

RE-IMAGINING PHILANTHROPY

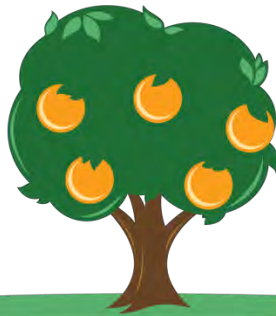
Executive Summary

“The Role of Leadership in Nonprofit
Capacity Building in a Post-Recession Economy”



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RE-IMAGINING PHILANTHROPY – EXECUTIVE SUMMARY

“The Role of Leadership in Nonprofit Capacity Building in a Post-Recession Economy”

The National Development Institute & Clemson University would like to thank all respondents who participated earlier this year in a ninety item online survey regarding their capacity building initiatives. Their significant time investment has made this important research possible.

We would also like to thank, in advance, the NDI Research Council, a group of expert nonprofit executives, volunteers, and donors who will determine best practice applications based on this essential work.

Finally, we wish to express our gratitude to each member of the Research Team who continues, on a daily basis, to work towards the completion of this project. Their collaborative efforts, from concept and survey design to data compiling and analysis are a testament to the nonprofit sector’s commitment to excellence.

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Introduction

National Development Institute changes the way nonprofit leaders think. Convention must be challenged in order to preserve and grow our sector's capacity to transform lives. It must be done with propriety and be based on information that allows us to maintain or change our course with confidence.

National Development Institute & Clemson University continue to process data from 470 nonprofit leaders who completed a ninety-item survey focusing on the effect of capacity building initiatives in their organizations over the past five years including an in-depth analysis of one completed and one planned capacity building initiative.

The focus of the study was to investigate the relationship between the efficacy of capacity building and the intentions of the organization's leadership to embark upon capacity building. Previous studies have failed to show empirical data regarding the relationship between the return on the investment in capacity building and the nonprofit leader's motivations or intentions to build capacity.

Initial Findings

1. Lack of Return-On-Investment

The majority of organizational development/capacity building investments made by foundations, corporations or individuals have failed to produce lasting changes in the operations/infrastructure of nonprofits that attempted to build capacity.

2. Organizations that Succeeded

Organizations that were successful at demonstrating a measurable return-on-investment in capacity building were *led by extraordinary executives (CEOs/Presidents/Executive Directors)* who possessed specific attitudes, beliefs and skills sets and took personal responsibility for project implementation and outcomes.

3. What Successful Executives Accomplished

- a. They grew their budget, staff, clients and donors despite the recession.
- b. They developed board members who set direction, evaluated the chief executive, and promoted the goals and values of the organization.
- c. They built more capacity over a five year period than those organizations who indicated they stagnated or declined during the same time period.
- d. They were driven to externalize the mission of their organization for the purpose of fundraising.

The Research Team is distributing this document for the following reasons:

1. To report, perhaps most importantly, preliminary study results that indicate an ability to predict what attitudes, beliefs and skills sets a leader must possess in order to successfully build capacity.
2. To release, in advance of the completed study, an overview of the academic standards, research methodology, logic and purpose of this project.
3. To communicate to the NDI Research Council and the large pool of survey respondents our ongoing progress.

The Research Team continues to process the recently compiled data in SPSS (Statistical Program for the Social Sciences). NDI & Clemson University anticipate releasing a completed study later this year and will further disseminate portions of this ground-breaking analysis as it becomes available.

This doctoral research is in keeping with National Development Institute's purpose to nurture and leverage philanthropy by supplying funders and nonprofit organizations the capacity building research and education they require to advance their mission.

Sincerely Yours,



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Research Study Overview

Over a 60-day period (December 2011 - January 2012), a 90-item online nonprofit capacity building survey was administered by Clemson University to Nonprofit Executive Directors & CEOs within the U.S. The National Development Institute sponsored this research project.

A reliable sample from the entire population of public charities in the United States (959,698) would be 288 randomly selected organizations (based on a 25% effect rate, a 95% confidence level, and a 5% margin of error.) However, a database from the entire population was not available. NDI had a very large database, the largest that could be found efficiently. From the NDI database, over 52,000 nonprofits leaders from across the United States were invited to participate. A reliable sample from NDI's population was also 288 respondents. Four hundred seventy (470) nonprofit leaders responded.

Nonprofit Executive Directors were asked a series of 90 questions including what capacity building initiatives they had implemented in the past five years, and to select one past and one future capacity building project for in depth evaluation.

Significance of Research Study

Public confidence in nonprofits has plummeted during the past two decades (Light, 2004, 2008). Brookings Institution polls have indicated that while the American public had confidence in what was achieved by nonprofits, they lacked confidence in the management and organizational performance processes employed through which nonprofits accomplished their goals (Light, 2000, 2004, 2006, 2008, 2010).

As a result of highly publicized scandals within larger national nonprofits and

attendant decrease in public confidence, governments and philanthropy have poured millions of dollars and directed policy towards increasing nonprofit organizational capacity over the past fifteen years. Policy makers and philanthropic leaders strongly believed that increasing capacity would increase organizational effectiveness and, in turn, affect program and organizational outcomes and social impacts, as well as boost public confidence and further investment in the sector (Kenny Stevens, 2008; Connolly, 2006; Light, 2004, 2008; Da Vita & Fleming, 2001).

Unfortunately, public confidence in nonprofits has not increased over the last decade (Brookings Institute, 2010), even with the added infusion of millions spent on capacity building. In fact, the latest Brookings Institution poll indicated that confidence has continued to decline. The 2010 poll showed that not only did the American public lack confidence in the methods of nonprofits, but for the first time there was also *a statistically significant decline in confidence of what was being accomplished*. Thus, for three decades nonprofits have come under greater and greater scrutiny, while confidence in what they do and how they do it has declined.

