

A red kite is flying in a dark, stormy sky. The kite is positioned in the upper right quadrant of the image. Below the kite, a dark red horizontal band contains the title text. The bottom half of the image shows a green field with a fence, under a lighter, overcast sky.

# **Restranging Kites in Windstorms: Reflections on Capacity Building During Challenging Times**

A Publication of The Cameron Foundation

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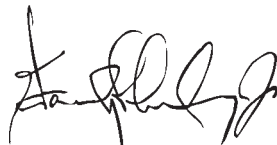
## Forward

As we reviewed the initial years of grantmaking in the localities served by The Cameron Foundation, our board and staff carefully considered how to best meet the myriad direct-service needs of the community alongside the organizational needs of the nonprofit partners in service to those communities. In addition to developing a broad range of capacity-building tools and resources to assist our grantees, we commissioned Virginia Commonwealth University to undertake a three-year documentation study, which primarily sought to illuminate the development and implementation of the Foundation's capacity-building strategy. Our intention in funding the development and publication of this monograph is to kindle candid discussions across the philanthropic sector about improving nonprofit capacity, particularly in light of the new economic reality faced by nonprofits and grantmakers alike. We hope the ideas that emerged from the documentation of our experience will generate conversations that can inform and transform ongoing strategies.

We have found the work of meeting these challenges enormously difficult—the pace of creating change has been taxing to both our patience and our resources. Among the discernable results, we have found much in which we can take pride, but candor and transparency demand that we also own our disappointments, of which there have been many. Fortunately, in executing our ongoing commitment to increasing nonprofit effectiveness, we are learning how to better serve our community in equal measure through our disappointments as well as our successes.

The primary question that grounds this thought piece is: *How, in this time of rapid change, can place-based foundations change the opportunities available for communities to thrive?* In the attempt to identify possible responses to this query, the VCU research team led by Drs. Kevin Allison and Nancy Stutts drew upon years of in-depth interviews with nonprofit partners and community stakeholders, extensive literature reviews, documentation reviews, and their ongoing observation of the Foundation's activities. In addition to describing key emerging lessons, the monograph identifies critical shifts in thinking that will be required in order for local foundation leadership to improve philanthropy's place in the work of communities.

Although the lessons presented here are indeed the result of careful analysis and synthesis, they are by no means comprehensive. As a young foundation, we have been uniquely positioned to capture and document our history and community impact from the very beginning and assess how our grantmaking strategies have evolved over time. The board and staff of The Cameron Foundation hopes that this monograph will contribute in a modest way toward furthering the capacity-building conversation, and we look forward to your thoughts and ideas as we continue to evolve our strategies for the future.



Handy L. Lindsey, Jr.  
President and Chief Executive Officer  
The Cameron Foundation



## Introduction

On the surface, place-based donor investments in nonprofit capacity seem straightforward—a consultant here, some board development there. Even in places with low wealth, limited nonprofit infrastructure, and a sparse professional philanthropic tradition, the thinking seems to be that if you throw in some strategic planning, add a better data system, update the bylaws, and perhaps inject professional fund development staff, organizations will prosper.

Those who have peered beneath these assumptions understand that nonprofit capacity building can be as complex and varied as the histories, places, and people who shape those organizations. Seldom is the work straightforward; however, the current economic climate and significant structural changes in many communities make the return on investment in capacity building much less clear than is assumed.

In the pages that follow, we describe the documentation of the capacity-building work of The Cameron Foundation, a young health legacy foundation located in Petersburg, Virginia. This report is an attempt to capture, share, and perhaps engage conversation around some of the lessons learned from the Foundation's attempts to establish itself and take root as a strengthening resource for nonprofits and, more importantly, the communities they serve. In the process, we have learned that the data on the region's disparities does not begin to capture the insular nature of the regional context. To navigate this terrain, the Foundation has had to look for new and varied pathways for addressing challenges and taking advantage of opportunities.

This is not a story that has a precise and clear ending, nor universal answers. Capacity building is a process that occurs within unique constellations of place and relationships that change and evolve. Sometimes strong winds come up and organizations scramble to get their bearings. It is our hope that sharing the Foundation's journey

may further considerations about philanthropy's responsibility to understand the critical importance of learning how its investments are playing out in the home, on the street, and at the policy-making table, and how even minor adjustments in philanthropic practice may serve to build capacity for the community's future. *The Foundation's proactive investment in documentation is a reminder to all who share in the work of philanthropy of the importance of questioning what it means for communities to engage in the work of the public good.*

Foundation investments in local nonprofit capacity have proliferated over the last 20 years, yet understanding the effectiveness and success of capacity-building methods is limited. This is in part because many assume—or hope—that there is a clear line that leads from training people and bolstering organizational infrastructure to improving community outcomes. The evidence explicitly linking any investment in this hope to substantial community change is not so clear.

In 2003, The Cameron Foundation emerged from the sale of the local hospital in a highly distressed region in south-central Virginia. The Foundation understood the complexities of giving away money effectively for the challenged communities in which they live and work. Given the limited knowledge base concerning the effective use of an unprecedented influx of philanthropic funds in high-need communities, the Foundation opted to act and learn simultaneously. To do so, the board agreed to the president's request for an investment in documentation, a type of formative evaluation that would continuously capture, reflect on, learn from, and adapt the charitable investment process. Documentation allows all stakeholders, not just grantees, to reflect on how to strengthen their work better, and few would disagree that keeping nonprofits aloft during the turbulence of the economic crisis has proven a challenge for even the most skilled nonprofit and philanthropic entities.

## Learning Methods and Strategies

Documentation is a methodology geared toward learning. It is “an approach that seeks to document a program’s characteristics, [specifically] its aims; activities, processes or implementation; key decisions about its operation; and how well it is moving towards accomplishment of its goals” (Susan Wisely, personal communication, July 26, 2005). The approach allows a move beyond examining the success or efficacy of an individual program, expanding the perspective to include broader and more complex philanthropic or community-change initiatives. Documentation holds up a mirror for all stakeholders in broad-based efforts—donors, grantees, and community members—to decide how well they are doing and how to do better. To accomplish this goal, the Foundation and documenters grounded the current project in values of participation and shared learning. They also extended the basic documentation purpose of assessing progress by framing the methodology within principles of community-based research. This led to a participatory model that included perspectives of those working to create change as well as organizations being served.

The Cameron Foundation documentation employed a variety of quantitative and qualitative methodologies, including nearly 100 stakeholder interviews, five surveys, ongoing observation, analyses of more than 150 historical documents, and reviews of academic research and local organizational and demographic data. Documentation reports based on observation, interviews, and surveys featured largely anonymous results to increase the likelihood of candid responses, which reinforces documentation’s value as a learning, rather than judging, approach to evaluation. Our studies included descriptions of the history of the region and The Cameron Foundation’s development, a review of research on health legacy foundations, and a review of the literature and national foundation discourse on capacity-building “best practices.” We also

initiated and incorporated original research, including a social network analysis of local nonprofits (Johnson, Honnold & Stevens, 2010); a study of the economic implications of the nonprofit infrastructure in the state and foundation’s service area (Salamon, Geller & Sokolowski, 2008); and interviews and surveys examining local consultant, nonprofit, community leader, and foundation perceptions of “successful” capacity building investments.

The documentation process involved an ongoing dialogue and engagement with the Foundation’s staff and directors; work to define and shape questions and strategies to address and frame key questions each year; and reports to and discussions with foundation staff and directors on learning from documentation strategies. The documentation research not only answered questions about the capacity-building initiative, but it also posed critical and challenging new questions with which the Foundation and documentation group could wrestle in order to strengthen the work and continue learning (Constantine, 2002).

