Trust & Community:
Capacity-Building Best Practices and How Bay Area Foundations Heed the Call

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Abstract
This project examines effective approaches to funding programs that are designed to bolster the organizational capacity of nonprofit organizations. Acknowledging the dynamics inherent in institutional philanthropy, this study proposes that although no one-size-fits-all solution exists for capacity building interventions, there are core concepts and best practices that funders must be cognizant of when implementing their strategies. This study also proposes that community foundations are uniquely positioned to be effective capacity providers for their grantees. This research contains a summary of the academic literature focusing on philanthropic trends relating to organizational sustainability, relevant definitions, historical context and sector needs, current funding models, approaches, and relationships, and their implication and effects. Semi-structured interviews with individuals who have expertise in the field of institutional philanthropy, nonprofit consulting, and fundraising provide evidence that Bay Area foundations are following and innovating industry standards of practice for building the organizational health of their grantee partners. Quantitative data lend additional evidence that Bay Area community foundations are investing in the general operational health of the nonprofit sector. This project proposes a capacity funding model that emphasizes building trust, customizing support, working collaboratively, and investing deeply. Recommendations additionally suggest that foundations continue their self-reflective journey in evolving a more holistic funding approach that prioritizes the long-term sustainable health of nonprofit organizations. It is through these evolving philanthropic strategies and philosophies that funders can help maximize the impact and effectiveness of the nonprofit sector.
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Section 1. Introduction

The nonprofit sector including both philanthropic foundations and nonprofit grantees have been paying for not paying for overhead to borrow from an article title by Hager, Rooney, Pollack and Wing. The traditional model of focusing on program funding and de-prioritizing organizational health and sustainability has created critical limitations in the capacity and infrastructure needs of nonprofit organizations. Decades of minimizing overhead costs has led to difficulties for nonprofits in recruiting and retaining skilled, experienced staff and making investments in technology, which reduces their productivity and effectiveness and leaves these organizations without a safety net (Philanthropy CA: 2015). Ironically, the practice of limiting overhead expenses and funding, which was initially intended to promote efficiency and effectiveness, has undermined the sector’s ability to achieve their mission and deliver meaningful impact to their communities (Philanthropy CA: 2015). This leaves organizations scrambling to minimize risk, and withstand changes in their external and internal environments.

The nonprofit sector continues a seemingly persistent struggle answering fundamental questions such as determining how to effectively add value to organizational health, how to build nonprofit budgets in uncertain economies, and how to build leadership and decision-making skills (Bartczak, 2013). To these and many questions about nonprofit sustainability, no one-size solution has been found. However many basic principles of effectual capacity building have (Bartczak, L., 2013). This project aims to synthesize the best practices of capacity building in the sector and begin to answer how community foundations are uniquely positioned to be effective capacity providers for the sector. More granularly, this project’s objectives are to:
• Discover a working definition for “capacity building” as used by industry professionals, Bay Area funding institutions, and the academic literature.

• Analyze industry best practices for how grant makers fund effective capacity building efforts.

• Assess how Bay Area community foundations are meeting these benchmarks.

• Propose a model for effective capacity building practices based on professional studies, expert interviews, and the academic literature.

• Propose a model for why community foundations are uniquely positioned to provide effective capacity building interventions for nonprofit organizations.

   It’s helpful to consider why it’s even important to examine the relationship between foundations and capacity building support by taking a brief glance at the size of institutional giving in the US with a particularly look at community foundations. Of the $410 billion dollars given to charity in 2017, 16%, or $66.98 billion came from foundations (CCS Fundraising, 2018). Approximately 12.5% ($8.3 billion) of foundation giving came from community foundations, which represents approximately an 11% increase in giving by US community foundations over two years (CFInsights, 2018). Of those community foundations in the top 25 by assets, four are in California, and two were part of this study: The San Francisco Foundation, The Marin Community Foundation, The Silicon Valley Community Foundation and The California Foundation.
Section 2: Literature Review

Trends in Philanthropy: Capacity Building

Now an almost ubiquitous term, the “nonprofit starvation cycle” was first described by Ann Goggins Gregory and Don Howard in 2009 to elucidate the ingrained and detrimental philanthropic system that had defined funding strategies for decades. The starvation cycle begins with funders’ who hold unrealistic expectations about how much it costs to run a nonprofit organization. In return, nonprofits misrepresent and skew the actual full costs associated with their organizations to secure funding within the strict parameters set by funders. This vicious cycle creates nonprofit organizations with weak infrastructures that are lacking in information technology, financial, and evaluation systems, leadership and fundraising skills, research and development, and other essential administrative and managerial components (Gregory & Howard, 2009).
This history of the philanthropic sector rarely supporting the organizational capacity of nonprofit organizations and many nonprofit leaders deprioritizing organizational capacity created a fragile social sector, a situation exacerbated by the 2008 recession (Zhang, Griffith, Pershing, Sun, Malakoff, Marsland, Peters, and Field, 2017). By focusing solely on programs and service delivery for so many years, many nonprofit organizations now lack the administrative resources to successfully carry out those programs (Zhang, etc., 2017). These deficits include: lack of strategic planning, staff supervision, program evaluation, leadership skills and training and financial resources (Despard, 2016).

Interestingly, one recent trend in philanthropy—increased focus on measureable outcomes—has shone a light on the importance of nonprofit organizational health to create measureable outcomes and meaningful impacts. This has given rise to another recent trend in philanthropy—greater investment in capacity building and organizational effectiveness (Wing, 2004). Many nonprofit organizations face increased demand to demonstrate their community impact and find themselves without the infrastructure to measure and communicate these gains (Despard, 2016). Additionally, the increased expectations for professionalism within the nonprofit sector have put even more pressure on organizations to increase their capacity and effectiveness (Andersson, Faulk, and Stewart, 2015).

There is a recent growing trend for funders – specifically foundations – to invest in capacity building interventions focusing on underdeveloped organizational areas to improve the effectiveness of their grantee nonprofit partners (Cornforth and Mordaunt, 2011; Faulk and Stewart, 2015; Zhang, etc, 2017).
Definitions: Capacity Building and Foundations

Despite widespread agreement that organizational capacity is an essential factor in organizational effectiveness, the term “capacity” remains difficult to define, implement, and measure (Andersson, Faulk & Stewart, 2015). The term “nonprofit capacity building” exists as a concept with a high level of abstraction, encompassing a massively diverse set of groups and internal systems (Wing, 2004). “Within the academic literature the concept itself has often been criticized for being too broad, nebulous and ill-defined. Yet, the term persists and is often embraced by practitioners perhaps in part because it is broad ranging and hence potentially allows a more systemic approach to meeting organisations’ development needs” (Cornforth & Mordaunt, 2011, p.430).

The academic definitions of capacity building are broad and varied. Here is a brief sampling:

- “A range of activities such as board development, strategic planning, technology upgrades, and management training. The key... is the link between these activities and organizational effectiveness” (Sobeck and Agius, 2007).

- “A continuous process of attracting and managing finite board ensured resources on a rapidly changing landscape to produce projects, programs and services, and activities that are demonstrably appropriate to the nonprofit’s mission” (Sobeck and Agius, 2007).

- Technical Assistance, another commonly used term for capacity building, is defined as: offering support for a specific purpose. This support might involve financial assistance, board or staff development or program evaluation (Sobeck, Agius, 2007).

- Implementation of financial controls, operating oversight, staffing, governance and financial policies and procedures and expansion of services and sustainability strategies
(Minzner, Klerman, Markovitz, & Fink, 2013).

- The United States Agency for International Development (USAID) defines organizational capacity building as “the strengthening of internal organizational structures, systems, and processes, management, leadership, governance, and overall staff capacity to enhance organizational, team and individual performance” (Krause, Bryant & Bhaatia, 2014).

In an effort to synthesize these definitions, Cornforth and Mordaunt (2011) explain that at the heart of each of these various definitions is “a concern with developing the capabilities of a system so that it performs effectively, i.e. it better achieves its goals or mission” (p. 431). Some definitions go beyond improving an organization’s effectiveness but also to improving that organization’s “robustness” so programs and improvements can be sustained in the long term (Cornforth & Mordaunt, 2011). This correlates with the concept argued by Faulk and Stewart (2017), that from a funder’s perspective, capacity building helps ensure that an organization’s programs can endure beyond the funder’s grants: “stronger grantees make for stronger outcomes” (p. 317).

It will be helpful here to differentiate the terms capacity building and general operating support. The Eisner Foundation (2015) defines general operating support as unrestricted funds granted to support the general administrative and managerial operations of an organization. This is most often compared to the more traditional program or project support grants, which are restricted funds granted to support a specific project carried out by the organization. Capacity building support, are defined by the Eisner Foundation as funds granted for board and staff development, technological assistance and upgrades, and strategic planning (2015).
As we’ll investigate further in the Models of Capacity Building Approaches section of this literature review, because the term “capacity building” is used in such far-ranging contexts, great precision is required when defining the terms of a specific capacity building intervention such as in defining the life stage of an organization, the type of capacity that needs to be developed, what sub-sector the organization is part of, etc. (Cornforth & Mordaunt, 2011).

Because this paper focuses almost exclusively on institutional philanthropy and the role that foundations play in capacity building funding, it will be helpful to define those terms here. Private philanthropic foundations are non-governmental organizations defined by their tax status. Their key characteristic is their capacity to grant funds obtained from their own resources (Coyte, Rooney & Phua, 2013). Funds from these foundations are primarily granted to nonprofit organizations (Coyte, etc., 2013). Foundations have distinct advantages over government funders and individual donors. Foundations can generally respond more quickly to nonprofit organizations’ needs and grant more innovative and possibly riskier grants than government funders. Foundations also generally have larger resources from which to grant than high net-worth individuals—particularly since those high net-worth individuals who can grant large sums usually do so from within a foundation structure (Coyte, etc., 2013).

Although defining the term private foundation is fairly easy, defining a successful foundation/grantee relationship is more problematic (Coyte, etc., 2013). Relationships between foundations and grantees can often be “distant, guarded and sometimes even dishonest,” (Coyte, etc., 2013, p. 399), particularly when nonprofit partners and foundations are still caught in the nonprofit starvation cycle. Breaking open this guarded relationship and creating a space of trust and transparency will become an essential best practice of capacity building programs.
In this way, disrupting the cause and symptom of the starvation cycle (distrust) becomes the essential element in the cure of capacity building.

**Why Capacity Building? Exploring the Need**

The nonprofit sector faces many challenges including a dynamic funding landscape, higher competition for resources, pressure for greater professionalism, increased demand for accountability and new regulations and compliance requirements (Cornforth & Mordaunt, 2011). There is growing concern about the ability for the nonprofit sector to meet these demands, particularly as the sector is polarized between large well-resourced organizations and small-to-medium sized organizations that are finding it increasingly difficult to compete (Cornforth & Mordaunt, 2011).

