

# 2004 TROPMAN REPORTS

Applied Research about the Pittsburgh Region's Nonprofit Sector

## AN ANALYSIS OF THE PITTSBURGH REGION'S CAPACITY-BUILDING INDUSTRY: *Who Is Doing What for Whom and to What End?*



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Capacity-building organizations have flourished in recent years, and so has the scope of their activities and services. Noting substantial growth in an "industry" of consultants, private and nonprofit firms, management support organizations, and academic centers dedicated to providing technical assistance and leadership training to Pittsburgh's nonprofit sector, The Forbes Funds commissioned Judith Millesen at the Voinovich Center for Public Affairs and Leadership at Ohio University and Angela Bies at the Bush School of Government & Public Service at Texas A&M University to examine the quality of this industry. The study focused on understanding the characteristics of effective capacity-building initiatives by defining *who* (the capacity builders) is doing *what* (the kinds of support services provided) for *whom* (the types of nonprofits that are engaging in capacity-building initiatives) and to *what end* (whether capacity-building initiatives produce desired organizational change) and addressing four key questions:

- What types of capacity-building initiatives are most desired by Pittsburgh-area nonprofit organizations?
- To what extent are nonprofit leaders well-served by local consultants and educators? How accessible are providers? What are the barriers to participation?
- What strategies result in greater ability to accomplish mission-focused, capacity-building goals and objectives?
- In what ways do successful capacity-building initiatives leverage other types of organizational change?

#### RESEARCH DESIGN

Millesen and Bies created a four-stage multi-method research design that offered an opportunity to empirically examine the link between capacity building and organizational change. In the first stage of data collection, the team collected archival data from capacity builders, nonprofit organizations, and area foundations to provide important insight into the region's capacity-building landscape and establish the context for analyzing the interview and survey data. Stage two involved conducting in-depth interviews with capacity builders and foundation executives. In sum, 34 providers representing 31 different organizations (eight were affiliated with educational institutions, 13 were nonprofit providers, and 10 worked for private firms) and four foundation executives were interviewed. In the third stage of data collection, the team hosted five focus groups with nonprofit leaders representing organizations in various service fields (19 overall participants). The final stage involved distributing a web-based and follow-up mail survey to 880 Allegheny County nonprofit organizations to ascertain the degree to which they actually relied on the capacity-building industry for training, skill development, and technical assistance. The survey was also used to assess user experiences and satisfaction with capacity-building

SOURCE OF CAPACITY-BUILDING ASSISTANCE									
TYPE OF ASSISTANCE	FACILITATED INTERNALLY	PEER LEARNING	WORKSHOP/TRAINING				INDEPENDENT CONSULTANT		UNIVERSITY-BASED COURSE
			MSO	STATE ASSOC.	NAT'L ORG.	ACADEMIC CENTER	NON-PROFIT	PRIVATE	
Adaptive Capacities n=175	223 (34.36%)	138 (35.84%)	45 (26.01%)	48 (44.44%)	18 (41.86%)	55 (33.74%)	54 (29.51%)	78 (18.66%)	32 (32.32%)
Leadership Capacities n=155	86 (13.25%)	74 (19.22%)	42 (24.28%)	24 (22.22%)	9 (20.93%)	45 (27.61%)	50 (27.32%)	40 (9.57%)	31 (31.31%)
Management Capacities n=164	171 (26.35%)	84 (21.82%)	42 (24.28%)	21 (19.44%)	9 (20.93%)	29 (17.79%)	38 (20.77%)	101 (24.16%)	18 (18.18%)
Technical Capacities n=177	169 (26.05%)	89 (23.12%)	44 (25.43%)	15 (13.89%)	7 (16.28%)	34 (20.86%)	41 (22.40%)	199 (47.61%)	21 (21.21%)
<b>Total</b>	<b>649</b>	<b>385</b>	<b>173</b>	<b>108</b>	<b>43</b>	<b>163</b>	<b>183</b>	<b>418</b>	<b>99</b>

*Note: n indicates the cumulative number of separate types of assistance related to each core capability.*

initiatives, the types of organizational and/or board change that had taken place, and to collect basic organizational and demographic information, including but not limited to capacity-building expenditures.

