and natural leaders. Immigrant/refugee communities in particular may require more assistance to understand how to access NGO, philanthropic, governmental and political systems that are completely different from their country of origin. These types of organizations can require a blend of community organizing and more mainstream capacity-building approaches – not to mention integration of leadership and decision-making traditions from diverse cultures.

7.2 Capacity Building Institutions and Providers

7.2.1 Community Institutions

Interviewees were asked to discuss which types of community institutions were providing capacity building in their local ecosystems. In some cases these were formal organizations, in other cases the “institutions” were groups of peers, or even a cadre of pro-bono volunteers.

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Funders: In many communities, funders were providing capacity building support. **Notably, a number of community foundations are successfully helping nonprofits with capacity building assistance.** Many went well beyond providing direct grants for capacity building. Some organized and hosted regular trainings, summits, and workshops delivered by experts from around the state and around the country. Others provided ad-hoc one-on-one assistance to nonprofits, helping to steer them to the right provider, or coaching them on fundraising strategies. Community foundations were very knowledgeable about both the value of, and the capacity building needs of, smaller and midsized nonprofits operating in their regions. In several counties, the local United Way provides funding for capacity building, hosts a volunteer center, and, in King County, provides training for board members and executive directors.

Peer Networks: Some communities had active, formal peer networks of various types – networks of executive directors, fundraising professionals, and other regular convenings for any type of nonprofit participants. Peer networking among nonprofits is, in our observation, a good indicator of a robust ecosystem. Peer networking among executive directors and development officers can strengthen the capacity of the individuals involved and can operate as an ad hoc information and referral system.

Consultants/Coaches: For what we typically think of as capacity builders – for-profit consulting firms and consultants – there were few, if any, in more rural communities. Where consultants were mentioned in rural areas, they did not practice exclusively in their home regions for economic reasons. Urban centers had more, particularly King County. Few management assistance organizations (called “MSOs” for management support organizations, themselves nonprofits) exist in the state. The Nonprofit Center in Tacoma is a notable exception, providing a range of training as well as custom consulting for financial services and other management topics. Nonprofits in southern Washington, particularly Vancouver, are also able to take advantage of TACS, the MSO in Portland. To fill a void for staffed MSO-style services to nonprofits in King and Snohomish counties, Executive Service Corps of Washington, a Seattle-based skilled volunteer consulting program, has proposed re-branding and expanding its model to include staff consultants.

State Nonprofit Association Planning

A needs assessment is currently underway in Washington, with support from some of this study’s sponsors, to ascertain nonprofits’ interest in forming a statewide nonprofit association. Such associations exist in many states and typically offer a combination of sector-level advocacy, shared services or bulk purchasing, information and training, and sometimes other capacity-building services. These organizations are primarily funded by dues and fees for service, and thus the feasibility of a statewide association rests on the interest and willingness of nonprofits to pay dues, join together in a common voice for advocacy purposes, and identify and pay for services of common value.

Volunteer Programs: Volunteer centers and programs vary widely. Some focus strictly on “service-type” volunteerism (e.g. serving meals), while we saw a smaller number with robust programs for the kind of skilled or professional-type volunteerism that can play a capacity-building role. In some rural and semi-rural communities, we encountered well-run and well respected volunteer centers that have become the nexus of capacity building to small nonprofits. Another side of the volunteerism infrastructure is supporting nonprofits to make effective use of volunteers – something cited in the literature review as chronically under-resourced. Some volunteer centers provide regular trainings to help nonprofits with volunteer management, and also provide regular forums or trainings for broader capacity building topics. There are also chapters around the state of Directors of Volunteers in Agencies, which are peer networks of volunteer coordinators/managers.

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Leadership programs: Community leadership programs such as Leadership Tomorrow work to develop effective community leaders. Cohorts of participants from business, nonprofit and government go through a several-month program designed to raise awareness of the needs and challenges affecting the community, and enhance leadership skills with a focus on community stewardship. Often, participants must perform projects on behalf of area nonprofits. In some communities, these programs were mentioned as important capacity-building players, in four different ways: (1) enrolling participants who are nonprofit leaders; (2) including a program component intended to prepare participants for board service in the community; (3) performing capacity-building projects for nonprofits; and (4) in some cases, serving as a formal partner in additional nonprofit training activities (for example, in Spokane).