Various stakeholders have different rationales for supporting nonprofit capacity building efforts. Conservative government leaders envision that a larger role for social organizations will result in a smaller role for government (Migdal, 1998), while liberals view civil society as a cornerstone of ensuring America's social equality, democracy, and social stability (Brown, 2005, Fukuyama, 2001).

Philanthropists are looking for a greater return on their investment in civil society organizations (Duncan, 2004) and they

believe that enhancing the capacity of nonprofits is the way to accomplish that (McKinsey & Company, 2001; Backer, 2000; Da Vita & Fleming, 2001).

Regardless of the rationale, capacity building has become the most embraced social policy approach used by nations, philanthropy, and international organizations including the United Nations and the World Bank. Yet, it is unclear why some nonprofit leaders are quick to seize opportunities to enhance organizational capacity, while others are either slower to undertake capacity building efforts, or are working to enhance areas of little importance to overall organizational success or to some stakeholders, including funders or government leaders.

Examining the motives of the senior nonprofit leadership to build capacity is important for a number of reasons. Nonprofit directors are in a singular position both to assess organizational capacity and to give directives for capacity building within their organization. Although the presence or absence of effective board governance has been considered a proxy for how functional and effective a nonprofit organization may be (Gill, Flynn & Reissing, 2005), directors of nonprofits frequently have been found to wield more influence over the organization's efforts than does the board (Herman & Heimovics, 1991; Murray, Bradshaw, & Wolpin, 1992; Cornforth, 1999; Pettigrew & McNulty, 1995.)

Light (2003) found that 57 percent of 318 nonprofit leaders reported that the strongest champion of capacity building in their organization was the executive director. This current study found the same thing. In addition, directors and nonprofit boards tend to evaluate the organization differently (Herman & Renz, 2006). Boards tend to evaluate the organization as funders do,

while directors tend to evaluate the organization more as the staff does (Herman & Renz, 2008, 2006). Directors often mediate between various stakeholders' interests and directives to build capacity (Herman & Renz, 2008).

Beyond this, investors, foundations, boards of directors, and other stakeholders may each value one type of capacity building over another (Balzer & McClusky, 2005; Kaplan, 2001; Scott & Lane, 2000; Weick, 1995; Herman & Renz, 2002a, 2001, 1997.)

Regardless of the urgings of various stakeholders, if the nonprofit director does not intend to build a particular type of capacity, then that capacity is not likely to be built, or if there is engagement, the effectiveness is rated lower (Herman & Renz, 2002a) particularly if the board does not function adequately (Light, 2004).

National Development Institute

The online survey was administered to leaders of nonprofit organizations currently in the National Development Institute's database. The National Development Institute (NDI) is a 501(c)3 organization, providing nonprofits with educational programs, conferences, and consultations on nonprofit management and organizational development, with a particular specialty in the development of financial development plans and campaigns.

NDI has developed an extensive collection of resources (web platforms, tutorials, video trainers, audio recordings, online libraries, etc.) available to nonprofits to improve their capacity to develop well-managed organizations. NDI agreed to co-sponsor this survey through their email broadcast system to the nonprofit organizations in their database (52,320 organizations).

Their database is maintained by a professional service and is scrubbed of unusable addresses on a monthly basis.

Research Methodology

The study was designed as a cross-sectional survey of a convenience sample of nonprofit directors from across the United States. A valid sample was drawn from the population of leaders of nonprofits across the United States within the National Development Institute's nonprofit organizational database.

The survey was administered online following approval of exempt status from Clemson University's Institutional Review Board the second week of December, 2011. The respondents were directed to a link to the survey which was encrypted and hosted on the Survey Monkey website. Two follow up invitations were sent online the third week in December, 2011 and the second week of January, 2012 to directors who did not respond to the first invitation.

According to the National Center for Charitable Statistics (NCCS, 2012) in 2011, there were 1,574,674 tax-exempt organizations in the United States, including 959,698 public charities, 100,337 private foundations, 514,639 other types of nonprofit organizations, including chambers of commerce, fraternal organizations and civic leagues (NCCS Business Master File 08/2011.)

Sample Size

This study examined one of the IRS's twenty-seven classification of nonprofit organizations designated as "public charity nonprofit organizations." However, there is no known means for efficiently securing the email addresses for the entire population of public charities in the United States.

Therefore, the researchers sought to affiliate with a group that had a very large database. After examining several possibilities, it was determined that NDI had a larger data base than what could be purchased through all the major sellers of nonprofit mailing lists, and NDI was willing to co-sponsor this research project without charge.

NDI's database contained all nonprofits in the U.S. with budgets over \$7 million, those that were affiliated with every state association of nonprofits, all nonprofits affiliated with the Association of Fundraising Professionals, all state directories of registered nonprofits, and all nonprofits that had attended a National Development Institute event.

While the sample size required if the total population of public charities and that of NDI's are approximately the same, it is acknowledged that sampling from the NDI population does not necessarily represent the entire population of nonprofits in the United States, but it was the largest, most current database that could be found efficiently. Four hundred seventy (470) nonprofits responded to the survey during December, 2011 and January, 2012. Therefore, a valid sample size was achieved.

Recruitment Procedure

Using the National Development Institute's (NDI) database, an email invitation was issued December 14, 2011 to all nonprofit directors on their mailing list. Two follow up invitations were issued the third week of December 2011 and the second week of January, 2012.

The invitation made it clear that only directors should complete the survey but provided one question that asked respondents to identify their title. This was done because of past research experience

that indicated other people sometime complete the survey on behalf of the director.

