How Funders are Strengthening Nonprofit Capacity:
Findings from a Field Scan

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The William and Flora Hewlett Foundation is a nonpartisan, private charitable foundation that advances ideas and supports institutions to promote a better world. For more than 50 years, the foundation has supported efforts to advance education for all, preserve the environment, support vibrant performing arts, strengthen Bay Area communities, and foster gender equity and responsive governance around the world. Its Effective Philanthropy Group seeks to strengthen the capacity of Hewlett Foundation grantees — and philanthropy, in general — to achieve their goals and benefit the common good.

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Foreword

Strong, healthy nonprofits organizations play a critical role in achieving progress and solving the world's most pressing problems. Yet many U.S. and international nonprofits routinely face organizational challenges, from major staff transitions to capacity gaps. To address this, the Hewlett Foundation has long provided targeted support — what we call "organizational effectiveness grants" — to existing grantees to help strengthen their internal systems and management enabling them to do their work better and enhance their impact. Though these grants represent a small slice of the foundation's overall giving, they help nonprofit leaders prioritize and support capacity-strengthening projects that might otherwise go by the wayside.

To help us better understand how we can improve our own giving to strengthen our grantees' organizational effectiveness, we wanted to learn from peer funders who are investing in nonprofit capacity to support organizational health, sustainability, and resilience. This report summarizes the results of that field scan, which was conducted by Patricia Scheid, a former program officer with the foundation's Gender Equity and Governance program, and Kris Helé, an independent consultant. While the field scan is not a comprehensive review of the entire field of organizational strengthening, it shines a light on how peer funders are approaching this critical need. The results of the field scan, along with an accompanying evaluation and strategy process that will include input from grantees, consultants and foundation staff, will inform our effort to refresh the Hewlett Foundation's strategy for grants that build organizational effectiveness.

We are grateful to both Patricia and Kris, the lead authors of this report, for their leadership and contributions, and to current and former members of the Effective Philanthropy Group for their advice and feedback: Amy Arbreton, Lori Grange, Sarah Yun, Morgan Reams, Jasmine Sudarkasa, and Kathleen Badejo. We share what we have learned in the field scan as part of Hewlett's commitment to openness, learning, and transparency, and hope readers in the field find these results informative and useful in their own efforts to strengthen and support the nonprofit sector.

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Executive Summary

Launched in 2004, the William and Flora Hewlett Foundation's **Organizational Effectiveness (OE) program goal is to help nonprofits become high-performing organizations that are healthy, sustainable, and successful in achieving their goals**. The program helps grantees build capacity through grants of targeted support across all the foundation's program areas.[1] In late 2020, the foundation's Effective Philanthropy Group (EPG) launched a strategy refresh of its OE program.

This report summarizes the results of a field scan conducted between January and August 2021 as part of this strategy refresh. The scan sought to learn how the field of nonprofit capacity strengthening has changed over time; who supports capacity strengthening, in what ways, and how they evaluate and learn from their investments; and how broader political, economic, social, and cultural trends are likely to affect the field of nonprofit capacity strengthening in the future. These trends were examined through: (a) a literature review; (b) 15 key informant interviews; and (c) discussions within the foundation's EPG team to analyze findings and their implications.

By making the results of this study publicly available, the foundation hopes that it will benefit funders (both in the U.S. and overseas); consultants and support organizations who provide capacity strengthening services; and nonprofits who are interested in or already on an organizational development journey. This study's constraints include a limited set of interviewees selected by the foundation, and concepts and sources that are biased towards North American perspectives. The scan also focused primarily on funders' experiences and did not directly include the perspectives of grantees. The foundation has commissioned an independent evaluation of its OE program, which will include feedback and input from grantees, consultants, and foundation staff. Evaluation findings will be shared later this year.

Capacity building, organizational development, sector effectiveness, and partner support are a few ways that funders describe and categorize these types of investments. For this report, we use "capacity strengthening" as an umbrella term to denote the variation of approaches in use among funders, consultants, and support organizations.

Like the Hewlett Foundation, all 15 peer funders and support organizations interviewed are investing in nonprofit capacity strengthening to support organizational health, sustainability, and resilience. We heard this across a range of budget sizes and approaches, although one size does not fit all and nonprofits' needs, aspirations, and contexts differ.

Funders typically offer targeted support, including a combination of (a) small grants or funding provided to the nonprofit for capacity-strengthening projects (monetary support), and (b) access to capacity-strengthening services and resources such as expert consultants, coaching and training, peer learning, and networking and knowledge resources (non-monetary support).[2]

This study found noteworthy trends and shifts in the field:

- A distinction between **capacity building** — short-term projects targeted at closing specific gaps in an organization's planning, operational, or governance capacity — and **organizational development**, referring to longer-term, more holistic investments in organizational effectiveness, sustainability, learning, adaptability and resilience, well-being, and power building. There is now recognition that both are important, but they require different approaches, mechanisms, and levels of commitment.

- An acknowledgement that historic injustices and biases have often shut out Black, Indigenous, people of color (BIPOC)-led nonprofits from capacity-strengthening resources, and that the combined forces of the Black Lives Matter and #MeToo movements, as well as COVID-19, have pushed funders to rethink old assumptions, the allocation of resources, and some of their grantmaking practices.

- Experimentation with asset-framing models — versus deficit-framing models — of organizational assessment, and an emphasis on nonprofit ownership and agency over their capacity-strengthening journey.

- Changes in how the unit of capacity strengthening is perceived — from an almost exclusive focus on individual nonprofits to working with and through networks, coalitions, and movements.

This study also set out to identify promising practices that others can learn from, emulate, and adapt. Readers will find several promising practices described throughout the report. A few that stand out are:

- Rethinking which nonprofits are benefiting or not from capacity-strengthening supports, what implicit biases may be baked into selection criteria or how capacity strengthening is structured and administered, and how to support more early-stage and emergent nonprofits.

- More intentionally addressing power sharing and power building in funder-grantee relationships.

- Supporting place-based and/or affiliation-based peer learning cohorts that are culturally informed at a minimum, and BIPOC-focused or led when relevant.

- Providing resources to support nonprofit staff wellness and healing from trauma and burnout.

- Offering coaching and resources to improve grantees' use of data and evidence in order to better understand the communities they are serving, program outcomes, and client perceptions of their work.

At the same time, this study concluded that more investment in evaluation of capacity-strengthening strategies and grantmaking practices, outcomes, and whether and how they contribute to nonprofit health, resilience, and sustainability is needed to keep pace with the field's growth and evolution. Funders and support organizations described a number of evaluation constraints they face that are real, but not insurmountable when working in partnership with skilled evaluators.

Overall, the field of nonprofit capacity strengthening is vibrant but still relatively small. Many more funders, large and small, are needed to broaden support for capacity strengthening so that the sector has access to the resources needed to build and sustain strong, healthy organizations. This means offering both flexible funding as well as dedicated capacity-strengthening support to nonprofits; creating and deepening capacity-strengthening mindsets and skills among foundation staff and offering peer learning opportunities; and making strategic investments in the capacity-strengthening ecosystem.

Finally, a number of funders and nearly all the support organizations involved in this scan suggested that sometimes funders should simply provide nonprofits more resources, time, and space for capacity-strengthening projects and longer-term organizational development, without placing excessive demands or requirements on nonprofits.