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## Background

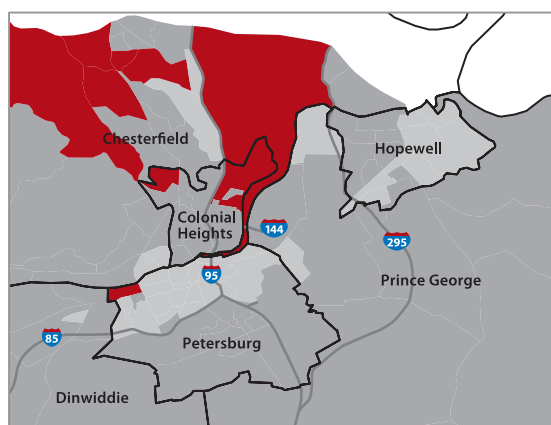
To understand this capacity-building effort, it is critical to understand the context in which it was formed. Some of the state’s most impoverished areas are within The Cameron Foundation’s 1,441 square mile service area, Southside Virginia, which is a loosely defined region comprised of three small independent cities,<sup>1</sup> several rural counties, and a growing military base. In 2009, a population of about 210,836 put Southside just shy of two percent of the state’s population.<sup>2</sup> The region demonstrates notable variability in terms of racial, socioeconomic, and cultural characteristics both within and across localities.

*Some of the state’s most impoverished communities are within The Cameron Foundation’s 1,441 square mile service area, Southside Virginia.*

The level of challenge in the service area is illustrated by the region’s educational infrastructure and poverty data. For example, based on Virginia Department of Education achievement results for 2009-2010, only four schools (elementary through secondary) in the state received “accreditation denied” status as part of the No Child Left Behind Act. Of those four, two were in the city of Petersburg and one was in Sussex County, a rural county within the Foundation’s service area. Variability across the region is also reflected in educational attainment. Petersburg has the lowest graduation rate in the state with 42.4% of the population over 25 years of age never having graduated high school. Comparatively, only 11.9% of the population over 25 from a more suburban portion of the Foundation’s service area, Chesterfield County, has never graduated high school.

Between 2000 and 2010, poverty within this already-challenged region increased, but due to the economic downturn, financial hardship is becoming less geographically concentrated. Table 1 presents regional household income for the Foundation’s service area in 2000 and 2010. The relatively prosperous populations of Chesterfield County and Colonial Heights saw the greatest increase in low-income households, though all localities saw increases in low-income populations. Overall, the most significant changes regard those with moderate to high levels of income in the region. Every locality experienced a drop in those with high incomes, and again Chesterfield experienced the biggest change (17%) followed by Colonial Heights (14%).

**FIGURE 1.** Estimated Median Household Income in The Cameron Foundation’s Service Area (2010).



Median Household Income 2010 (1999 dollars)

Light Gray	up to \$25,000	Dark Red	\$50,000 – \$75,000
Medium Gray	\$25,000 – \$50,000	Light Red	\$75,000 and up

Source: GeoLytics Estimates and Projections, 2010-2015. Data compiled by Michela Zonta, Virginia Commonwealth University.

<sup>1</sup> Somewhat unique among states, Virginia localities (i.e., cities and counties) are independent government jurisdictions. Cities are independent from counties with separate administration.

<sup>2</sup> Source: U.S. Census Bureau (2010). State and county quick facts. Retrieved from <http://quickfacts.census.gov/qfd/states/51/51041.html>



**TABLE 1.** Household Income Range 2000 and 2010

Source: GeoLytics Estimates and Projections, 2010-2015. Data compiled by Michela Zonta, Virginia Commonwealth University.

	Very low income	Low income	Moderate income	High income
2000	28%	20%	21%	31%
2010	28%	26%	27%	19%

Very low income = up to 50% of regional median; Low income = 50%-80%; Moderate income; 80%-120%; High income = above 120%

Socioeconomic conditions in Petersburg, the largest of the cities in the service area, are particularly severe. Like many small southern cities that once thrived in a segregated, manufacturing-based economy, Petersburg has been slow to recover from major changes in its economic base and demographic composition. Between 1971 and 1995, Petersburg’s manufacturing jobs were cut in half and lower paying service jobs increased 214% over a 30-year period. Once a tobacco manufacturing boomtown, Petersburg also experienced a major economic blow in 1984 when Brown & Williamson Tobacco Co. began closing the doors of its local factory because of a failing tobacco market in the U.S. At its peak, the plant employed 5,000 workers from the area with employees earning an average of \$13.83 an hour (Stone, 1985). At that time, Petersburg officials speculated that the factory’s closing would result in a \$30 million payroll loss and as much as \$150 million in related business and tax losses (Sherwood, 1983). Today, many Petersburg residents cite the closing of Brown & Williamson Tobacco Co. as a major turning point in the economic downturn of the city. The city of Petersburg took another economic hit in 1988 with the opening of a regional mall in Colonial Heights, a more affluent small city. According to many, Petersburg lost its reputation as a retail hub as a result, and to this day it has yet to fully recover in terms of total retail trade sales.

Similar to other small cities since the end of the Second World War, Petersburg has also experienced the struggles linked to post-war policies that favored larger cities and increased access to transportation. For many, connection to employment and opportunity within the region is challenged by limited transportation infrastructure. According to the U.S. Census, 8.2% of households in the service area do not have vehicles. This percentage varies from 20.9% in Petersburg to 3.2% in southern Chesterfield. Furthermore, this lack of transportation throughout the region prevents many residents from receiving adequate health and human services (CVHPA, 2005).

The area faces a range of related social challenges. A Department of Criminal Justice Services report on crime rates in 1998 and 2007 shows violent crime in Petersburg and Hopewell remains among the highest in the state (Wiggins, 2009). The teen pregnancy rate in the region was 63% higher than the state’s in 2003, and more than half of all births in the geographic area were to unmarried mothers. Five years later, all localities had high rates of teen pregnancy, with only two counties falling below the state average. Chesterfield County had the lowest rates with about 26 per thousand for 10-19-year-olds. Rates remained relatively stable within the region at large between 2003 and 2008, at 49 and 46 per thousand, respectively. Colonial Heights saw the largest drop in its teen pregnancy rate (56 to 37 per thousand) during this time period, while Petersburg saw the greatest increase (from 87 to 90 per thousand). (See Table 2 for an illustration of socioeconomic conditions in the Foundation’s service area compared to the entire state of Virginia.)



**TABLE 2.** Comparison of Poverty Indicators for Virginia and The Cameron Foundation’s Service Area

Source: Virginia’s Gateway Region Data Center [http://www.gatewayregion.com/data\\_center/data\\_center.php](http://www.gatewayregion.com/data_center/data_center.php)

	State of Virginia	The Cameron Foundation’s Service Area*
Teen pregnancy per thousand, 10-19-year-olds (2008)	26.3	46.2
Percent poverty (2008)	10.2%	4.4%
Median income (2008)	\$61,210	\$47,680
Schools with accreditation denied (2010-2011)	4	3**
Percent high school graduated (2000)	81.5%	73.5%

\* Chesterfield County was not included in calculations. The majority of this county’s population is not in the Foundation’s service area and data including this county masks the relative severity of conditions within the service area.

\*\* The region’s three schools denied accreditation are among the total of four schools in the entire state.