The invitation provided all information that was required by Clemson University Institutional Review Board, including who the researcher and supervising faculty were, the purpose of the study, the approximate time it would take to complete the survey, confidentiality and risk/benefit information, an explanation that the data was going to be kept securely and reported in the aggregate, and that no personal or organizational identifiers were requested.

It was made clear that participation was voluntary and that they were free to answer only the questions they wished to and to withdraw at any time. It was explained that selecting the uniform resource locator (URL) link provided in the email letter of invitation was considered to be the respondent's consent to participate. No IP addresses were kept with survey information so the researchers could not know which directors or organizations participated.

Data Collection

Following approval of Clemson University's Institutional Review Board, the survey was broadcast to 52,320 nonprofit leaders starting the second week of December, 2011. A URL link to the online survey was given in the email letter accompanying the survey. The link directed each respondent to the survey on the website of SurveyMonkey. Two additional follow up requests were sent the end of the third week of December 2011 and the second week of January, 2012 to encourage recipients to complete the survey. Once survey data was collected on the SurveyMonkey site, the data file was downloaded into a SPSS file so that data

cleaning processes could occur. SPSS version 19 was used throughout the study analyses.

In the email message accompanying the link to the survey, it was stated that respondents gave their consent to participate in the survey by opening, responding to, and submitting the survey online. No personal identifiers were requested in the survey (i.e. name, personal address, organization name or address). In addition, it was explained in the email letter that no individual's responses would be highlighted, but only aggregate data reported. It was made clear that no IP addresses would be kept on returned surveys.

Survey Construction

Aizen's (2006) general framework of planned behavior was the conceptual base underlying this study. In this study, three direct antecedents to intentions related to building particular types of nonprofit organizational capacity were examined.

- 1) Attitudinal Beliefs on importance, ease, pleasantness, success rate, worth, impact, outcome of capacity building
- 2) Subjective Normative Beliefs on social pressures, influence of important people on actions required to build capacity
- 3) Perceived Behavioral Control Beliefs on confidence in leading and managing, controllability of effort, interpersonal constraints to do capacity building, levels of trust among stakeholders

Strength of intention was represented in this study as higher or lower intention scale scores. A series of capacity building attitudinal, normative and behavioral control beliefs about the capacity building effort respondents chose to evaluate were designed based on Aizen's survey construction guidelines (Aizen, n.d.).

Four areas of capacity building were examined. Respondents were asked to indicate how many of each type the organization had done within the past five years and to select one for in-depth evaluation. They were also asked to choose one future capacity building effort to evaluate in-depth. The four areas of capacity building were based on Light's (2004) framework. They are as follows.

- 1) EXTERNAL RELATIONS through collaboration, mergers, strategic planning, fundraising, media relations
- 2) INTERNAL STRUCTURE CAPACITY BUILDING through reorganizations, team building, adding staff, enhancing diversity, creating a rainy day fund or reserve, creating a fund for new ideas
- 3) LEADERSHIP CAPACITY BUILDING through board development, leadership development, succession planning, changing leadership, greater delegation of responsibilities for routine tasks
- 4) INTERNAL MANAGEMENT SYSTEMS CAPACITY BUILDING through adding new information technology, improving budget and accounting systems, changing personnel systems, staff training, organization and program evaluation, organizational assessments, measuring outcomes/results of programs and organization

Five key factors that may significantly modify the antecedents to intention were also examined. These factors were the respondents' level of agreement that:

- 1) Eleven (11) board governance practices were present;

- 2) Sixteen (16) trust relationships were present;
- 3) Six (6) organizational effectiveness indicators were present;
- 4) Selected respondent characteristics (i.e. age, years worked in nonprofit sector, gender, ethnicity, length of stay anticipated in current position, sectors previously worked in and educational level, and whether respondent was founder or co-founder.
- 5) Selected organizational characteristics (i.e. gross revenue last fiscal year, age of organization, number of paid staff, clients, donors, board members, contracts and grants, and partnership; growth indicators [growth or decline in programs, clients, budget size, donors], and types of programs and services offered) . The reason why these factors were chosen was because they were found to have a significant relationship with organizational capacity building efforts and their success in previous studies.

Former studies indicated that there was a significant relationship between each of the five factors and organizational performance effectiveness (for example Light, 2000, 2002, 2004; Brown & Robinson, 2010; Herman & Renz, 2006, 2008), but how those factors may combine to most significantly influence the antecedents to nonprofit executive leaders' intentions to build organizational capacity has not been studied prior to this research.

Preliminary Results

The research results revealed many things. The specific results will form the basis of some of what is discussed during the National Development Institute's Re-imagination Tour.

Highlights include the following.

- The attitude, norm and behavioral control measures used in the survey were statistically significant in predicting future intentions to build organizational capacity. Leaders' evaluations of past capacity building efforts and their capacity building beliefs formed specific patterns, and these patterns were associated, in the leaders' mind, with what organizational factors were improved, as well as what was made worse as a result of the effort.
- When examining past capacity building, knowing leaders' response to one attitude and two behavioral control beliefs was significant in predicting the strength of their past intention scores (adjusted $R^2=.144$, $p<.01$). The strength of their past intention scores had a statistically significant relationship to the presence or absence of board governance practices, trust relationships, organizational effectiveness indicators, as well as organizational and respondent characteristics. In future research briefs, the findings related specifically to intentions to fundraise, develop a fund development plan, create rainy day funds and a fund for new ideas will be discussed thoroughly.
- Leaders varied in the strength of their intention to build future capacity. Those with strong intention to build future

capacity had specific patterned attitude, norm, control beliefs, and significant modifying factors were present. These patterns were different from those found when leaders evaluated past capacity building. Knowing 1 attitude, 1 norm, and 3 behavioral control beliefs was significant in predicting the strength of leaders' future intentions to build capacity (adjusted $R^2=.337$, $p<.01$).