State/national associations: State and national associations were often mentioned as key resources for building capacity of larger affiliated institutions (e.g. YMCA/YWCA, Red Cross, Salvation Army, community health clinics, land trusts, United Ways, etc).

Figure 6 shows a summary of the institutions by community hub, characterized by *its relative significance within that community* as a capacity-building resource. What constitutes a primary source in a small community might be seen as secondary, in terms of scale, in a large urban center. These observations resulted from our interviews and analysis; it is important to note that this qualitative assessment has yet to be verified by local leaders. State and national associations are important capacity-building institutions, but their significance derives more from the size of the nonprofit organization than from its geography.

Figure 6. Community institutions as capacity-builders, by geographic hub

Community Institutions	Snohomish County	King	Tacoma/Pierce	Olympia/S. Sound	Bremerton/Kitsap	Bellingham/Whatcom	Pt. Townsend/N. Olympic	Grays Harbor/S. Olympic	Vancouver/Clark	Wenatchee	Yakima	Tri-Cities/Benton/Franklin	Walla Walla	Spokane
MSO/Nonprofit TA provider	■ _{1,2}	□	■ ₃	□ ₃	□ ₁		■ ₅					□ ₅		
Nonprofit Networks	□	□	□	■	■	■	■	?	?			?	■	
For-profit Consultants/Coaches	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Funders - Community Foundation	■	■	□	□	■	■	■	■	■	■	■	■	■	■
Funders - United Way	■	■	?	■	□	□	□	□	□	□	□	□	□	□
Funders - Other	□	■	□					■				■	■	
Volunteer Center/Program	□	■	□	?	□	?	□	□		■		□	□	
Volunteer/Pro-bono - other		■		■	□	□			□		□	□		
University		■	□	□			□	□	□	□	□	□	□	□
Community College	□	□	□	□	□	□	□	□	□	□	□	□	□	?
Leadership Program	■	□	□	?	□ ₆		□	?		□	□	□	■	■
Government/Tribal		□	□	?	□	■ ₄	□	□	□	□	□	?	□	
Other key player(s)						■ ₇								

- Primary source/ high importance
- Secondary source/ importance
- Exists/limited capacity building role
- ? Unclear

Notes:

1. Northwest Training Institute - offers training only; not consulting
2. Executive Service Corps-WA has plans to become an MSO serving King and Snohomish Counties
3. Nonprofit Center in Tacoma (MSO) - some services to surrounding areas
4. Jefferson County Community Network - quasi-governmental
5. TACS in Portland
6. Leadership Whatcom, in partnership with Whatcom Coalition for Healthy Communities
7. Community action agency

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Not surprisingly, we see that King County appears to have an abundance of institutions whereas Grays Harbor has few. Despite this variation, we saw strong examples of the ecosystem elements at work in every community in the state. See the sidebar, *Examples: Essential Ecosystem Elements*.

Examples: Essential Ecosystem Elements in Communities Around Washington State

There are good examples all around Washington state of the essential elements in action. This list is not meant to be a comprehensive assessment of best models, but a list of good examples from different communities.