### Assets

To be fair, a portrait of the area must reflect regional assets and opportunities. Several of the localities that make up the service area include historically significant destinations, a marked asset. The Regional Tourism Study performed by the Crater Planning District Commission (2005) explains that when considered as a single historic entity, this region provides potential tourists with a remarkable story of the development of the United States from the pre-Colonial period to present day. Development and maintenance of certain historic aspects of the city are currently underway with the hopes that preservation will add charm and allure to Old Towne Petersburg. However, historic highlights of the area are not marketed well and many potential visitors bypass the city every day.

Despite the many economic pitfalls that seem to hinder growth in the service area, economic development is predicted to increase significantly with the Base Realignment and Closure (BRAC) plan at Fort Lee in Prince George County. The 2005 initiative is expected to raise the daily population of the fort from 16,273 to 32,666 by 2011. Expansion is expected to raise the economic impact of the fort on the local area to \$1.7 billion

by 2013. Not only will the region see an influx of money but also a new demand for housing, adequate schools, and entertainment (CPDC Report, 2007).

The opportunity presented by the BRAC plan has not been clear cut and potential benefits and significant demands associated with the anticipated growth may vary widely across the region. For example, Fort Lee employees do not seem to consider downtown Petersburg a destination of choice for any product or service, citing crime and personal safety as major deterrents. However, these same personnel believe the history, character, and historic buildings in the area are likely to attract visitors if family dining, fine dining, waterfront, and theater activities are added to the city’s under-tapped charm (Community Land Use and Economics Group [CLUEG], 2007). Reports including the Army-Community Heritage Partnerships Program Fort Lee-Petersburg Assessment Visit (2006) and the Urban Design Associate’s Strategic Investment Plan (2007), recommend that the region capitalize on the BRAC plan and the potential economic growth that could result if handled properly by the region.



## The Nonprofit Sector

Until the creation of The Cameron Foundation, the nonprofit sector serving the Foundation's funding area had very little dedicated philanthropy.

*To put the size of the Foundation in perspective, removing the nonprofit assets associated with Hospital Authority of Petersburg (whose sale created The Cameron Foundation) would reduce the total nonprofit expenditures per capita from \$1,394 to \$297 in 2005.<sup>3</sup>*

Not surprisingly, the sector has historically been small and has accessed fewer financial resources than the broader Central Virginia region (e.g., the Richmond metropolitan area) and the state of Virginia overall. In 2005, the area accounted for just one percent of the state's nonprofit organizations. Nonprofit employment accounted

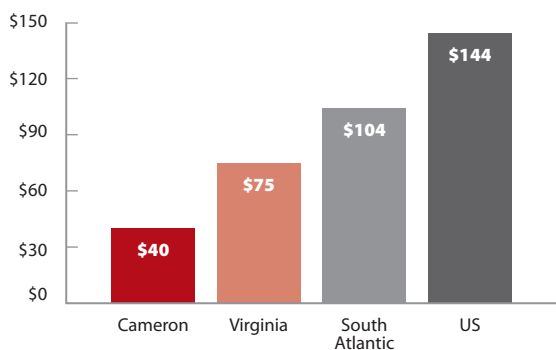
for just 1.1% of total employment, well below the state average of 5.9% and the Central Virginia Region, which includes The Cameron Foundation's service area (see Table 3 below). Prior to the creation of The Cameron Foundation, the area's nonprofits generated more than \$333 million in revenues, with 59% of that coming from hospitals. Nearly three-fourths of the service area's total nonprofit assets of \$445 million in 2005 were held by religious, grantmaking and civic associations (39%), and hospitals (33%).

As we consider the region's nonprofit sector, we might also note that the Commonwealth of Virginia is well below the U.S. average in nonprofit access to public and foundation funds. Funding received through government contracts and voucher payments in Virginia are lower than elsewhere and Virginia foundation expenditures are \$75 per capita, as compared to the U.S. average of \$144 per capita (Salamon et al., 2008). In contrast, the Foundation's service area per capita expenditures are only \$40.

In addition to having a relatively small and historically underfunded nonprofit sector, public partners in the region are notably varied in the range of challenges their constituents face and the level of assets to which they have access.

**FIGURE 2.** Foundation Expenditures Per Capita

Source: Salamon et al., 2008



**TABLE 3.** Nonprofit Employment in the State, Central Region, and The Cameron Foundation's Service Area

Source: Salamon et al., 2008.

	Virginia	Central Region	Cameron
Total employment	3,590,395	716,342	57,993
Nonprofit employment	210,974	31,731	626
Nonprofit employment as a % of total employment	5.9%	4.4%	1.1%
Nonprofit employment as a % of total state nonprofit employment	100.0%	15.0%	0.3%

<sup>3</sup> Nonprofit sector analyses in this section are based on data from Salamon, Geller & Sokolowski (2008), Virginia's Nonprofit Sector: An Economic Force, Johns Hopkins University



## A Health Legacy Foundation Emerges

The development of The Cameron Foundation, based on the proceeds of nearly \$124 million from the sale of Southside Regional Medical Center in 2003, changed the landscape for local nonprofits overnight. The change was an indirect result of U.S. policy shifts that reduced government and private payments for health services and increased privatization of those services. During this time, many hospitals changed from nonprofit to for-profit entities (Harrell, 2004), and based on charitable trust law, proceeds from the sale of nonprofit hospitals had to continue to serve the public in the realm of health and human wellness (Claxton, 1997). In response, between 1980 and 2002, the boards of nonprofit hospitals created 166 new, relatively large, local philanthropies, known as *health legacy foundations*. The Cameron Foundation was one of 13 health legacy foundations that emerged in Virginia.

### Early Foundation Decisions

Knowing the challenges its communities faced, the newly created Cameron Foundation board hired as its president Handy Lindsey, a seasoned foundation executive, in 2003. The board approved policies and procedures for grantmaking in April 2004 which specified the following program areas: health care, human services, civic affairs, community and economic development, education, conservation and historic preservation, and cultural enrichment. The types of grants that could be awarded were project grants, capital grants, technical assistance grants, and general operating grants.

That same year, the board decided that neither indirect nor overhead expenses would be covered in grants made by the Foundation to educational institutions, a decision that later was revised. The board also created a special fund for the City of Petersburg with grants in the total amount of \$15 million to be made over a period of 10 years.

### From Program Grants to Building Capacity

At the same time the Foundation was funding broad-based public projects, staff became concerned that the traditional program-based approach the board had adopted for nonprofits was inadequate in a highly distressed community with thin nonprofit infrastructure. In 2005, program officers researched capacity building and conducted a survey on the topic among Southside nonprofits. Results outlined in the resulting white paper suggested grants for general operations and core support would improve the organizational development of grant recipients and that local nonprofits considered capacity building crucial to their missions.

Based on these findings, the directors decided to significantly alter the original grantmaking policies. The criteria for general operating support were relaxed to enable organizations to receive funds for ongoing, core personnel, management, and fund-raising expenses. In exchange, applicants had to first undergo a rigorous self-assessment. The Foundation expanded the range of accepted activities for technical grants with this new goal of capacity building. The Foundation also decided to include relevant administrative and overhead costs in project grants, as long as they were done in proportion to the project's part of the operating budget.