- Again, there were specific organizational, respondent characteristics, as well as trust, governance and organizational effectiveness indicator patterns present for leaders with higher intention scores when examined in relationship to leaders with lower intention scores.
- This indicates, if consistent with past research, that leaders with higher intention scores are more apt to actually move forward into actual capacity building and that it is apt to be rated by them as more successful and improving program, management, leadership and/or overall organizational performance.

For future capacity building certain conditions were significantly associated in leaders' minds with being able to do future efforts successfully. These conditions were identified.

- Leaders who indicated growth in their organization over the past five years had significantly different attitude, norm, and behavioral control belief patterns and concomitant strength of intentions to build future capacity than did those who indicated their organization had not grown or had declined. Specific belief patterns were identified that affected capacity building effectiveness.

- Capacity building does beget more capacity building, and engaging in more capacity building also effects growth in budget size, client, donor, and service size. Those nonprofits that had experienced no growth or decline over the past five years had a different capacity building profile than did those that experienced some or a great deal of growth. Those organizations that had done three or four types of capacity building showed growth and those that did two or fewer types of capacity building experienced no growth or decline.
- Organization's age is significantly associated with readiness to engage in specific types of capacity building. Findings reveal patterns different from what Light (2004) found, although there were some similarities.
- Increases in donor size and budget size were significantly associated with the presence of certain board governance practices, engagement in specific kinds of past capacity building, the presence of specific trust relationship patterns, as well as with the presence of certain capacity building belief patterns.

There was also some evidence that certain capacity building efforts precede others, and that when certain types of capacity have been developed, it naturally leads to readiness and actual building of other types. For example, prior to doing fundraising, developing specific board governance practices, strengthening specific trust relationships, changing accounting practices, and building specific kinds of collaborations appear to precede fundraising capacity building that is rated as successful by respondents.

- The factors effecting growth in donor and budget size were identified, and provide a practical base around which to create targeted organizational evaluations to determine readiness for fundraising campaigns and what prior capacity might need to be built or improved in order for fund development efforts to be successful.

All of Paul Light's (2004) survey questions were asked in this current study. Some of his findings were confirmed and others were different from what Light found. The findings from both studies are compared and possible reasons for difference discussed.

Research Applied

Stakeholders, particularly board leaders and funders, need a better understanding of the factors that motivate nonprofit directors, and other primary leaders such as vice presidents, to build organizational capacity, so that they can more effectively support capacity building initiatives. Globally, hundreds of millions of dollars are invested annually in nonprofit capacity building (Foundation Center, 2012).

Notwithstanding, after extensive literature searches, no empirical studies were found that examined the factors that influence nonprofit directors' intention to build capacity. This intention-forming process is central to this research. The problem addressed by this study was that we do not know empirically what combination of factors most strengthens nonprofit directors' intentions to build capacity, including the organization's finance development. This dearth of understanding may result in less, or less efficient capacity building than is desired, despite the millions of dollars invested to that end.

Research Study Purpose

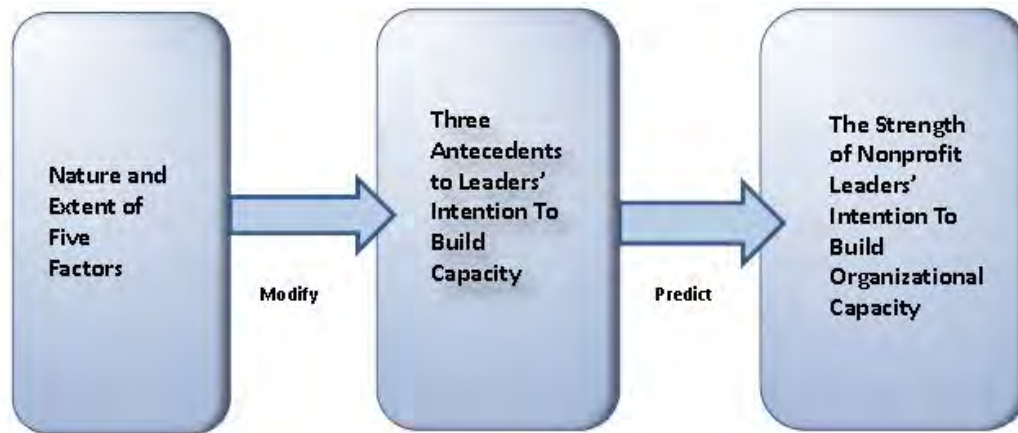
Nonprofit organizational effectiveness is promoted by nonprofit capacity and capacity building (Kenny Stevens, 2008; Connolly, 2006; Light, 2004; Da Vita & Fleming, 2001). Organizational effectiveness is thought to be required in order for an organization to have greater societal impact and more effective program outcomes, as well as increase the public's confidence and greater giving and volunteering (Light 2000, 2004). The relationships between nonprofit capacity building and factors associated with directors' intentions to build capacity were examined in a new way in this study by employing the Theory of Planned Behavior (Aizen & Madden, 1986; Aizen, 1988, 1991, 2002a).

In the Theory of Planned Behavior, a person's intention to undertake any action is predicted by the strength of three factors (i.e. antecedents to intention): how positive the attitudes about the benefits of a capacity building behavior are, how positive the subjective norms about the social acceptability of a behavior is, and perceived control over the ability to perform the behavior (Aizen, 1991, 2002a, 2006). In addition, "[intention] is... assumed to be the immediate antecedent of behavior" (Aizen, 2006,1). The current study identified five factors that significantly modified the strength of the antecedents to intentions. Five factors were selected on the basis of their association in the literature with the nature and extent of capacity present and the way in which building capacity is tied to or equated with nonprofit organizational effectiveness.