- 1. An ongoing source of nonprofit board and management basics – “Nonprofit 101”**
 - Board member education:
 - Nonprofit Leadership Partnership in Spokane - annual series on board basics
 - Nonprofit management topics:
 - The Grays Harbor Community Foundation - nonprofit conference with 200 attendees, many from all-volunteer nonprofits
 - Sherwood Trust in Walla Walla – ongoing training series for nonprofits
 - Community Foundation of North Central Washington - various workshops for nonprofits
- 2. The availability of in-depth organizational assistance, when organizations need it**
 - Social Venture Partners Seattle - capacity-building funding and technical assistance as part of its grant investments
 - Executive Service Corps – skilled volunteers doing in-depth consultation; beginning expansion to become a full service management assistance organization
 - Boeing/Allen Foundation – consulting/coaching initiative for arts organizations in Tacoma
- 3. Ongoing ways to surface, educate and sustain leadership at both board and executive levels**
 - Skill development for current leaders – beyond the Nonprofit Basics
 - Seattle University and South Sound Community College – nonprofits leaders’ series
 - A forum for executive leaders to support and learn from each other
 - Jefferson County Nonprofit Alliance, Nonprofit Network of Southwest Washington, Executive Alliance, Whatcom Council of Nonprofits
 - Pipeline for surfacing and growing leaders for board and management roles
 - Community leadership programs such as Leadership Tomorrow, Leadership Snohomish, Leadership Spokane
 - Executive Development Institute, King County of United Way’s Project LEAD – identifying and training potential board members of color
- 4. Trusted information and referral resources**
 - Currently happens mostly on an ad hoc/organic basis
- 5. Community infrastructure that supports volunteerism, including skilled volunteerism for board leadership and capacity-building**
 - Recruiting, training and matching volunteers
 - Executive Service Corps, United Way of King County
 - Building nonprofit capacity to utilize volunteers
 - Benton-Franklin Volunteer Center; Volunteer Center of Lewis, Mason & Thurston Counties
- 6. The capacity to use technology in pursuit of mission**
 - ONE/Northwest (now Groundwire); NPower (primarily serving King County).
- 7. Organizing and advocacy capacity that allows nonprofits to positively influence their community and public policy context**
 - Progress Alliance – grantmaking for social change
 - Nonprofit Assistance Center – organizing and capacity-building with recent immigrant/refugee communities in King County (?)
- 8. A healthy funding/fundraising climate**
 - Yakima Valley Community Foundation – broad donor participation from the community
 - Walla Walla – strong local capacity building funder (Sherwood Trust) and strong local

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7.2.2 Capacity Building Providers Working in Washington

Through our interviews, literature review, and donor forums, we collected the names of 241 capacity building entities serving nonprofits across the state. Of those, 206 were located in Washington. Entities were categorized using a taxonomy adapted from the TCC group and other statewide studies (e.g. type, geographic focus, organization-type focus, sub-sector focus, and capacity/expertise focus). The detailed list can be found in Appendix 10.4.

This was not an attempt to create an exhaustive list, but instead to capture the top-of-mind entities often used or frequently recommended. We also did not actively solicit names of capacity-builders for communities other than the 14 hubs used for this study.

Figures 7 and 8 show the distribution of the entities mentioned by location, and their geographic focus. Two thirds are primarily local in their focus.

Community	Total Unique Capacity Builder Entities Mentioned/Found
King	100
Outside WA	35
Vancouver/ Clark	19
Spokane	15
Whatcom	11
Olympia/ S. Sound	10
Pierce	9
Yakima	7
Wenatchee/ Chelan	6
Snohomish	6
Bremerton/ Kitsap	5
Pt. Townsend/ N. Olympic	5
Tri-Cities/ Benton/ Franklin	4
Washington	4
Walla Walla	3
Grays Harbor/ S. Olympic	2
Total	241

Figure 7. Capacity-builders identified, by hub where they are located

Geographic Focus	Capacity Builder Entities Mentioned
Local	158
National	32
Multi-local	18
Multi-state	18
State	15
Total	241

Figure 8. Capacity-builders identified, by geographic focus/scope

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Figure 9 provides a breakout by type of capacity-builder; the largest group of capacity builders is for-profit consultants.

Capacity Builder Designation	Total
For-profit Consultant(s)	117
Nonprofit Capacity Builder	27
Foundation/Grantmaker	17
Peer Network/Professional Association	17
Leadership Program	16
Academic Center	13
Volunteer Program	10
Professional Service Firm	7
National Field Building Organization	6
Volunteer/Pro Bono	4
Government/Tribal	4
State and Regional Nonprofit Association	2
Regional Association of Grantmakers	1
Total	238

Figure 9. Capacity-builders identified, by type

Of the different services and expertise offered by these capacity-building entities, strategic planning was the most common, followed roughly equally by organizational development/change, board development, and fund development. The following table summarizes some of the most common types of service/expertise, though it is not an exhaustive list. It is also based on a review of Web sites and other existing referral lists, and has not been checked with the individual capacity-builders.

