

Capacity Building: Beware the Easy Fix

Pablo Eisenberg
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“Capacity building” is the latest philanthropic buzzword generating interest among foundations wanting to strengthen the structures and organizational performance of grantees. Promoting this concept, a number of foundations have created yet another affinity group—perhaps more aptly termed infinity groups—Grantmakers for Effective Organizations (GEO). Led by the Packard Foundation, a growing number of foundations are making more grants for this purpose.

Building strong, highly skilled and sustainable organizations that can deliver the highest quality service and advocacy programs should be philanthropy’s highest priority. Yet it is not clear whether many foundations that appear committed to capacity building know much about how to increase the capacity of their grantees. Too many funders make capacity building decisions without asking the organizations in question for an assessment of their needs. This directive approach not only irritates the grantees, but often misses the problems most in need of correction. Barbara D. Kibbe of the Packard Foundation had it right when she said, “We’d never set the priority.”

The reliance of foundations on management support organizations and independent consultants is often a major obstacle to effective capacity building. A growing and thriving industry of assistance organizations has emerged over the past decade to provide support, often very expensive, to groups and their donors that are wrestling with nonprofit management, programmatic and fundraising problems. Too many of them are not competent to do the job—lacking the values, professional skills and political judgment required by the organizations they profess to assist. While many support groups can address specific needs such as financial management, personnel policies or a narrow program initiative, few excel in the complexities of building healthy and productive organizations.

In fact, private consultants are rarely the answer on a long-term basis. While some are highly skilled, others offer only mediocre assistance—which can be worse than no help at all. Moreover, the good ones are expensive, and few organizations can afford to retain them for long periods. Many management support organizations lack the skilled people needed for effective assistance: staff who have run both small and large effective organizations, fundraisers who actually have extensive experience in raising money and can do more than write proposals, people who understand leadership development. There is no substitute for demonstrable skills and successful experience.

Others, especially those that are for-profit, have neither the resources nor the commitment to stick with an organization over the long haul. Sadly, they exhibit little interest or appreciation for

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the values and organizational missions of their nonprofit clients. By contrast, organizations such as the Environmental Support Center, the Center for Community Change and the McCauley Institute build enduring relationships with their clients lasting many years. They emphasize the primacy of mission and values in their assistance programs, while at the same time providing the needed management help. These assistance groups—committed to the work of their clients, comprehensive in their approach and dedicated to providing long-term assistance—deserve encouragement and support from funders.

Most management support groups lack the capacity to tackle public policy activities, advocacy, organizing and lobbying. Nor are they comfortable in doing so. Yet a growing number of nonprofits, even service organizations, are addressing these very issues. Increasingly, strategic planning, budgeting, staff expansion and public policy priorities require the type of assistance that is more policy and activist oriented than has previously been the case. Management support organizations, technical assistance centers and consultants each have a role to play in capacity building initiatives. For the most part, however, they are less effective than the direct provision of general operating support to organizations wanting to strengthen their operations and grow their programs.

Core support is at the heart of capacity building. It can cover a wide range of important functions such as planning and evaluation, board-staff relationships, technological improvements, public accountability measures and reserve funds with which to launch new programs or policy initiatives. With flexible money, nonprofits can hire the management, program and policy staff they need to be viable and productive. This approach is decidedly more cost-effective in the end than a dependency on protracted management assistance and consultants.

Years ago when my employer, the Center for Community Change, wanted to address management and fundraising problems, the Ford and MacArthur foundations gave the Center a large, three-year general support grant to address these issues. With this money, we hired the needed management and fundraising staff. It was a much cheaper and more long-term solution than the use of support organizations and consultants. Similarly, when the Packard Foundation recently granted the Nonprofit Quarterly \$535,000 to become national in scope, the foundation said, "Here's the money, spend it on staff and resources you think you need to do the job."

Old habits die hard. Foundations are still reluctant to provide core support, even to their favorite grantees. In 1997, for example, only 13.1 percent of all money granted by foundations went to general operating support. If foundations are serious about capacity building, they will have to reconsider their policy of not funding the infrastructure needs of grantee organizations through core support. By funding the most effective strategy for creating strong nonprofits, foundations,

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ironically, will find their own capacity for effective grantmaking enormously enhanced.

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