



**NONPROFIT CAPACITY ASSESSMENT:
INDIANA CHARITIES, 2007**

INDIANA NONPROFIT CAPACITY SURVEY SERIES, REPORT #1

Final Report, May 15, 2007

**SUBMITTED TO THE INDIANA GRANTMAKERS ALLIANCE
AND LUMINA FOUNDATION FOR EDUCATION**



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For more information, see www.indiana.edu/~nonprof

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I. INTRODUCTION

Like their counterparts elsewhere, many Indiana nonprofits find themselves in need of CAPACITY BUILDING and TECHNICAL ASSISTANCE to respond to the challenges and opportunities facing them. However, the meanings of these concepts vary widely (see **Appendix A** for a brief review of the literature), and grantmakers therefore find it difficult to develop grant opportunities that effectively meet the needs of nonprofits.

A. Project Purpose

To develop a common understanding of CAPACITY BUILDING and TECHNICAL ASSISTANCE, the *Indiana Grantmakers Alliance* (a membership association of grantmaking executives, staff and board members that seeks to promote legal, ethical, efficient and effective grantmaking) commissioned the Indiana University School of Public and Environmental Affairs (in collaboration with the Indiana University Center on Philanthropy and Lumina Foundation for Education) to conduct a survey of Indiana nonprofits.

The purpose of the survey is to aid Indiana grantmakers in developing a framework for appropriate grantmaking strategies. This will also benefit Indiana nonprofits by insuring that grantmakers have solid information about the capacity building challenges Indiana nonprofits face and about the utility of key strategies for addressing these challenges.

B. Survey Focus

The survey aims to develop a firm grasp of the underlying dimensions and nuances of CAPACITY BUILDING and TECHNICAL ASSISTANCE by asking responding organizations to identify their most significant needs in each area and the best ways to address them. The survey also examines in some detail several broad categories of capacity building identified in the literature in order to establish which specific dimensions in each category present the most severe and/or widespread challenges. For each of the broad categories, respondents were also asked to indicate how helpful various types of funding, technical assistance, or peer learning would be in addressing the challenges. For the complete set of questions, please see **Appendix B**.

C. Sample and Survey Procedures

A total of 212 organizations, representing a combined list of associate members of the Indiana Grantmakers Alliance (IGA) and Indiana grantees of Lumina Foundation for Education (LFE),

were invited to participate in this first round of the survey.¹ The survey was administered in a web-based format, using WebSurveyor (now Vovici), and all respondents were contacted at least twice (some as many as five times) to encourage their participation. This report is based on the 91 respondents who completed the survey, representing a response rate of 43 percent.

All respondents have been promised complete confidentiality and assured that the IU School of Public and Environmental Affairs has sole responsibility for the survey, that no one at either IGA or LFE will have access to the responses or raw data, and that no survey respondent will ever be identified by name. As a special incentive to complete the survey, two respondents, selected at random, will receive a free associate membership with Indiana Grantmakers Alliance (\$80 value each), and a summary of our findings will be sent to all respondents who request it.

D. Acknowledgments

We express our deep-felt gratitude to the many Indiana nonprofits that completed our survey. Without their cooperation, we would have nothing to report. We are especially grateful to Mary Grcich Williams, Caroline Altman Smith, Jill Kramer, and Gloria Ackerson from Lumina Foundation for Education, and J. Wesley Simms III of the Indiana Grantmakers Alliance for commissioning and funding the project and for their assistance with the survey. We thank them and Andrea Lewis for valuable feedback and suggestions on the analysis.

The support and efforts of all of these strengthened this work enormously and we are grateful to them all. Of course, any remaining problems remain our responsibilities entirely.

Additional support has been provided through the ongoing project on the Indiana Nonprofit Sector: Scope and Community Dimensions. This project, directed by Kirsten Grønbjerg, Efroymsen Chair in Philanthropy at the Center on Philanthropy, is funded by the Efroymsen Fund at the Indianapolis Foundation (an affiliate of the Central Indiana Community Foundation), the Indiana University Center on Philanthropy's Indiana Research Fund (supported by Lilly Endowment, Inc.), and the School of Public and Environmental Affairs at Indiana University.