These are:

- 1) directors' perceptions of the effectiveness of trust among staff, director, board and volunteers (Dirks & Ferrin, 2001; Ellis & Shockley-Zalabak, 2001);
- 2) directors' perception of presence/absence of industry standard board governance practices (Gill, Flynn & Reissing, 2005; Jackson & Holland, 1998; Green & Greisner, 1996);
- 3) directors' perceptions of the organization's effectiveness (Gill, Flynn & Reissing, 2005);
- 4) selected director characteristics (i.e. age, years worked in nonprofit sector, gender, ethnicity, length of stay anticipated in current position, sectors previously worked in and educational level, and whether respondent was founder or co-founder); and
- 5) selected organizational characteristics (i.e. gross revenue last fiscal year, age of organization, number of paid staff, clients, donors, board members, contracts and grants, and partnership; growth indicators [growth or decline in programs, clients, budget size, donors], and types of programs and services offered) (Light, 2004, Brown and Robinson, 2011). These factors were examined relative to the significant of their associations with and effects on the three antecedents (i.e. selected attitudinal, normative, and behavioral control beliefs) to intention.

Figure 1 Summary Logic Model of Study



Significance of Study

This study was considered significant for seven reasons. First, instead of prescribing best practices based on experience and assumptions alone, this research empirically identified factors that demonstrated a significant relationship to particular aspects of leaders' intention to build capacity. Using the Theory of Planned Behavior, the findings helped clarify key factors that motivated nonprofit leaders' intentions to build capacity.

Second, the data compared different sequential relationships between key factors (modifiers, antecedents to intention) which influenced leaders' intentions to build capacity in the past and in the future. This research provided evidence of how factors were ordered and prioritized by respondents in the intention-making process that lead to (or away from) their intention to build capacity in the past and in the future, including their intention to build fund development capacity.

Third, this research was unique in that the authors could not find a similar, precedent study that applied the Theory of Planned Behavior to the examination of the intentions of nonprofit directors to build organizational capacity. With millions of dollars devoted to capacity building efforts, it made sense to better understand the intention-forming process of nonprofit leaders using a widely-accepted theoretical perspective.

Fourth, this research was significant because it generated new hypotheses that can be used in future empirical investigations concerning conditions that encourage directors to build capacity in nonprofits.

Fifth, this research informed practice. This research revealed combinations of factors that were effective in encouraging leaders to build particular types of capacity. It provided direction to leaders within and supporting nonprofit organizations so that they can create environments that facilitate the type of capacity building decisions they hope to see.

Sixth, the reliability and validity of this research, demonstrated by the accompanying pilot study, contributes to the literature because many of the most widely used and highly endorsed instruments that survey nonprofit behaviors are not adequately supported with evidence of validity and reliability.

Finally, identifying the motivators for building particular types of capacity is cost-effective. When resources are limited, it is important to use them efficiently and purposefully so that real needs in the community can be met. As one nonprofit director unfortunately explained, “We don’t plan based on needs; we plan based on what we can do” (Pearson, 2011, p. 61.)

This not only speaks to the importance of capacity-building in general, but also to the importance of identifying the most efficient way of building the type of capacity appropriate to the organization’s goals. By ferreting out the factors that underlie leaders’ decisions to build particular types of capacity this study pointed the way toward more efficient use of funding for capacity building.

Theory of Planned Behavior

The theory of planned behavior (TPB) is the conceptual structure that underlies this study. The theory of reasoned action (TRA) (Aizen & Fishbein, 1980; Fishbein & Aizen, 1975) and its extension, the Theory of Planned Behavior (Aizen & Madden, 1986; Aizen, 1988, 1991, 2002a) which has an additional factor (percieved behavioral control) are the most known and widely adopted theories used to model the influence of motivations on intended and actual behavior (Richetin, Perugini, Adjali, & Hurling, 2008).

The TPB identifies three psychological antecedents to the formation of any person’s intentions to act, and this theory is designed to predict human behavior in any given context (Aizen, 1991). TPB research has predicted a wide variety of behaviors, from whether or not a person is apt to speed, get screened for cancer, smoke, buy locally grown produce, engage in e-commerce, in web discussions, to whether they will engage in socially unacceptable behaviors. In this study, the TPB will be used to examine the strength of a nonprofit director’s intention to build capacity within the organization. Individuals are likely to perform a specific behaviors (such as capacity building behaviors) only if they intend to do so (Aizen, 1985, 1991). Intention is defined as the motivation and percieved ability to undertake a particular behavior or set of behaviors (Aizen, 2006, 1991). In brief, the Theory of Planned Behavior posits that the strength of a person’s intention to perform a particular action depends directly upon the following three direct antecedents (Aizen, 1988; 1991):

- a. A person’s attitude toward a particular behavior, (i.e. their beliefs about the likely positive and negative consequences of the behavior);
- b. A person’s subjective norms regarding that behavior, (i.e. whether or not they believe the behavior is desired or undesired by others; sometimes referred to as social pressure) and;
- c. A person’s perceptions of behavioral control (i.e. whether they are confident they can perform the action, and how much control they perceive they personally have to act given their situation) (Aizen, 1991; Lam & Hsu, 2006).