However, these same sometimes-struggling nonprofit organizations are often perceived as both respected and approachable institutions within their communities. These attributes mean they are often preferred providers of these services over public agencies. Although nonprofit organizations play this vital role in society, they are often deficient in critical organizational capacities and systems such as financial and fundraising systems, leadership development, and reporting abilities (Minzner, Klerman, Markovitz & Fink, 2013). There is a growing body of research that suggests why foundations should and must fund organizational capacity building efforts. According to the Center for Effective Philanthropy, “providing technical assistance to nurture organizational capacity can often mean the difference between making a grant and making an impact” (Zhang, etc., 2017, p. 427).

Historically, funders have been more comfortable making program grants because they operate within specified time-constraints with specified program outputs. However, it’s
becoming increasingly clear that program funding is not always the most effective type of funding because it deprioritizes organizational sustainability (Krause, etc., 2014). McCracken and Firesheets (2010) note that, “if [foundations] want to see a program endure, much less replicate and build to scale, investments in nonprofit capacity-building are essential” (p. 57). A study of 112 participants in a Robert Wood Johnson Foundation program found that funders could facilitate organizational sustainability by providing advice and resources in addition to financial support. The study also found that achieving program sustainability required funding factors such as leadership development, staff stability, fundraising and marketing skills in addition to direct program costs (McCracken & Firesheets, 2010).

The Weingart Foundation (WF), California Community Foundation (CFF) and Nonprofit Finance Fund (NFF) have created an initiative to promote full cost funding for nonprofits. The initiative “aims to strengthen nonprofit capacity and organizational effectiveness by providing the tools to advocate for full cost recovery from funders” (Harder+Company Community Research, 2016, p. 3). The program is called Full Cost Funder/Grantee Pilot and was launched in the spring 2016. This initiative uses capacity building strategies to make full cost funding a reality by supporting skill building for funders and grantees in accurately accounting for full costs: cost identification, accounting practices and nonprofit financial literacy and finding new and existing mechanisms for funding in this manner. Another part of the initiative is building trust through open and honest communication between funders and grantees – an essential contextual reality to effective capacity building efforts. As found through the participant surveys and interviews, the various workshops, programs and ongoing individual coaching largely met the participants’ needs. Overall, the pilot was an effective way to build the capacity of
nonprofits and funders to begin incorporating the full cost approach into their work and to communicate and advocate for full cost funding. Interestingly, it is through full cost funding that nonprofit capacity can be sustained over the long-term since the full cost of programs and operations is critical to building a stronger and more effective nonprofit sector (Harder+Company Community Research, 2016).

A 2008 study of 125 grassroots organizations found that organizations that participate in capacity building events over the course of five years show a positive affect for organizational practices such as planning, evaluation, and grant writing (Zhang, etc., 2017). Minzner, Klerman, Markovitz, and Fink (2013) present findings from a random controlled trial of 300 nonprofit organizations that provide clear evidence that capacity building efforts increase capacity in the five critical areas of: organizational development, revenue development, leadership development, community engagement, and program development (Minzner, etc., 2013; Zhang, etc., 2017).

Although there is much consensus among funders and nonprofits that capacity is an essential aspect of performance, there are still many aspects of organizational capacity building that are less well understood. The causal impacts of different organizational factors and components on effectiveness remain unclear (Andersson, etc., 2015). There is also little agreement in the nonprofit sector on how to build and obtain the desired resources and skills (Krause, etc., 2014). Funders and nonprofits also grapple with the question of where to focus their capacity-building efforts – and in what order – to realize the most improvement (Krause, etc., 2014). And as more funding is provided for capacity building efforts – including general operating support – there is increased attention to how to measure and increase the impact of
capacity building interventions. Many challenges remain to both the research of and implementation of capacity building programs (Andersson, etc., 2015).

**Models of Capacity Building Approaches**

The literature identifies many different models of and approaches to capacity building. Many authors stress how inter-dependent the different capacities of an organization are and how different types of interventions affect different capacities. The implication of this interconnectivity is that capacity building programs need to be iterative, systematic and flexible (Cornforth, C. & Mordaunt, J., 2011). Foundations shape the models of their capacity building programs with a different approach based on their theory of change and parameters for funding. Considering the number of foundations and theories this creates a highly diversified group of models available (Faulk & Stewart, 2017).

Different taxonomy is used in the literature to identify, measure and evaluate capacity building approaches. These can be generally categorized as:

- Organizational stage typology and readiness assessment
- Diagnostic approaches to organizational needs
- Intervention approaches
- Outcome and focus area typology
- Relationship models of categorization

We will consider each of these categories as it helps inform the best practices section of the study.
Wing (2004) points to several studies measuring the affects of performance goals on individual performance as an aide to understanding the behavior of organizations and how the readiness of an organization affects their capacity building outcomes. Empirical results show that: A) People do not improve their performance in an area unless they set a goal to do so. B) People do not continue to improve their performance after they meet a goal. C) Only the goals that people set for themselves are relevant to performance improvement. Goals set by external forces and peoples do not affect performance improvement. The implications for nonprofit capacity building are that A) Setting specific improvement goals might have an affect on capacity building projects. B) It’s common for funders to set their own (external) goals for grantees. This would seem to have an adverse affect on grantee improvement performance (Wing, K.T., 2004). Wing in 2004 suggests that this implies further research is necessary. And as we’ll see, many capacity building best practices now take these implications into consideration in their models of approach.

Sobeck and Agius (2007) identified organizations in three different stages of capacity building readiness: 1. Preparation Stage – which identifies an organization with basic understanding of the concepts of capacity and their organizational strengths and weaknesses. Although these organizations show some interest in a program, they are not yet in a structure or stage to fully commit to capacity building interventions. 2. Transformation Stage – which identifies organizations that in addition to the previously mentioned stage of readiness, also have a formal plan for organizational improvement. These groups often can take in capacity assessment plans and require some additional capacity building (often in the form of a monetary grant) to implement their learning. 3. Transformation Two Stage (my term for lack of
one identified by Sobeck and Agius) – which identifies organization who in addition to
the previously mentioned stages of readiness, also show evidence of putting the changes into
action and are therefore ready to reap fully the benefits of the work (Sobeck, J. & Agius, E.
2007).

One helpful metaphor for understanding the complexity of capacity building and a
reason to consider adaptive capacity building is put forth by Andersson, F.O., Faulk, L., and
Stewart, A., 2015). This metaphor compares organizations to organisms proceeding through
predictable life stages. They argue that organizations “face a predictable series of organizational
crises” and therefore must know how to and have the ability to adapt to a dynamic environment
as they age (Andersson, etc., 2015, p. 2867). They attest that an absence of capacity in certain
areas can create a barrier to organizational growth and adaptability that prevents an
organization from evolving to the next life stage (Andersson, etc., 2015).

When diagnosing an organization for capacity deficiency, there are two different models
identified in the literature:

- The “deficit” model emphasizes external intervention. In this model a funder or external
  entity identifies the weaknesses and gaps in an organization and suggests interventions
to fill those gaps.

- The “empowerment” model emphasizes internal intervention. In this model a nonprofit
  organization identifies and addresses their own problems.

- In reality, these two models are the opposite ends of a spectrum. Most capacity building
  programs use a mix of both approaches (Cornforth, C., & Mordaunt, J., 2011; Faulk &
  Stewart, 2017).
A very common typology of capacity building is looking at the approach of the intervention. This most often comes in the form of:

- **Group training** – that can come in various forms of longer-term cohort training or one-off trainings. Topics that are usually covered include: grant writing, strategic planning, board development, community outreach and financial management.

- **Customized technical assistance** – in the form of one-on-one training or advice that is customized to the nonprofit organization’s needs. This can be provided through staff or consultants.

- **Financial awards** - direct financial grants used to purchase equipment and software or update marketing materials and websites (Minzner, A., Klerman, J. A., Markovitz, C. E., and Fink, B., 2013).

Particularly helpful when measuring the impact of capacity building programs, some authors identify types of outcomes in specific focus areas for capacity building efforts. Sobeck, J. and Agius, E. (2007) say that outcomes can range from three types: improving existing program delivery, expanding program delivery, or improving the adaptive capacity of the organization to pivot and meet the changing environment and community need. Minzner, Klerman, Markovitz, and Fink (2013), identify outcome results for each of the following capacity building areas:

- **Organizational development**: incorporation, board governance, human resource systems, finance systems, information technology, fiscal controls

- **Program development**: expansion of program or service delivery, monitoring and evaluation efforts
• Revenue development: diversified funding streams, financial sustainability, donor developments

• Leadership development: career development for organizational leadership and staff, and volunteer training, management and development

• Community engagement: community asset mapping, community needs assessments, leveraging community resources and building collaborations and partnerships


• Leadership capacity – leaders’ ability to inspire, prioritize, decide, innovate, and direct

• Adaptive capacity – the organization’s ability to monitor, assess, and respond to change

• Management capacity – the organization’s ability to use resources effectively and efficiently

• Operational/Technical capacity – implementation of key functions, technology, systems and policies

These are the same four domains used by the TCC Group’s Core Capacity Assessment Tool (CCAT) (Despard, 2016).
It’s helpful to consider Cornforth and Mordaunt’s (2011) model for the three main players in capacity building efforts: the funder (who in most cases and in this project is a foundation), the consultant, and the grantee partners (usually nonprofit organizations but sometimes other funders). Understanding the relationships between these players can help us understand the different types of approaches to capacity building programs.

**Figure 2: Capacity Building Relationships**

![Diagram of Capacity Building Relationships]

Source: Cornforth & Mordaunt, 2011, p. 438

Figure 2 illustrates the three different relationships that Cornforth and Mordaunt (2011) identify. In the “capacity grant” model, the foundation has little relationship with the consultant selected. Once a grant is awarded, it is up to the grantee to manage the consultant relationship and the goals and outcomes of the intervention. In the “development partner” approach, the foundation holds the main relationship with the consultant who then works with the grantee nonprofit on the interventions. In the “engaged” approach identified by Cornforth and Mordaunt identified the “engaged” approach through their study of the Charities Aid
Foundation’s (CAF) Grants Programme in the United Kingdom. The distinguishing feature of this approach is that the funder maintains relationships with both consultants and grantees. The funder maintains a “network” of verified consultants and the nonprofit grantees have choice in the selection. There is communication between all three players.