Introduction

Launched in 2004, the William and Flora Hewlett Foundation's **Organizational Effectiveness (OE) program** **goal is to help nonprofits become high-performing organizations that are healthy, sustainable, and successful in achieving their goals**. The program helps grantees build internal capacity through grants of targeted support across all the Hewlett Foundation's program areas. These grants aim to build capacity in areas such as strategic planning, leadership transition, board development and governance, communications planning, and diversity, equity, and inclusion. OE grants are supplemental funds awarded to the foundation's current grantees, designed to help grantees prioritize and pursue a specific capacity-building project. The OE team provides guidance and assistance to the foundation's program staff to enhance their support of grantees' capacity-building efforts. Between 2004 and 2020, the foundation made over 1,200 OE grants, investing more than $55 million across 675 organizations. OE grants are small, typically $25,000-$100,000.

Across the foundation, staff regularly review and refresh program strategies, and in the fall of 2020, the OE program launched a strategy refresh process, starting with a field scan.[3] This field scan built upon the foundation's Outcome-Focused Philanthropy guidance[4] for strategy refreshes, adding more specific research questions relevant to the OE strategy.

By making the results of this study publicly available, the foundation hopes that it will benefit funders (both in the U.S. and overseas); consultants and support organizations who provide capacity strengthening services; and nonprofits who are interested in or already on an organizational development journey. This study's constraints include a limited set of interviewees selected by the foundation, and concepts and sources that are biased towards North American perspectives. The scan also focused primarily on funders' experiences and did not directly include the perspectives of grantees. The foundation has commissioned an independent evaluation of its OE program, which will include feedback and input from grantees, consultants, and foundation staff. Evaluation findings will be shared later this year.

Methodology

This scan examined trends in the field through three approaches: (a) a document and article review; (b) targeted key informant interviews; and (c) sense-making sessions with the EPG team, during which they discussed findings and possible implications.

For the document review, more than 50 articles and other material published since 2014 on the topic of nonprofit capacity strengthening were initially identified. Based on which were most likely to answer the research questions, a more targeted list for review was generated. The articles reviewed for this study are included in Appendix C.

In March/April 2021, 15 key informant interviews were conducted with peer funders and organizations who provide capacity-building support to the nonprofit sector. The interviewees included a mix of those working in the U.S. and/or internationally who could provide perspectives on a range of nonprofit organizational capacity-strengthening models and experiences. A list of interviewees and the interview guide are included in Appendices A and B.

As this field scan was designed to inform the Hewlett Foundation's next OE strategy, certain decisions were made about its scope and duration. This scan is not meant to be a comprehensive review of the state of the field of organizational strengthening. The research questions were chosen based on Hewlett Foundation guidelines, and to be responsive to the EPG team's needs and interests. The intentional sample of 15 interviews meant that perspectives from a wider group of stakeholders are not reflected in these findings. Finally, although key informant interviews included organizations and people with international experience, the framing of questions and some key concepts (like diversity, equity, and inclusion) are from a North American perspective.

What is Nonprofit Capacity Strengthening and Why is it Important?

"Organizational capacity is like an onion with financial and physical resources at the outside, then going into staff skills, systems and structures, and strategy. At the heart is the identity of the organization, the culture, governance, and leadership. It's easier to intervene as an international agent/funder at the outside levels, but what makes an organization healthy and agile is right at the core." — **Rick James, INTRAC**

Capacity strengthening of nonprofit organizations has been developing as a field for more than 30 years, and a vibrant community of champions has emerged who continue to hone practice within their own organizations, as well as to advocate for increased investment in the philanthropic field. But what is the purpose of capacity strengthening and what exactly is it? How would one know whether a nonprofit had improved its capacity?

This field scan started by exploring the concept of "healthy, sustainable, and resilient nonprofits" (the north star proposed in the existing Hewlett Foundation OE strategy). Like the foundation, all 15 peer funders and support organizations interviewed are investing in nonprofit capacity strengthening to support nonprofits' health, sustainability, and resilience.

However, there is a range of views on what this looks like in practice, and therefore differences in how funders deploy their investments for nonprofit capacity strengthening.

One funder we interviewed for this study offered the following definition of "resilient, healthy nonprofits":

- **Effective leadership** capable of communicating vision, investing in strategic communications, managing operations and investing in talent.

- **Effective operations**, including the capacity for program delivery, adaptation, and learning.

- **Effective financial capacity**, including maintaining reserves and managing/planning for multiple forms of capital needs beyond maintaining daily operations and program delivery (e.g., risk management, innovation, and research and development capital).

In 2020, Nishimura et al., offered a new aspirational vision for **transformational capacity building**, which has also been adopted by the Grantmakers for Effective Organizations:

"Capacity building is the process of building and strengthening the systems, structures, cultures, skills, resources, and power that organizations need to serve their communities. Capacity builders are the individuals and organizations that work with nonprofit staff, board members, and volunteers to overcome the barriers that nonprofits face in fulfilling their missions. These barriers can be internal to organizations (such as understaffing or lack of infrastructure) or external (such as a lack of coordination among organizations providing a continuum of care)."

In a recent learning review (Almeida et al. 2020), five European foundations offered these reasons why they chose to invest in organizational development (typically among partners with "high strategic relevance" and who exhibit "readiness for change"):

- Response to a specific request from grantees/partners.

- Stand-alone investment in an organization.

- Complement to programmatic funding.

- A way to better understand grantees' goals, missions, and strategic plans.

- A way to offer reinforcement to grantees before exits or even foundation closing.

- As a vehicle for social progress and part of a foundation's theory of change and strategy.

While the specific impetus and mechanisms for providing support vary, funders are widely seen as an important piece of the nonprofit capacity-strengthening puzzle. Generally, the peer funders and support organizations we spoke to (who are already champions for these approaches) agree that the social sector needs dedicated funding streams and support infrastructure to meaningfully advance nonprofit capacity and resilience, areas that have traditionally been poorly resourced. Time and again studies have shown that nonprofits struggle to, at a minimum, recover their full operational and overhead costs, let alone invest in essential capacity strengthening — what is commonly referred to as the nonprofit "starvation cycle" (Eckhart Queenan et al. 2019; Wei 2018).

How Are Funders Structuring Their Capacity-Strengthening Programs?

Funders who offer targeted capacity-building programs typically include some combination of (a) small grants or funding provided to the nonprofit for capacity-strengthening projects (monetary support) either as direct funding or through an intermediary funder and (b) access to capacity-strengthening services and resources, such as expert consultants, coaching and training, peer learning and networking, and knowledge resources (non-monetary support).[5] Many (but not all) capacity-building programs begin with some form of capacity assessment, designed specifically to identify and prioritize capacity gaps that can be addressed with the right resources and technical support.

"We now have a whole range of different ways that we are providing support to organizations because we've realized — and it has been sharpened in the pandemic context — that there is no one right way to engage with an organization or leader."