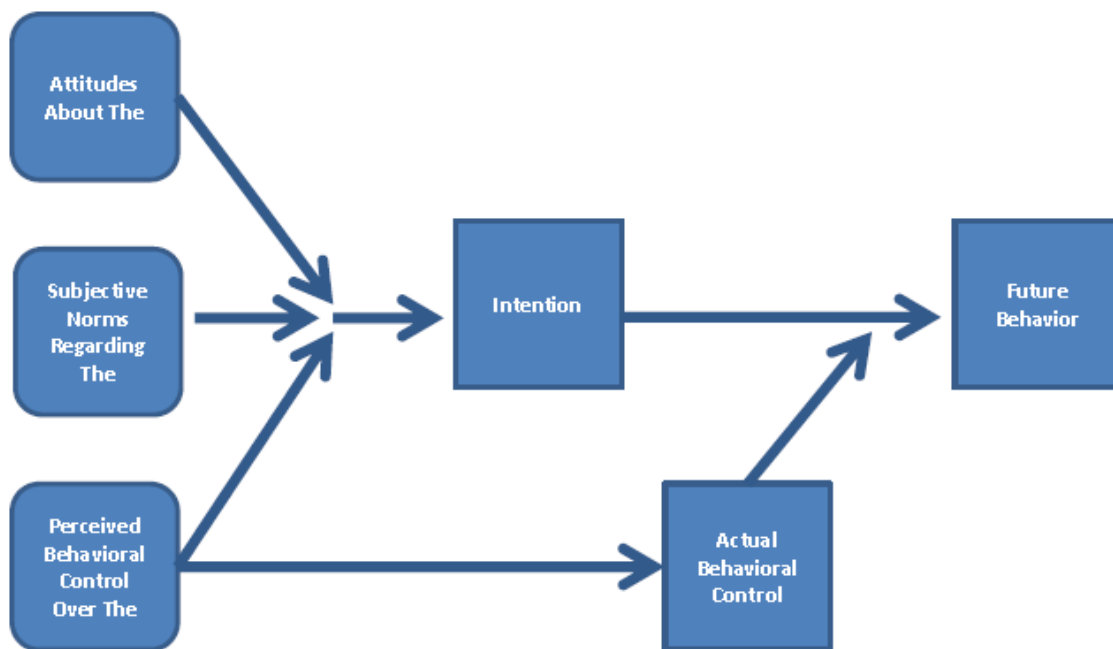
A visual conceptual framework of the three antecedents that affect intentions taken from the Theory of Planned Behavior is found in Figure 2. To avoid confusion for readers not well versed in TBP, this diagram does not include the underlying elements of behavioral, normative, and control beliefs which are included in Aizen's full framework display and which comprise the three antecedents.

The Theory of Planned Behavior posits that human behavior is guided by beliefs about 1) the probable results of the behavior, 2) the normative expectations of others, and 3) the presence of factors that may support or hinder carrying out the behavior (Aizen, 2006). The respective aggregates of each

type of belief creates 1) either a positive or negative attitude toward the behavior; 2) a perceived social pressure, or subjective norm, concerning the behavior; and 3) perceived control over the performance of the behavior, or behavioral control (Aizen, 2006).

Aizen call these three aggregates 'antecedents' to intention. In combination the antecedents form behavioral intentions to engage in certain behaviors. When more favorable attitudes, norms and perceived control are present, intention is stronger. Predictively when intention is stronger, it predicts statistically actual behavior that will result.

Figure 2 Aizen's (2006) Conceptual Framework of the Theory of Planned Behavior



from Aizen (2006), used with permission

Defining Organizational Capacity

There is general acceptance in both the academic and applied literature that the capacity of a nonprofit to fulfill its mission is associated with its organizational performance effectiveness (Kenny Stevens, 2008; Connolly, 2006; Light, 2004; Da Vita & Fleming, 2001; Simister & Smith, 2010; Forbes, 1998; Dawson, 2011).

For example, Light's (2001) analysis of 1,140 nonprofit organizations empirically confirmed that organizational effectiveness was significantly related to the presence of specified organizational capacities. Light's (2004) work, along with Herman and Renz's (2004, 2006, & 2008) are referenced in various agencies' and foundations' policy direction to justify a substantial invest in capacity building among nonprofits.

The demand for accountability in light of the public crisis of confidence in how things are done by nonprofits has risen hand in hand with the investment itself (Light, 2004; Wing, 2004). This demand required scholars to develop ways to measure capacity and evaluate its impact (Light, 2004; Wing, 2004). In the development of these measurement frameworks, capacity has been defined in measureable terms.

However, because organizational effectiveness itself has been difficult to define (Forbes, 1998; Rainey & Steinbauer, 1999; Sowa, Selden & Sandfort, 2004), the concept of nonprofit capacity has been equally slippery (Light, 2004).

Generally, capacity among nonprofits has been viewed in two ways, as the means to accomplish mission and to perform successfully, and as specific functions needed to perform well. First, capacity is defined as

the resources an organization has to accomplish the organization's mission or "the capability of an organization to achieve effectively what it sets out to do" (Fowler, *et al.* 1997, 4). The support-of-the-mission approach to capacity is echoed by the United Nations which describes capacity as "the means to plan and achieve" (UNDP, 2009, 7) and equates capacity with the development that is required in order to achieve millennial development goals (UNDP, 2009, 7).

The Organization for Economic Cooperation and Development (OECD) likewise defined capacity as "the ability of people, organizations and society as a whole to manage their affairs successfully" (OECD, 2006). In similar fashion, the British government defined capacity among voluntary and community organizations as "the skills, knowledge, structures and resources to realize their full potential" (Her Majesty's Treasury, 2003, 4).