**PROFILE OF SURVEY RESPONDENTS**

The online survey or written questionnaire was completed by 202 nonprofit leaders, resulting in a 23 percent response rate. The largest category of organizations represented was human service organizations (38 percent). Following were educational institutions (17 percent), economic and community development (10 percent), health (9 percent), and arts/culture (8 percent). The sample is evenly distributed in terms of organizational age, with date of establishment ranging from 1839 to present. Fifty percent of the organizations reported annual expenditures less than \$758,000. The average (mean) age of respondent CEOs was 48 years old, with an organizational tenure of 9.16 years. There was a fairly even distribution of annual income, with 22 percent earning \$25,000–\$49,999, 31 percent earning \$50,000–\$74,999, 19 percent earning \$75,000–\$99,999, and 11 percent earning more than \$100,000. This group was predominately Caucasian (76 percent), highly educated (67 percent with advanced degrees), and almost equally split in terms of gender (49 percent female, 51 percent male).

Nearly half of the respondents (46 percent) reported that continuing education expenses were reimbursed by the organization. In the past two years, over 58 percent indicated

they had hired a consultant, 60 percent said that they had attended a workshop, training, or seminar, and 55 percent claimed they had participated in a peer learning initiative. Over one third of respondents (39 percent) indicated that staff members spend at least one full day per month dedicated to professional development and that in the preceding 12-month period, the organization had invested an average of \$41,502 in capacity building initiatives, with the most frequent investment at a level of \$15,000. On average, 2.7 percent of annual operating expenses was devoted to capacity-building expenditures.

**RESEARCH FINDINGS**

**The Types of Capacity-Building Assistance**

Previous research, conducted in 2002 and 2003 by The Forbes Funds’ investigators, points to an abundance of educational resources for nonprofit managers available through higher education programs in the Pittsburgh area. There is also an extensive repertoire of technical and consultative support activities that are just as diverse as the sector they serve. We relied on the work of Paul Connolly and Peter York to help frame the full range of Pittsburgh’s capacity-building efforts into “four core capabilities essential to any nonprofit”:

- **Adaptive capacity** encompasses planning, assessment, evaluation, and collaboration;
- **Leadership capacity** refers to board and executive leadership;
- **Management capacity** is associated with effective use of human, operational, and volunteer resources; and

- **Technical capacity** is related to the implementation of core organizational and programmatic functions (financial management, fundraising, technology, marketing, legal, etc.).

This typology was used to frame the kinds of capacity-building initiatives nonprofit administrators were actually engaged in or embarking upon, and to measure practices in Pittsburgh’s sector.

The most common form of capacity-building help provided was in the area of technical capacity, followed by adaptive capacities, management capacities, and leadership capacities. The majority of respondents indicated they had sought help in the area of board development/governance (66.3 percent), program evaluation (64.8 percent), information technology (62.4 percent), strategic planning (61.9 percent), finance, budgeting, and accounting (55.9 percent), and resource development/fundraising (53.0 percent). Interestingly, over 70 percent of the survey respondents reported *having* a strategic plan. The majority, however, indicated that the planning process and the production of the report had been done internally. The survey also asked respondents to report on the source of capacity-building assistance provided. The two most prevalent of sources of external assistance were private consultants and peer learning or exchange opportunities.

**Quantity, Access, and Quality**

Survey respondents indicated there were an adequate number of capacity-building providers in the region. Survey respondents were also generally more or less satisfied with services they directly utilize, but unequivocally mixed in their perspectives on capacity-building resources more generally. On average, they were pleased with the number of degree and non-degree programs at local universities, the number of trainings and workshops, and the number of consultants. Only one-third indicated that they had sufficient access to capacity-building research, publications, and tools. Most would like more opportunities to interact with peers or in learning networks.