— Linda Baker, formerly of Packard Foundation

Funders and support organizations offered a distinction between shorter-term, capacity-building projects and longer-term investments in holistic organizational development that build nonprofit resilience. While both are viewed as valuable, finding effective ways to support longer-term organizational development and resilience appears to be on the rise. This is consistent with trends in the philanthropy field as organizational development was among the top areas of practice over the past four years among foundation staff, especially at larger foundations (Engage R+D 2021). Figuring out how to tailor these efforts to nonprofits' particular needs and to do this well, especially with BIPOC-led organizations, is still in the experimentation and learning stage (discussed further in the following sections).

Capacity building, organizational development, sector effectiveness, and partner support are a few of the ways that funders describe and categorize these investments. For this report, we use "capacity strengthening" as an umbrella term to denote the variation of approaches in use among funders, consultants, and support organizations. The range of capacity-strengthening projects that funders support is wide and includes nonprofit financial capacity and fundraising, leadership development, succession planning, talent development, governance, general management, core infrastructure (technology, systems development, etc.), strategic communications, strategy development, adaptability and resilience, monitoring, evaluation and learning, innovation, and more.

Diversity, equity, and inclusion (DEI) is increasingly seen as a critical organizational capacity and has become a priority for many capacity-strengthening programs. During the past several years, many nonprofits and foundations have been on a journey of examining their DEI practices both within their organizations and in their relationships with grantees, partners, and communities, and this has accelerated in the past two years. One recent study funded by the Hewlett Foundation found that diversity, equity, and inclusion was the top topic for foundations in 2020, a topic that did not even make the list in this annual study as recently as 2016 (Engage R+D 2021).

The field of nonprofit capacity strengthening was also impacted by this trend, with leaders in the field advocating for a reshaping of how capacity strengthening is conceptualized and practiced to address head-on issues of DEI and power sharing. These topics are explored in more depth in the Emerging Issues section of this report.

Program Design and Structure

"The core question, which I think is not ultimately resolvable, is should capacity building be a stand-alone function that cuts across programs, or should OE work and people be embedded in every program? For me, it's both/and. We want to hire more program staff who have strong nonprofit experience and are attuned to organizational development, and you probably need at least an advisor or small team that's focused only on capacity building." **— Kathy Reich, Ford Foundation**

Foundation staff involved in these programs have become champions and thought leaders for investing in nonprofit capacity strengthening, both internally and externally. **Once the internal case is made to dedicate foundation resources to capacity strengthening, foundation staff must then tackle a number of design questions and trade-offs.** The following page describes some (but not all) of the dimensions of capacity-strengthening program design.

Box 1: Common Dimensions of Capacity-Strengthening Program Design

- **Funder Oversight & Control:** There is a range in the degree of oversight and control that funders exercise in designing and managing capacity-strengthening programs. Some funders have dedicated teams that are more actively involved in making decisions about thematic areas of focus, consultant vetting, selection, management and oversight, evaluation, and program iteration. Most rely on different forms of grantee feedback to help inform their decision making.

- **Mechanism:** Funders typically choose between internal (foundation staff) or external (consulting firms or intermediary grantmakers that provide technical support) management structures, or some hybrid. A few funders have dedicated capacity-strengthening grant funds that require grantees to submit applications. Still others have integrated capacity-strengthening support within their regular program and/or general operating support grantmaking. Decisions about the mechanism appear to be driven by a combination of factors, including the foundation's overall grantmaking philosophy, the degree of oversight and control they want to exercise, and, importantly, staffing and budget allocations.

- **Budget and Resource Mix:** Among the 10 foundations interviewed for this scan, there is a wide range in terms of budget allocations for capacity strengthening using a variety of approaches. A number of foundations were uncertain about the exact amount of resources they devoted to capacity strengthening, especially where their commitments were multiyear, or where it is integrated within program and general operating support grants. Generally, seven out of 10 had annual budgets of less than $1 million; one of the 10 (Packard Foundation) was a minimum of $8 million annually (typically increased by $1-2 million through co-funding from additional programs); one of the 10 was in the range of $50 million (Oak Foundation — which estimates that 50% of grants have capacity-strengthening activities, and about 15%-20% of the total grantmaking budget annually is dedicated to capacity building); and one of the 10 (Ford Foundation's BUILD initiative) is estimated to be over $50 million.[6] The majority of funders provide a mix of both monetary and non-monetary support.[7]

- **Staffing:** Most funders had limited staff support; of 10 funders interviewed, seven had one or less than one full-time staff dedicated to managing their capacity-strengthening program. The few exceptions are Ford Foundation (with 10 staff), Packard Foundation (with seven staff), and Chan Zuckerberg Initiative (with six staff). The Hewlett Foundation has 1.5 full-time staff devoted to its Organizational Effectiveness program.

- **Structure:** Among these 10 funders there is also variation in how they structure their capacity-strengthening programs. A number are decentralized, providing guidance, light staff support, and learning opportunities to program teams who take the lead in managing the relationship with grantees, offering small grants and/or incorporating capacity-strengthening activities into their regular grantmaking. Funders that have more centralized programs, especially leadership development or cohort programs, work with program teams to nominate prospective grantees to participate in training programs, webinars, learning cohorts, or to access services from a pre-vetted list of expert consultants. A number of centralized programs also have one or more consulting firms responsible for coordination and other aspects of program management.

- **Duration:** Most funders distinguish between short-term (12-18 months) investments in capacity strengthening versus multiyear support for organizational development. The majority of funders in this scan offer a combination of both short- and longer-term support.

- **Staff Engagement & Skills Development:** Funders in this scan use a variety of approaches to engage and support their program staff to leverage capacity-strengthening programs. Some noted differences in uptake across departments or units, as well as differences in program officer competencies for interfacing with grantees in ways that are supportive and take into consideration power dynamics, DEI, or other concerns. Most funders aspire to invest more in foundation staff development to build these competencies, but grapple with resource and staffing constraints to make it happen.

Many capacity-strengthening programs feature non-monetary support (i.e., opportunities and services offered by and paid for directly by funders). Common forms of non-monetary support include:

- Trainings and learning materials (virtual and in-person) on a variety of capacity-strengthening topics such as financial planning, leadership development, strategic communications, DEI, advocacy, etc.

- 1:1 coaching — usually provided by an external consultant.

- Connecting nonprofit organizations that have aligned missions / interests through networking, learning cohorts, and convenings.

- Matchmaking — connecting nonprofit organizations with other funders, prospective aligned partners, or support organizations.

- Thought partnership — offering field expertise and exchange of ideas.

For example, Chan Zuckerberg Initiative (CZI) has curated an extensive roster of vetted consultants that they directly contract and manage. Program staff engage with grantees to identify thematic areas that are in the most demand and match them with expert technical support. CZI also offers learning webinars, some targeted to their grantees, and others open to all nonprofits in the San Francisco Bay Area and beyond, extending the program's reach and impact.

"There's more interest in how we use our social, moral, intellectual, reputational, and financial capital. Foundations often use their financial capital, but they have so much more capital to bring to the table. Even if they're not investing through money, they have the ability to convene and influence."

— Janine Lee, Southeastern Council of Foundations

Relationship Management

Relationships built on respect and trust between all stakeholders are a critical ingredient for success. All the funders and support organizations interviewed for this scan emphasized the importance of self-awareness, authentic listening, and supporting both nonprofit ownership of decisions about their capacity-strengthening priorities and agency over their longer-term organizational development journey. When consultants or coaches are deployed, it is important that they are able to build relationships of respectful and meaningful accompaniment, grounded in cultural competency. Some observed that this type of high-touch relational work is challenging to sustain and scale over time, especially for funders with leaner dedicated staff (the majority) or smaller budgets for hiring consultants.

