

Capacity building what it takes from funders

Barbara Kibbe

The nonprofit's path to effectiveness can to a great degree be defined as appropriate attention to leadership, governance and planning. What then is the funder's role in building these core capacities or other important specific capabilities? How can a grantmaker ensure that the support offered is itself effective?



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Nonprofit organizations, together with the communities they serve, can reap huge rewards when funders provide resources, knowledge and skill-building opportunities aimed at increasing effectiveness. Simply stated, there are considerable benefits for both grantmaker and grantee if both parties are paying close attention to the overall organizational strengths and challenges facing the grantee.

Funders who are committed to improving their own effectiveness tend to have greater credibility in working with nonprofits. When funders pay attention to their own capacities – when they ‘walk the talk’ – they are seen by grantees as sincere and trusted partners. The journey to effectiveness can be one that nonprofits and their funders take together, learning from each other and sharing with each other along the way. When working in partnership with nonprofits to build capacity, funders should pay attention to their own capacities in four areas: knowledge, flexibility, humility, and commitment.

Knowledge: Familiarity, awareness, or an understanding gained through experience or study. Learning, erudition

Grantmaking focused on building organizational capacity and effectiveness is not something a funder can or should undertake on a whim. In order to contribute in a positive way to an organization's effectiveness, capacity-building efforts should be built on a solid understanding of organizational theory and practice. Even small nonprofit organizations are complex systems. Funders, to put it bluntly, need to know what they are doing, because a naive approach can do real harm. Funders can unwittingly confuse grantees with casual observations or misdirect a grantee with advice that is off the mark. Imagine the dangers of a situation where a single non-

profit has multiple funders, all of which put a high priority on building capacity and effectiveness but each of which has a different, favored path to enlightenment.

The risk of mandating capacity-building work, if defined by a funder who lacks knowledge of this complex and rapidly evolving field, is that grantees may be compelled to focus on the wrong area or to invest precious time and resources in something trivial. Of course, it is people who hold and build knowledge. Whether they are brought in as consultants or hired as full-time foundation staff, the people who are making capacity-building grants can be effective only to the extent that they have relevant training and experience that enable them to diagnose organizational issues and intervene sensitively to help organizations build skills and reflect on systems, strategies and structures.

The funder is not the only knowledgeable person in this complex equation. The grantee will know his or her organization better than any funder ever will. That deep experience should be acknowledged and respected. In the right balance, the grantee's deep knowledge and the funder's perspective should combine to catalyze insight for positive learning and change. Few funders actually provide directly the capacity-building services needed by nonprofits, so funders need not become experts in all aspects of organizational development. More commonly, the funder considers the grantee's needs, coaches gently, brokers resources and funds a grantee's efforts. In these cases, the funder and the grantee often come to rely on the expertise and experience of an independent third party – a consultant, trainer or coach.

Selecting the ‘right’ consultant for a given project can be key to a successful outcome. The right consultant is someone with a rich variety of experience, including experience in the field in which the grantee works. These consultants have seen how different issues can appear in different organizations. They have developed a relevant and reasonably comprehensive toolkit of approaches and strategies for helping an organization succeed. Great dividends are realized when a consultant is committed to skills transfer, leaving behind new competencies as a result of the consulting engagement. There is no shortcut to knowledge. The most expeditious way for a funder to acquire deep expertise in organizational development and management is to hire someone who already possesses the invaluable experience of actually having run a

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nonprofit organization. For smaller funders, this may mean working with respected consultants/experts or working through trusted intermediaries, but it is also of great value to train program staff in the basics of organizational diagnosis.

Staying current

Just as essential as a practical and tested understanding of organizational development and capacity building is a familiarity with the current literature on organizational effectiveness. Part of the expectation for foundation staff and consultants working on these issues should be that they are up-to-date. New information on nonprofit performance and effectiveness is appearing all the time. Awareness of the latest findings and familiarity with the practices (and results) of other grantmakers are among the best ways to ensure that limited capacity-building dollars are deployed for the greatest effect. The best place to look for a comprehensive list of tools and resources relevant to the capacity-building grantmaker is the frequently updated website of Grantmakers for Effective Organizations, www.geofunders.org.

Reflection is a virtue

It is not just *outside* sources of knowledge and information that contribute to the success of capacity-building efforts. Often, grantmakers forget all the *inside* sources of information they have access to – including qualitative and quantitative data on the results of current and past capacity-building efforts undertaken with their own grantees.

Ideally, a commitment to helping build the organizational effectiveness of nonprofits should be paralleled by a funder's own internal commitment to continuous learning and improvement. Funders of capacity-building and organizational effectiveness can contribute importantly to building knowledge so the field can continue to advance. One low-cost, high-yield approach to building knowledge based on experience is to take time to reflect on completed capacity-building grants. A review of the original proposal file and reports, combined with a brief telephone interview with the grantee, can help to draw out lessons for future grantmaking. You may want to ask your grantees:

- ▶ What unexpected challenges did you face in connection with your capacity-building efforts? How did you address these challenges?
- ▶ What key lessons were learned through the process? How are these lessons being put into practice?

- ▶ What difference did this effort make in the overall effectiveness of your program/organization?
- ▶ How would you approach this project if you were to start over again, knowing what you know now?
- ▶ What advice would you give to others about to embark on a similar effort?
- ▶ How could we (your funder) improve our approach in the future?

The benefits of making a commitment to reflect on each capacity-building grant at its close (or shortly thereafter) are (1) a better sense of the challenges facing grantees in their efforts to enhance organizational effectiveness and (2) an improved ability to connect the capacity-building effort to its goal – improved effectiveness in pursuit of mission and goals. This input, in turn, can lead to (3) improved processes and guidelines for better customer service as well as (4) better alignment of process with hoped-for outcomes and, ultimately, (5) greater impact of the funder's capacity-building efforts.

Questions for funders

If you are willing to examine the adequacy of your knowledge for the task of building grantee capacity, you may want to ask:

- ▶ Do we have (or have access to) expertise in the areas of organizational development and nonprofit management?
- ▶ Are there ways in which we operate that impede rather than bolster grantee effectiveness? (eg Are our proposal or reporting guidelines overly burdensome? Is our decision-making process so cumbersome that it takes several months for us to act on a capacity-building grant?)
- ▶ Are we committed to keeping up-to-date on research in the fields of nonprofit management and organizational effectiveness/capacity building?
- ▶ Are we staffed adequately and appropriately to enable us to add value to the capacity-building work of our grantees?
- ▶ Do we adequately reflect on the outcomes of our capacity-building grantmaking? Are we continuously improving on our approach based on current research?
- ▶ Can we invest in external evaluation so that we contribute to building knowledge for ourselves and for the field?
- ▶ Are we learning? And are we using what we are learning? @