E. Suggested Citation

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Copies of this report are available on the Indiana Nonprofit Sector Project Web site, see <http://www.indiana.edu/~nonprof/results/npcapacity/charitycapacityassessment.pdf>.

¹ During Phase II, the survey will be administered to Indiana nonprofits that responded to a major baseline survey of Indiana nonprofits completed in 2002 (see www.indiana.edu/~nonprof/), which included many of the same questions analyzed here. By re-surveying the nonprofits that responded to the 2002 survey, we will be able to determine whether there have been significant changes in the extent and nature of management challenges and tools among Indiana nonprofits over the 2002-2007 period and whether those changes differ by field of services, size, age, or funding profile of the nonprofits involved. Subsequent phases of the project will extend the capacity assessment survey to nonprofits of special interest to philanthropic funders.

II. EXECUTIVE SUMMARY

A. Capacity Building Challenges

We selected seven dimensions of capacity building that were most prominent in the literature and asked the 91 respondents to the survey² whether indicators within each posed a major, minor, or not a challenge. We find that financial resources and marketing pose the most challenges, followed by networking & advocacy, information technology, human resources, planning & programs, and operations & governance.

Resource Capacity. All aspects of securing financial resources pose at least a minor challenge to Indiana nonprofits. Expanding the donor base, obtaining funding or other financial resources in general, securing foundation or corporate grant support, and building an endowment are viewed as at least a minor challenge by more than 85 percent and as a major challenge by more than half.

Marketing Capacity. All indicators pose at least a minor challenge for more than 60 percent of respondents. Enhancing the visibility and reputation of the organization as well as developing targeted communication to the community are at least minor challenges for more than 85 percent and major challenges for close to half.

Networking & Advocacy Capacity. Enhancing public understanding of key policy issues, strengthening relationships with key policy makers, and responding effectively to community expectations pose at least minor challenges for 80 percent or more of Indiana nonprofits.

Information Technology Capacity. All indicators are considered to be at least a minor challenge by more than 60 percent of respondents. Creating a comprehensive and interactive website, upgrading computers to support new software, and training staff and volunteers in software applications are seen as at least a minor challenge by more than 70 percent, with the former two selected as a major challenge for more than one-third. Creating, updating, and effectively using databases are at least a minor challenge for 69 percent.

Human Resources Capacity. All indicators of human resources capacity are identified as at least a minor challenge by more than 60 percent. Board training is at least a minor challenge for 78 percent, with almost one-third saying it is a major challenge. About a quarter say that recruiting and keeping qualified board members, staff, or volunteers are major challenges.

Programs and Planning Capacity. With regard to programs and planning capacity, evaluating or assessing program outcomes or impact is the most pervasive challenge, with over 70 percent considering it at least a minor challenge. Although only 38 percent said that focusing on the mission or vision of the organization is at least a minor challenge, this is potentially a serious problem related to broader issues of governance.

Operations and Governance Capacity. Training and/or developing the board is viewed as a minor challenge by 79 percent and as a major challenge by 39 percent. Four other elements in

² We surveyed Indiana grant recipients of Lumina Foundation for Education and associate members of the Indiana Grantmakers Alliance. The 91 respondents represent a response rate of 43 percent.

this category are at least minor challenges for three-fifths or more of the responding nonprofits: improving management skills, strategic planning, establishing an organizational culture and managing or improving board/staff relations.

Helpful Assistance in Addressing Challenges

For each of the seven broad categories of capacity building, we asked respondents some structured questions on how they would rank the helpfulness of various types of funding, technical assistance, and peer learning in addressing these challenges. Overall, multi-year and general overhead funding are seen as *most helpful*, followed closely by small grants, learning from peers, and workshops. Challenge grants, consultants, student interns and loaned executives are seen as somewhat less helpful, with low cost loans as the least helpful type of assistance.