Additionally, funders and support organizations are acutely aware of and actively working to mitigate traditional power dynamics and racial, gender, and other biases within philanthropy more generally, and specifically in capacity strengthening programs.

The Role of Staff and Consultants

"We feel that capacity building can thrive or die in the hands of a consultant. They need to be experts, but they also really need to understand the nonprofit environment, the nonprofit culture, the local culture, and speak the language — all are extremely important. We look for very good experts who also have a calling for this work. We call this 'consultants with soul.'" **— Adriana Crăciun, Oak Foundation**

Deciding upon the right level of human resources to support capacity-strengthening programs and ensuring they bring the right mix of skills and cultural competencies was an important consideration for all funders interviewed. As noted elsewhere, the majority of funders have limited dedicated staff, and thus rely on a combination of consultants and skills-building among their program staff to support the success of their capacity-strengthening programs.

Consultants are commonly used in two ways: (a) hired directly by funders to manage, coordinate, and facilitate these programs; and/or (b) hired by nonprofits directly to provide technical support for their organization's capacity-building projects. **Funders and support organizations alike suggested there is more to learn about how to best identify, deploy, and build the capacity of culturally competent and technically capable consultants and staff to support these programs.** Boxes 2 and 3 explore this issue further.

Box 2: The Role of Consultants in Capacity-Strengthening Programs

There is more to learn about the most effective practices for working with consultants. Often it is not a question of whether to use consultants, but rather under what conditions, in what ways, and how much. Following are open questions that funders can consider.

1. **Buy versus Build:** *When is it best to pay for consultants' time and expertise versus investing in building staff competencies or hiring new staff, whether at nonprofits or foundations?* Some are choosing to expand and deepen the ecosystem of consultants. For example, INTRAC (an intermediary support organization) prioritized the development of a cadre of organizational development consultants in the Global South; Kresge Foundation's FUEL initiative provided its consultants with one-time $25,000 grants to use as they chose; and the Ford BUILD program plans to invest more in support infrastructure in its next phase.[8]

2. **Supply and Demand:** *How can funders best address issues of consultant supply and demand?* In general, there appears to be an over-supply of consultants in some regions (the East and West Coast of North America and Western Europe), and within certain technical areas (strategic planning, strategic communications, board governance). Funders interviewed noted an under-supply of consultants in Africa, as well as among BIPOC-led and LGBTQ+ groups, and in certain technical areas, such as fundraising and DEI. This imbalance is due (in part) to the lack of visibility of consultants who represent an alternative to the status quo, underinvestment in consulting firms and nonprofit organizations that provide these services outside of North America and Western Europe, and their lack of access to foundation staff.

3. **Vetting and Fit:** *When is it appropriate for funders to vet or recommend consultants for grantees versus allowing them to choose for themselves?* Identifying, contracting, and ensuring consultant fit is time consuming and challenging. Some funders are hesitant to recommend consultants to their grantees, in part because it is difficult to guarantee constructive relationships and because grantees may then feel compelled to use them. Other funders provide their grantees curated lists of trusted consultants and have received positive feedback. A couple of funders are using hubs or tech platforms to centralize and share consultant vetting and referral responsibilities.

4. **Roles and Accountability:** *How can funders ensure accountability to nonprofits?* The client for consultants in capacity-strengthening programs is sometimes the nonprofit and sometimes the funder, depending on contractual and payment arrangements. The latter can sometimes confuse lines of accountability and undermine trust-building. Regardless of the contractual arrangements, there was consensus among those interviewed for this study that nonprofits must have ownership and agency over capacity-strengthening projects.

Box 3: Promising Practice — Building Foundation Staff Skills

Oak Foundation has a structured, modular training series for program staff to build their skills in supporting their grantees' organizational capacity strengthening. Every two years, Oak offers voluntary five one-week-long e-modules consisting of readings, videos, exercises, and peer-learning opportunities on key topics and at different levels (starter, advanced). The training focuses on program staff as "capacity-building agents of change." The foundation is launching similar training for intermediary organizations since they frequently manage capacity-strengthening work or deliver related support.

Assessment and Diagnosis of Nonprofit Capacity-Strengthening Needs

"We're thinking hard about (challenging) what's really necessary when it comes to readiness (for organizational strengthening projects/support), and what's maybe philanthropy's biases toward community-based organizations or organizations led by people of color that then allow us to easily say, 'Oh, they weren't ready for our support.'"

— Nick Arevalo, Tipping Point Community

Most funders and support organizations are using some form of organizational assessment to identify capacity gaps, prompt reflection and discussion, and ensure nonprofit readiness and buy-in for capacity-strengthening projects. Others leave it to their grantees to decide if, when, and how to go about prioritizing their needs. There are some widely known assessment tools in the field, such as Ford Foundation's **Organizational Mapping Tool**, TCC Group's **Core Capacity Assessment Tool**, and **LEAP Ambassador's Performance Imperative tool**.[9] Some funders, support organizations, and consultants have used these and other tools and/or created their own internal or proprietary tools. Most said they continue to adapt these tools over time to ensure relevance. For example, some organizational assessment tools have been adapted to reflect the growing demand for DEI capacity strengthening, whereas other tools have been adapted to better reflect different types of nonprofits or variation in their operational models (direct service delivery, advocacy, social movements, international NGOs, etc.), while still others are adapted to better integrate participatory principles and approaches. Only a couple of funders said that they use assessment tools to measure changes in capacity over time as a form of evaluation, and sometimes on a case-by-case basis rather than as a standard approach.

Both funders and support organizations were quick to say there is no one perfect organizational assessment tool. As one person offered, "it's like searching for Cinderella's glass slipper." All emphasized that the process and dialogue with the nonprofit organization is more important than the tool itself. Further, funders and support organizations alike emphasized the importance of listening and guiding organizations during the assessment process, rather than dictating priorities or prescribing solutions. Nonprofits' ownership of the assessment, including determining their own priorities and approach and securing buy-in across the organization, were identified as critical for success. A few funders noted that some guardrails are helpful — such as funder clarity on any budget ceilings or the timeline/duration of projects they will support. Additionally, some funders noted that some grantees, especially smaller organizations with less experience or resources, found it helpful to receive guidance on typical categories of capacity strengthening to give shape to their diagnosis and planning process.

Potential downsides of organizational capacity assessment are an overreliance on the tool itself or too much focus on baseline capacity or "nonprofit readiness."[10] This can be counterproductive or even harmful, preventing an organization's honest self-examination, exacerbating the funder/grantee power dynamic, distracting from the key outcomes or change process, or excluding early stage (often more diverse) organizations that would benefit from these investments.

Organizational Capacity Strengthening in International Contexts

"Shared learning sessions fit perfectly into the African culture of storytelling. People feel they are being given a voice and that they're not alone; the peer-to-peer engagement is powerful. This is the role we should be playing as intermediaries — facilitating and bringing the important constituency together to learn and reflect."