**Implications and Effects of Capacity Building Interventions**

The literature studying the effectiveness of capacity building programs shows that capacity building grants from private foundations in the United States do relate positively to nonprofit financial growth (Faulk & Stewart, 2017). Increases were found in board membership and there were enhanced perceptions and visibility for organizations. Executive directors report greater awareness of needs and improved management knowledge (Sobeck & Agius, 2007). Grantees show positive change in the focus areas of: evaluation implementation and communication, technical assistance for program implementation, efforts to scale up existing programs within and to other communities, participating in funding partnerships with other nonprofits, collaborating in knowledge shares with other nonprofits, collaborating for advocacy and gaining public support (Zhang, etc., 2017).

Andersson, Faulk, and Stewart (2015) look at the type of capacity building programs that have a positive impact on nonprofit performance in terms of the organizational life stage of the grantee. They find that for:

- Organizations in all stages and of all sizes benefit from capacity development in:
  - Fund development
  - Human resources
  - Finance
• Organizations in the growth stage looking to move to maturity stage, benefit from development in:
  o Human resources
  o Board development
  o Program
  o Mission
  o Fund development

• Small startup organizations and declining organizations benefit from development in:
  o Financing development first
  o Followed by board and marketing development

• Mature organizations benefit from development in:
  o Fund development
  o Technology
  o Marketing capacity

McCracken and Firesheets (2010) assert that good grant making is more complex than simply granting dollars, or even in choosing well run organizations and funding them. The complex problems in communities demand and deserve a well thought-out plan of action. To be a catalyst for community development, foundations must first develop their full potential to be community change agents. Foundations therefore need to expand their funder role to include being capacity builders and advocates for nonprofits. This will ensure that the good created by philanthropy will result in enduring change in the communities served.
Capacity Building Best Practices and Lessons From the Field

Although there are arguments that best practices are generalizable, it is common to approach the complexity of capacity building by benchmarking successful performing organizations and distill a set of capacities that other nonprofits can strive for (Andersson, Faulk, & Stewart, 2015). Identifying lessons learned from the literature and studies of different funding models helps the sector to conform to a standard of practice.

Wing (2004) argues for the following initiatives in capacity building design:

• Foundations and their grantees need to have a mutual understanding of what success looks like for their capacity building projects.

• Capacity building takes time. Progress should be measured in years not months. Even when goals are realistic, “there may be a delay between the time that a capacity building intervention happens and the time when the organization internalizes that intervention and learns to perform effectively at a higher level” (p. 4). Unrealistically short timelines may make a foundation’s resources available now but will likely put the entire capacity building project at risk.

• Capacity building needs to focus on both people and systems to succeed. Computer systems are often used only to a fraction of their capacity because people aren’t trained on them. Additionally, extensive policies and procedures that are put in place at an organization but that aren’t embedded in the culture (and therefore not actually followed in their true intent) do not result in substantial change. Conversely, intense training of people only can backfire when that employee leaves the organization and
takes their knowledge with them. Capacity building needs “to be person carried, or it is dead; yet it has to be institutionalized in systems, or it evaporates” (p. 3)

Sobeck and Agius (2007) identify the following implications in the practice of capacity building: 1. Capacity building efforts should fully engage the nonprofit board in development plans that forward the mission. 2. Focusing on a core element of need might be helpful. 3. Regardless of the organization size or grant amount, a readiness assessment is critical before implementing capacity building.

McCracken and Firesheets (2010) find that positive impacts followed when a foundation increased the length and dollar amount of implementation grants to 2-3 years of funding instead of 1 year. The grant dollar amounts start high so organizations can ramp up their work. Grant dollars then decrease overtime so organizations can sharpen fundraising skills. Challenge matching grants help this process. The foundation offers workshops, one-to-one consulting, and peer-learning groups to increase proficiency. Workshops cover a variety of topics from business development, advocacy, and fundraising. They also provide technical assistance. The foundation also convenes grantee-learning groups which provides opportunities for organizations to network, share information, brainstorm solutions, collaborate and partner. Most group members report “they found the grantee learning groups to be very helpful because they were able to learn from one another’s successes and challenges and they became more tolerant by vicariously “walking in another’s shoes”” (McCracken and Firesheets, 2010, p. 63).

Figure 3 demonstrates McCracken and Firesheets, (2010) Theory of Change:
Krause, Bryant, and Bhaatia, (2014) study the importance and best practices of organizational assessment in the capacity building process. They find that “a clearly documented assessment process should take some measurements of an organization’s systems and then assess readiness to take on further projects, as well as identify gaps and plan efforts to close these gaps” (p. 13). Assessment tools should include and generate:

- Qualitative instruments like a group discussion guide, observation profile, review of existing documentation
- Quantitative instruments with sets of questions in the form of survey, checklist, grid or interview and review of existing data
- A capacity score is often provided when completed (Krause, Bryant, & Bhaatia, 2014).

Assessment tools should meet the following criteria to meet the rigors of best practice:
• Replicable results. Subjective measures have value for identifying causes of strengths and weaknesses but should not be the sole or central part of the assessment process.

• The ideal capacity assessment tool allows an organization to build internal skills in self-assessment over time, with periodic external assessments completed.

• Funders should not guide the organizational capacity assessment process, which puts the focus of the process on meeting the funder’s benchmarks. This is contrary to the work of internally controlled sustainable practices for nonprofits.

• Assessment tools take time and money from both the funder and the organization. The process needs to balance cost and benefit. Un-validated tools waste time and money.

Cornforth and Mordaunt published a comprehensive look in 2011 of best practices and lessons learned from capacity building efforts in the United States. They provide an excellent framework with which to consider the entire model.

• Customized, Contextualized, and Flexible Services
  o Customized: Funders with capacity building programs that offer the most impact offer a range of services such as assessment, technical, training and financial services. They offer comprehensive services but also choose a primary focus for their work, generally in the size and type of grantee they partner with. Peer support and mentoring programs enhance the effectiveness of the interventions and are another essential piece of the capacity building service puzzle.
  o Contextualized: Services need to be tailored to the need of the organization: whom the nonprofit serves, what type of organization they are, where they are
geographically located, etc.

- Flexibility: After the grantee is accepted into the program and starts assessments, there is a need for flexibility in capacity building interventions so the organization and consultants can change initial plans to meet the new problems exposed. There is also a need to be flexible in how the capacity building grant or program “ends.” Often times, more resources are needed to finish the work and implement the recommendations. Funders need to be able to manage their resources, but grantees also need to know that they won’t be hung out to dry if their work requires another intervention to finish. Foundations need to leave resources in reserve for this or design programs to meet these needs.

- Adequate Timing and Duration of Intervention – Delays in awarding grants can miss opportunities and setting too short a timeline can undermine the success for the organization and foundation to fully implement learnings from trainings and workshops. A grant that is too short-term or too limited in scope will mean that the organization cannot acquire or develop the new desired skills. Longer-term interventions help embed the learning within their organization. This requires trust in and monitoring of consultants and grantees.

- Systematic Organizational Assessments: Capacity-building efforts must start with a systematic assessment of the organization to diagnose its needs. Assessments handled by a skilled consultant are more likely to uncover underlining problems than self-assessment.
Assessing and diagnosing the needs of an organization at the application stage (with new grantees) is very difficult. Applications to the foundations don’t always bear close resemblance to the actual organization (which is a transparency issue). Additionally, many organizations don’t yet have the capacity to identify what their organizational needs are.

Most funders do not provide first-time grantees with capacity building funds for these reasons:

- Grantee applicants might only have a partial awareness of their needs and what types of interventions they would benefit from.
- Making an organizational assessment by a consultant a compulsory part of the grantee process is helpful in diagnosis but poses other challenges, namely:
  - The assessment can become a calcified formula instead of a dynamic and useful learning experience for everyone.
  - The assessment can use up time and resources unnecessarily.
  - Funders need to stay at arms-distance during this process, which is difficult with first-time grantees where no relationship has been established.
  - When a grantee is externally required to take an assessment, it can undermine the engagement of that grantee – making them lose ownership of the findings. Because many grantees felt this put their relationships with the funder on non-equal ground,
the required tool has been dropped from many programs.

- Assessed Client Readiness and Competence: Capacity building is more likely to be effective if the nonprofit is ready to receive the support. This means they cannot be in the middle of a major crisis or transition. They need to devote sufficient time and attention and have the competence to work with the consultant or support system. Funders might be better off working with nonprofits “not with the greatest needs, but with the most potential to improve” (p. 442).
  - It is difficult to assess grantee readiness from the outside. This highlights why the culture and dynamics of the organization must be included in the assessment stage. It also highlights why first-time grantees might not be the best recipients of capacity building grants.
  - Internal conflicts at an organization or personnel changes can make interventions even harder. Without organizational-wide support, it can undermine capacity building initiatives. Therefore, funders and nonprofits should be flexible enough to change course if an unexpected personnel change occurs that might influence the process.

- Assessed Provider Competence– the foundation staff and consultants should be well-trained in capacity building processes and best practices. This is challenging. It’s difficult to find competent consultants who can lead an organization to build their own capacity and not just come in with expert solutions. Additionally, foundation staff has traditionally had financial and programmatic expertise but not necessarily expertise in
assessing nonprofit organizational health, managing
funder/consultant/grantee relationships and capturing learning.

- The triangle relationship between funder, grantee, and consultant puts added
depression on defining the degree of ownership each entity has over the process.
  - When the funder controls the consultants this can be advantageous for
    small grantee organizations who would be burdened finding these
    people, but has the disadvantage of providing grantees less control and
    ownership over their destiny.
  - Another challenge is that grantees can feel like they have two bosses
    with the consultant being in partnership with the funder

And finally, in 2017, Zhang, Griffith, Pershing, Sun, Malakoff, Marsland, Peters, and Field,
find through their research that capacity building should be an iterative and therefore flexible
process applying all four support components: capacity tools, training, technical assistance, and
quality assurance until the desired outcome is achieved. By using all of the support components,
the funder can overcome the limitations and challenges of each if applied independently. In the
final survey of their study, several respondents pointed out that, “almost everything about
development capacity takes more time and presents more complexity than one might
anticipate” (p.458). The time and resources prove well worth it. Well-executed capacity building
programs create more sustainable and independent nonprofit organizations and thereby
strengthen the communities its programs support.
Section 3: Methods and Approaches

Qualitative Data Collection – Expert Interviews

Expert interviews serve as the primary data collected for this report. I used a process of semi-structured interviews based on an initial primary set of questions. This primary set of questions was then customized for each interview, as appropriate to the interviewee’s functional position, organizational function, and particularly the interview purpose. Appendix A provides a list of the primary questions as well as the customization of each question with footnotes. Interviews were limited to organizations based in the Bay Area and interviewees who are residents of the Bay Area. This helped focus the responses on Bay Area philanthropic and institutional funding trends, which is the geographic focus of this study.

In total, 10 interviews with 11 participants were conducted. Interviews were conducted in the span of two months, from June 6, 2018 through July 11, 2018. I was introduced to the interview participants through a variety of channels from personal introduction through a colleague to direct inquiry with the organization after researching staff on the website. Table 1 provides general information about the interviews including interviewee name, title, organization, interview date, data collection method (phone or Zoom), and the introduction channel.