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*Staff became concerned that the traditional program-based approach to funding the board had adopted was inadequate in a highly distressed community with thin nonprofit infrastructure.*

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Though its focus is on 501(c)3 organizations, the Foundation recognized that, by providing needed services, governmental agencies often act as vital partners to the nonprofit sector. In response, the board therefore decided to provide grants to local governmental entities for program-specific and special-project purposes, but not to satisfy normal and customary functions and duties of public agencies (e.g., cost of street signs or trash removal). In addition, guidelines said capital grants to government agencies would be very rare; no support would provide overhead, administrative, or operational costs; no state or federal agencies would receive any funding from the Foundation; and individual local departments would receive only one grant per year.

In sum, by 2005, grantmaking expanded to target capital improvement and operations for local nonprofit, civic, and government entities and the board agreed to staff recommendations to add a flexible, broadly defined capacity-building component to its grantmaking portfolio.

In 2007, the board further revised guidelines for grants involving technical assistance to include the designation by the Foundation of specific consultants that could render technical assistance in appropriate instances. The board also voted to provide support for a study of the economic impact of the state and local nonprofit sector and to employ foundation documentation to inform the capacity-building work as it unfolded.

To ground this work, the Foundation and the documentation group focused on what seemed a simple question: *What is organizational capacity and how is it built?*





# The Fundamentals of Organizational Capacity

Available academic literature acknowledges that *nonprofit capacity building* is a contested term, but it generally refers to processes that address nonprofit organizations' primary challenge, meeting the organization's two bottom lines: accomplishing its mission and securing financial sustainability. Simply put, *capacity building* refers to activities designed to strengthen an organization to better fulfill its mission. Nearly every aspect of an organization is considered to affect its capacity and most are interrelated.

There is little consensus in the processes and strategies relevant to building capacity and a disparate knowledge base guides those involved, such as the foundations, consultants, nonprofits, and communities served. Available academic research indicates the three main strategies employed to build capacity include:

- assessment of internal operations and the external environment
- interventions, such as management consulting, training, technical assistance, and
- direct financial support.

The Cameron Foundation's approach is grounded in the acknowledged struggle in articulating precise and easy definitions of capacity building. It draws on Grantmakers for Effective Organizations' (GEO) description of the boundaries, components, and practices linked to organizational capacity:

Although it is difficult to define exactly what an "effective" organization looks like, most successful nonprofits share the following characteristics: a vital mission; high-quality, well-regarded, and relevant programs; capable and motivated leadership, management, and staff; clear communications and accountability; a well-organized board with able and involved members; efficient operations and strong management support systems; and solid finances, with reliable and diverse revenue streams. (GEO, 2000)

Building on lessons from early grantmaking, The Cameron Foundation's initial approach to capacity building included:

- incorporating capacity building into the Foundation's normal responsive and strategic grantmaking process
- revising guidelines regarding grants for general operating support to allow indigenous (i.e., arising locally) nonprofits to seek funding for ongoing, core expenses
- expanding eligible activities to cover the full range of issues related to capacity building, and
- including relevant administrative and overhead costs proportional with the activities of project-specific and capital grant proposals.

The Foundation adjusted and refined capacity-building strategies on an ongoing basis, using the additional experience it gained while working with local organizations and consultants and learning from documentation reports. For example, early documentation findings recommended aligning the people, processes, and communications involved in capacity building, which the Foundation addressed by revising the technical assistance grantmaking process and adding a director of technical-assistance services position to offer:

- consistent, relatively comprehensive interaction between the Foundation and the people, processes, and structures involved
- a focused view of issues and constraints affecting nonprofits locally, and
- a streamlined, clear grant-award process with increased accessibility to technical assistance and Foundation staff support for grantees.

Investing in the Foundation's own capacity—internal assets and human capital—supported the ongoing growth and refinement of the work with organizations. The articulation of the Foundation's model and capacity-building process reflects an ongoing commitment to learning.



According to internal documents, the Foundation describes its current strategy in terms of three primary levels: Level 1, informing and supporting nonprofits; Level 2, supporting capacity-building intermediaries; and Level 3, providing technical assistance and general operating support grants. There is no specific hierarchy in the ordering of these strategies, and the Foundation has not structured or implemented the levels of capacity building to be mutually exclusive. A nonprofit organization can be engaged in capacity building at one or more of these levels (often simultaneously) throughout the course of its relationship with the Foundation.

### **Level 1: Informing and Supporting Nonprofits**

This level includes information sessions that focus on the Foundation's general grantmaking and capacity-building opportunities, the grant review process, grant report training, and two annual recognition awards. From a capacity-building perspective, information sessions are seen as giving nonprofits a chance to learn first-hand from the program staff how to be successful in approaching the Foundation and other funders. The grant review process is also a capacity-building tool; it involves individualized and hands-on work with program officers who review requests for funding with an eye to capacity needs that would support both organizational and programmatic success. This approach not only gives the applicant organization an opportunity to discuss the potential for partnering with the Foundation, it also provides a chance for the applicant to develop a relationship with a Foundation representative, with whom it can candidly discuss its organization's needs. Grant report training helps nonprofits plan for and manage program evaluations and outcomes—critical activities for achieving organizational mission. Finally, the Foundation has two annual awards (Cleveland A. Wright Award for Outstanding Community Service and the Excellence in Organizational Management Award) that recognize organizations that demonstrate a commitment to building capacity.

### **Level 2: Support for Capacity Building Intermediaries**

In 2008, the Foundation awarded a grant to the Appomattox Regional Library System to facilitate Southside Community Partners (SCP), a formal merger of three closely-related but separately-funded projects: the Nonprofit Resource Center (NRC), Connect Southside, and Focus, INC. The name of this newly merged intermediary organization was officially changed to "Southside Community Partners: A Nonprofit Resource Center" in 2009. The Cameron Foundation took an active role in designing and implementing each component of the SCP, and an advisory council, including representatives from the Foundation as well as government and community organizations regularly inform SCP programs. The Foundation's director of capacity building is responsible for monitoring the activities of the programs to ensure they align with the Foundation's capacity-building goals and objectives.<sup>4</sup>

<sup>4</sup> The components of the Southside Community Partners program are described in further detail below.

**Nonprofit Resource Center** - Officially opened for business in May 2007, the center operates in a designated space at a regional library, with a computer lab and training space. The center's collection includes over 300 titles related to nonprofit management, board governance, and fundraising, as well as nonprofit periodicals and electronic reference materials. A nonprofit reference librarian serves as coordinator of the center.

**Connect Southside** - This initiative provides a valuable online networking and resource tool for nonprofits; the system consists of an e-mail list which enables nonprofit staff to answer questions about nonprofit management and resources instantly, a website which contains the latest news and research of interest to nonprofits, a calendar of events in the area, a list of job openings and funding opportunities, and educational opportunities to help nonprofits work more efficiently and effectively. Over 490 organizations in the Foundation's service area have registered on the website since its launch in October 2007. The site reached a high of 18,125 unique website visits in 2009.

**Learning & Leadership** - In the Fall of 2006, The Cameron Foundation staff engaged a nonprofit management consultant to help them design an educational program that would meet the needs of nonprofits in its service area. Formerly titled Focus INC (Increasing Nonprofit Capacity), this resource was established to provide affordable, flexible, and relevant professional and organizational training sessions related to board development, management, program planning/evaluation, and fundraising.



### **Level 3: General Operating Support & Technical Assistance Grants**

Once nonprofits have attended information sessions or SCP classes and workshops, the organization or Foundation may perceive that more intensive assistance is needed in a particular area, such as board development. The Cameron Foundation's General Operating Support and Technical Assistance Grant Programs are available to assist nonprofit capacity building in different, but often complimentary ways.