— Charles Vandyck, WACSI

Nearly half of the funders and support organizations in this study also work internationally[11] (particularly in the Global South[12]), allowing some comparison between U.S. domestic and international contexts for capacity strengthening. Common issues of focus for international nonprofits are power sharing and power dynamics, equity, fundraising, leadership/succession planning, strategic planning, and adaptation, among others. More commonly in international contexts, nonprofits must grapple with conflict, instability, and governance challenges that affect their capacity-strengthening needs and progress, including:

- Technology access, digital security, and overcoming the digital divide.

- Political and economic insecurity, conflict, violence, and personal safety.

- Gender equity, LGBTQ+, and disability rights.

- Managing a range of funder requirements around financial compliance and reporting.

- Differences in nonprofit registration requirements, government rules and regulations governing nonprofit operations, and shrinking civic space for policy advocacy, public assembly, free media, and other forms of citizen participation and activism.

- The relatively low availability of multiyear program and general operating support and an over-reliance on funding through intermediary grantmakers.

- Fundraising and fund diversification (e.g., building domestic funding sources vs. an over-reliance on international donors).

Some support organizations noted that participatory approaches (storytelling, peer reflection, and learning) and less time-intensive training that's paired with coaching, are more effective when working with activists and social movements that have different organizational cultures, operating models, and a sense of urgency for action. Organizational development frameworks, assessment tools, and concepts of nonprofit readiness exported from North America and Western Europe are often not well-suited to other contexts, and can lead to unintended consequences, biases, and unproductive power dynamics.

Box 4: Promising Practices — Adapting to Context

The West Africa Civil Society Institute (WACSI), a regional support organization based in Accra, Ghana, has worked extensively on capacity strengthening in West Africa around financing models, fundraising, and fund diversification — a particular challenge among their client base, which consists of civil society organizations, self-help and solidarity groups, and human rights and advocacy organizations. While recognizing that many groups will still need support from sources outside of their home countries, WACSI assists in developing strategies for fundraising from local governments, the private sector, and community members. WACSI believes this is critical to African civil society's independence and ability to adapt and be responsive to community needs. WACSI also supports its clients in technology planning, digital security, and digital resilience, and offers them access to low-cost or free laptops and software. Finally, WACSI provides training and coaching to groups that are interested in incorporating data and evidence in their advocacy campaigns.

It was further noted that African social movements "don't really have the patience to come and sit in a workshop; they want to be on the ground working on human rights issues." So WACSI meets them where they are, in their own spaces or at convenings, action events, or in communities, to provide support via short sessions that appeal to their sense of urgency, organizational cultures, and operating models.

How Funders Evaluate and Learn from Capacity-Strengthening Programs

"If I had it to do over again, I'd have an evaluation partner from the beginning. We never wanted to compare grantees to an absolute standard because every organization is different, and that's not how organizational development works. But it will be helpful to see their distance traveled with the BUILD grant. We'll want to do some longitudinal follow-up on the first group of grantees." **— Kathy Reich, Ford Foundation**

There is a range of practices for monitoring, evaluating, and learning about capacity-strengthening programs; overall, evaluation practices in the field are underdeveloped. While this review uncovered a number of formative evaluations of capacity-strengthening programs (most completed since 2014), it did not find any summative evaluations or a well-developed body of research on the topic. Funders supporting signature initiatives (like Ford Foundation's BUILD), leadership programs (e.g., Kresge Foundation and Haas, Jr. Fund), and international funders were more likely to build in formal, independent evaluations; yet, even some of these are still in their early stages and evolving. A number of funders and support organizations have captured learning from capacity-strengthening programs through lighter-touch efforts such as case studies, practice notes, grantee feedback, and internal reviews. These all rely on qualitative and/or self-reported information.

Funders offered these barriers to evaluating capacity-strengthening investments:

- Identifying specific, measurable, and time-bound outcomes from capacity-strengthening programs is difficult (and research to develop measurement in the field has been limited).

- Capacity-strengthening grantmaking programs tend to be heterogeneous, supporting a wide range of interventions across a diverse pool of nonprofits — aggregating outcomes is difficult.

- Some programs are too small in scale and too leanly staffed to rationalize and manage an evaluation.

- Where funders have chosen to embed capacity strengthening within general operating or program grants, it is difficult to separate out the level and types of support provided and to attribute outcomes, especially longer-term organizational development outcomes.

- Establishing a baseline and measuring progress over time is difficult and can be counterproductive in terms of building trust and managing power dynamics — grantees are often wary that this information may be used against them for other funding decisions.

"There isn't a strong body of quantitative data showing long-term impact from capacity building. As philanthropies grow capacity-building programs that support the core infrastructure of grantees and the broader ecosystem of organizations, having more of a body of evidence would help quantify the impact, make the case for resources for these programs internally, and build increasingly effective OE programs. I would love to be able to point to something data driven from a variety of sources showing that nonprofits that get significant capacity-building resources are more likely to be around in 10 years, more likely to get funding, and are more likely to achieve their goals on their timelines." **— Kathy Reich, Ford Foundation**

Despite these challenges, all funders and support organizations that we consulted were forthcoming in sharing missteps, what they learned from them, and how they have adapted their programs over time (see Box 5 on the next page). **All the funders we spoke with were convinced that investments in capacity strengthening make a positive difference for nonprofits.** Among the outcomes they have observed (and sometimes documented) are: more effective leadership, more racially diverse boards, increased financial stability and efficiency, improvements in organizational policies and systems, increased community power/voice, and better integration of advocacy in organizational strategies and tactics. Both the ASCEND-BLO reports (Purnell et al. 2020; Teng and Purnell-Mack 2019) and Haas, Jr. Fund's Flexible Leadership Awards evaluation (2021) mention grantees achieving more strategic clarity, revising theories of change, connecting with constituencies, developing skills to better analyze constituency needs and assets, and realigning the use of resources in their programs.

> *Among the outcomes they have observed (and sometimes documented) are: more effective leadership, more racially diverse boards, increased financial stability and efficiency, improvements in organizational policies and systems, increased community power/voice, and better integration of advocacy in organizational strategies and tactics.*

Looking ahead, the organizational-strengthening champions we interviewed expressed an interest in evaluation practices that would include:

- Better integration of a DEI lens (e.g., equitable evaluation).

- A focus on reflection and learning.

- Retrospective or developmental methods that are planned from the start of capacity-strengthening programs and better integrated.

- Right-sized, practical approaches.

Box 5: What Organizational Strengthening Champions Have Learned

Center nonprofits' needs and motivations. First ask nonprofits where they want to spend their energy and funds, ensuring that the focus is on their needs and priorities versus those of the funders. Avoid one-size-fits-all approaches.

Support and trust nonprofits' decisions and choices. Empower nonprofits to choose which consultants to work with and how, remembering that who or what worked best for some organizations does not always translate to others. Enable nonprofits to contract consultants directly and let those relationships develop naturally without funder involvement.

Align on roles and responsibilities. In collaborative structures, someone needs to be ultimately accountable for the work, and it should not be the funder. Take the time to undertake an intentional and transparent planning process to agree on purpose, roles, and responsibilities.

Involve nonprofit leaders while also inviting participation and creating a safe space for staff to share their perspectives. Make sure many voices are reflected in the assessment process to create a solid foundation and authentic buy-in.