Potential participants were selected for their subject matter expertise in a variety of functions in institutional funding.

- Two consultants were interviewed for their experience working with both foundations and nonprofit organizations on organizational health assessments and capacity building
programs. (Organizations represented: Sutherland-Edwards Consultants to Philanthropy and La Piana Consulting).

- Two individuals from a large national foundation were interviewed to gather data on how institutions structure their capacity building initiatives, trends in organizational effectiveness and to measure those practices against both industry best practices and their community foundation colleagues. (Organization represented: The William and Flora Hewlett Foundation).

- One director from a California nonprofit that works on building institutional funding initiatives was interviewed to gather data on Bay Area and state-wide trends, as well as that organization’s pursuits to influence best practices in capacity building across the sector. (Organization represented: Northern California Grantmakers).

- One development campaign director from a Bay Area-based global re-granting institution was interviewed to capture long-term trends in philanthropy as seen across the US. (Organization represented: Global Fund for Women).

- One individual in the taxonomy department of Foundation Center was interviewed for her experience working in categorization, definition building and taxonomy of grants and institutional support. This interview was primarily used to clarify the primary data that I mined from the Foundation Director Online. (Organization represented: The Foundation Center).

- Four community foundation program directors were interviewed to gather data on how Bay Area community foundations are structuring their capacity building initiatives and to measure those practices against best practices as identified through a literature
review and professional reports. These specific community foundations were chosen since they are peer foundations in size of total assets, total giving, amounts funded and grant count. Please see Figure 6 for this information. (Organizations represented: Community Foundation of Sonoma County, East Bay Community Foundation, Marin Community Foundation, San Francisco Foundation).

All participants were initially invited to participate in the interview process through an introductory email that briefly described the purpose of the study. In order to encourage open an unbiased discussion, and to secure the trust of the participants, the purpose of the study was intentionally kept brief and general. As an example, the introductory email to the San Francisco Foundation read in part: “I'm studying how foundations (particularly community foundations) assess nonprofits. I would love to hear about your strategies and experiences working with nonprofit organizations, particularly in helping them build organizational capacity and become more sustainable.”

The 11 individuals who did participate all expressed interest in the project for its academic pursuit. Email exchanges secured dates and times for the interviews. Due to tight calendar availability and the various geographic distribution of interviews and the researcher, all participants preferred phone and video interviews over in-person.

One organization to which I sent an interview inquiry was not able to participate due to lack of staffing and workload concerns. One organization to which I sent an interview inquiry was not responsive.
All interviews lasted between twenty and forty minutes depending upon the time allotted by the participant’s schedule and their response times. All questions were open-ended questions that encouraged qualitative discussions of the participant’s perceptions, experiences, and attitudes of and towards various aspects of capacity building initiatives and philanthropic trends. All but one interview was recorded. Only the four interviews with community foundations were transcribed. Interviews with the four community foundations, Northern California Grantmakers, and Sutherland-Edwards Consultants were coded to identify trends and directly inform my two models.

An additional outcome of many of the expert interviews were participants recommending additional professional reports, publications, and studies that became extremely useful resources.

Table 1: Expert Interviews

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Organization</th>
<th>Interview Date</th>
<th>Interview Method</th>
<th>Introduction Channel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lindsay Austin</td>
<td>Program Officer, Effective</td>
<td>The William and Flora Hewlett</td>
<td>6/6/2018</td>
<td>Conference Phone with Trivedi</td>
<td>Colleague introduction</td>
</tr>
<tr>
<td>Louie</td>
<td>Philanthropy Group</td>
<td>Foundation</td>
<td></td>
<td>Recorded</td>
<td></td>
</tr>
<tr>
<td>Prithi Trivedi</td>
<td>Fellow</td>
<td>The William and Flora Hewlett</td>
<td>6/6/2018</td>
<td>Conference Phone with Louie</td>
<td>Asked to participate by Lindsay Louie</td>
</tr>
<tr>
<td></td>
<td>Foundation</td>
<td>Foundation</td>
<td></td>
<td>Recorded</td>
<td></td>
</tr>
<tr>
<td>Martha Oestreich</td>
<td>Capital Campaign Director</td>
<td>Global Fund for Women</td>
<td>6/8/2018</td>
<td>Zoom Video Recorded</td>
<td>USF faculty connection</td>
</tr>
<tr>
<td>Name</td>
<td>Title</td>
<td>Organization/Location</td>
<td>Date</td>
<td>Notes</td>
<td>Source of Data</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>--------------------------------------------</td>
<td>----------------------------------------------</td>
<td>---------------</td>
<td>------------------------</td>
<td>----------------</td>
</tr>
<tr>
<td>Christina Sutherland</td>
<td>Founder and Managing Partner</td>
<td>Sutherland-Edwards Consultants to Philanthropy</td>
<td>6/12/2018</td>
<td>Phone Recorded</td>
<td>Searches on the Foundation Directory Online serve as quantitative primary data collected for this report. I made two different trips to The Foundation Center in San Francisco to</td>
</tr>
<tr>
<td>Luis Vergara</td>
<td>Senior Manager</td>
<td>LaPiana Consulting</td>
<td>6/14/2018</td>
<td>Phone Recorded</td>
<td>Colleague introduction</td>
</tr>
<tr>
<td>Kate Seely</td>
<td>Director of Leadership, Culture, and Community</td>
<td>Northern California Grantmakers</td>
<td>6/21/2018</td>
<td>Zoom Video Recorded</td>
<td></td>
</tr>
<tr>
<td>Karin Demarest</td>
<td>Vice President for Programs</td>
<td>Community Foundation Sonoma County</td>
<td>6/22/2018</td>
<td>Phone Recorded</td>
<td></td>
</tr>
<tr>
<td>Denise McLeod</td>
<td>Coordinator, Grant Analysis and Collection</td>
<td>Foundation Center</td>
<td>6/27/2018</td>
<td>Phone Not recorded</td>
<td></td>
</tr>
<tr>
<td>Dianne Yamashiro-Omi</td>
<td>Acting Vice President of Community Investment and Partnerships</td>
<td>East Bay Community Foundation</td>
<td>6/28/2018</td>
<td>Phone Recorded</td>
<td></td>
</tr>
<tr>
<td>Kay Fernandez Smith</td>
<td>Assistant Vice President of Programs</td>
<td>The San Francisco Foundation</td>
<td>7/9/2018</td>
<td>Phone Recorded</td>
<td></td>
</tr>
<tr>
<td>Barbara Clifton Zarate</td>
<td>Community Engagement Director for Economic Opportunity</td>
<td>Marin Community Foundation</td>
<td>7/10/2018</td>
<td>Phone Recorded</td>
<td></td>
</tr>
</tbody>
</table>
conduct quantitative research on how Bay Area grant-making institutions are
distributing monetary resources through capacity building grants. The first visit to the center
occurred on Tuesday, June 19, 2018 to assess general FDO capabilities. The second visit to the
center occurred on Wednesday, July 11, 2018.

I conducted multiple searches using the Advanced Search and Filters within the
Foundation Directory Online (FDO). The Foundation Center defines the “Support Strategy” filter
as describing the type of work being supported by the grant or how the grant is being
implemented.

Between the two visits to the foundation center, I conducted an interview with Denise McLeod, Coordinator, Grant Analysis and Collection of the Foundation Center to gain more
insight into the process that the taxonomy department went through to structure the Strategies
filters and search criteria for the Foundation Directory Online. We spoke particularly about the
sub-sections under the Capacity Building Strategy section. This interview also helped inform my
analysis of the definition of “capacity building.”

McLeod described the general process that the taxonomy department uses to review
and revise search filters in the FDO. Generally, the department reviews grants and grant
descriptions to ensure that they have search filters for commonly used criteria identified by
grant makers and grant recipients. On a quarterly basis, the department will do a full review of
the filters and add new filters or revise existing filters. Some of the newer Strategy codes they
have added as sub-categories under the Capacity Building and Technical Assistance strategy
categories the past three to five years include: Mergers, Fiscal Sponsors, and System
Improvements. McLeod believes that the Capacity Building and Technical Assistance categories were added approximately 10-15 years ago.

Because the Foundation Director Online is not designed as a research tool in the capacity with which I am using it, the numbers in this section of the paper are used simply to gage approximate scale and breadth of capacity building and general operating support from Bay Area Community Foundations. Another study would be needed to mine individual tax forms, annual reports, and state-documents to determine the exact amounts. I did not determine this was necessary for the scope of this project. I have defined “the Bay Area” as the nine counties that border the San Francisco Bay.

Section 4. Data Analysis

Quantitative Data Collection – Foundation Directory Online Search Data

The following searches were completed on July 12, 2018. Additional searches and their data can be found in Appendix B.

Bay Area Community Foundation Giving: This search looks at the Bay Area community foundation giving over the past fifteen years.
Figure 4: Bay Area Community Foundation Giving

<table>
<thead>
<tr>
<th>Advanced Search Filter</th>
<th>Included Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location of Grant Maker</td>
<td>Alameda County</td>
</tr>
<tr>
<td></td>
<td>Contra Costa County</td>
</tr>
<tr>
<td></td>
<td>Marin County</td>
</tr>
<tr>
<td></td>
<td>Napa County</td>
</tr>
<tr>
<td></td>
<td>Santa Clara County</td>
</tr>
<tr>
<td></td>
<td>San Francisco County</td>
</tr>
<tr>
<td></td>
<td>San Mateo County</td>
</tr>
<tr>
<td></td>
<td>Solano County</td>
</tr>
<tr>
<td></td>
<td>Sonoma County</td>
</tr>
<tr>
<td>Organization Type</td>
<td>Community Foundations</td>
</tr>
<tr>
<td>Years Searched</td>
<td>2003-2018</td>
</tr>
</tbody>
</table>

Figure 5 Results for Bay Area Community Foundation Giving

- **# of Grantmakers**: 21
- **# of Recipients**: 9,750
- **# of Grants Awarded**: 115,336
- **Total $ Value of Grants**: $4,517,404,724

The twenty-one Bay Area community foundations identified in this search were as follows: Silicon Valley Community Foundation, San Francisco Foundation, East Bay Community Foundation, Marin Community Foundation, Community Foundation of Sonoma, Napa Valley Community Foundation, Solano Community Foundation, Community Foundation for San Benito County, Los Altos Community Foundation, Richmond Community Foundation, Crockett Community Foundation, Pleasant Hill Community Foundation, West Marin Community Foundation.