Others suggest that there may actually be *too many providers*, and that there may be opportunities for increased efficiency or streamlining of resources.

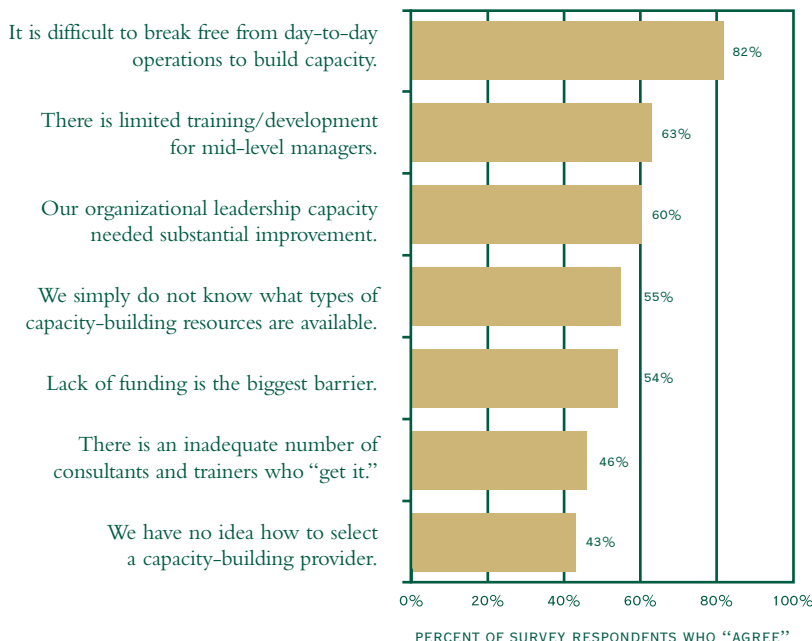
Although the majority surveyed believed there were a sufficient number of consultants, the consulting industry was criticized for not “getting it” (i.e., not being able to understand the circumstances of individual nonprofits) and not having enough capacity-building programs that effectively serve ethnic communities. Interview and focus group data provided additional insight regarding accessibility issues. Although many of the people interviewed expressed that capacity-building resources were more than adequate for the region’s nonprofits, a common theme was that nonprofit administrators simply do not know that there are “people out there who can help them,” nor do they understand how capacity building can “provide them with a greater ability to meet their goals.” Even when nonprofit administrators recognize the need for help, there is still the issue of finding “cost-effective” assistance. As one provider said, “I think there are some very high-quality service providers here...I think the biggest issue is [how] nonprofits will pay for those services.”

**Key Barriers**

Study participants identified three key barriers that hindered a nonprofit organization’s pursuit of capacity-building services:

- 1) Too many nonprofits are unable, unwilling, or fearful to admit they need help. Sometimes this “unwillingness” is because organizational stakeholders (board members and executive staff) maintain a strong commitment to the status quo, “We don’t want to know what we don’t know.” At other times it is naiveté, “We don’t know what we need.”
- 2) There is limited capacity to build capacity. Study participants argued for a significant investment in operational support even if that meant curtailing funding for programmatic expansion. As one person said, “There’s a lack of infrastructure