General operating grants are intended to fund an organization's ongoing operations, including the regular personnel, administrative, fundraising, and office expenses of existing agency programs. Technical assistance grants are intended to support organizational development and/or effectiveness through the provision of operational or management consultation services, including, but not limited to, fundraising and marketing assistance, financial planning, program development, strategic planning, program evaluation, and board and/or staff development. With assistance from the Foundation's staff, technical assistance grant recipients select professional nonprofit consultants to provide the services. All applicants for general operating support and technical assistance grants are required to undergo a detailed assessment of their organizational capacity.

### **Foundation Impact**

Documentation findings suggest that the refined technical-assistance initiative is expressly designed to be responsive to the interests of the grantee. Based on the widely accepted assumption that good people make good organizations and good organizations attract funding and meet the community's needs, the Foundation's core capacity-building strategy targeted human and organizational development. A key aspect of the Foundation's strategy has been a commitment to strengthening the region by employing local professionals, organizations, and resources to support their work. The Foundation has also taken a deliberate approach to reducing traditional, power-based, donor-grantee relationship constraints and improving candid communications among all parties. Specifically, it has grounded its revisions according to the values of openness, accessibility, transparency, and partnership.

The Foundation itself has engaged in a reflective learning process that supports the continued development and evolution of its capacity-building strategy to meet the changing needs of the nonprofit sector. Beyond documentation, the Foundation's board and staff have incorporated opportunities for learning from peer foundations and philanthropic associations into their strategy and overall grantmaking approach. In addition, the ongoing refinement and adaptation of The Cameron Foundation's capacity-building work has moved to fully integrate capacity building as a core component of its overall grantmaking. At the same time, the Foundation continues to challenge its assumptions about what works and why.

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*While the Foundation carefully honed its approach in response to local conditions, the wind abruptly shifted and the world changed.*

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## So, Why the Windstorm?

While the Foundation carefully honed its approach in response to local conditions, the wind abruptly shifted and the world changed. The scale and impact of the economic downturn that began in 2007 continues to create uncertainty for families and nonprofit, government, and for-profit organizations today. While the impact of the recession on nonprofits varies according to purpose, place, and revenue base, the increase in human need and overall decline in charitable giving continues. According to Giving USA estimates, after sharp decreases in 2008, corporate giving rose an estimated 5.5%, while individual giving fell only 0.4%. However, charitable bequests fell an estimated 23.9%, and foundation funding fell by 8.9% in 2009. As a whole, donations to religious organizations, education, foundations, public benefit organizations, and arts, culture, and humanities organizations decreased. In addition, state allocations to education, health care, and human services dropped by five percent in 2009 and another four percent in 2010 (Banjo & Kalita, 2010).

Such constraints may be exacerbated in areas with a limited history of philanthropic resources and a small nonprofit sector; however, being small and accustomed to “making do” may also provide advantages in challenging times. Without clear templates for action or the luxury of delaying responses to local need, the Foundation considered what efforts and investments would be most useful. Specifically, how could The Cameron Foundation leverage nonprofit capacity during a time of unprecedented economic difficulty in a community facing growing social challenges? We describe below a series of questions, lessons, and actions with which the Foundation continues to engage in its capacity-building work.



*How could The Cameron Foundation leverage nonprofit capacity during a time of unprecedented economic difficulty in a community facing growing social challenges?*



## What Are We Learning?

As we have reflected on the documentation of The Cameron Foundation's capacity-building work, we have focused on what lessons might be useful to other communities and foundations engaging in similar initiatives. In the following section, we outline six interconnected themes that emerged in this work to build local capacity:

1. Aligning resources, strategies, and objectives
2. Responding to "segments" of nonprofit organizations by diversifying tactics
3. Moving beyond the organization to target community-level change
4. Reconceiving leadership as engagement
5. Committing to the process and risks of learning, and
6. Building capacity adaptively.

### **Aligning (and Re-aligning) Resources, Strategies, and Objectives**

Alignment refers to the grantee's ability to target its resources and assets to achieve its mission, the Foundation's multiple strategies to build organizational and sector capacity, and the community's capacity to develop and implement strategies to become a healthier place to live.<sup>5</sup>

The documentation review of consultant practices, as well as the work of community infrastructure (e.g., content and focus of courses and training workshops), lifted up questions about whether the implementation of capacity building was conceptually focused or consistently aligned. While all partners used the same words, without a stated, consensus-based foundational model for change and ongoing, concerted feedback, components inadvertently worked against each other at times. For example, an initiative to teach people to develop new nonprofit organizations was not necessarily in

line with other efforts to build on existing assets, support collaborative programming, incubate ideas, and increase networking. Without alignment of the process, each step was potentially headed in a different direction based on differing assumptions and views of both organizational effectiveness and community change. In order to support progress toward an organizational or a community goal, clear complementary strategies are necessary across steps of the capacity-building process.

### **Responding to Segments of Organizations by Diversifying Tactics**


The core capacity-building efforts of the Foundation targeted human and organizational development; however, the organizations within the service region were diverse in size, level of organizational development, and capacity need. In The Cameron Foundation's landscape, review of grantee, consultant, and foundation staff perspectives reflected little agreement that the primary delivery mechanism chosen (e.g., consultants implementing "best practices") was broadly appropriate for the current set of challenges faced by the range of nonprofit organizations in the region. During an internal meeting, staff members and a consultant arrived at the idea of segmenting (i.e., dividing or clustering) approaches to organizational capacity across multiple organizational dimensions, such as size, age, level of organizational development, capacity need, and most important, readiness for change.

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*...Although we do not suggest undoing the professionalization of the nonprofit sector, it may be worth considering the costs and benefits of attempting to transform agencies...*

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<sup>5</sup> The critical importance of alignment also emerged as a key finding in the authors' documentation of a comprehensive capacity-building initiative of the Jessie Ball duPont Fund.



The Foundation continues to reflect on alternative strategies that could build and support nonprofit capacity and community outcomes through simple, targeted interventions. Examples include the following strategies:

- Expanding technical-assistance models to include coach, consultant, or embedded fellow(s) that work one on one with an organization over time, instead of shorter-term “fix and leave” strategies.
- Providing collaborative peer and external training opportunities among consultants, public and nonprofit leaders, board members, and/or foundation staff to educate, advance a learning-oriented culture, build local networks, and improve the quality of local professionals. The Foundation could devise cohort models to provide extended periods of capacity building. (For example, one technical-assistance model introduced in Foundation staff meetings with consultants was to have a group of grantees working together with one consultant on a common organizational issue.) The strategy has the added benefits of reducing the cost of one-on-one consulting for common needs, building learning relationships among organizations and increasing consultant accountability to grantees.
- Establishing community issue networks that bring together nonprofit, government, business, and citizen work groups to address broader critical community or sector issues (e.g., increasing employment and individual wealth through worker cooperatives). Current capacity-building programs could incorporate explicit and active linkages among nonprofit organizations to strengthen their readiness to be mobilized to work together on behalf of local issues.
- Creating collaborative or external management models, such as the development of shared-management or back-office resources (e.g., accounting, payroll, human resources, and technology) that may improve buying power and attract more talented professionals. (See Appendix for an overview of some models of capacity building, including shared resource alternatives).