Pay for true cost and build sustainability. Provide adequate support for nonprofits' infrastructure and the true costs[13] of capacity-strengthening projects. Include opportunities for coaching and training to build longer-term capacity and independence in ways that are feasible and appropriate for the organization.

Emerging Issues and Future Directions

A number of important themes and areas for increased investment, practice development, and knowledge generation emerged during this field scan. These include growing awareness and increased demand for more fully integrating DEI in capacity-strengthening programs; addressing power imbalances and moving toward power-sharing and power-building in partnership with nonprofits; offering support for wellness and healing; and investing in the capacity-strengthening ecosystem. These issues are addressed in turn in this section.

Diversity, Equity, and Inclusion (DEI)

"I think we will all lean into power dynamics and racial equity much more explicitly — where it becomes more the norm to be explicit about those conversations in capacity building. It forces us to do our own work so that we are leading responsibly, productively, and in partnership with the folks most impacted."

— Carla Taylor, Community Wealth Partners

North American funders and support organizations are engaging in more self-examination, both within their organizations and in the field of philanthropy, in order to address historic inequities, trauma, and racial and social justice. Consequently, this has also emerged as a high priority in capacity-strengthening programs and there is motivation to build on this momentum. Specifically, there is growing awareness about the embeddedness of white supremacy and implicit bias in North American philanthropy, and the combined forces of the COVID-19 pandemic, the Black Lives Matter movement, racial justice protests, and #MeToo have placed these issues into stark relief. Therefore, it comes as no surprise that the majority of North American funders and support organizations we consulted were examining how white supremacy shows up in capacity-strengthening programs, revisiting their assumptions, and creating new best practices.

For example, a number of North American funders are exploring how the concept of nonprofit readiness and associated criteria for capacity-strengthening grantmaking may have excluded BIPOC, small, or alternatively structured organizations (Nishimura et al. 2020, Grantmakers for Effective Organizations 2020, Community Wealth Partners 2020). Others have noticed the lack of culturally relevant leadership development programs for BIPOC leaders that focus on assets versus deficits, and have responded by creating programs that offer "Proudly Black" spaces and culturally relevant resources (Teng and Purnell-Mack 2019, Purnell et al. 2020).

Still, many funders and support organizations continue to grapple with how to respond in thoughtful, culturally sensitive, and effective ways without placing undue burden or adding to the trauma experienced by BIPOC organizations and their leaders and staff. As one person from a support organization said, "You're making a real political statement if you are choosing to do nothing on DEI right now. That norm has changed, but it definitely doesn't mean that everybody's doing DEI [work well]."

In an effort to uncover and address bias, and strengthen their DEI focus in capacity-strengthening programs, some funders are:

- Using aggregated demographic data (race, gender, disability status) to track how well they are doing in terms of inclusion of historically underrepresented groups, and using that information to make programmatic shifts and proactively reach out to and better identify new and more diverse nonprofit partners.

- Setting goals and benchmarks to measure their own progress and ensure more equitable funding across their portfolio.

- Taking more risks to build relationships with early-stage nonprofits or other types of social impact entities (e.g., coalitions, networks, and social movements) that have alternative operational models or more diverse leadership, governance, and staffing.

- Creating diverse cohorts and placing an emphasis on DEI capacity-strengthening projects.

- Building relationships with and contracting or employing more diverse trainers, consultants, and staff.

Box 6: Promising Practice — Creating "Proudly Black" Spaces

The East Bay Community Foundation's ASCEND: BLO initiative is a seven-year, $13 million capacity-building and leadership development program. Its two cohort-based programs — the Stabilizer and the Accelerator — are composed of 11 Black-led organizations from around the San Francisco Bay Area. In the cohorts, at least three leaders from each organization (executive, staff, board, and volunteer) participate in peer-learning and capacity-building activities and convenings. This ensures ownership and alignment, deepens the learning, and helps develop the leadership bench and pipeline. Participants also provide ongoing feedback and input on the design to ultimately create safe and unapologetically Black spaces that invite peer sharing, support, and leadership development. Each organization receives up to $100,000 annually for three years, and up to $50,000 annually in capacity-building support. To extend the reach of this work, the community foundation has identified and maintains a directory of more than 350 Black-led organizations across the Bay Area and provides access to online resources, funding, and capacity-building opportunities, as well as its free annual Network Summit conference, which is designed by and geared toward Black-led organizations (Teng and Purnell-Mack 2019, Purnell et al. 2020).

Box 7: Promising Practice — Using Data for Equity

Tipping Point Community is experimenting with an Impact Cohort of seven organizations focusing on strengthening their capacity and use of data for equity. Cohort member organizations identify a DEI-focused question about their strategies or specific programs and build their capacity for collecting, analyzing, and using data about their clients' race, risks, and protective factors. Tipping Point provides technical support and coaching for data analysis, as well as access to DEI experts that help organizations structure conversations among their leadership and undertake internal change management processes.

Although funders and support organizations described a sense of urgency and commitment to meaningful change, there was some wariness about, as one interviewee remarked, "the potential risk for regression to the mean once American society's collective memory and motivation for change fades, and the (still predominantly white-led) nonprofit and philanthropic sector moves on from DEI to other issues." **This highlights a need for continued investment in leadership that is diverse and/or committed to DEI within the capacity-strengthening field, among funders and support organizations, as well as nonprofits, to ensure this change is continuous, systemic, and enduring.**

Power Sharing and Power Building

"How can we continue to shift the model, take the power away from the grantmaker, and provide organizations and coalitions with whatever they may need to continue to build their own power base, independent funding structures, strategic centers with proactive member-driven agendas and more? Let's make it mainstream to provide long-term support for grassroots organizing, multiracial movements, and building power."

— Regina Schwartz, formerly of Chan Zuckerberg Initiative

Collectively, the literature since 2014 offers a clarion call for increased power sharing in grantee-funder relationships, and more investment in power building of BIPOC-led nonprofits, as well as their networks, coalitions, and social movements (ORS Impact 2018, Niras 2019 and 2020, Nishimura et al. 2020).

Funders and support organizations consulted during this field scan noted growing demands for centering nonprofits' aspirations and needs, sometimes referred to as "decolonizing capacity building," and decreasing gatekeeping so that nonprofits can exercise more agency. Funders and support organizations in the field of capacity strengthening are responding in a few different ways:

First, some funders have created tiered capacity-strengthening offerings, extending access to light-touch resources in a raise-more-boats approach — such as offering open-access support or democratizing training curricula so that it is in the hands of communities instead of consultants.

Second, several funders are widening the pool of organizations eligible for capacity-strengthening support by increasing their focus on smaller or less mature organizations, as well as social movements and activists — many of whom are further along in their work on power building and equity.

Third, funders and support organizations are exploring ways to share power during the organizational assessment and diagnosis stage, ensuring that grantees are able to decide upon their own priorities and voice how they can best leverage monetary and non-monetary resources. Some of these shifts have been informed by learning from COVID-19 grantmaking, when many funders simplified grant approval processes and reporting requirements, lifted or altered restrictions on the use of funds, or otherwise changed practices to get funds out the door to meet urgent needs. **Many funders and nonprofits are now asking whether and how some of these changes can be made permanent as a means toward investing in nonprofit resilience.**

> ### Box 8: Promising Practice — Open Access Resources
>
> For The Packard Foundation's Resilience Initiative, easy- and open-access resources are available on the initiative's website for 240 participating organizations with small budget sizes. Options include jumpstart mini-grants, coaching hours, and more — used by nonprofits as they wish with no funder expectations. This is an example of what Packard has described as their "liberatory practices" for shifting the power dynamic.[14]

Wellness and Healing

"Because of COVID, we're witnessing the redefinition of health and wellness, and every nonprofit is now doing some type of health and wellness work as a result. Also, our racial wounds continue to be opened or reopened. We keep picking at our wounds, yet never really take the time and effort it takes to heal them."