Figure 6 below shows the six largest community foundations in the Bay Area as identified from the Bay Area Community Foundation Giving search. In order to concentrate resources and efforts I chose to focus my research and analysis on four peer organizations with similar asset and grant sizes. These organizations are: the San Francisco Foundation, East Bay Community Foundation, Community Foundation of Sonoma County and Marin Community Foundation. Silicon Valley Community Foundation is so large as to function less like a community foundation and more like a national foundation, and was therefore excluded from future research. The Napa Valley Community Foundation has asset and grant sizes more in line with the other smaller community foundations and therefore was also excluded from this study.

Figure 6: Bay Area Community Foundations Giving

<table>
<thead>
<tr>
<th>Grant Maker</th>
<th>Total Assets</th>
<th>Total Giving</th>
<th>Amount Funded</th>
<th>Grant Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Silicon Valley Community Foundation</td>
<td>$13,584,110,000</td>
<td>$1,807,990,000</td>
<td>$5,096,363,420</td>
<td>94,072</td>
</tr>
<tr>
<td>San Francisco Foundation</td>
<td>$1,342,904,000</td>
<td>$132,871,000</td>
<td>$1,050,944,308</td>
<td>42,326</td>
</tr>
<tr>
<td>East Bay Community Foundation</td>
<td>$339,976,064</td>
<td>$68,822,165</td>
<td>$366,651,453</td>
<td>10,113</td>
</tr>
<tr>
<td>Marin Community Foundation</td>
<td>$1,591,717,000</td>
<td>$75,922,000</td>
<td>$526,924,604</td>
<td>8,213</td>
</tr>
<tr>
<td>Community Foundation of Sonoma County</td>
<td>$147,980,729</td>
<td>$10,884,463</td>
<td>$94,611,719</td>
<td>1,375</td>
</tr>
<tr>
<td>Napa Valley Community Foundation</td>
<td>$20,421,679</td>
<td>$4,331,643</td>
<td>$13,539,630</td>
<td>395</td>
</tr>
</tbody>
</table>
**Bay Area (BA) Community Foundations (CF) Capacity-Building Giving:** This search looks at the Bay Area community foundation giving over the past fifteen years focused exclusively on capacity building support strategies.

**Figure 7: Bay Area Community Foundation Capacity-Building Giving**

<table>
<thead>
<tr>
<th>Advanced Search Filter</th>
<th>Included Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location of Grant Maker</td>
<td>Alameda County</td>
</tr>
<tr>
<td></td>
<td>Contra Costa County</td>
</tr>
<tr>
<td></td>
<td>Marin County</td>
</tr>
<tr>
<td></td>
<td>Napa County</td>
</tr>
<tr>
<td></td>
<td>Santa Clara County</td>
</tr>
<tr>
<td></td>
<td>San Francisco County</td>
</tr>
<tr>
<td></td>
<td>San Mateo County</td>
</tr>
<tr>
<td></td>
<td>Solano County</td>
</tr>
<tr>
<td></td>
<td>Sonoma County</td>
</tr>
<tr>
<td>Organization Type</td>
<td>Community Foundations</td>
</tr>
<tr>
<td>Years Searched</td>
<td>2003-2018</td>
</tr>
<tr>
<td>Support Strategy</td>
<td>Capacity Building and Technical Assistance*</td>
</tr>
<tr>
<td></td>
<td>Information Technology</td>
</tr>
<tr>
<td></td>
<td>Financial Sustainability**</td>
</tr>
<tr>
<td></td>
<td>General Support</td>
</tr>
<tr>
<td></td>
<td>Board Development</td>
</tr>
<tr>
<td></td>
<td>Faculty and Staff Development</td>
</tr>
<tr>
<td></td>
<td>Management and Leadership Development</td>
</tr>
<tr>
<td></td>
<td>Volunteer Development</td>
</tr>
<tr>
<td></td>
<td>Network-Building and Collaboration</td>
</tr>
</tbody>
</table>

* The FDO Support Strategy filter Capacity Building includes the following sub-categories: Fiscal Sponsorships, Mergers, Regulation and Administration, Seed Money, System and Operational Improvements.
** The FDO Support Strategy filter Financial Sustainability includes the following sub-categories: Annual Campaigns, Debt Reduction, Earned Income, Emergency Funds, Endowments, Financial Service, Fundraising, Sponsorships.

Through my interviews and literature review, I’ve identified that grant makers generally include in their definition of “capacity building” as any interventions that support organizational and administrative growth, personnel development, and almost all activities that are not directly related to programmatic growth. I have therefore included all of the following terms when filtering searches to include all capacity building interventions:

- Capacity Building and Technical Assistance
  - Fiscal Sponsorships
  - Mergers
  - Regulation and Administration
  - Seed Money
  - System and Operational Improvements
- Information Technology
- Financial Sustainability
  - Annual Campaigns
  - Debt Reduction
  - Earned Income
  - Emergency Funds
  - Endowments
  - Financial Service
  - Fundraising
  - Sponsorships
- General Support ++
- Board Development
- Faculty and Staff Development
- Management and Leadership Development
- Volunteer Development
- Network-Building and Collaboration

++ I created different searches that both include and do not include General Support. Also known as General Operating Funds or Operating Support, this granting strategy is sometimes
conflated with Capacity Building grants – and sometimes not. Because General Support is considered both its own separate strategy and a capacity building strategy, I have separated the data here. Later in this study we discuss the importance of the full cost granting initiatives. The Full Cost project and other initiatives that encourage funders to view general operating supports as included in program support and a vital part of building organizational capacity is included later.

Figure 8: Results for Bay Area Community Foundation Capacity-Building Giving

<table>
<thead>
<tr>
<th># of Grantmakers</th>
<th># of Recipients</th>
<th>Total $ Value of Grants</th>
</tr>
</thead>
<tbody>
<tr>
<td>14</td>
<td>5,110</td>
<td>$1,201,481,792</td>
</tr>
</tbody>
</table>

Figure 9: Bay Area Community Foundations Capacity-Building Giving

<table>
<thead>
<tr>
<th>Grant Maker</th>
<th>Total Assets</th>
<th>Total Giving</th>
<th>Amount Funded</th>
<th>Grant Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>San Francisco Foundation</td>
<td>$1,342,904,000</td>
<td>$132,871,000</td>
<td>$405,460,656</td>
<td>19,847</td>
</tr>
<tr>
<td>East Bay Community Foundation</td>
<td>$339,976,064</td>
<td>$68,822,165</td>
<td>$150,724,805</td>
<td>5,321</td>
</tr>
<tr>
<td>Marin Community Foundation</td>
<td>$1,591,717,000</td>
<td>$75,922,000</td>
<td>$174,508,951</td>
<td>2,210</td>
</tr>
<tr>
<td>Community Foundation of Sonoma County</td>
<td>$147,980,729</td>
<td>$10,884,463</td>
<td>$65,622,671</td>
<td>761</td>
</tr>
</tbody>
</table>
The main takeaway of the quantitative research portion of this project was simply to gage approximate dollar amounts and percentages that are going into capacity building from Bay Area Community Foundations to understand the size of the topic and therefore its importance. The search functions in the FDO are not particularly made for this purpose, so the numbers are all approximate and would require different levels of research through different avenues to validate. Because this was not a deliverable of the project, this is helpful simply to set the landscape.
The numbers do help make the trends clear: Bay Area community foundations are making substantial investments in capacity building interventions and general support – and the amounts and percentages of grant dollars are increasing.

The percent of funding that these community foundations awarded for capacity building since 2010 is approximately 70%. If evenly distributed since 2003, that percentage should be closer to 46.6%. The percent of funding that these community foundations spent on capacity building and general support since 2003 is approximately 45.5%. The percent of funding that these community foundations spent on capacity building without general support since 2003 is approximately 12.6%.

**Qualitative Data Analysis – Definitions and Community Foundation Practices**

To recap from the literature review, in Cornforth and Mordaunt’s comprehensive study published in 2011, “successful capacity building initiatives are likely to be assessment led; offer customized support; take into account the competence and readiness of grantees to be able to respond to any intervention; be delivered by competent grant staff and consultants, who are
capable of developing the organization’s competencies rather than just providing expert advice; and be delivered in a *timely manner* (p. 447). This said, there must be a “degree of *flexibility*” from the foundations in the type of capacity building initiatives they offer including their “*size and timescales* of grants and the degree of *control* they exert over both consultants and grantees” (p. 447). This analysis is helpful to keep in mind as we consider the capacity building work of Bay Area Community Foundations.

**Definitions**

Working with the assumptions that whatever cannot be defined cannot be measured and whatever cannot be measured cannot be improved upon, one of the fundamental deliverables for this project is to synthesize the definitions available and discover a working definition for “capacity building.” One of the surprising aspects of the literature review was realizing that no two authors define capacity building the same way. I found the fluidity of this definition to be true across my research. Below is a list of the definitions of “capacity building” uncovered through my interviews and research into my interviewees’ organizations. Please refer back to the literature review to review academic definitions.

San Francisco Foundation:

“We knew we wanted to do capacity building in the sense that we wanted to support our organizational partners in strengthening their organization and ensuring that they had sustainable practices right for the long run in their work. [We] aren't yet at the place where we have a specific definition.” –Kay Fernandez Smith
East Bay Community Foundation (not in interview – from the website):

“Nonprofit Sustainability: We provide the technical assistance, connections and capacity building funds to the Black- and Brown-led organizations that are transforming their communities.” –www.ebcf.org

Community Foundation of Sonoma County:

“[We] think about capacity building as a spectrum with general operating support as one end of the spectrum and [at] the other end is providing access to high level consultants, funding projects, [and] technical assistance.” –Karin Demarest.

Marin Community Foundation:

“We did define capacity building basically as referring to activities that strengthen the ability of the nonprofit to achieve greater performance and impact. So it enables the nonprofit leaders and organizations to develop the skills they need to really improve their work. It’s an important partnership because…we’re helping each other meet our missions.” –Barbara Clifton Zarate

Northern California Grantmakers:

“To some extent “capacity building” is looking at whatever capacity is needed in order to make an organization more effective. Everything from fundraising to professional development and very tactical skills like creating budgets to more complex nuanced skills like board development…Often times more focused internally than externally.” –Kate Seely
LaPiana Consulting:

“Developing your infrastructure and capacity to deliver on the mission. It comes down to looking at the organization and where it wants to go and ensuring that beyond its programmatic pieces...the other pieces are getting to a mature point.” –Luis Vergara.

Sutherland-Edward Consultants to Philanthropy:

“Capacity building is so broad and funders have been talking about it and doing it for more than 20 years. Some foundations say capacity building and they really do mean deep investment in a whole bunch of different areas that could be defined as capacity: computer platforms and systems, development, [training] staff...” –Christina Sutherland.

GrantCraft

“Fundamentally about improving effectiveness, often at the organizational level.” (2015).