These models may be especially useful and important in low-resource contexts where investing resources in duplicative infrastructure and building small but adequately resourced organizations is impractical. A one-on-one intervention is expensive, especially when needs are simple and shared among organizations. Considering the current economic climate, it is not surprising that the primary management area both grantees and consultants perceived to be challenging was resource development. Many seasoned executives would typically say this suggests a different problem, such as management or board development; however, is it useful to consider whether training the boards of 10 different organizations to support funding requests to the same two local funders is of true benefit to the community? Given the level of regional challenges, and the recent reduction in available resources, the documentation results raised a more basic consideration: If grantees operate at reasonable service or performance levels, rather than duplicate capacity within organizations to compete for the same dollars, the Foundation could reduce organizational capacity investments, increase coordinated or shared organizational resources (e.g., collaborative management), and open funds available for direct grants.

In some cases, perhaps with a collaborative support or management resource, some organizations should “regress,” that is, perhaps become smaller or return to voluntary status. They would not “fail” in the traditional sense that the nonprofit sector has adapted from business models, but they might shift in form so that the organization still provides its resources, benefit, and value to the community. Although we do not suggest undoing the professionalization of the nonprofit sector, it may be worth considering the costs and benefits of attempting to transform agencies that have significantly limited capacity to meet all organizational best-practice standards, especially when these practices do not necessarily or clearly meet the community’s needs.




Struggling with these options also raises questions as to where capacity should be located. Do foundations invest in intermediaries that allow programs and people to focus on what they do best? Does The Foundation reconsider expectations that each organization achieve best-practice management objectives when these practices may, in fact, avert and undermine limited program capacity, as well as the ability to think in terms of community goals? Moving from individual organizations to a collective model requires a fundamental shift in how we conceive of, understand, and implement capacity building.

### **Moving beyond the Organization to Target Community-Level Change**

As we consider potential alternatives to capacity building at the individual organization level, it is clear that *aspects of future capacity-building work will have to focus on connections, networks, and analyses of potential changes at the community level.* In considering the building of organizations amid distressed communities, we were reminded of an article, “Why are we replacing the furniture when half the neighborhood is missing?” (Newport, 2003). As we build the nonprofit sector’s capacity in the current economy, it will be critical to imagine or reimagine how specific communities might evolve over the next five to fifteen years. Facing large population declines and dramatic changes in local economies, some cities are considering how to reinvent themselves. To this point, we might ask how the Southside region and the areas that comprise it might appear in the future. Tumber (2009) suggests that due to better access to land at cheaper rates and proximity to agriculture, small- to mid-sized cities may be more agile and better able to use new and emerging technologies (e.g., developing renewable energy and localized agribusiness) than large cities.

Moving beyond the organization also involves negotiating the tension between organization- and community-level perspectives on and strategies for change. Newport (2005) suggests that “the behavior of individual organizations—starting at the governance level—often inhibits comprehensive community development” (p. 32). The Cameron Foundation has therefore begun to think of change in terms of human, organizational, financial and social capital that may open opportunities to further leverage its investments. Because social capital is based in relationships, its development requires moving beyond the organization to sector-, community-, and region-level work. A prolonged history of poverty and related social ills tends to build a culture devoid of the belief that people can make a difference, but building relationships within the nonprofit sector and increasing citizen participation may set the stage for formal partnerships, civic engagement, and advocacy on behalf of local issues. The Foundation’s clout and coordinated organization efforts could also form the basis for attracting national foundation funding to the area.

Although the transition to a community-level change model may warrant exploration, it will require a significant shift in the existing nonprofit culture, which is highly focused on organizational success. For example, when answering questions about the local landscape, executive director responses suggest that thinking beyond their organizations, or collaborating for instrumental organizational purposes, may be a leap for many. Given the struggle of nonprofits to survive, these limitations are not unexpected, but we must ultimately consider whether the current emphasis on organizational capacity building hinders a broader, external outlook. Along with this, we must also consider who or what processes can support a more sector-wide perspective. The shift in perspective also clarifies whether it is the



community, or the nonprofit sector that serves it, which is the true or ultimate beneficiary of capacity building. Communities may look to support such critical perspectives and the leadership to develop a broader vision of their communities.

### **Reconceiving Leadership as Engagement**

Change is by definition a shift in the status quo, so the mere creation of The Cameron Foundation amid a challenging nonprofit and local culture was poised to disrupt business as usual. However, the status quo is maintained in the form of laws, customs, and ideas about the “way things are done around here.” These forces are highly resilient, and a significant influx of dollars alone would not likely disrupt the culture and traditional strategies within the sector for very long. The Foundation’s leadership questioned how far and how fast a culture could change and what the best role of a foundation was in that process.

Well-known and highly-respected community leaders comprised the Foundation’s board, and as such, had considerable social and leadership capital, including the advantages inherent in localness. The new president, although new to the community, came to the board with considerable experience and knowledge from work in a large and thriving philanthropic sector. It was soon apparent to both the board and the president that simply writing larger checks would not address the community’s needs.

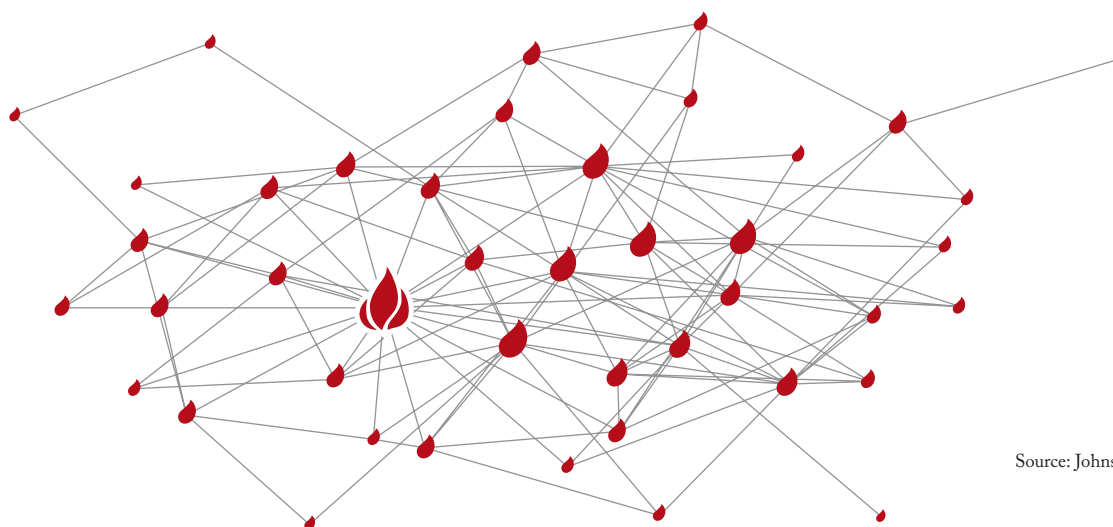
The Foundation leveraged its assets, strong board relationships, and knowledge and decided to become a long-term change agent in the community. This meant it would not just lead philanthropic activity, but also engage deeply in the region, joining with other civic leaders to support development and growth. Its engagement would also involve close work with nonprofit organizations, consultants, and intermediaries.

In a community with few nonprofit stakeholders, a new foundation will become an important fixture in the region, but it must also consider its relational role as a “resident” or neighbor. *To build capacity requires that the Foundation understands the long-term nature of its relationship with the community at large, the responsibility of leading with respect for the community, and the privilege of influence that comes with holding and distributing substantial resources.*

In the brief time it has been operating, research suggests the strategies, leadership, and other assets of The Cameron Foundation established its place of central significance in the region’s nonprofit community. A 2008 network analysis involving a sample comprised of 52 nonprofit organizations explored relationships in terms of several factors, such as awareness, coordination, and collaboration. Results suggest that The Cameron Foundation was centrally located within the network (Johnson et al., 2010). When a set of local nonprofit organizations rated their participation in collaborations with other organizations, the Foundation had clearly become a well-connected player in collaborations—this after only three years of work (see Figure 3). Similarly, when issues of networking were considered, the Foundation held a central position in the region’s nonprofit sector. This centrality suggests the Foundation has established the connections necessary to support its intentional capacity-building efforts. While the research method is not established as a means of understanding donor-grantee relationships, connections among nonprofits have been associated with positive organizational outcomes.