Capacity Builder Designation	Total
Strategic planning	55
Board development	38
Organizational development/change	38
Coaching	17
Executive transitions	9
Fund development	39
Grantwriting	7
Communications/marketing/brand	32
Evaluation	18
Finance/accounting	13
Human resources	11
Technology	9
Legal	7

Figure 10. Number of capacity-builders offering specific services/expertise

7.3 Knowledge and Expertise Needs and Gaps

Interviewees were asked to tell us their perception of what types of capacity building knowledge and expertise were most needed in their local nonprofit ecosystems.

In almost every community, some variation of governance training or board development was mentioned as being needed. When pressed for details, it was clear there were knowledge gaps at the board level – with many board members described as understanding neither their basic legal and fiduciary roles, nor their strategic and policy-setting roles. Some interviewees talked about wanting to see board members coached in the softer side of good board-craft, like the important supportive relationship between the board chair and the executive director, and how to get committees working effectively. Because of the revolving door of board volunteerism, providing this type of assistance on an irregular basis was seen as problematic. Most wanted a reliable service or resource they could refer to for this need.

In almost every community, fund development assistance was seen as a perceived need. This ranged from good grant research, prospecting, and writing skills to starting a planned giving campaign.

Other often-mentioned areas of knowledge and expertise were the following:

- Financial management and budgeting
- Strategic and business planning
- Information technology
- Human resource management
- Leadership and management

Figure 11 below summarizes opinions expressed by interviewees on high-priority topics for nonprofits in their communities. These were mentioned in response to the question: “*What are the top two or three things that you think would be most valuable for this community in terms of additional capacity-building?*” Thus, **these responses should not be taken as perfectly reflecting need, but as directionally indicative** of the knowledge and expertise needed. A full list of topics mentioned by community leaders, sorted by community, can be found in Appendix 10.5.

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7.4 Barriers to Obtaining Capacity Building

Consistent with other studies, we found that the barriers to obtaining capacity building in the ecosystem were primarily money, absence of local capacity builders, time, and awareness of need.

In our interviews we heard very clearly that **nonprofits needed unrestricted money** for general operations and money specifically for capacity building. Funders' somewhat mercurial commitment to capacity building and general operating funds was noted. This finding is corroborated by many of the studies in the literature review.

Capacity building **intermediaries** also need funding. Being well poised geographically, or holding knowledge of specific sub-sectors (e.g. arts, Native American organizations) or topics (e.g. technology), strong intermediary organizations can ascertain sometimes more clearly than nonprofits themselves the most appropriate capacity services and resources the

Indian Country

Although almost 2% of Washington State's population is Native American, very few nonprofits serve this population, particularly in rural areas and on reservations. There are only a handful of nonprofits on reservations; historically the tribes themselves and/or the Bureau of Indian Affairs have tried to directly address the needs that nonprofits often address. Therefore the need for start-up assistance and capacity building for nonprofits in Indian Country is significant, but has to be culturally appropriate. The Potlatch Fund is one source of capacity building assistance, providing both funding and training. Some funders support the tribal colleges, which are important institutions for Native Americans in the state. In cities, there are a few nonprofits which serve the local Native American population, but many mainstream nonprofits don't serve Native Americans either in cities or in rural areas – most often because of cultural and geographic barriers.

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nonprofit needs. Intermediaries also function as knowledge curators and disseminators of nonprofit best practice, creating a network effect that speeds adoption of resilience-building practices. This finding is also corroborated in the literature review. In this category, we found a number of community foundations who function as capacity building intermediaries, in addition to their role in helping to direct local philanthropy to community needs.

In many cases, particularly in communities with smaller populations of nonprofits, the sheer **absence of local capacity builders** is a barrier. When this is the case, transportation outside the region can be a major barrier, particularly in areas geographically isolated from training and consulting service providers. Even 30 minutes by car was, in some cases, enough of a barrier. In some cases we found that transportation was a proxy for the barrier of time, in others, for the barrier of money. Knowledge of what resources are available *outside* the local area could also be a barrier. We heard diversity among communities outside of Puget Sound in terms of their willingness to hire consultants from outside the area. In some communities, outside help was welcome so long as consultants recognize and honor the ways in which the community is “not Seattle.” Other communities have a strong ethic of independence, or less trust that someone from a more urban setting can really understand rural realities.

Time is an issue, especially for mid-sized organizations which have very lean staffing and infrastructure.