Grantmakers for Effective Organizations

“Funding and technical assistance necessary to help nonprofits increase specific capabilities to deliver stronger programs, take risks, build connections, innovate and iterate.” (2016).

I have here synthesized the definitions discovered in the literature and during my interviews: Capacity building is a process that increases the ability of an organization to effectively fulfill its mission by providing the skills and tools whereby organizational staff and leaders can respond to change and challenges overtime. When done correctly, organizational capacity building contributes to the organization’s ability to achieve long-term sustainability.
Bay Area Capacity Building Practices

During the expert interviews, all participants shared about the strategies and philosophies guiding their organization’s capacity building programs, in addition to giving concrete examples of recent past, current, and planned capacity building programs. The responses of the participants and the work being done at Bay Area funding institutions follow closely with the best practices outlined in the literature review. In order to identify larger concepts for the capacity building model suggested in this paper, I first identified four key themes from the literature: Build Trust, Customize Support, Work Collaboratively, Invest Deeply. I then used these four themes to code six of the interviews. Excerpts of those interviews and their aligned coding are included in Table 2 below.

From this work, I identified key themes from my expert interviews:

- Open communication channels
- Transparent processes
- Customizable support mix
- Grantee-driven process
- Culturally-aware consultants
- Mindful assessment process
- Funder collaboration
- Cohort learning
- Adequate support duration
- Full cost support
<table>
<thead>
<tr>
<th>Interviewee</th>
<th>Highlighted Remarks and Points</th>
<th>Best Practice Stream</th>
</tr>
</thead>
<tbody>
<tr>
<td>Christina Sutherland from Sutherland-Edwards Consultants to Philanthropy</td>
<td>“The more local the funder—say a community foundation and not a big national foundation—the more likely they [the nonprofit] are to level with you. And the more likely you [the funder] already know the circumstances because you’re on the ground.”&lt;br&gt;“With the exception of Silicon Valley Community Foundation, which is so enormous it breaks the rules, in general, community foundations are smaller and have problems more analogous to a nonprofits and are more likely to be accessible than a big private foundation.”&lt;br&gt;As a grantmaker you’re better able to gauge readiness and willingness and what is needed if you’ve already partnered with the grantee before.&lt;br&gt;The intervention is almost always unsexy: new platforms, updating systems, but its mission critical stuff.</td>
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<td>Kate Seely from Northern California Grantmakers</td>
<td>“[The] power dynamic is a reality that exists that we have to be honest and transparent and humble about. Money is power in society.”&lt;br&gt;[Speaking about how foundations can address the power differential]: “Wield it with a gentle hand.”&lt;br&gt;NCG’s annual New Grantmakers Institute addresses power dynamics as one of the underlying threads grantmakers need to be cognizant of.&lt;br&gt;“All roads are seemingly lead to the Full Cost project because it’s not just a funding model, it’s a philosophy.”</td>
<td>Build Trust</td>
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<tr>
<td>Kay Fernandez Smith from The San Francisco Foundation</td>
<td>Partnering with Catchafire (an online platform that connects skills-based professionals to provide volunteer technical assistance to nonprofits) changes the power dynamic between us—the funder—and the grantees. The grantees have complete control to create the capacity building project and choose their own volunteer for the work.&lt;br&gt;The Catchafire platform allows the capacity building work to be totally customizable, flexible, and timely for all grantees, from new organizations through mature ones.&lt;br&gt;The Catchafire platform builds relationships between the nonprofit and private sector.</td>
<td>Build Trust&lt;br&gt;Customize Support</td>
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**Table 2: Interview Excerpts**
The foundation is planning to reach out to corporations in the Bay Area to encourage their staff to volunteer so the personal connections stay within the community.

Right now the foundation is planning to offer it to about 450 grantees – which is a much larger scale than historic cohort models allow for.

San Francisco Foundation is also partnering with other funders with strategic alignment such as the Ascend BLO initiative spearheaded by the East Bay Community Foundation.

The foundation has historically used a cohort-based model for capacity building: in-depth yearlong or two-year engagements that involve a grant to the organization and a commitment by the executive director or senior staff to participate several times a year. These allow leaders to network. These involve consultants hired by the foundation and a very significant investment for the foundation (can be $1-1.5 million). These also require a lot of time on the nonprofit organization’s side.

The foundation is shifting some of our strategies and looking at funding the full cost of programs and projects to avoid some of the capacity breakdown to begin with.

The Foundation hosted a series of listening sessions in the five counties they serve to learn about: pressing community needs, what role the foundation can play in the community, what the foundation is doing right, and what it could improve on.

“As a community foundation, which is different from a lot of private foundations, we have these unique opportunities and responsibility to reflect and both be responsive to and also be strategic about the work that we’re doing in partnership with the community.”

We learned from listening sessions that our history of providing one-year grants was not sustainable and now we’re considering more multi-year grants.

This would provide a solid framework for organizations so they “aren’t bouncing from year to year on soft ground.”
<p>| Dianne Yamashiro-Omi from East Bay Community Foundation | [From Website] EBCF convened a coalition of funders to help The Unity Council in a time of serious financial strife. They were able to help the council find financial stability and build long-term capacity. James Head, the CEO of EBCF, “knew The Unity Council (TUC) plays an integral role in the life of the community, and carries a large share of the front-line burden of improving neighborhoods.” For the Ascend: BLO initiative, consultants were assessed by the foundation and partners to ensure that the experts they are providing have experience and expertise working in culturally appropriate approaches to these communities. “Engagement of consultants that have a solid understanding of the history and culture [of the community the nonprofit serves] is really critical to success.” There needs to be a balanced partnership between the funder, the grantee, and the consultant for maximum impact. The Ascend: BLO initiative is their current prominent capacity building program. It has two main grantee audiences: The Accelerator program is for emerging organizations and offers supports in key areas: strategy, feasibility, and sustainability and provides access to individualized coaching and technical support. The Stabilizer program is for mature organizations and offers participants ongoing support and training in leadership development, board recruitment, advanced training and succession planning. Both Ascend BLO programs include a dollar grant over three years, assessment of need, peer networking and learning with workshops and speakers. Interested grantees first had to submit proposals and then slightly less than half were asked to interview so the foundation could further gauge leadership willingness and readiness. Because this is a collaborative network approach, the foundation wanted to have a mix of types of organizations in the pilot and also... | Customize Support Work Collaboratively |</p>
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<td>Multiple funders collaborated on the Ascend: BLO initiative—increasing each of their own capacity as funders to have an impact. These include: The California Foundation, Y&amp;H Soda Foundation, Kapor Center for Social Impact, San Francisco Foundation, Walter &amp; Elise Haas Fund, The California Wellness Foundation, County of Alameda California, Akonadi Foundation.</td>
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[From Website] “When we sit together to wrestle with how best to do our work, we strive to benefit from everyone’s expertise, passions, and commitment...To that end, we are continually looking for ways that can encourage a great working relationship. This includes streamlining systems and processes, regular meetings with individual grantees and cohorts, and inviting feedback from grantees on the working relationship. In addition to providing this feedback directly to staff, there is the ability to give anonymous, confidential input to us through a third party called EthicsPoint.”

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<td>Barbara Clifton Zarate from Marin Community Foundation</td>
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[From Website] We consider our grantees our partners in changing lives and improving communities. We realize the potential tension between MCF as a funder and our grantees as recipients of funds and thus place great importance on sharing ideas, challenges, successes, lessons learned, strategies, and honest feedback in order to have the greatest impact possible in our community.

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| In 2014, the foundation engaged with the Core Capacity Assessment Tool (CCAT) and started offering the tool (administered by a consultant) to grantees. The Foundation covered all the costs of the test and 2 hours of consultant time afterwards to interpret findings. A majority of grantees found it helpful, and after they developed capacity building plans, the foundation provided grants from $5K-$100K on need.

Then, the foundation partnered with the Center for Volunteer & Nonprofit Leadership (CVNL) in Marin to build the center’s capacity to become a hub for administering the ICAT (2.0 version of CCAT). Two pilot programs have provided CVNL with the resources to help 20 grantee organizations to access and interpret the tool. Afterward, the organization can continue working with CVNL or choose another consultant. They are invited to ask Marin Foundation for a grant to carry out their capacity building plan.

Assessments are really important for organizations to have a roadmap for their work. Typically organizations think they need fundraising help. And that is a common area but often other areas...
need to be focused on first that will help support fundraising efforts.

The CCAT and ICAT are offered to grantees as optional tools. The foundation wants grantee partners to understand they don’t have to share the results with the foundation and results do not affect the grantee’s other streams of grant funding.

Even though the foundation insisted it was not necessary for grantees to share their findings, almost all of the grantees elected to do so. “So it really spoke to how important it is to build trust with grantee organizations.”

Additionally, the foundation offers one-to-one pro-bono technical assistance. The foundation’s staff members meet with grantee leaders and staff to share expertise and build capacity in communication, development and other key areas.

This mix of offerings allows the foundations to offer customized capacity building since one size does not fit all. “Customization is critically important.”

The foundation doesn’t have a specific RFP for capacity building work. It is not competitive. They offer it to all current grantees as optional support. By doing this it eliminates the competitiveness between grantees and that seemed to allow them to come together as a cohort with a different dynamic.

Karin Demarest from Community Foundation of Sonoma County

“With the community foundation, our whole value proposition is we know the community.” They understand that a big organization might have fiscal problems lately but they play a critical role in the community. “So even though things look terible on paper, we are not going to let them fail because of a few mistakes.” “We’re completely immersed in the community.”

“We’re willing to take the risk on organizations and we know it’s a small community and we know almost everybody. It’s rare that we get an application from an organization that we don’t know well actually. Especially in the arts and environment...I know everybody and we've done funding in these areas for years.”

Because they have this deep community knowledge they try not to overburden nonprofits with too much due diligence. “We’re really looking to right size our efforts in terms of the nonprofit’s time in

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<td>The CCAT and ICAT are offered to grantees as optional tools. The foundation wants grantee partners to understand they don’t have to share the results with the foundation and results do not affect the grantee’s other streams of grant funding. Even though the foundation insisted it was not necessary for grantees to share their findings, almost all of the grantees elected to do so. “So it really spoke to how important it is to build trust with grantee organizations.” Additionally, the foundation offers one-to-one pro-bono technical assistance. The foundation’s staff members meet with grantee leaders and staff to share expertise and build capacity in communication, development and other key areas. This mix of offerings allows the foundations to offer customized capacity building since one size does not fit all. “Customization is critically important.” The foundation doesn’t have a specific RFP for capacity building work. It is not competitive. They offer it to all current grantees as optional support. By doing this it eliminates the competitiveness between grantees and that seemed to allow them to come together as a cohort with a different dynamic. “With the community foundation, our whole value proposition is we know the community.” They understand that a big organization might have fiscal problems lately but they play a critical role in the community. “So even though things look terible on paper, we are not going to let them fail because of a few mistakes.” “We’re completely immersed in the community.” “We’re willing to take the risk on organizations and we know it’s a small community and we know almost everybody. It’s rare that we get an application from an organization that we don’t know well actually. Especially in the arts and environment...I know everybody and we've done funding in these areas for years.” Because they have this deep community knowledge they try not to overburden nonprofits with too much due diligence. “We’re really looking to right size our efforts in terms of the nonprofit’s time in</td>
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applying for grants”

[From the website] To inform the foundation’s Resilience Fund strategy (dedicated to supporting those impacted by the fires), they engaged in a comprehensive research process, including meetings with hundreds of local nonprofit leaders, a survey to over 500 nonprofit organizations across Sonoma and Napa counties, and interviews with local community leaders as well as foundations in New Orleans, Houston, San Diego, and other areas impacted by disasters. We are pleased to now share with you the results of that research, which can be found on our Resilience Fund Progress page.