— Byron Johnson, East Bay Community Foundation

Stress, burnout, and trauma are widespread among social sector leaders, staff, and those on the front lines of social change — as well as their clients and communities. While these challenges are not new, they have been exacerbated during the COVID-19 pandemic, racially motivated violence, the economic recession, wildfires, and other overlapping crises. As documented elsewhere by others, communities of color, low-income neighborhoods, and other constituents of nonprofits and social movements are disproportionately burdened by stress and trauma.

In the face of these challenges, some funders and support organizations are increasing their emphasis on wellness, healing, and trauma-informed programming. These practitioners also emphasized that *all* organizations need to find ways of integrating wellness and healing into their work, not just health and mental health organizations, as has traditionally been the norm. For example, Luminate's wellness stipends (see Box 9) and the East Bay Community Foundation's round of grants for staff care and wellness among BIPOC-led organizations are two relatively new and low-cost interventions to specifically address stress and trauma.

Box 9: Promising Practice — Wellness Stipends

In January 2020, Luminate began providing **wellness stipends** to its grantees — $10,000 unrestricted cash payments to address trauma, burnout, and depression among staff. Luminate does not require a proposal or reports for these stipends and has minimal requirements or restrictions on the use of these funds, which has been welcomed by their grantees. Luminate doubled their wellness stipends budget during the COVID-19 pandemic and racial justice protests. They expect to continue the program, given grantees' ongoing needs and interest.

While burnout and trauma exist everywhere, they are experienced, talked about, and addressed in different ways depending on region and culture. As with most organizational strengthening support, one-size-fits-all approaches to wellness and healing will not be effective. While some funders and support organizations are working toward integrating wellness and healing approaches within their overall programming, others have treated it as a distinct area of practice. Regardless of how support for wellness and healing is structured and where it is placed, **interventions for addressing the debilitating effects of stress, trauma, and burnout in a timely manner and building individual and organizational resilience are important investments.**

Investing in the Capacity-Strengthening Ecosystem

"Organizations alone are not capable of advancing social change. The way that organizations interact with each other — and a broader ecosystem — also needs to be taken into account when we think about what effectiveness looks like."

— Linda Wood, formerly of Haas, Jr. Fund

Another area of practice gaining traction are investments in ecosystems for capacity strengthening, often applying systems thinking and asset-framing. Individual nonprofit organizations have long been the main unit of capacity-strengthening support, and that is likely to continue for many funders in the foreseeable future. However, a few funders and support organizations are looking at how they can support networks, coalitions, social movements, cohorts, communities of practice, and place-based programming to ground and sustain capacity-strengthening investments in the local context and achieve wider impact. This approach is also consistent with the principles of "transformative capacity building" (Nishimura et al. 2020).

Figuring out how to do this well is still new territory for many capacity-strengthening funders, though the approach holds promise. A 2018 evaluation of Packard Foundation's cohort-based capacity-strengthening program found positive results, with 100% of participants reporting they benefited from the peer-learning format, cohort members sharing information, finding common causes, and collaborating on advocacy campaigns. One study found that cohort programs work best when they are "connected with specific goals for strengthening fields or movements" and when the composition of the cohort reflects those goals. Cohorts that are created simply for "efficiently organizing training opportunities" proved less successful (Lansel 2018).

To inform their pursuit of systems and sector change, some funders and support organizations have engaged in or commissioned power mapping and legislative mapping work (Chan Zuckerberg Initiative, Community Wealth Partners); mapped capacity-strengthening needs and local/regional resources (INTRAC, Ford BUILD, Luminate); or sought to reframe capacity strengthening from deficit to asset-based approaches that lift up contributions and assets and bring underrepresented people to the table (Haas, Jr. Fund, Luminate).

Though these efforts are promising, **some funders and support organizations are advocating for greater alignment, coordination, and partnerships among funders** — as well as with nonprofits, corporations, donors, and government — to increase access to culturally competent technical support services and expand the reach and impact of nonprofit capacity-strengthening investments.

Box 10: Promising Practice — Place-Based Power Building

Community Wealth Partners is working with the Ewing Marion Kauffman Foundation on the place-based **Heartland Strategy**, an effort to strengthen entrepreneur support organizations in the heartland region (considered Missouri, Iowa, Nebraska, and Kansas). There will be separate cohorts of BIPOC-led and white-led organizations. In addition to individual nonprofit capacity building, there will be an explicit focus on power building and power sharing, building connections and inclusivity, and strengthening the regional ecosystem.

Conclusions and Implications

This field scan, conducted in 2021 during a tumultuous year, revealed a vibrant community of champions and practitioners who value nonprofit health, resilience, and sustainability, and are leading their organizations' investments in it.

Importantly, our field scan found that a number of funders, consultants, and support organizations are revisiting old assumptions and adapting their capacity-strengthening grantmaking and approaches with an eye toward increasing their accessibility; relevance; and advancement of diversity, equity, inclusion, and social justice goals. Promising practices revealed in this study include:[15]

- Rethinking the concept of nonprofit readiness and spreading the wealth by offering capacity-strengthening support to early-stage and emergent nonprofits, in addition to more mature nonprofits.

- More intentionally integrating power sharing and power building into capacity-strengthening grantmaking and funder-grantee relationships.

- Supporting place-based and/or affiliation-based peer learning cohorts that are more deliberately culturally informed at a minimum, and are BIPOC-focused or led when relevant.

- Making capacity-strengthening best practices and tools available to a wider audience of grantmakers, consultants, and nonprofits (beyond the funders' grantees), so more can benefit.

- Providing resources to support nonprofit staff wellness and healing, as they cope with trauma and burnout from racial injustice, the coronavirus pandemic, and chronic underinvestment in nonprofits and social justice advocates.

- Providing resources and coaching to improve nonprofits' use of data and evidence in strategy and program development (such as the use of demographic data, disaggregated data, and client feedback).

At the same time, **there is room for more investment in evaluation of capacity-strengthening strategies and grantmaking practices, including how and to what extent they contribute to nonprofit health, resilience, and sustainability**. While this scan did not set out to conduct a comprehensive review, it found that many evaluations to-date have been small-scale and light in terms of scope, methods, and reporting/implications (e.g., descriptive case studies or practice briefs). This, in addition to conversations with funders and support organizations about evaluation practices, led us to conclude **that monitoring, evaluation, and learning practices have not kept pace with, nor sufficiently informed, the capacity-strengthening field's growth and evolution**. While the evaluation challenges that funders identified in this scan are real, they are not necessarily unique to the field of capacity strengthening. Funders could partner more with evaluators to find ways to overcome some of these constraints and invest a greater share of resources in evaluation and learning. Some funders are already laying the groundwork for doing so by embedding developmental evaluations in their grantmaking practices and signature capacity-strengthening initiatives.