Lastly, a lack of self-awareness - on the part of individual nonprofit organizations – of their need for capacity building is sometimes a barrier.

7.5 King County

The capacity building ecosystem in King County is unique in the state. There are an abundance of resources to draw upon to help nonprofits with capacity building. Most of the elements of a healthy nonprofit ecosystem are in place. However, not all nonprofits are able to avail themselves of these resources for three major reasons:

- Inadequate funding: Many nonprofits simply don't have the budget to pay for these services nor can they allocate staff time to get adequate training.
- Inability of many nonprofits to self-diagnose their capacity building needs. We were told repeatedly by capacity builders in King County that the “presenting capacity building needs” of nonprofits were often not the real needs after more extensive assessment and conversations with leadership of the nonprofit.
- Capacity building services and tools are often not culturally appropriate for smaller organizations, particularly those that serve communities of color and immigrant communities.

That said, there are several promising efforts in King County to address these issues and an apparent will to do so, given the needed philanthropic support. These are noted in the profile for King County and include support of a local MSO. Other commonly cited needs were a centralized information and referral system, and more targeted funding for capacity building.

7.6 Donor perspectives

Organized philanthropy (foundations and corporate giving programs) in Washington State is aware of the capacity building needs of the nonprofit community, although response to those needs has varied

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considerably. Until the 1980's, the assumption of many philanthropists was that general operating support would enable a nonprofit to operate effectively (United Ways were, for many decades, a major source of general operating support nationwide). As funders moved to more outcome based and programmatic funding, general operating support declined (1980's and 1990's). In the past 5 to 10 years there has been renewed interest in supporting the infrastructure and resiliency of the nonprofit sector; some funders have moved to once again providing more general operating support and others have moved to funding targeted capacity building efforts.

Funders' motivations for supporting capacity building vary. Reasons that are frequently cited are:

- Improving the ability of their grantees to be more effective;
- Improving the ability of a "subsector" to respond to new circumstances (e.g. environmental organizations, arts organizations and low-income housing providers)
- Improving nonprofits' ability to serve a specific geography or population; and
- Improving the ability of nonprofits to act collectively (such as supporting advocacy or group purchasing power).

In an effort to understand the current climate for support of capacity building efforts in Washington State, we held two donor forums which were attended by 10 foundations and one corporate funder. Two sponsoring funders for this study participated in a donor's forum and we gathered information from others in the collaborative. We also had individual conversations with several other funders. Given the limited number of organizations we spoke to, our observations and conclusions are not based on a broad sample of regional funders, but we do think that the discussions offer some insight into donor perspectives in the state.

Current funding of capacity building generally falls into the following categories:

- Grants to individual nonprofits to support defined capacity building work;
- Grants to individual nonprofit capacity building providers (such as One Northwest, NPower, Taproot).
- Grants to support capacity building in a sector, such as the arts, the environment and low income housing. (These grants may be to individual nonprofits and/or an intermediary.)
- Funding to support training workshops for nonprofits in a specific geography or to specific cohorts of grantees.
- Efforts to bring capacity-builders together, such as the Murdock Trust's regional learning circle and The Constellation of capacity-builders in Washington.
- Grants to support the development of an MSO in King County and the development of a statewide nonprofit association.
- Dedicated staff capacity in a foundation to provide informed and intentional coaching of small nonprofits to assist them in their start-up phase, to help them with grant requests or other needs.
- Organizing and training volunteers to perform capacity building services to select nonprofits (e.g. SVP).

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Several funders also pointed out that increasing their general operating support grants was essentially recognition that capacity building is needed and that nonprofits should have the flexibility to use general operating support for this purpose.

Funders are aware that “successful” capacity building is ill-defined and that there are difficult issues to navigate as a funder of capacity building. Several issues were noted in the donor forums.

Challenges in identifying capacity building needs:

- The recognition that **assessment of nonprofit needs** for capacity building may require analysis and discussion beyond the “presenting symptoms.” SVP and TCC have developed good assessment tools, but they are not widely used by funders.
- The observation that **nonprofit staffs, not boards, drive requests** for capacity building. Therefore for board and executive director development and leadership training may not surface as a need.
- The observation that **small nonprofits and those serving communities of color and immigrant communities** may not self-identify as needing capacity building assistance.