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Alongside their general funding streams the foundation advises for the Sonoma County Vinters Foundation. Sonoma foundation considers its purpose is to serve as the connection between funders and the community: the foundation sees what the community needs, knows the nonprofit players in the community doing the work and connects them to philanthropy.

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As a community fund, the foundation has a percentage of money earmarked by donor interest, so they have a lot of smaller buckets to give money from – a challenge.

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“Capacity building really is a different level of assessing readiness and assessing willingness as well as assessing organizational capacity to participate.”

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In the grants workshop program, to ensure the organization is ready and willing to do the capacity building work, the foundation requires staff and executive director participation at all sessions over the course of three years. That’s a big commitment. And they didn’t give funding to start. They ask questions to assess whether the organization is already self reflective in terms of their practices and are they eager to dive in. Then once they’re in the program they get a major organizational capacity assessment.

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With a different program, the foundation offered a $5,000 stipend for the executive director’s time and participation and then had money available for grantees to complete the projects that the organizational capacity assessment determined would be helpful.

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“Yes, our grant making is really important but our community leadership role, how transparent we are, how responsive we are, that all really really matters.”
To this end, the foundation offers quarterly coffee with Karin, which is a simple way for the public and nonprofits to learn about the Community Foundation and vice versa. About 30 people come for breakfast and the conversation goes around the room.

Karin said she had to work hard to keep the grants committee and foundation staff and board out of the picture when grantees were working on capacity building assessments. But the foundation isn’t in the room. “We’ve never been in the room. That’s fundamental.” Grantees are invited to share a presentation at the end. The nonprofits “need the space to air their dirty laundry and show their vulnerability to each other but not to the funder...I can’t stress enough how important it is that the funder gets...that it’s a trusting relationship both ways.”

For grantees that the foundation knows well they offer multi-year grants and general operating grants, “to let them have the flexibility to make decisions about how they’re spending that funding...”

### Section 5: Implications and Recommendations

**Capacity Funding Model**

The nature of capacity building work—and how specific it is to the contextual nuances of the organization whose capacity is being bolstered—renders it impossible to provide a formula for designing the perfect capacity building intervention or funding strategy. That acknowledged, it is clear from the academic literature and the interviews conducted in this project, that there are fundamental concepts that should be followed by funders to provide effective capacity building intervention for their grantees. These concepts range from values that funders need to ensure pervade their entire grant-making process to practices specific to running specific capacity building programs. Table 3 outlines a recommended model for funders
who are committed to improving the overall sustainability of the nonprofit sector, their grantees, and their own institutions.

Figure 12: Capacity Funding Model

- **Build Trust**
  - Diffuse the Power Dynamic
  - Empower Grantees
  - Make the Process Authentic
  - Engage & Deepen the Relationship
  - Build Trust in Both Directions

- **Customize Support**
  - Know the Context
  - Think Local
  - Customize Support Types
  - Assess Readiness & Willingness

- **Work Collaboratively**
  - Make It Grantee Drive
  - Create Cohorts for Sustainability
  - Collaborate with Other Funders

- **Invest Deeply**
  - Commit for the Long Haul
  - Grant General Support Too
  - Build Full Cost Funding Skills

Author’s Creation, 2018
**Build Trust** – a recurring theme in every interview, professional publication, and academic paper, creating a mutually trusting relationship between funder and grantee is the crucial first step to building the capacity of nonprofit organizations and more importantly, to evolving US philanthropy into a system that empowers nonprofit sustainability instead of co-dependence.

- **Diffuse the Power Dynamic:** Funders need to recognize and own the inherent power differential between foundations and nonprofit grantees: “grantmakers with money to invest for impact and nonprofits that need that money to accomplish their work” (Grantmakers for Effective Organizations (GEO), 2016, p. 10). Kate Seely from NCG made this clear: “[The] power dynamic is a reality that exists that we have to be honest and transparent and humble about. Money is power in society.” At their annual New Grantmakers Institute, Northern California Grantmakers makes the discussion of owning and addressing the power dynamic a key concept of the work.

- **Empower Grantees:** Capacity-building programs should be opt-in not mandatory, and grantees should set the goals and focus of the work to build ownership and trust (GrantCraft, 2015). Barbara Clifton describes how important it was for Marin Community Foundation to communicate to their grantees that their organizational assessment and capacity building programs were optional and confidential. Grantees were in no obligation to share results and nothing would affect their current funding. In return, almost every organization chose to share their results. A true testament to the trust the foundation has engendered in the community.
• **Make the Process Authentic:** Grantmakers should review their application processes to assess if they set the stage for authentic relationship building (GrantCraft, 2015). East Bay Community Foundation describes their framework for reviewing processes and encouraging open feedback on those processes through in-person discussions and also through an anonymous system called EthicsPoint.

• **Engage & Deepen the Relationship:** Strengthening nonprofit capacity “starts with asking questions and engaging grantees in a continuing conversation about how they are doing and where they may need help” (GEO, 2016, p. 10). Funders should create regular opportunities to learn about grantees and the community. Kay Fernandez Smith described the comprehensive listening session that San Francisco Foundation conducted a few years ago across every county they serve to learn about community concerns and how the foundation could better support those concerns. From those discussions they revised their strategy platform so grantees didn’t have multiple program officers and they are now looking at longer-duration grantmaking extending support from one-year to two- and three-year grants. Additionally, when funders interact with grantee staff (and not just leadership) during site visits it deepens understanding organizational culture (GrantCraft, 2015). Karin Demarest from the Community Foundation of Sonoma County conducts quarterly coffees that offer a chance for 30 individuals to informally meet and discuss what the community needs, how organizations are progressing, and how the foundation can be a more effective partner.

• **Build Trust in Both Directions:** Funders should give consultants and grantees a high degree of autonomy and confidentiality to work through tough challenges without
needing to continually update funders (GEO, 2016). Trust is about being patient and respectful of the process and the people (GrantCraft, 2015). Karin Demarest described her experience having to keep the rest of her foundation at bay during their capacity building assessment programs: The nonprofits “need the space to air their dirty laundry and show their vulnerability to each other but not to the funder…I can’t stress enough how important it is that the funder gets…that it’s a trusting relationship both ways.” Additionally, it’s helpful for grantees to understand the parameters of the proposed funding up front (GrantCraft, 2015). Each of the community foundations interviewed have robust websites for grantees and interested organizations and the ease with which I was able to contact someone from the organizations speaks volumes to their commitment to transparency and accountability.

**Customize Support**

- **Know the Context:** “To be most effective, capacity building must be contextualized to meet the unique characteristics and needs of each organization...This necessitates building trust with grantees so they are open and honest about the capacity challenges they face” (GEO, 2016, p.26). Dianne Yamashiro-Omi of the East Bay Community Foundation described how black and brown-led organizations have historically been overlooked for capacity building efforts, and too often the capacity building intervention is culturally deaf to the needs of these communities. The ASCEND:BLO initiative specifically seeks out consultants and advisors who are steeped in the culture of these organizations and the communities.
• **Think Local:** Funders and consultants need to understand the environmental and organizational circumstances to set objectives and expectations. "Some funders think that just because a strategy worked in one country, state, etc., it will work everywhere. They don’t account for how each municipality has a personality with multiple cultures. Implementing exactly as it has always or elsewhere been done can set nonprofits up for failure“ (GrantCraft, 2015, p.15). Kay Fernandez Smith from San Francisco Foundation said that one of the reasons they are so exited about Catchafire is that it allows grantees to set their objectives and circumstances and choose their advisors so all of the interventions are as-needed and contextually appropriate. Catchafire is a private sector tech company that provides an online platform that connects skills-based professionals with nonprofits to provide volunteer technical assistance.

• **Customize Support Types:** Offering communal learning opportunities paired with individual training and attention helps grantee organizations network, share experiences and implement learning at their speed and stage (GEO, 2016 & GrantCraft, 2015). The ASCEND: BLO initiative offers multiple forms of interventions depending upon the life-stage and need of the organization balancing cohort learning and networking events with individual advising.

• **Assess Grantee Readiness and Willingness:** Using organizational assessment tools (administered by outside consultants) and conversations are two key ways for funders to assess grantee readiness and willingness to embark on a capacity building intervention program. Honest assessment requires strong relationships (GEO, 2016).
Consultants and foundations should know: “Where is the grantee on the spectrum of emerging to mature? What does the leadership structure and staffing look like? How are the finances and other indicators of organizational health?” (GrantCraft, 2015). Marin Community Foundation has taken this idea one step further by building the capacity of the Center for Volunteer and Nonprofit Leadership to become a capacity assessment hub for the area’s nonprofits.

- **Grantee Readiness Matters:** Funders need to ensure that grantees have enough existing capacity to see real effectiveness gains from the capacity building intervention (GEO, 2016). Almost every individual interviewed described how grantee readiness is the essential piece to capacity building work – and each gave that as being the main reason that capacity building grants are almost always awarded to existing grantee partners. Assessing this type of readiness prior to a partnership is almost impossible.

- **Grantee Willingness Matters:** Nonprofit leadership must be committed to the capacity building need and work otherwise they will prioritize other initiatives (GrantCraft, 2015). Many of the foundations interviewed have processes in place to gauge and guarantee grantee willingness – San Francisco Foundation, East Bay Community Foundation, and Community Foundation of Sonoma County have all required executive directors to commit to cohort sessions, and in many cases have compensated the executive director for their time.
Work Collaboratively

- **Make It Grantee Driven:** Prescriptive approaches from a funder and “mandatory” capacity building can undermine the grantmaker-grantee relationship (GEO, 2016). Barbara Clifton Zarate made this clear when explaining the work Marin Community Foundation does making organizational assessment optional. San Francisco Foundation is taking this concept of grantee empowerment to a new level with their partnership with Catchafire, which provides grantees almost complete control over assessing their needs, designing and posting their projects, and hiring their own volunteers to work with.

