

How Can We Support Capacity-Building Efforts?

Nonprofits need skilled leaders, strong systems and the flexibility to continuously improve their work. As funders, we can play a key role in building the capacity of grantees, and we can offer this support in a number of different ways to boost nonprofit success. This piece offers an overview of how grantmakers can structure initiatives that seek to build grantee capacity.

There is no right way to offer capacity-building support for our grantees. Instead, grantmakers are using a variety of approaches from dedicated grants to direct funding of technical assistance to unrestricted support. We have learned that approaches which are continuous or multiyear are better than short-term or episodic ones because they allow for the time and effort needed for changes to take hold. And, no matter how we provide support, capacity-building must be customized to meet the unique needs of grantees.

Change is hard, so it is critical to ensure that grantees are ready and committed to starting the process. Organizational assessments and candid conversations are two key ways to gauge grantee readiness. Regardless of the type of support, it is important to consider grantee readiness before awarding funding.

The following table highlights five of the most common ways grantmakers support capacity building, along with some of the benefits and limitations of each approach¹:

Type of Support	Benefits	Limitations	Example
Unrestricted support — general operating grants	<ul style="list-style-type: none"> Provides much-needed multiyear unrestricted funding Grants are paid in full and up front, and grantees can use 	<ul style="list-style-type: none"> Some nonprofits may find it difficult to prioritize investing in organizational capacity building, likely a result of a 	<ul style="list-style-type: none"> Weingart Foundation in Los Angeles gives the majority of its grants as unrestricted support and has found that most

¹ This table draws upon the work done by Paul Connolly and Carol Lukas in [Strengthening Nonprofit Performance: A Funder's Guide to Capacity Building](#) (St. Paul: Fieldstone Alliance and Washington, D.C.: GEO, 2004), 60–61.

Type of Support	Benefits	Limitations	Example
	<p>the funds to support their priorities and needs</p> <ul style="list-style-type: none"> • Allows grantees to drive the timing and pacing of capacity-building work 	<p>historic underinvestment by funders in this area</p> <ul style="list-style-type: none"> • Measuring impact requires different models 	<p>grantees use this funding for organizational capacity building.</p>
<p>Organizational capacity-building grants — grant support focused on building specific organizational capacities, such as leadership, fundraising, communications, evaluation, collaborative capacities and more</p>	<ul style="list-style-type: none"> • Targeted support to meet specific needs that may not be funded from other sources • May help set the stage for organizational growth and development 	<ul style="list-style-type: none"> • It can be difficult to determine which capacities to prioritize and to ensure grant timing and readiness for the work 	<ul style="list-style-type: none"> • The Meyer Foundation's Management Assistance Program provides capacity-building grants of up to \$25,000 targeted at activities to strengthen management and leadership skills.
<p>Organizational capacity-building grants plus technical assistance — grant support plus technical support from consultants or foundation staff that is focused on building specific organizational capacities; can include technical assistance programs, training, organizational assessments and engagements</p>	<ul style="list-style-type: none"> • Targeted support to meet specific needs that may not be funded from other sources • Grantmakers are involved in designing the technical assistance engagement (with varying degrees of involvement from grantees) • Grant funds can be used to help with implementation or follow-up after the technical assistance • Technical assistance from an outside 	<ul style="list-style-type: none"> • It can be difficult to determine which capacities to prioritize • Grantmakers may not have the expertise to design technical assistance or assess skills of consultants • Technical assistance that is too funder driven will be less effective — input from grantees is critical • Off-the-shelf capacity building interventions can be less effective; customized support is more time and 	<ul style="list-style-type: none"> • The Pierce Family Foundation supports capacity building through grants and technical assistance opportunities such as workshops, peer skill sharing and access to nonprofit coaches and consultants.

Type of Support	Benefits	Limitations	Example
	provider can allow for a more objective approach	resource intensive	
Grants to build capacity collectively — grants to build the capacity of a group of grantees, networks or other collaborative efforts, instead of the capacity of individual grantees	<ul style="list-style-type: none"> Recognizes the need for multiple actors working to address social issues Provides critical funding to help strengthen collaborative efforts Encourages grantees and partners to work together 	<ul style="list-style-type: none"> It can be difficult to determine how best to structure the support Outcomes may be unclear given multiple actors and efforts Grantmakers must make multiyear commitments in order for the support to be meaningful 	<ul style="list-style-type: none"> The Greater New Orleans Foundation's Stand Up for Our Children initiative works to build the capacity and advocacy skills of organizations that are key to attaining positive outcomes for children in Southeast Louisiana.
Grants to technical service providers, intermediaries or researchers — grants or contracts to build the capacities of capacity-building providers or develop knowledge and practice in the field	<ul style="list-style-type: none"> Helps ensure nonprofits have access to knowledge, experience and resources to best build their capacity Can offer economies of scale Can offer expertise the grantmaker doesn't have on staff 	<ul style="list-style-type: none"> Grant decisions may require a different set of knowledge or experience than the grantmaker possesses to make grant decisions Some potential grant or contract recipients may fall outside the foundation's funding guidelines Technical assistance alone can be less effective for grantees than when combined with funding 	<ul style="list-style-type: none"> A key component of Wilburforce Foundation's capacity-building strategy is supporting Training Resources for the Environmental Community, which provides capacity-building training, organizational effectiveness services and leadership coaching to conservation organizations in the North American West.

Selecting the Right Strategy: Questions to Consider

These questions can help you assess which strategy (or strategies) is the best fit for your organization and capacity-building objectives:

- **What portion of your grantmaking budget will go toward capacity building?** Weigh the amount of funds needed versus what you have available for the effort.
- **Do you have the internal capacity and expertise to manage the initiative, including organizational assessments and technical assistance if needed?** If not, consider using external capacity builders or offering unrestricted support or combined program and capacity-building support.
- **Do your grantees have access to quality technical assistance?** If not, consider grants or contracts to build the capacity of capacity-building providers in your area.
- **Do you want to strengthen specific organizations or build the overall capacity of a set of organizations?** If you are interested in supporting capacity building more broadly, a stand-alone grants program may be the right approach. If you are focused on a specific organization or a few organizations, a stand-alone program may not be necessary.
- **Do you want to build expertise on a specific capacity?** Some grantmakers have prioritized supporting leadership or fundraising capacities, for example, and designated grants programs and technical assistance focused specifically on those capacities.

Conclusion

Given the wide range of ways to structure capacity-building initiatives, each grantmaker must weigh benefits and limitations of the different options and consider how to best serve our grantees. No matter which direction we choose, we will see the best results with approaches that offer nonprofits long term, customized support.