Challenges in delivering capacity building funding:

- The **lack of a good referral network** to capacity building resources;
- The **importance of multi-year capacity building funding**;
- A recognition of the **power imbalance** when funders recommend capacity building (does it allow the nonprofits to assess internally what their needs are?);
- A recognition that **“one-off” workshops and short-term consulting assistance may not lead to sustainable change**;
- The **absence of good tools to evaluate** the effectiveness of capacity building.

That said, most of the funders we spoke with understand the importance of capacity building and are continuing to refine their practices and models. Recently, Philanthropy Northwest created a Learning Circle for funders interested in capacity building throughout the Northwest.

8 Opportunities for Investment

Promising avenues for capacity-building investment can be identified both at the community level, and in some cases, across communities. These recommendations are guided by a few overarching principles:

- **Each community ecosystem is unique** in terms of the makeup of its nonprofit sector, its assets and gaps, and its history and culture.
- Because of this local distinctiveness, **funders should work with local partners and intermediaries** who are knowledgeable and trusted in the community. In the community profiles, we summarize what we learned about capacity-building institutions in each hub.
- Funders need to provide more funding for capacity-building **directly to grantees and/or through local intermediaries**, such as community foundations and United Ways, particularly targeted at small and mid-sized nonprofit organizations.
- Depending on their goals and geographic interests, **funders may choose to work individually, in cooperative alignment with one another, or in formal collaboration**. All of these approaches could be at work within a commonly understood framework, particularly if there is a commitment to transparency and shared learning.
- Although we firmly believe that there is **no one-size-fits all solution** for these very diverse and physically distant communities, we believe there are some common threads that can lend themselves to a **common approach, if not a single solution**.
- Consider operating support, planning grants and/or convenings focused on **filling the identified gaps in the essential ecosystem elements** (e.g. volunteerism infrastructure, vetting and referral mechanisms, ongoing access to “nonprofit basics”). This could be done at the level of an individual community, or in some cases there are systematic opportunities to develop a common element across multiple communities.
- **Build on what’s already strong or emerging** in a community’s capacity-building institutions and activities. For example, in Vancouver, Bellingham and Jefferson County, there are well-regarded, emerging peer networks that could do more with additional resources.
- In addition, **explore opportunities with institutions which do not currently play a role** in capacity-building but which are locally respected and could play a greater role. For example, Yakima, Vancouver and Grays Harbor County all have well-regarded community college or university branches which have recently grown, but which have not yet taken on a role in supporting nonprofits.

With these principles in mind, we identify five key opportunities for investment, each of which focuses at a *different leverage point* in the system.

1. Invest in capacity-building at the *individual nonprofit level*
2. Invest in strengthening the *nonprofit ecosystem of specific local communities*
3. Invest in specific *essential elements across ecosystems* statewide
4. Invest in *rural solutions* that address the specific challenges of rural Washington
5. Invest in filling gaps in *knowledge or service delivery tools*

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This section summarizes *at a high level* these opportunities for investment. In many of these areas, there are opportunities immediately available for investment. It was not within our scope to identify and vet specific potential grantees or programs. An important next step would be dialogue with capacity-builders, local nonprofit leaders, and other stakeholders. Based on what we learned in our research, we do suggest a readiness level for each recommendation.

- ❶ Institutions/programs exist, are poised for growth/additional investment.
- ❷ Existing or promising models exist that could potentially be strengthened, expanded, packaged, adapted, piloted, or replicated in other communities, with appropriate planning and local buy-in.
- ❸ A more challenging underlying problem, and/or fewer promising models identified; strategies probably require clarification of the problem and possible solutions, in dialogue with affected and knowledgeable parties, and significant planning/exploratory work.

Opportunity #1: Invest in capacity-building at the individual nonprofit level

Even in communities such as King County with an abundance of capacity-builders, funding for capacity-building is a barrier. One of the most common findings across the literature is the need for more general operating and capacity-building funding.