- **Create Cohorts for Sustainability:** Funders should facilitate the creation of learning communities that are safe spaces for grantees to participate together in workshops and networking (GEO, 2016). Almost every foundation has created cohort learning capacity building programs from the ASCEND: BLO initiative to various programs that Community Foundation of Sonoma County provides. Cohort learning is particularly important for creating a sustainable sector. Learning communities have the added benefit of building collaborative capacity among grantees for future sustainability (GEO, 2016 & GrantCraft, 2015). One of the main goals of the ASCEND: BLO initiative is to build the capacity of the entire sector through the networking and partnering opportunities available.

- **Collaborate with Other Funders:** Grantmakers can partner with each other to prevent redundancies and address gaps in capacity building offerings in their communities. These collaborations additionally build the capacity of the entire sector—collective capacity (GEO, 2016 & GrantCraft, 2015). Every foundation interviewed described a
partnership of some sort on their side of the table, from East Bay Community Foundation and San Francisco Foundation collaborating together and with other funders on the ASCEND:BLO initiative, to Marin Community Foundation’s collaboration with Center for Volunteer and Nonprofit Leadership to the Community Foundation of Sonoma County partnership with the Sonoma County Vintner’s Foundation.

Invest Deeply

• **Commit For the Long Haul:** “Capacity building is long-term work that can require significant investments of time and resources.” Funders need to be realistic: too-short timeframes can limit the potential for lasting change (GEO, 2016, p.18). Funders should commit to multiyear support—perhaps over 2-3 years—and should plan to iterate the work. “There is a connection between the stability of an organization’s funding stream and the quality of programs and ability to retain strong leaders” (GEO, 2016, p.29). After their listening sessions, San Francisco Foundation began examining ways to offer more long-term support, the ASCEND:BLO initiative runs for a 3-year commitment for mature organizations and Sonoma’s programs are often 2-3 years, as well. An unanticipated benefit of multiyear support is more open and honest relationships. Funders can’t expect honest discourse with grantees if they are afraid that funders will pull support at the end of the year (GEO, 2016). Kay Fernandez Smith described how long term funding, “would provide a solid framework for organizations so they “aren’t bouncing from year to year on soft ground.”

• **Grant General Support Too:** There is a need for both operational support and capacity building support. True general operating support will not necessarily go to investment in
building greater capacity but instead to maintaining the status quo (GEO, 2016). Not only did Kay Fernandez Smith describe San Francisco Foundation’s commitment to full cost funding, but data from this project show that every community foundation in the study provides substantial general operating support to grantees.

- **Build Full Cost Funding Skills:** “Many nonprofits are acculturated to ask for project—not capacity building—support because that is more the norm” (Grantcraft, 2015). Northern California Grantmakers has redoubled their efforts in building the skills on both the grantee and funder side in the why and how of full cost funding. Kate Seely explains that “All roads seemingly lead to the Full Cost project because it’s not just a funding model, it’s a philosophy.”

**Community Foundation Niche Model**

One of the key themes that emerged from the interviews was each organization’s commitment to building deep, lasting relationships with their grantees. The value proposition of a community foundation is a lasting commitment to the community and the organizations within it. Community foundations aren’t as easily swayed by global or national trends in philanthropy that might turn them away from funding strategies committed to their local grantee community.
“You have to know the local structures and be well connected on the ground...in order to effectively advise on capacity building” (GrantCraft, 2015).

This project finds that community foundations are uniquely positioned to meet industry best practices and create effective capacity building programs because they are immersed in the social, environmental and cultural context of their grantees. This allows community foundations to be:

- Adept assessors of grantee readiness and willingness through partnerships with area consultants who are culturally and contextually appropriate for the work.
- Available for meaningful in-person interactions, which helps reduce the traditional power dynamic.
- Natural collaboration builders through their deep knowledge of local organizations across all sectors: private, nonprofit, and public.
• Long-term partners since funding strategies generally focus on geographical area and the grantees and foundations share the same ultimate goal of building a stronger community.

This argued, community foundations do have challenges in this work, one of the most immediate being the smaller size of their asset and resource base compared with large national private foundations and the fact that many of their resources are locked into smaller restricted fund buckets from their fragmented donor base.

**Recommendations**

1. Community foundations should continue to explore effective models of capacity building funding through industry best practices and innovation. Foundations are increasingly self-reflective and should continue this trend to build their own capacity to do the work.

2. Community foundations and other larger foundations should explore partnership and collaboration opportunities to mitigate challenges and maximize effectiveness. This can help balance the resource challenges of community foundations and the context and accessibility challenges of larger national foundations.

3. Foundations should continue to explore a holistic funding model that balances program, capacity building, and general operating support. There is a need for all three types of support. This is why the Full Cost Project includes skill building for both grantees and funders. The sector must learn together how to assess what it costs to run a nonprofit for growth and sustainability instead of just survival. Historically, this has rarely been done.
4. Foundations should build long-term monitoring and evaluation into their capacity building programs to effectively iterate their work. Although slightly outside the bounds of this project, the literature goes into depth about why monitoring and evaluation of capacity building interventions are difficult and yet essential. The major takeaway is that evaluation must be designed for long-term outcomes, just like the intervention itself.

**Section 6: Conclusions**

The purpose of capacity building grants and interventions is not to rescue organizations from bad decision-making, poor planning, or shoddy management. The purpose of investing in the capacity of a nonprofit grantee is to help smart organizations grow, push effective organizations to be more efficient, and increase the sustainability and stability of the sector. Over the past few years it has become more clear that: “By focusing on the outcomes they want to achieve, by understanding what it really costs to achieve those outcomes; and by focusing on the strategic questions to build a sustainable organization, funders can not only bring their grantmaking into the new reality but can prepare their grantees for the changes that lay ahead. (Northern California Grantmakers, San Diego Grantmakers, Southern California Grantmakers, 2013, p.6).

The goal of this project is to determine what effective practices are common to successful capacity building interventions and explore the role that community foundations can play in this essential aspect of philanthropy. The literature review and quantitative data in this study show that foundations – including Bay Area community foundations – are contributing substantial resources to capacity building and general operating support and that these
numbers are growing. The in-depth interviews with four Bay Area community
foundations in this study demonstrate their growing commitment to contributing to the
organizational health of their grantees and their adherence to industry best practices in their
capacity building strategies.

Don Bauer the executive director of the Clark Foundation says that capacity building
grants are “born out of transparency” (Smith, 2016). Creating mutually trusting relationships
between funders and grantees is critical not only for capacity building work, but the
sustainability of the entire sector. Because community foundations are for and of the society
they reside in and because of their shared goals and challenges with grantees, they seem to be
uniquely positioned to address the four essential elements in the capacity funding model:
building trust, customizing support, working collaboratively, and investing deeply. As Kay
Fernandez Smith of the San Francisco Foundation explained: “As a community foundation,
which is different from a lot of private foundations, we have these unique opportunities and
responsibility to reflect and both be responsive to and also be strategic about the work that
we’re doing in partnership with the community.”

This is not to say that there aren’t substantial challenges to community foundations
providing capacity building support. Many community foundations are limited in their resources,
although the size of the entire sub-sector is increasing. Additional research into funder
collaborations—particularly between community foundations and larger private foundations—is
worth exploring to evaluate how capacity building programs can retain the individual attention
and customized support so essential to the work while providing deep and lasting investment to
scale.
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The Eisner Foundation: What is the difference between general operating support, project support, capacity building support and capital support? (July 23, 2015). Available at: http://eisnerfoundation.org/sp_faq/what-is-the-difference-between-general-operating-support-project-support-capacity-building-support-and-capital-support/


Appendix A: Interview Questions

Primary Interview Question Set

1. Describe what you might consider your foundation’s philosophy of philanthropy.
2. What trends do you see in Bay Area philanthropy? Do you see your philosophy and area trends matching up?
3. What are your strategies for identifying nonprofits that are ready for capacity-building grants?
4. What are the key areas or aspects of an organization that you are most interested in when considering a nonprofit for a sustainable grant?
5. What if any assessment tools do you use in your work to determine nonprofit organizational health?

Interview Questions Customized for Community Foundations:

1. Can you talk a little bit about yourself and the work that you do at the foundation?
2. What do you see as some of the trends in regard to capacity building for nonprofits and sustainable funding initiatives?
3. When making first-time grants, what are the criteria or rubric you use to identify that a nonprofit has the organizational capacity to deliver on the proposal or project?
4. How would you define “capacity building” and differentiate it with “operational support”?
5. Can you describe the process of capacity building grants and programs at the foundation?
6. When in your relationship with a nonprofit do you usually make capacity building grants? Who usually suggests the need? The nonprofit or you?
7. Do you (or your consultants) use any organizational assessment tools with your grantees?
8. Do you make long-term commitments for capacity building?
Appendix B: Foundation Directory Online Additional Searches

Bay Area (BA) Community Foundation (CF) Capacity-Building Giving | No General Support: This search looks at the Bay Area community foundation giving over the past fifteen years focused exclusively on capacity building support strategies without including general support grants also known as general operating grants.

Figure 14: BA CF Capacity-Building Giving | No General Support

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Location of Grant Maker</td>
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</tr>
<tr>
<td></td>
<td>Contra Costa County</td>
</tr>
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<td></td>
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</tr>
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<tr>
<td>Years Searched</td>
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Figure 15: BA CF Capacity-Building Giving | No General Support

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Bay Area (BA) Community Foundation (CF) Capacity-Building Giving | No General Support 2010-2018: Looking only at the years 2010-2018, this search identifies Bay Area community foundation giving over the past fifteen years focused exclusively on capacity building support strategies without including general support grants.

Figure 16 – BA CF Capacity-Building Giving | No General Support

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### Figure 17: BA CF Capacity-Building Giving | No General Support – 2010-2018

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Author’s Bio

Kimberly Megna Yarnall has dedicated her career to the nonprofit community as a writer, educator, project manager. She currently holds a communications and development position with The Girls Middle School in Palo Alto, CA. Kimberly implemented a $500,000 National Science Foundation (NSF) grant with Fusion Science Learning to disseminate training programs for science educators and launched Forward Theater Company’s literary department and annual monologue festival. As a writer and manager at Epic healthcare, Kimberly helped lead a 70-person team through document publications and collaborated with CEO Judy Faulkner on her corporate philosophy book.

Kimberly is pursuing a master’s degree in nonprofit administration at the University of San Francisco. Her graduate work includes consulting with Bay Area nonprofits and in-depth study of the social sector. These experiences enhanced her proficiency in areas such as strategic governance, fundraising, impact evaluation, communications and marketing. Kimberly received her Bachelor of Arts from the University of Notre Dame where she graduated magna cum laude.