In addition to evaluation, implications for the Hewlett Foundation and the field to consider:

- Amplify the case within the wider philanthropy field for providing flexible support for nonprofit capacity strengthening, and continue to iterate on how to do this well within a program's strategies, as well as dedicated capacity grantmaking.

- Continue and deepen investments in creating a capacity-strengthening mindset, skills, and competencies among program officers and staff.

- Leverage the momentum created by funder responses to the Black Lives Matter movement and the COVID-19 pandemic to deepen and sustain commitments to BIPOC-led organizations and more flexible, multiyear, and culturally relevant funding.

- Continue to engage in self-reflection, listening, and focused efforts to shift traditional funder-nonprofit power dynamics in an authentic, enduring way.

- Invest in and learn from capacity-strengthening approaches in other countries and regions, including new ways to adapt, innovate, and be responsive to differences in political, economic, and cultural context.

- Make strategic investments in the capacity-strengthening ecosystem: for example, identifying and building relationships with consultants who bring a more diverse range of cultural competencies and lived experiences, especially in regions where there are gaps.

- Support knowledge generation and knowledge sharing across funders, support organizations, and nonprofits engaged in capacity strengthening.

Finally, a number of funders and nearly all of the support organizations involved in this scan suggested that, sometimes, funders should simply provide nonprofits more resources, time, and space for capacity-strengthening projects and longer-term organizational development, without placing excessive demands or requirements on nonprofits.

Appendix A: Interviewees

Organization	Name	Role
Barr Foundation	Roger Nozaki	Funder
Chan Zuckerberg Initiative	Regina Schwartz	Funder
Community Wealth Partners	Carla Taylor	Support Organization
Evelyn & Walter Haas, Jr. Fund	Linda Wood	Funder
Ford Foundation	Kathy Reich	Funder*
Grantmakers for Effective Organizations	Meghan Duffy	Support Organization
INTRAC	Rick James	Support Organization*
Luminate	Laura Bacon	Funder*
Oak Foundation	Adriana Crǎciun	Funder*
Southeastern Council of Foundations	Janine Lee and David Miller	Funder
The David & Lucile Packard Foundation	Linda Baker	Funder*
The East Bay Community Foundation	Byron Johnson	Funder
The Kresge Foundation	Caroline Altman Smith	Funder
Tipping Point Community	Nick Arevalo	Funder
West Africa Civil Society Institute (WACSI)	Charles Kojo Vandyck	Support Organization*

* Organizations that support capacity strengthening programs internationally (generally in addition to efforts in the U.S.).

Appendix B: Interview Guide

1. Let's start by talking about what organizational effectiveness and capacity building means given your organization's role.
   a. From your perspective, what does it mean for nonprofits to be "healthy, sustainable, and resilient"?
   b. How do definitions or expectations differ for domestic or international organizations?

2. Now let's talk about your organization's approach and considerations for this work.
   a. How and by whom are organizations' capacity-building needs diagnosed or prioritized? Why are you addressing these particular issues/challenges? Do you use organizational assessments and if so, what's working well and not as well?
   b. How are amounts/priorities set for funding and supports?
   c. How do you address issues of nonprofit readiness and staff capacity to take on OE work?
   d. How do you invest in your own staff to do OE work well? How is OE knowledge shared with other staff and grantees?

3. What do you think are the best or most promising practices for OE work at your organization?
   a. What aspects of your models/supports have been most effective? How and why?
   b. Which of your OE processes or supports would you describe as the most innovative?
   c. What promising practices do you see in the field?

4. Now let's talk some more about what you have learned from your OE investments.
   a. What are the key takeaways from your evaluation and learning activities?
   b. What's working or not working regarding external technical assistance providers and OE consultants?
   c. What has been most surprising to you about doing OE work?
   d. Have there been any unintended consequences or missed opportunities?

5. What have you learned and what could you recommend around ensuring equity and inclusion, and better understanding and eliminating any unintended biases in the selection of organizations, funding practices, and priorities?

6. What are some of your organization's OE missteps or failures that we could learn from?
   a. What are some things we should avoid, based on your OE experiences or others in the field?

7. How have you modified your OE approach/focus in response to field trends or "system shocks," including COVID-19 and the movement for racial justice?
   a. What emerging issues or system changes do you see on the horizon?

8. What shifts or emphases do you anticipate for your own organization and the field in the next few years?
   a. Looking ahead, what might drive your OE decisions?
   b. What can funders do differently/better to advance this field?

9. Do you have any other comments or insights to share? Are there any individuals or research/data we should follow up with?

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Notes

1. The current OE strategy is described **here** (2018).

2. Hewlett Foundation often refers to non-monetary support as "beyond the grant dollars" support.

3. The current OE strategy is described **here** (2018).

4. The foundation's guide for outcome-focused philanthropy, as well as other resources, are publicly available: **A Practical Guide to Outcome-Focused Philanthropy (hewlett.org)**.

5. Hewlett Foundation often refers to non-monetary support as "beyond the grant dollars" support.

6. Ford Foundation's BUILD initiative has an estimated annual budget of $200 million. The BUILD grants are given as multiyear, general operating support, with a significant portion dedicated to capacity strengthening — estimated at 25%-30%.

7. The report authors acknowledge that these are rough estimates. A more meaningful data point would be the percent of total grantmaking dedicated to capacity-strengthening projects or activities. The scope of this field scan was such that it was not possible to find or estimate the percentages of total grantmaking. For comparison, Hewlett Foundation (which was not among the 10 interviewees) had a budget of $8 million for its capacity-strengthening grantmaking in 2021.

8. This field scan was not able to explore the factors informing funder decisions related to "buy versus build."

9. In 2017, the Hewlett Foundation commissioned "**A Guide to Organizational Capacity Assessment Tools**." See this publication to learn more about finding and using such tools; the foundation has not refreshed this analysis since then, so the availability and/or use of tools may have changed.

10. In the capacity-strengthening literature, and within some funder practices, determining "nonprofit readiness" has often been used as one key criteria for decision making about which nonprofits do or don't receive support for capacity-strengthening projects. Nonprofit readiness considers whether the organization's executive leadership, governing body, and sometimes staff are fully committed and capable to engage in and successfully manage organizational change processes and resources.

11. See Appendix A for the list of interviewees who support capacity strengthening internationally.

12. This term "refers broadly to the regions of Latin America, Asia, Africa, and Oceania ... outside Europe and North America, mostly (though not all) low-income and often politically and/or economically marginalized" (Dados and Connell 2018).

13. See **https://hewlett.org/a-step-toward-supporting-the-true-cost-of-nonprofits-work/** for more on funding nonprofit true costs.

14. For further discussion of liberatory philanthropy, see Foxworth (2019) and Orr (2020).

15. Several of our findings reinforce key takeaways from a 2020 field scan commissioned by Kresge Foundation that recommended that funders (a) bring a racial equity lens to capacity-building investments and ensure equitable access for nonprofits; (b) ensure that consultants and staff have the right cultural competencies; (c) create more autonomy and flexibility for grantees — "putting grantees in the driver's seat"; (d) build a shared culture for capacity building across foundation staff, offering opportunities for continuous learning (Community Wealth Partners 2020).