B. Nonprofit Views

To assess how nonprofits define and differentiate *Capacity Building* and *Technical Assistance*, we asked our respondents to describe (1) their three most significant capacity building challenges and the best ways to address each of these, and (2) their three most significant technical assistance needs and the best ways to address each.

Extent and Nature of Capacity Building and Technical Assistance Needs. We analyzed the extent to which respondents provide descriptions of capacity building or technical assistance needs as well as whether those descriptions include references to specific organizational changes or resources needed.

- Not all respondents identify major capacity building or technical assistance needs, but more describe needs with regard to capacity building (82 percent have at least one need) than technical assistance (63 percent have with at least one need).
- Overall, we find that respondents appear to have less well-developed understandings of the extent to which capacity building involves organizational change compared to their understanding of the role of organizational change in technical assistance, but they have greater awareness of the specific resources they might need for the former.
- Our results also suggest that *capacity building* and *technical assistance* have different meanings for nonprofits. Technical assistance appears to be defined mainly as having to do with technology, while capacity building appears to be applied to broader functional areas, such as fundraising, programs & planning, and general operations & governance

Three Most Significant Capacity Building Needs

- Almost half of the 188 descriptions of capacity buildings include details on the nature and/or direction of organizational changes needed; another 30 percent provide only general reference to organizational activities. More than half of the descriptions reference specific resources needed; another 18 percent identify only general types of resource.

- None of the specific capacity building needs described in the open-ended questions were mentioned by more than 8 percent. The most prominent needs consist of managing facilities/space (8 percent) and staff training, board training, and enhancing reputation and visibility (each 7 percent). Other items include expanding donor base, funding for operations, expanding fundraising, increasing staff, or recruiting/keeping qualified staff (each 6 percent), with obtaining funding or expanding programs/services closely behind (each 5 percent).
- While needs related to financial resources are clearly the most prominent, those related to human resources, programs and planning, or operations and governance take on greater prominence when respondents focus on their own three most significant needs as opposed to assessing how challenging specific types of capacity building are.

Most Helpful Ways to Address Capacity Building Needs

- Our respondents listed the most helpful ways to address each of their three most significant capacity building needs. Two of these account for more than 10 percent of the 171 help descriptions: funding for operations (16 percent) and outside consultant (12 percent). Other prominent items include funding for programs (10 percent), board training (9 percent), staff training, forming or maintaining relations with other entities, multi-year funding (all 8 percent), and grants not otherwise specified (5 percent).
- While financial resources are included most often (similar to the findings from the structured questions), our respondents were much more likely to include references to consultants and other forms of external technical assistance than peer assistance in this section.

Three Most Significant Technical Assistance Needs

- Of the 123 major technical assistance needs described, 62 percent include at least some details on the nature and/or direction of organizational changes needed, with another 12 percent including only references to some organizational component. Thirty-nine percent of the descriptions link technical assistance needs to specific resources, with another third identifying a general type of resource.
- Only five technical assistance needs described in the open-ended questions are included in 5 percent or more of the answers: identifying technology tools and resources for service delivery (19 percent), creating a comprehensive and interactive website (15 percent), creating, updating, effectively using databases (13 percent), staff training (11 percent), and training staff and volunteers in software and applications (8 percent).
- Sixty percent of the descriptions include some reference to information technology, with items related to human resources trailing far behind at 19 percent and the remaining five broad categories even less prevalent.

Most Helpful Ways to Address Technical Assistance Needs

- Our respondents also described the most helpful ways to address each of their three most

significant technical assistance needs. Four of these are included in more than 10 percent of the 115 help descriptions: outside consultant (14 percent), funding for operations (13 percent), training staff/volunteers in software/computer applications (11 percent), and staff training (10 percent). Other prominent items include getting IT assistance and funding for programs (each 8 percent), grants (not otherwise specified, 7 percent), joint activities (6 percent), and identifying technology tools/resources for service delivery or recruiting/keeping qualified staff (5 percent each).