**BARRIERS TO CAPACITY BUILDING**



	QUANTITY	ACCESS	QUALITY
<b>GENERAL OBSERVATIONS ON CAPACITY BUILDING RESOURCES</b>			+/-
...Programs in the area have demonstrated they can achieve results. (45% agreed)			
...Too few capacity-building programs serve specific ethnic communities. (45% agreed)	-	-	
...Nonprofit CEOs have great access to capacity-building research, publications, and tools. (36.6% agreed)	-	-	
...There is an adequate number of consultants and trainers who “get it,” who are able to meet organizations where they are, with their current needs. <b>(25% agreed)</b>	-	-	-
<b>ACADEMIC PROGRAMS AND RESOURCES</b>			
...Bring a level of quality to capacity building. (72.3% agreed)			+
...Nonprofit management degree programs offered at local universities are of high quality. (60.9% agreed)/Non-degree programs (e.g., executive education, continuing education, certificate programs) in the area are of high quality. (53.5% agreed)			+
...There are too few nonprofit-related degree programs at local universities. (22.8% agreed)/ There are too few non-degree programs (e.g., executive education, continuing education, certificate programs) in the area. (11.4% agreed)	+/-	+	
...Research conducted at local universities on nonprofit issues is important to nonprofit capacity. <b>(69.8% agreed)</b>			+
<b>CONSULTING SERVICES</b>			
...Capacity-building consultants in the Pittsburgh region offer high quality services. (57.9%)			+
...There are too few capacity-building consultants in the Pittsburgh region. (10.9% agreed)	+/-	+	
<b>WORKSHOPS/TRAININGS</b>			
...Workshops that exist on capacity building are of high quality. (46.5% agreed)			+/-
...There should be more capacity-building workshops. (52.5%)	+/-	+/-	
<b>PEER LEARNING</b>			
...There should be more opportunities to interact with peers for the purposes of learning about capacity building practices. (73.8%)	-	-	
...I find it really useful when I interact with peers for the purposes of learning about capacity building. <b>(79.2%)</b>			+

**Note:** The “+” symbol indicates strength or a positive response by the respondent, a minus sign a weakness or area of improvement would be desired, and a “+/-” symbol mixed results.

...we are throwing money at things, at people who can't absorb it...[you need] the money to buy the equipment and the staff to maintain it." Survey respondents further noted an important need to develop leadership capacity, not just at the executive level but also at the middle-management level, and scarcity of training in this regard.

- 3) Numerous resource-related constraints (such as tight budgets, time limitations, and competing expectations for resources) hindered an agency's ability to think strategically about the kinds of assistance that might be needed.

**Quality Capacity-Building Relationships**

There was considerable convergence among those we interviewed regarding the qualities of productive capacity-building relationships. Respondents described good relationships using words like teams, partnerships, collaboratives, and friendships. Positive and productive relationships encouraged the participation and involvement of board and staff, recognized the need for confidentiality, and included high levels of communication, trust, and integrity. Strong relationships also exhibited high levels of mutual respect and an appreciation for the nonprofit's scope of work, shared vision and common goals, a well-defined scope of work, and mechanisms for holding everyone accountable. The best relationships were those where the organization was open to change and the capacity-builders "rolled up their sleeves" to work "side-by-side" with nonprofit representatives (board, staff, and other stakeholders) to diagnose problems, design solutions, and implement plans.