- Provide grants for capacity-building, directly or distributed through intermediary organizations, with a particular focus on small and mid-sized organizations ❶
- Build the capacity of local intermediary organizations (such as community foundations) that can manage capacity-building grant programs, host educational programs, and maintain a big-picture view of the ecosystem ❶ - ❷

Opportunity #2: Invest in strengthening the nonprofit ecosystem of specific local communities

Within each community, we have identified promising strategies for developing capacity-building infrastructure. These recommendations are included within each community profile in Appendix 10.2. Although the community profiles make some recommendations on possible strategies for funders, an important next step for funders interested in a given community would be to talk with the local community to check these assessments, supplement them with deep local knowledge, and develop priorities and next steps accordingly.

- Provide grants to existing capacity-building institutions ❶
- Provide planning grants or convene local partners to identify, prioritize and strengthen weak essential ecosystem elements ❷ - ❸

Opportunity #3: Invest specific in essential elements across ecosystems statewide

In each community, we asked ourselves which essential ecosystem elements seemed most ripe for investment – either because they seem weak or even missing, *or* because there is a foundation in place that seems poised for growth. Note that we are basing these assessments on our interviews, which were in-depth but nonetheless provide a limited perspective. Ideally, the next step in this process will provide an opportunity for community stakeholders to check, validate and refine these assessments. Looking across communities, we identified four essential ecosystem elements in particular that seem to lend themselves to a possible *systemic* approach. We also felt that supporting capacity-builders to work and learn together as a field of practices would be important in order to facilitate knowledge capture and adaptation of promising models.

- Nonprofit 101: Explore opportunities to capture, replicate and adapt successful trainings/activities, so that every community has ongoing, appropriately delivered access to this building block ❶ - ❷
- Volunteerism: Work to ensure that all communities have effective and appropriate structures to support volunteerism
 - Invest in effective volunteer centers and programs ❶ - ❷
 - Identify opportunities to share/replicate successful program models for rural areas and skilled volunteerism ❶ - ❷
- Leadership Development:
 - Explore opportunities to adapt and replicate successful programs that help communities cultivate new board members and support strong board leaders ❷
 - Support nonprofit peer networks through funding as well as knowledge/program resources (e.g. speakers) ❶ - ❷
- Trusted information and referral: Assist local communities in implementing vetting and referral systems for capacity-building services (see sidebar, *The Challenges of Vetting*) ❸
- Continue to help connect and support communities of practice for capacity-builders, to advance efforts at sharing, piloting and replicating effective models ❶ - ❷

Opportunity #4: Invest in rural solutions

- Explore promising models for addressing the unique capacity-building challenges in rural areas (see sidebar, *Rural Models p.38*) ❸

Opportunity #5: Invest in filling gaps in knowledge and service delivery tools

- Identify areas of knowledge (e.g. board governance, financial management, fundraising, strategic planning) that are lacking curriculum,

The Challenges of Vetting

One of the essential ecosystem elements is a trusted source of information and referral to capacity-building services. None of the community hubs we looked at had such a system, and it was mentioned as a high priority in King County in particular. While highly valued, this can be a surprisingly complicated (and even politically charged) process. Who does the vetting and “owns” the list? What standards and criteria are used? Is user/client feedback collected, and if so how? As a result of this complexity, many consultant referral lists are informal. For example, Social Venture Partners’ consultant roster is considered one of the best in King County, but it does not include any formal evaluation or user feedback.

A recent message board thread among members of Grantmakers for Effective Organizations explored how grantmakers vet consultants. Most of the responses were from foundations using an active vetting process when funding consultants to work with their grantees; but several said they do not engage in a vetting process, noting the importance of ownership by nonprofits in the choice of consultant as well as the foundation’s lack of knowledge about consultants in parts of their service area.

A few examples of referral approaches:

- The BEST project in Flint, Michigan, administered by Genessee County United Way, takes an active approach to vetting consultants. Consultants must fill out a three-page application form and provide a CV and writing sample. Once accepted into the consultant pool, they must participate in a learning community.
- Other foundations require nonprofits to submit a consultant work plan and statement of qualifications, or simply offer nonprofits guidance in selecting consultants.
- The North Carolina Council for Nonprofits has an online “Nonprofit Yellow Pages.” Services include capacity-building but also things like meeting planning and translation. Listings are fee-based and no vetting is conducted.