Success-based definitions of capacity are almost too broad to be useful (Wing, 2004), particularly considering the remarkable variety of nonprofit organizations that exist. Nonprofits have different missions, multiple constituencies, and diverse concepts of what effectiveness means (Herman & Renz, 1997; Sawhill & Williamson, 2001). They have a variety of types of stakeholders (Herman & Renz, 1999; Balzer & McClusky, 2005). They can be at different stages in their organizational lifecycles (Connolly, 2006; Sharken Simon & Donovan, 2001), and they exist in a diversity of political, social, economic, and demographic contexts (Reeler, 2007; DaVita & Fleming, 2001). When capacity is equated with whatever it takes to fulfill the mission, and there are almost as many different missions and interpretations of effectiveness as there are organizations, then the definition is only

meaningful as applied to individual organizations, or individual stakeholders. For the purpose of creating a generally accepted concept, this approach is not functional (Wing, 2004).

The second manner of defining capacity is to name the myriad activities or resources required for the smooth functioning of most charitable organizations. Some operational- or performance-based approaches have been too detailed to provide a clear overall concept of capacity, and a way to measure it (Wing, 2004).

However, empirical research has begun to take up the challenge of conceptualizing capacity and capacity building in order to measure its impact (Connolly, 2006; TCC Group, 2011a; Light, et al., 2004; Blumenthal, 2001; McKinsey & Co., 2001). They tend to be performance based because behavior can be measured.

Organizational Capacity Categories and Key Capacity Building Behaviors

Over time, a few key elements of organizational capacity have been repeatedly identified. For example, capacity has been described as the skills of the nonprofit organization's different personnel (Connolly, 2006; Loza, 2004; Ritchie & Eastwood, 2006), the ways in which nonprofits collaborate with other organizations (Loza, 2004; Sowa, Selden & Sandfort, 2004), the financial wellbeing of a nonprofit organization (Kaplan, 2001; Ritchie & Eastwood, 2006; Ritchie & Kolodinsky, 2003), its management policies, self-assessment and planning practices (Baruch & Ramalho, 2006; McNamara, 2003; Najam, 1996; National Center for Nonprofit Boards, 1999; Stone, Bigelow & Crittenden, 1999.)

Capacity is also portrayed as resource development, organizational processes, managerial practices, and strategic planning ability (Walker & Weinheimer, 1988; Letts, Ryan, and Grossman, 1999). McKinsey & Co. (2001, 37-63), based on an interview study of nonprofit organizations, define capacity as seven elements interrelated in a layered pyramid structure in which elements located higher up in the pyramid are dependent upon those on which they rest.

His foundational elements were having in place necessary human resources, systems and structures, and organizational structure to accomplish mission. Building on these elements were building necessary organizational skills, strategies and aspirations. All of these things created a unique organizational culture.

The more recent, multidimensional and developmental framing of capacity by Connolly (2006) and York (Connolly & York, 2003) is premised on the theory that a wide range of capabilities, knowledge and resources (i.e. how they define "capacities") are needed by nonprofits in order to be "vital and effective in staying true to their mission" (Connolly, 2006, 5), but that all of these abilities, resources and this knowledge can be conceptually organized into four core types of capacity. These four core categories of capacity are broadly defined as follows:

1. *Adaptive Capacity*: the ability of a nonprofit organization to monitor, assess, and respond to internal and external changes.
2. *Leadership Capacity*: the ability of all organizational leaders to inspire, prioritize, make decisions, provide direction and innovate, all in an effort to achieve the organizational mission.

3. *Management Capacity*: the ability of a nonprofit organization to ensure the effective and efficient use of organizational resources.
4. *Technical Capacity*: the ability of a nonprofit organization to implement all of the key organizational and programmatic functions (Connolly & York, 2003, p. 20).

In Connolly's model (2006, 73-85), each type of capacity is concerned with different key organizational functions or skills. Adaptive capacity deals with needs assessments, organizational assessments, program evaluations, knowledge management, strategic planning, and collaborations and partnerships. Leadership capacity signifies board development, executive leadership development, and leadership transitions.

Management capacity includes human resource development, internal communications, and financial management. Technical capacity indicates service delivery skills, evaluation skills, outreach and advocacy skills, marketing and communication skills, legal skills, fundraising skills, the skills for generating earned income, accounting skills, financial management skills, as well as the technology skills of the organization.

Additionally, in Connolly's conceptual model, the nature and extent of the four types of capacities differ according to the placement of a particular nonprofit organization within one of five identified life cycle stages (Connolly, 2006, 88-92). This model is now used extensively by capacity building consultants in the United States and internationally as an important framework for identifying and measuring types of nonprofit organizational capacities appropriate at a given life cycle stage.

In more recent years, Connolly and York have further developed their capacity building model into a organizational self-assessment tool (The Core Capacity Assessment Tool or CCAT) and are in the process of gathering a very large nonprofit database using the CCAT survey (currently 2500 cases) from which to do a variety of research projects with various universities and foundations (TCC Group, 2011). They also use this same tool as a basis for research done under contract with private foundations, companies, nonprofits and government. While some analytical work will be done with the theoretical framework behind CCAT in mind, this tool is proprietary and could not be accessed for this study.

Connolly's (2006) adaptive capacity functions will be analyzed in this study by taking functions associated with some of Light's (2004) categories and re-grouping them according to Connolly's conceptual framework. These particular capacity building functions will be examined because they are the type of functions associated with the extent to which a nonprofit is thought to be able to adapt and change to changing internal and external environments (i.e. its change management capacity).

The primary framework for categorizing capacities in this study is shaped by Light's work (2004). Among directors of 318 nonprofit organizations responding to a 2003 study, Light (2004, 57) found that directors said there were four primary purposes to their capacity building efforts. Eighty-eight percent of respondents had taken action to improve *external relations*. Eighty-six percent had worked to improve *internal structure*. Eighty-five percent had acted to improve *internal management systems*. Finally, seventy-seven percent had worked to enhance internal the *leadership* of the organization.