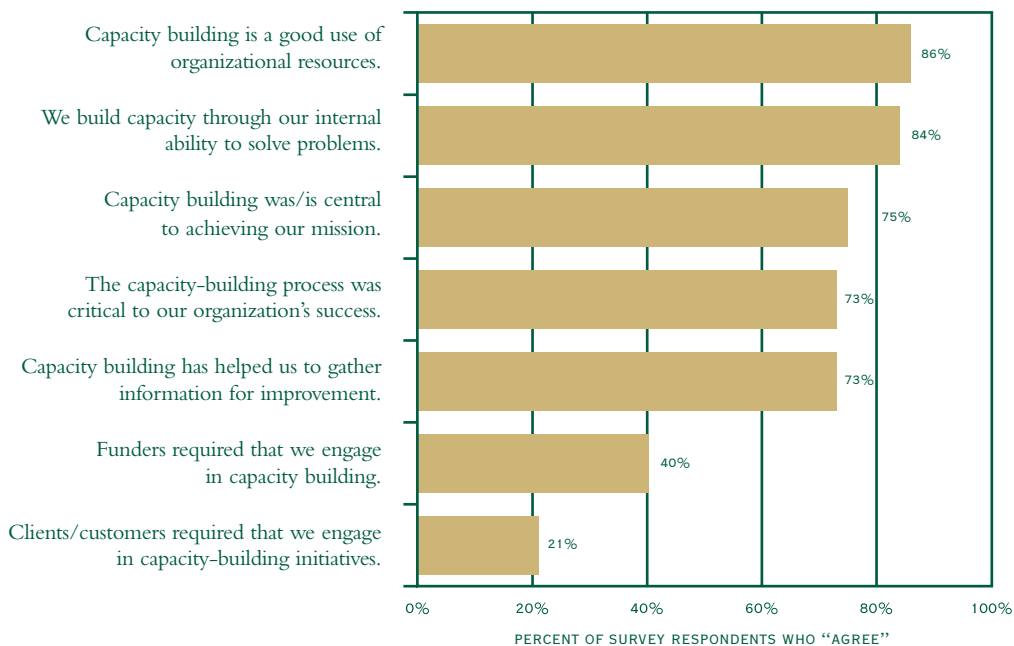
Elements of not-so-successful capacity-building relationships were characterized by personality mismatches, arrogance (on the part of the capacity builder and/or the nonprofit executive), and the mistaken motivation for engaging in the capacity-building initiatives (capacity building did not work when it was "mandated and not really wanted by the people who have to implement [it]").

**Leveraging Organizational Change**

Because of the nature of organizational change processes, it is challenging to establish direct or causal links from capacity-building interventions to measurable organizational outcomes (either quantitative or qualitative). The sheer complexity of the issues addressed by most nonprofit organizations, combined with interrelated and sometimes dependent inter-organizational dynamics and the financial, technological, operational, and human resource challenges facing administrators, make it difficult to distinguish how changes to one part of the system affect other parts of the system. In spite of this intricate web of interrelated issues and problems, survey respondents provided important data linking a general organizational orientation toward self assessment and change with appreciable improvements in organizational performance. Specifically, the survey data suggest that organizational leaders who believe that capacity building is a good use of organizational resources, crucial to success, central to achieving mission-related goals and objectives, and useful for organizational improvement, can directly attribute changes in their work and their organizations to capacity-building interventions. As one survey respondent indicated, "We have a broader perspective of the opportunities and potential models and methods. We've been inspired to 'take the next step' to grow the organization in terms of staffing, programs, and stature. There is a different working culture among our staff and board."

These findings suggest that to fully appreciate the ways in which capacity building leverages other types of organizational change requires a basic understanding that at the core of successful capacity-building interventions is a deep commitment on the part of nonprofit administrators to "do more better." Capacity builders and focus group participants claimed that behaviors indicative of this commitment are things such as: an investment in professional growth and development; an ability to look objectively, critically, and strategically at organizational

**CAPACITY-BUILDING ORIENTATION IN NONPROFITS**



operations; the willingness to confront fear, embrace change, and take prudent risks; and the humility to admit when you need help or when you have failed.

### **Recommendations to Improve the “Industry”**

This study revealed that a number of exciting capacity-building initiatives are underway in Pittsburgh and that capacity-building assistance has vitally important implications for organizational change and improvement. This study also shed light on the complexities of capacity-building dynamics and the worrisome barriers and challenges facing nonprofits in the Pittsburgh area. Enhancements to the industry call for:

- greater coordination and opportunities for peer interactions and executive and middle-management coaching;
- establishment of resources to help nonprofits “diagnose” their capacity-building needs;

- increased mechanisms for evaluating capacity-building providers;
- improved access to value-added information on capacity building;
- training for nonprofits on how to work with capacity-building providers; and
- shift in mindset to strategic philanthropic investments in capacity building tied to organizational deliverables.

### **Acknowledgements**

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