

TSNE's Learning Lab

**Capacity Building Needs, Challenges, and Best Practices for Movements, Coalitions, and Other Nonprofit Groups:
A Literature Review**

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Introduction and Executive Summary

Introduction to the Learning Lab

In 2018, TSNE launched the Learning Lab, a strategic multi-year initiative focused on understanding the capacity-building needs of under resourced movements, coalitions, and other nonprofits groups supporting marginalized communities.

We partnered with **the Metropolitan Center for Research on Equity and the Transformation of Schools at New York University** to holistically understand the needs, challenges, and best practices for building the capacity of these groups. We worked with our research partner to produce a literature review and field scan report, which have been used to inform the focus of the Learning Lab.

The Learning Lab uses human-centered design (HCD) to center our grassroots clients and other community-based learning partners throughout our process. Our Learning Board is a diverse group of staff and community-based clients that use their decision-making power to imagine future supports, strengthen our current services, and advise us on potential social impact investments. Throughout the Lab this group works to design, test, and iterate potential new solutions.

In addition to HCD, we use Agile thinking throughout our work. While HCD encourages us to develop a deep understanding of our constituents' experiences, agile thinking is an iterative planning approach that places people over process. We use 90-day "sprints", an iterative planning process that includes planning, information gathering, analysis and ideation, and share out phases. The Learning Board leads this work by informing the planning of each sprint, making meaning of information gathered, and leading solution creation through ideation.

This rapid process enables us to share our learnings in real time, creating a sector wide dialogue centering those most impacted.

About TSNE

TSNE supports the effectiveness of nonprofit organizations, foundations, and community groups who are tackling the world's most complex issues.

For 60 years, TSNE has provided capacity building for organizations through a mix of operational supports, consulting services, professional development, and sector research. We are committed to equity and continuous learning to better serve the nonprofits working in their communities.

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To find out more about the Learning Lab, visit <https://www.tsne.org/learninglab>

Executive Summary

This review synthesizes the nonprofit capacity building literature from academic journals, reports commissioned by foundations and philanthropic organizations, and news articles to answer the question: What are the needs, challenges, and best practices for building capacity with alternatively structured nonprofit groups? We define alternatively structured nonprofit organizations (NPOs) as nonprofits with budgets less than \$1 million that serve under-resourced communities by using leadership models that differ from traditional, hierarchical leadership, in which power is concentrated among executive leaders. These alternatively structured NPOs include, but are not limited to: organizations with co-directors, entirely volunteer-run organizations, and organizations that have democratic, collective, and transformative leadership models. The major findings from this literature review are:

- ▶ There are few resources that focus on capacity building for alternatively structured NPOs;
- ▶ The challenges of providing grassroots groups and other alternatively structured nonprofits with capacity building supports include cultural misalignment, organizational readiness, and measuring and evaluating capacity;
- ▶ Leadership development, or the “identification and development of individuals who will lead the critical functions of an organization and who...will be responsible for its overall health and impact” (Kramer & Nayak, 2013, p. 11-12), is the greatest capacity need for alternatively structured NPOs with budgets less than \$1 million that serve under-resourced communities;
- ▶ For alternatively structured NPOs with budgets less than \$1 million that serve under-resourced communities, structural racism and cultural misunderstandings create unique capacity needs and challenges and complicate generally accepted capacity building best practices for more traditional NPOs;
- ▶ Best practices for developing the capacities of alternatively structured nonprofits include delivering culturally responsiveness supports, tailoring supports, reciprocity with communities, building trust, co-constructing solutions, providing network support, and providing a combination of immediate and long-term operational support.

In general, the literature on needs, challenges and capacity building best practices focuses on how to partner with organizations to build capacity, rather than on specific strategies for building particular capacity functions. In addition, most reports and evaluations of nonprofit capacity building initiatives do not discuss needs, challenges, and capacity building best practices that are unique to alternatively structured NPOs with budgets under \$1 million. “Evaluation of the Capacity Building for Minority-Led Organizations Project” (Inouye, Estrella, Tate, & Law, 2012) was one of the few reports that explored the unique needs, challenges, and best practices of and for capacity

building with minority-led organizations with budgets under \$1 million and that serve under-resourced communities of color.

Since the Learning Lab is specifically interested in understanding the state of the field regarding fiscal sponsorship as a potential need among alternatively structured NPOs, our literature review focused on this function. However, we identified no literature that highlights the unique ways to support alternatively structured NPOs with fiscal sponsorship.