- Our respondents are more likely to include references to consultants and other external assistance when describing effective ways to address technical assistance needs than when describing capacity building needs.

C. Summary and Recommendations

Based on our analysis of what respondents view as the most helpful types of assistance to meet various types of capacity building and technical assistance needs, we identify four priorities for Indiana grantmakers:

- Top Priority: Funding Assistance. More than 60 percent see multi-year funding and general overhead as very helpful. We recommend that Indiana funders give serious consideration to providing this type of support to nonprofits seeking assistance with capacity building needs. Small grants and challenge grants targeted at particular areas of capacity building are also likely to be useful in some more delimited areas of capacity development, such as financial resources and information technology.
- Second Priority: Peer Learning. The opportunity to interact with and learn from peer organizations is seen as very helpful by at least 30 percent of respondents. Thus, we recommend that funders give serious consideration to creating opportunities for peer interactions and information sharing among nonprofit executives and others in key nonprofit management positions, such as volunteer managers, special event coordinators, grant writers, and the like.
- Third Priority: Workshops and Off-Site Training. More than 29 percent indicate that workshops are very helpful, with 75 percent finding it at least somewhat helpful. We therefore recommend that funders support high quality workshops and other off-site training for nonprofits seeking to build capacity of all types.
- Fourth Priority: Selective Support for Technical Assistance. Outside consultants, student interns, and loaned executives are viewed as very helpful by 30 percent or more of respondents and at least somewhat helpful by half or more, particularly in the areas of marketing and information technology. Thus, we recommend that funders give particular attention to identifying high quality consultants and loaned executives to help nonprofits build their marketing and information technology capacity.

III. KEY FINDINGS

A number of key findings stand out from our analysis of capacity building and technical assistance needs among respondents to our Indiana capacity assessment survey.

- ***Indiana nonprofits face many capacity building challenges.*** When asked to assess a broad array of capacity building challenges, our respondents indicate that securing financial resources presents the most severe and widespread challenge, followed by marketing and networking & advocacy, with information technology, human resources, planning & programs, and governance & operations following in close succession.

We find that financial resources remains the most prominent type of capacity building need when respondents are asked about their own three most important needs in open-ended questions. However, needs related to human resources, program and planning, or operations and governance take on greater prominence when respondents focus on their own significant needs compared to when they assess all areas of capacity building. By extension, marketing, networking and advocacy, or information technology appear to have notably lower priority.

- ***Six of the nine most prevalent major challenges are related to funding.*** Almost all of the specific capacity building dimensions across the seven broad categories pose at least a minor difficulty for most nonprofits. However, half or more of all respondents note that expanding the donor base, building an endowment, obtaining funding in general, securing foundation or corporate funding, and enhancing the visibility or reputation of their organization present a major challenge. At least 40 percent also say that developing targeted communications with the community and clients/members, developing public understanding of issues, securing government grants, and developing capital campaigns present major challenges.
- ***Various types of funding and peer learning are considered very helpful in addressing capacity building challenges.*** Overall, various types of funding support is seen as the most helpful way to address the challenges, followed by peer learning support and then technical assistance support. The specific type of support deemed most helpful varies somewhat depending on which area of capacity building need is considered. However, multi-year funding and general overhead are seen as very helpful by at least half of all respondents, regardless of type of capacity building. Small grants are considered very helpful by at least 40 percent for building capacity in operations & governance, programs & planning, marketing, financial resources, and information technology. A similar percent say opportunities to interact with and learn from peers would be very helpful for building capacity in operations & governance.
- ***Indiana nonprofits do not view capacity building and technical assistance as synonymous terms.*** It appears that technical assistance is defined mainly as having to do with information technology and other fairly circumscribed or systematic processes. Capacity building, in contrast, appears to be applied to broader functional areas, such as fundraising, human resources, and general operation, suggesting that the two concepts appear to capture distinctive underlying dimensions.