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information resources, or trainers; invest in developing tools and bringing them to local communities ❷

- *For a list of expressed needs, by community, see Appendix 10.5.*

- Explore ways to make leadership coaching and consulting services more accessible throughout the state ❸

Rural Models

Ford Institute for Community Building, Ford Family Foundation: This initiative focuses on strengthening civic engagement in rural communities in Oregon, and its central tenet is that rural communities are driven by residents who work together to develop and act on a common vision for the community. The program includes a five-year cycle of training and technical assistance at the leadership, organizational and community levels. Topics include community/social capital, community development, personal leadership skills, collaboration, volunteerism, asset mapping and strategic planning, and resource development. The Institute typically selects four new communities each year.

Northwest Area Foundation’s New Horizons Initiative: This program focuses on small, rural communities with high poverty rates. Over 300 communities, 40 of them in Washington, have participated in the program to date. The Horizons program works to increase the leadership skills of low-income people through training, seminars and other capacity-building efforts. One of the program’s key mechanisms is training community members and leaders to build relationships and work with local government, especially elected officials, to bring about community renewal. The 18-month program includes four main components: study circles, leadership training, community visioning, and community coaching and action.

Nonprofit Leadership Conference for Coastal and Southwest Washington: Recently the Grays Harbor Community Foundation organized a two-day conference for nonprofits in Grays Harbor and Pacific counties. The event was targeted at small and volunteer organizations, and included panels and “speed meeting” opportunities with funders; a special session just for board members; and a day of workshops led primarily by local community members. The event had over 200 participants, including about 50 for the board session.

Medina Foundation’s Rural Initiative: The Medina Foundation serves 14 counties in Western Washington, from Whatcom to Pacific, and has many years of experience working in very rural Washington communities. Their work in rural communities includes an “Ashoka”*-style model of identifying energetic, creative local leaders and “social entrepreneurs” as connectors, advisors and nominators of potential grantees. This builds relationships with trusted local leaders as well as a better understanding of the informal and “invisible” networks of power and influence in the community. Medina’s program officer makes a point of travelling as frequently as possible to communities in the foundation’s service area.

Colorado Rural Philanthropy Days: For over 20 years, southeast Colorado has held this bi-annual event to educate grantmakers about rural issues and capacity building opportunities.

** Based on the ideas about social entrepreneurship developed by Bill Drayton and used in the global Ashoka Fellowship program; see www.ashoka.org or “How to Change the World: Social Entrepreneurs and the Power of New Ideas” (David Bornstein, 2004)*

9 Conclusion

Looking at capacity building from a strategic, statewide perspective is complex. There are different definitions of capacity-building itself, and of what constitutes success. There are many dimensions to capacity building, which often get conflated into long laundry lists of need, mixing the local and the granular with the profoundly systemic, and offering few clear footholds for action. While it is critical to be in meaningful dialog with nonprofits about their experiences and needs, the stresses on many organizations are so great – especially during an economic downturn – that these conversations often feel like they increase rather than reduce the complexity. Layered on top of this are the variations of geography. In addition to having different social and economic circumstances, each community has its own unique history, traditional ways of solving problems and doing business, implicit and explicit power structures, and legacies left by visionary and creative leaders. We also understand that the quality of capacity building services varies, and that ultimately the success of investment in capacity building may not be readily apparent. And lastly, funders themselves contribute to the complexity, creating a patchwork of funding and approaches based on their particular interests and philosophies.

We have approached this report very mindful of that complexity. We offer a framework that we hope will provide a shared mental model to talk about it, and footholds for action in pursuit of a vibrant, resilient third sector at work in all Washington State communities.

Some of the themes and conclusions here are not new, and appear in other research – starting with the need for more grant dollars for general operations and capacity-building. But because the challenge of capacity building is both local and systemic, the diversity of funders sponsoring this study offers a particular opportunity, to knit together deep knowledge of local communities with experience developing solutions at a systemic or statewide level. The opportunities for investment were crafted with that diversity of audience in mind, while also hopefully showing how such efforts could be part of a greater whole. Using the framework, funders have the opportunity to work individually, in cooperative alignment with others, as well as through collective initiatives.

Lastly, we want to emphasize once again our sincere gratitude to the local nonprofit leaders who gave their time and insights to this process. An important next step will be continued dialog between funders and nonprofit leaders, in pursuit of a strong third sector and vibrant, healthy communities.