FIGURE 3. The Cameron Foundation's Nonprofit Collaboration Network



Source: Johnson, J., 2008.


The documentation also suggests the critical importance of learning what leadership capacity looks like in an environment that requires organizations to shift from traditional to adaptive management practices to succeed (Lee, 1993). Heifetz, Grashow, and Linsky (2009) posit that traditional leadership cannot use the skills and tools that they currently possess, because it is these very same skills and tools that have led to and compounded current challenges. They further suggest that the environment of urgency, high stakes, and uncertainty will remain even if the economic crisis subsides, and it will continue to require organizations to shift from traditional to adaptive management practices if they are to succeed. Organizations and their leadership will be pressed to “develop the next practices, while also excelling at today’s best practices” (Heifetz, Grashow, and Linsky, 2009). Leadership must undertake “experiments” and have a willingness to make continual changes in direction as some ideas succeed and others fail. Foundation presidents and staff, executive directors, boards, and trustees will face the risks inherent in leading adaptively

in uncertain times; however, if they question and challenge themselves, they will also have opportunities for successful, impactful innovation.

### Committing to the Process and Risks of Learning

The Foundation led by learning and risking the possibility of failure. When tactics were not working as planned, the Foundation used the insights as opportunities to learn, potentially modeling the importance of learning to grantees.

The Foundation’s consistent commitment to learning and adapting ultimately created a streamlined system and philanthropic process for organizations to find assistance in improving operations on an ongoing basis. In many ways, the documentation learning process The Cameron Foundation pursued opened the door for the simple “ahas” that an outside perspective brings, yet the closer we looked, the clearer it became that building capacity was not a straightforward endeavor. Initial documentation findings responded to what were, in retrospect, the easy fixes—



specifically, strategic alignment of capacity-building elements and the need for continuous learning and tactical adjustments. Ironically, the clarity made possible through the Foundation's ongoing adaptation and well-designed capacity-building process made additional learning possible—it laid bare fundamental technical and strategic issues the Foundation was urged to further consider. The sharpened view of what was happening on the ground raised additional questions about approaching capacity building at the organization level when local nonprofits operate within areas with persistently low resources, high needs, and heightened uncertainties created by both the economic downturn and wide ranging societal shifts.

Paradoxically, while it is among the few local foundations that supports ongoing learning, the Foundation faced unspoken tensions due to the assumed hierarchical relationships between donors and those nonprofit organizations that challenge open, authentic engagement of grantees in capacity-building efforts. From the nonprofits' perspective, the question is: Can you really tell the hand that feeds you the significant problems that your organization is facing? Will you be seen as too weak and therefore, from a business perspective, be regarded as a candidate for failure in a highly competitive market environment?

The integrated perspective that documentation allows supports continued learning about the work at hand, but also raises questions relevant to the field. For example, although the Foundation supported the use of assessment tools in targeting and shaping capacity-building work, these tools did not target an organization's learning orientation, adaptability, and potential for change. In current times, there may be great benefit in identifying and using organizational assessment tools that provide a more comprehensive and useful picture of capacity.

### **Building Capacity Adaptively**

The purpose, strategies, and learning goals of both the Foundation capacity-building initiative and the documentation process are united by one central theme: adaptive capacity. In living systems, *adaptive capacity* refers to a living system's ability to survive and reproduce in a changing environment. Social science has extended and applied the concept to any entity's ability to respond creatively in times of uncertainty and change. Sussman (2003) suggests four qualities capture the spirit of adaptive organizations:

1. External focus
2. Network connectedness
3. Inquisitiveness, and
4. Innovation.

In 2011, these four qualities are well-documented, core organizational aspirations routinely advocated in both academic and popular literature about nonprofit and business organizations that can adapt and thrive, yet the divide between abstract, rational ideals and the work of real people slugging through times of change is vast, and few actually dare to try.

People's love of (and need for) certainty keeps authority, including experts and concepts like best practices, in place, yet few would claim that using what has worked in the past would necessarily be the best tools to address today's challenges.

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*The Foundation led by learning and  
risking the possibility of failure.*

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Philanthropic capacity building blossomed at a time when endowments and new philanthropy were rapidly growing and investments in programs within unstable organizations were clearly not enough. The current economic climate presents rarely-experienced challenges which, when combined with rapid technological and global shifts, are changing the ways that many people, businesses, and organizations operate. We suggest here that capacity building, as it is currently conceived, is in need of an overhaul that can best be achieved by infusing Sussman's four qualities—external focus, network connectedness, inquisitiveness, and innovation—into changing and evolving philanthropic investments.

Our work illustrates the Foundation's efforts to adapt and change in response to its learning from changes in local conditions. Recognizing that it would need to develop the requisite internal and community resources to support the building of capacity in the nonprofit sector, the Foundation prepared itself for change. The Cameron Foundation built its internal organizational capacity to dedicate attention and focus to its capacity-building effort. The Foundation also invested in community partners that could also strengthen the sector.

Capacity building is complex under any circumstance, but it is especially so in a low-resource environment where the Foundation is (rightly) committed to using local people and places as part of the process of strengthening community. However, early interviews and surveys with grantees, Foundation staff and directors, as well as those involved in capacity-building services, suggested low capacity extended to local professionals; research further identified small and large disconnections between what the Foundation intended to do and what they were actually accomplishing. Stakeholder input and documenter observation has indicated that the most chronic

issue in capacity building has been the uneven value of the consultants employed to provide technical assistance. Consultants themselves raised questions and concerns as to whether there was adequate knowledge and skill among their colleagues to meet the needs of the organizations they served. Most consultants called on a limited set of solutions that would be identified as best practices, some were not skilled in analyzing the organizations' assets, and some displayed a lack of thoughtfulness in approaching their work with organizations.

The Foundation responded to documentation findings by implementing adaptations ranging from simple shifts in process to additional investments in internal capacity and affiliated external resources. The goal was that such adaptations would eventually lead to the kind of holistic, grantee-centered process described above targeting individual, organizational, and—to a lesser extent—community change. Perhaps most important, the Foundation recognized the impossibility of getting it right “once and for all” because change inherently demands continuous learning. Juggling all of the factors to build sustainable capacity requires ongoing feedback and shifts in strategy, changing from a culture of “knowing” to a culture of “learning.” Because the landscape across which the wind blows is not static, we may rightly question how the Foundation's work might continue to evolve as organizations develop, capacity grows, and the community changes.

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*Juggling all of the factors to build sustainable capacity requires ongoing feedback and shifts in strategy, changing from a culture of “knowing” to a culture of “learning.”*

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## Conclusion and Recommendations

The story does not end here. The concept of adaptive philanthropy (Stutts & Allison, 2006) has its origins in Heifetz's (1994) conception of adaptive leadership, which recognized that change within an organization does not occur by simply imposing authority. Realizing the potential and promise of adaptive capacity building and philanthropy will require: 1) acknowledgment by those who have positional authority (e.g., foundations and consultants) that they do not have all the answers; 2) commitment to ongoing learning based on sharing knowledge generated by the participation of those affected by the problem; and, 3) collaborative work to mobilize the pursuit of local solutions. In this spirit, The Cameron Foundation continues to learn about and refine its work to build capacity.