The field does make recommendations for building specific capacities. However, like Inouye, Estrella, Tate, & Law, (2012), we found that the most pertinent aspect of the literature that relates to TSNE's Learning Lab focuses on how to partner/work with organizations in a relational way that honors the historical and cultural values and practices of the organization and the communities these organizations serve. Therefore, in this literature review, we identify capacity needs, common challenges that arise when building capacity, and best practices for capacity building with alternatively structured organizations.

Nonprofit Capacity Needs

Nonprofit organizations with budgets under \$1 million serving communities of color have greater challenges to accessing resources and therefore have greater capacity building needs (Learning for Action, 2017). According to Inouye and colleagues, for California-based minority-led nonprofits that have budgets of \$1 million or less, leadership development was the most pressing capacity need, followed by the need for improved programmatic capacity, organizational management, fund development, and board development. Alternatively structured NPOs often rely on single passionate and charismatic leaders and founders who have deep connections to the communities they serve (Foundation Coalition, 2009). Heavy reliance on these strong leaders can lead to their early burnout. According to a Foundation Coalition (2009) report, alternatively structured NPOs need to build a pipeline of new leaders, as well as strengthen, renew, and restore current leaders. Building leadership teams within organizations and increasing board-level engagement can reduce executive director turnover and burnout (Foundation Coalition, 2009).

Conversely, several reports that reviewed the most pressing capacity building needs, without regard for budget and population served, identify fund development and fundraising as the most pressing capacity building needs of nonprofit organizations (Camper, 2016; GuideStar, 2005; National Finance Fund, 2018). In no particular order, these studies identified the following capacities as the most pressing needs after fundraising and fund development: technology and IT/systems; leadership development and succession; communication and marketing systems; and board development (Camper, 2016; Social Policy Research Associates, 2012; GuideStar, 2005; Social Policy Research Associates, 2012; Innovation Network, Inc., 2000). Thus, the needs of the alternatively structured NPOs diverge from the needs that were reported more generally among NPOs. However, because the Inouye, et al study (2012) focuses on alternatively structured NPOs in California only, it is unclear whether this difference is regional or reflective of the majority of alternatively structured NPOs. Furthermore, the NPO capacity building literature says little about how to build these specific capacities within nonprofit organizations.

Capacity Building Challenges within Nonprofits

Alternatively structured NPOs with commitments to equity and to serving under-resourced communities tend to have democratic, collective, and transformative leadership models (Sutherland, Land, & Bohm, 2014; Fisher, 2013). They have cultural values and practices (i.e., racial/ethnic cultural practices, geographic, or historical) that inform their community-driven work. Because of these models, values, and practices, grassroots organizations may face unique challenges when working with external capacity building providers, in the areas of cultural alignment, organizational readiness, and evaluation. We discuss each of these major challenges to capacity building with alternatively structured NPOs.

Cultural Misalignment

Historical mistrust between funding agencies that provide capacity building support and communities of color is a consideration when implementing capacity building initiatives. Mistrust develops from a lack of cultural awareness of how an organization defines leadership, capacity building, and effectiveness. Leaders from alternatively structured NPOs report having to over-justify their mission to audiences (e.g., funders, capacity providers) who misunderstand why their work is critical and the challenges they face. Examples of cultural misalignments include leaders taking a “top down” approach to building capacity in an organization with a distributed leadership model, or a funder requiring an organization with a shared leadership model to have an executive director in order to apply for funding. Finding funding sources and quality capacity building providers that reflect the communities and cultural values of alternatively structured NPOs is a challenge (Bridge Span Survey 2015).

Organizational Readiness

Organizational readiness is a consideration when attempting to build NPO capacity (National Councils of Nonprofits, 2015; Innovation Network, Inc., 2000). Without organizational readiness and accompanying human capacity, NPOs could experience a mismatch between their needs and the capacity building provider’s requirements for implementation, leading to low quality results (Readiness Roadmap, 2018).

Inouye, Estrella, Tate, and Law (2012) describe how systemic racism negatively impacts access to resources and networks in under-resourced communities. This lack of access negatively impacts organizational “readiness” to engage in capacity-building and fundraising. Alternatively structured NPOs may never appear to meet traditional “readiness” standards of philanthropic organizations, but they may indeed be ready to build capacity and simply require more culturally responsive capacity building practices.

Furthermore, “readiness” might be conceptualized as a continuum rather than a check-list for capacity building eligibility (Inouye, Estrella, Tate, & Law, 2012). Presently, no definitive set of indicators exists that would allow capacity building providers to assess an organization’s readiness to implement a capacity building initiative. However, creating culturally responsive processes that align with the organization’s stage of development may improve the likelihood of the NPO taking up capacity building strategies.