The opportunity to share in the progress of the Foundation and the community it serves has been illuminating, and we hope our insights illustrate the potential of documentation to raise and engage difficult questions that may improve philanthropy. Documentation may also offer opportunities for others undertaking similar challenging work to consider lessons and questions that have emerged from The Cameron Foundation's experience strengthening nonprofit and community capacity in Southside Virginia.

We suggest that those engaging in capacity-building work consider the following guidelines:

1. Intentionally align strategies to target outcomes. Work to make change models explicit, build consensus on vision, strategy, and goals, and connect the players to support the ongoing alignment of the work.
2. Diversify change tactics to fit the needs and characteristics of target organizations. One size will not likely fit all. Use assessment to learn and shape strategy.
3. Consider strategically whether individual investments in organizations or opportunities to build capacity through collaborative structures or strategies will be the best tactic. View change in the context of the community's future.
4. Lead while building on your specific assets and using a long-term perspective. Know that change will not come overnight, but building relationships sets the stage to bring assets to bear.
5. Commit to ongoing learning. The work is complex and requires adaptation. Risk is inevitable but it should be understood as an important investment.
6. Expect the need for adaptation and change. Build capacity to build capacity; that is, whether within the foundation, the group of local consultants, or the community in which the capacity building is targeted, there may be the need to increase available human and organizational capital to do the work. Also critically consider the application of best practices and the potential of their efficacy for handling new and emerging challenges.

The privilege of working in philanthropy carries tremendous responsibility to question what you do and how you do it every day. Schön (1995) posits, "The practitioner is confronted with a choice. Shall he remain on the high ground where he can solve relatively unimportant problems according to his standards of rigor, or shall he descend to the swamp of important problems where he cannot be rigorous in any way he knows how to describe." The Foundation and documentation team have engaged with this tension to use and integrate learning from research strategies that target an emerging and ongoing change project. We hope that sharing this story may in some way help you keep your communities' kites soaring as winds gust and sweep over the local environment.



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## Appendix

### **Alternative Capacity-Building Approaches**

Given the lack of resources and limited professional nonprofit expertise in The Cameron Foundation's service area, the question arises as to whether or how capacity-building should continue. Some of the possible alternatives include utilizing collaborative/external management models such as shared back-office space and/or equipment; implementing peer learning/peer work/collaborative training, consultation and quality models; employing coach, consultant, or embedded fellows that work one-on-one with an organization over a long period of time, rather than using a fix-and-leave approach; encouraging some organizations to regress; using community issue networks/initiatives; and leveraging national funding for broader initiatives or issues.

Since current efforts largely target management, we discuss some other ways to bolster management in greater detail below.

### **Collaborative/External Management Models: Shared Back Office**

In an effort to reduce nonprofit administrative overhead costs, entrepreneurs, foundations and nonprofits have developed a number of collaborative administrative models. However, nonprofits do not only need to reduce costs. In our experience, often more important is access to high quality professionals whose expertise reduces the time spent on managing and overseeing administrative functions. A number of organizations sharing the cost of full-time professional positions are more likely to attract the talent one organization cannot lure on its own in what are often part-time positions.

These efforts are quite varied and have yielded varying levels of success (see Walsh, McGregor-Lowndes & Newton, 2008, for a thorough review). Models take a number of forms, from organizations

sharing back-office space and equipment, to co-operatives that provide services to their members, access points to knowledge bases, and consulting expertise, as well as various hybrids. The following summarizes the some promising efforts that have been made in recent years.

### **CO-OP AS A BUSINESS MODEL**

The United Community Services Co-op has grown significantly in Canada over the last few years. Because this co-op runs as a business offering services to the nonprofit sector, it is self-sustaining and does not have to rely on annual fees for its members. The model provides access for a number of smaller organizations that otherwise may not have it. This particular program operates by allowing organizations to buy a share in the co-op. The buy-in process is flexible, which is a benefit for nonprofits with tight cash flow. The co-op provides these services to members: a cash management pool, negotiated discounts for services such as phone and supplies, employee management, a client management database, executive coaching, consulting services, and technology assistance (see the United Community Services Co-op website at <http://www.ucscoop.com> for more information).

In the United States, this model may face some challenges if it is to operate as a nonprofit organization serving other nonprofits. The problem arises when the nonprofit is provided services that are identical to those provided by other businesses in the for-profit sector. Because the "clients" are other tax-exempt organizations, there is an unfair advantage to the services provided by the nonprofit over the for-profit businesses (J. Diana, personal communication [E-mail], July 1, 2010).

### **JOINTLY-HELD MANAGEMENT SERVICE ORGANIZATION**

In a jointly held management service organization, a number of nonprofits join together in a



collaborative manner as equal partners (Walsh et al., 2008). They can create a separate nonprofit MSO that can serve whatever functions they feel they want to collaborate on. The newly created nonprofit draws from the member nonprofit organizations boards and gives each member an equal say in the new nonprofit. The benefits of this model are that it can reduce expensive overhead costs and provide opportunities for combined fundraising, social marketing, and the establishment and management of quality assurance systems (Walsh et al., 2008). Instead of four organizations vying for funding from the same donors, the nonprofits can secure funding in a collaborative effort and all benefit.

One challenge to this model is that there is considerable investment needed in the front end in terms of time and energy, and there is a need for a high level of trust between the partnering organizations.

### **BROAD-BASED DEVELOPMENT MODELS**

We encourage interested readers to refer to the links provided throughout the appendix to better understand the depth and range of alternatives. Here we offer brief explanations of two broad-based models with philanthropic ties.

#### **NONPROFIT RESOURCE CENTER**

The Third Sector of New England provides a number of services to nonprofits in New England and New York, including grantmaking and access to a wide variety of knowledge and professional resources. Additionally, The Nonprofit Center is available to all nonprofits—not just those receiving funding—and provides a number of options for sharing resources, including shared meeting rooms or renting office space within the center. Nonprofits who share office space are able to keep overhead low because they all share internet access, office equipment and conference rooms (see <http://www.nonprofitcenterboston.org>).

#### **THE TIDES CENTER**

The Tides Center grew from a project originally funded by the Tides Foundation. It provides a broad variety of services and expertise, including back-office space, a legal framework, and capacity-building support for its projects. With fiscal sponsorship at the core of its work, the Tides Center provides the following management services: financial, grants, human resources, risk, payroll, and project relations. What makes this model different from other collaborative efforts is that, when organizations are accepted, the Tides Center becomes legally and financially responsible. This means that the individual nonprofit is now a “project” of the Tides Center and it is not a separate entity or affiliated organization.

Organizations gain access to the services of the Tides Center through an application process. If an organization with an annual budget of under \$1 million is accepted, it pays nine percent of its annual revenue, plus one to two percent of insurance costs, to the Tides Center for access to the services. According to the Tides Center, these rates are significantly lower than what individual organizations can expect to pay when independently administering all back office work (see <http://www.tidescenter.org> for more information).

### **Conclusion**

There are a number of ways that nonprofits can collaborate to reduce overhead costs, maintain high quality professional “staff” that would otherwise be unaffordable, and free up management time and energy to achieve the organization’s mission. There is no single “correct” approach. Nonprofits and creators of collaborative efforts need to choose a method that meets the specific needs and comfort level of the organizations and communities involved.



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