Measuring and Evaluating Capacity

Evaluating capacity-building efforts in nonprofit organizations can offer insight into the efficacy and utility of capacity building for organizations, and identify areas of strength and potential improvement. According to Connolly and York (2002), most capacity-building evaluations focus on process, which can be difficult to identify and measure, rather than outcomes. In addition, capacity-building initiatives can be challenging to evaluate because of their extended timelines for results, which typically take years (Simister & Smith, 2010).

Conducting evaluation in under-resourced communities of color requires special consideration. Evaluations typically place power in the hands of funders, who establish timelines, outcomes, and measures of success; this approach results in organizations trying to achieve goals they did not set for themselves. Working with alternatively structured NPOs and communities to co-construct evaluations can shift these power dynamics (Leiderman, 2005). For example, before conducting an evaluation, capacity providers and alternatively structured NPOs should jointly determine what success looks like for the capacity-building intervention, contextually appropriate ways to measure success, and culturally acceptable approaches to gathering data about outcomes. In other words, in some settings, focus groups with childcare and evening meals at a local community center work better than individual interviews in a downtown office building during the day or lengthy online surveys delivered in an email or text.

Surveys are the most common tool used to evaluate capacity-building programs (Brown, 2014; Simister & Smith, 2010; Informing Change, 2017). Brown (2014) identifies two existing survey instruments—the Organizational Capacity Assessment Tool (OCAT) and a survey developed for the Capital Compassion Fund Demonstration Project—but encourages the adaptation of these surveys to fit specific organizational contexts.

Best Practices for Capacity Building Providers

As mentioned above, a major finding within the capacity building literature is that how a capacity-building initiative is implemented is crucial to its success. Regardless of service delivery model or capacity building intervention, being attuned to the cultural and historical context of the NPO and committing to relationship-building are at the core of successful capacity building. Drawing from Inouye, Estrella, Tate, and Law (2012) as well as other sources, we synthesize seven generally accepted capacity building “best practices” and “principles of engagement.”

Delivering Culturally Responsiveness Supports

The Innovation Network, Inc. (2000) identified several qualities of expert providers. They should know how to effectively work with communities with various historical, geographical, and cultural contexts. They should acknowledge and address structural racism and the power dynamics between provider/funder and NPO/grantee relationships (Inouye et al., 2012). Capacity building providers should be engaged in ongoing professional development that prepares them to work with different populations, including those diverse by race/ethnicity, LGBTQ identity, immigration history, language, special needs, etc. Capacity builders should cultivate a network of peers to whom they can refer clients if they are not the best fit for the NPO. Finally, capacity providers should seek input from clients around the types of trainings and consultations they would like. In addition to these important qualities, the following section is a menu of capacity building best practices identified as the most effective ways to build organizational capacity.

Tailoring Supports

The literature recommends tailoring capacity building efforts to the specific needs and contexts of each NPO. Capacity builders should avoid implementing one-size-fits-all approaches or universal best practices (Herman and Renz 2008). Every organization has its own context, people, and history, and “a practice that enhances effectiveness in one organization may be a poor choice for another” (p.411). Even within a subset of NPOs (e.g., small nonprofits), disparate capacity-building needs exist (Kapucu, Healy, and Arslan, 2011). A tailored, individualized, and culturally responsive capacity-building approach is particularly important when working with organizations that serve communities of color and under-resourced communities.

Reciprocity with Communities

Inouye, Estrella, Tate, & Law (2012) report that the missions and programs of alternatively structured NPOs are typically inspired by addressing specific community needs. The alternatively structured NPOs in their evaluation consistently sought to ensure that their capacity building efforts improved their ability to serve their communities. When alternatively structured NPOs are stretched in terms of time or staffing, engaging in capacity building may require staff to redirect their time away addressing community needs. Capacity providers should work with organizational staff to ensure that the capacity building efforts contribute to improving communities. For example, if the capacity building initiative involves gathering information from the communities served by the alternatively structured NPO, compensate community members for their participation. Reciprocity could also involve inviting community members to participate in leadership workshops or trainings. Capacity providers and staff of

alternatively structured NPOs should work together to identify capacity building activities that can strengthen communities and strengthen the NPOs.

Building Trust

Building a high degree of trust with nonprofits is important to the success of capacity building initiatives (Innovation Network Inc, 2000; Grantmakers for Effective Organizations, 2016). Engaging in capacity building initiatives can be a vulnerable process for NPO staff, in part because building capacity involves identifying the causes of organizational shortcomings and inadequate systems. Providers must value NPO culture and values, co-develop strategies, and share decision-making. Initiatives that fail to build trust between staff and capacity building providers may struggle with staff buy-in.

Trust building is particularly important in communities of color, that may have had strained historical relationships with funders and capacity providers (Inouye, Estrella, Tate, & Law, 2012). Having continuous and open dialogue about organizational needs, asking questions that identify the root of organizational challenges, and actively listening to the needs and concerns of staff are ways capacity providers can develop a deep commitment to and understanding of an organization's needs. These strategies may help the staff feel more comfortable with accepting recommendations from an outside provider. In addition, trust lends itself to collaborative capacity building strategies.

Co-constructing Solutions

Alternatively structured NPOs may have different conceptualizations of capacity and will seek changes that are in alignment with their community's culture, beliefs, and practices. Capacity providers should take an asset-based approach, knowing that solutions to problems exist within communities. Co-constructing capacity-building initiatives gives NPOs a sense of ownership and shifts the role of capacity providers as expert funding gatekeepers to a true partnership. Initiatives should create safe spaces for both NPO staff and capacity providers to iteratively reflect on how the initiative is going and shift plans accordingly (Inouye, Estrella, Tate, & Law, 2012; Innovation Network, Inc., 2000).

Providing Network Support

Supporting alternatively structured NPOs to engage in networks of like-minded organizations is an important best practice for building capacity (Chandler & Scott Kennedy, 2015; Point the Way Landscape Analysis, 2017; Grantmakers for Effective Organizations, 2013). A network of organizations "share[s] common goals, and intentionally exchange[s] information and engage[s] collaboratively in activities to address those goals" (p. 2, Chandler & Scott Kennedy, 2015). By participating in a network, alternatively structured NPOs can pool resources, identify common challenges, and find solutions collectively. Capacity builders can bring organizations together for co-learning, peer-to-peer learning, and capacity building. Networked co-learning and capacity building could involve a capacity builder identifying grants and supporting alternatively structured organizations in their portfolios, with similar missions, to collectively write and apply for the grants rather than compete with each other for funding. By collectively applying for grants, staff at each organization develop grant writing skills with/from staff from organizations in the network. In addition, an application that includes a network of organizations may have a greater chance of receiving funding because the sector would then have mission-aligned organizations working collaboratively to serve the sector. As a result of working within a network, each organization leverages the network's resources to build capacity more efficiently and effectively, which can move an organization to the next stage of its development.

Providing a Combination of Immediate and Long-Term Operational Support

Multi-year efforts are more successful than short, episodic initiatives. Long-term initiatives provide enough time for change to become institutionalized (GrantMakers for Effective Organizations, 2014). For alternatively structured NPOs, long-term support includes coupling operational support with capacity building support. Operational support includes budget, administration, and human resources functions. Operational support gives NPO staff the human capital to fully engage in capacity building, while not spending human capital on addressing how the day-to-day work will get completed. Moreover, continuous long-term operational support demonstrates a deep commitment to the organization and its mission and builds trust with communities of color that have histories of being “treated as the ‘flavor of the month’ and then quickly dropped, subject to the whims of foundations’ strategic planning” (Inouye, Estrella, Tate, & Law, 2012, p. 19).

Conclusion

In an effort to promote sustainable and effective nonprofit organizations, grantmakers and nonprofits have paid significant attention to organizational capacity building. Capacity-building initiatives help NPOs achieve their missions, and can support varied aspects of an organization’s work, from human resources to fundraising. For capacity builders, it is imperative to recognize that working with small NPOs serving under-resourced communities requires a unique approach. When working with these NPOs, capacity building providers must be culturally responsive, differentiate approaches, ensure the work serves the community, build trust, promote collaboration and co-creation, and provide networking and operations support.

There is a dearth of literature on the needs, challenges, and best practices for working with NPOs that serve under-resourced communities or communities of color. While this literature review identifies specific topics and gaps to focus on during the upcoming national field scan data collection, we anticipate that the next phase will both broaden and deepen our understanding of capacity building for NPOs with alternative structures that work in under-resourced communities. In other words, the capacity building providers that we interview may raise needs, challenges, and best practices that this literature review has not yet identified. Alternatively, they may confirm or disconfirm the ones previewed above.

Following the field scan, the case studies of select capacity-building organizations will allow us to explore the specific mechanisms of building capacity with under-resourced NPOs. Documenting “how” to build capacity is just as important as cataloguing and describing the specific capacities to be built. At the conclusion of our field scan and case studies, we will be able to build not only on the “how” that existing literature describes, but the “what” of specific capacity-building functions.

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