As a result, Light (2004) adopted these purpose-driven categories to frame his analysis of capacities and capacity building efforts.

common label (i.e. leadership) but group various capacity building behaviors under different headings because of the differences in their overall conceptual framework and study purposes.

As Table 1 shows, Connolly's (2006) and Light's (2004) capacity categories have one

Light's 2003 Internet Survey (Light, 2004, 81)	Connolly (2006)
<p>External Relations Capacity Collaborations/partnerships/alliances Mergers Strategic planning/mission Fundraising/development External communications/marketing/media relations Program development/redesign Facility expansion/improvement Customer focus/surveys/input</p>	<p>Adaptive Capacity Environmental learning Organizational Learning and planning Programmatic learning Decision making New resource acquisition Organizational sustainability Program sustainability</p>
<p>Internal Structure Capacity Reorganization/restructuring Team building/staff morale Staffing levels/quality Diversity initiatives Rainy day fund/reserves Innovation fund Internal communication Contraction/downsizing</p>	<p>Technical Capacity Service delivery skills Evaluation skills Outreach and advocacy skills Marketing and communication skills Legal skills Fundraising skills Earned income generation skills Accounting skills Facilities management skills Technology skills</p>
<p>Leadership Capacity Board development/management Leadership development/management training Succession planning/search Change in leadership Greater delegation/participation/change in management style</p>	<p>Leadership Capacity Board leadership development Executive leadership development Board to Executive relationship building Leader influence Community leadership and credibility Leadership sustainability</p>
<p>Internal Management Systems Technology planning/acquisition/use Accounting/financial management Personnel system Staff training/development Formal evaluation Organizational assessment/accreditation processes Outcomes/results management/accountability measures Improved processes/procedures</p>	<p>Management Capacity Staff development Supporting staff resource needs Program staffing Managing program staff performance Managing all staff performance Conveying value of staff Assessing staff performance Problem solving Volunteer management Manager to staff communication Financial management</p>

Perhaps the noticeable difference between the two categorizations of organizational capacity is in their management listings. Light's is more oriented to organizational level capacities, while Connolly's is more oriented to people management. Connolly's categories separate out the change management capacity of the organization (i.e. adaptive capacity) whereas in Light's categorization, the monitoring and evaluation functions are placed in internal management systems and external relations categories.

In this study, directors defined the capacity building effort that they wished to evaluate in greater depth so the researcher will have the ability to categorize and analyze data from Light's or Connolly's framework, among others. For the purpose of creating the categories of capacity that directors were to indicate that their organization had done in the past, Light's (2004) categorization was provided in the survey, along with an 'other' section for directors to use if they felt Light's categories did not cover what it was they did.

This Study's Definition of Capacity Building

For this study, Connolly's definition of capacity was used since it did not use the word 'capacity' to define capacity building and more adequately covers the dimensions of capacity covered in this study. Connolly (2006, 4) defined capacity building as "the act of making changes to organizational knowledge, resources and abilities with the goal of helping a nonprofit organization to function more smoothly and to better fulfill its mission". Connolly (2006, 4-5) depicted capacity building as a multi-layered performance improvement process because theoretically, some process and structural elements have to be built before others can be added on to it.

Capacity building was conceptually viewed as a sequential development of organizational capacities which grew from fairly elementary, rudimentary structures and processes to increasingly complex, well developed structures and processes, with an emphasis on change and adaptation through different stages of an organization's lifecycle (Connolly 2006, 12). He drew on the theoretical organizational life cycle work of Sharken Simons and Donavon (2001), Kinney Stevens (2002a), and Adizes (1988) to identify capacity functions and categories, as well as what the nature of each function may look like at each stage of organizational development. As a result, high-quality organizational capacity building requires a great deal of time and resources, and is on-going, if an organization wants to grow, development, and change to meet changing conditions, and avoid dissolution or decline.

Assessing Current Capacity and Future Capacity Building Requirements

Several capacity building assessment instruments have been developed by large foundations, respected consulting firms, governments and international organizations to measure various areas of capacity and to guide the capacity building process. Light's performance based surveys (2000, 2003, 2004), Connolly's life cycle-based assessment tool (Connolly, 2006), York's Core Capacity Assessment Tool (TCC Group, 2011), Marguerite Casey Foundation's Nonprofit Organizational Capacity Tool (Marguerite Casey Foundation, 2011), Sharken Simon and Donavan's life-cycle based capacity assessment (2001), and Kenney Steven's life cycle based capacity assessment (2002a) are among the most often referenced capacity building assessments. Most of these assessments are used as organizational leadership self-assessments.

Light's, Marguerite Casey Foundation, and York's CCAT assessments have been used as research surveys, as well as the basis for professional technical consultations. The results of these assessments are used to target capacity areas that need development. Light's (2004) assessment of capacity building was based on four major research studies (Light, 2000, 2002, 2003, and 2004) done over five years costing \$2 million. Nonprofit directors identified specific activities done to build each type of capacity identified (Light 2000, 2003, 2004). Light (2004) found that those organizations that had engaged in more of his four types of capacity building efforts (i.e. to improve leadership, internal management systems, external relations, and internal structure) also reported that they were significantly more inclined to engage in future capacity building efforts and rated their success in past efforts significantly more successful.

The Relationship of Capacity Building to Organizational Effectiveness

There are differences in theoretical conceptualization relative to how the concept of organizational effectiveness relates to organizational capacity building. Light (2004) considers them as separate concepts and that capacity building leads to effectiveness (47) and that directors have a notion of what they think the capacity building effort did to affect change in organizational effectiveness.

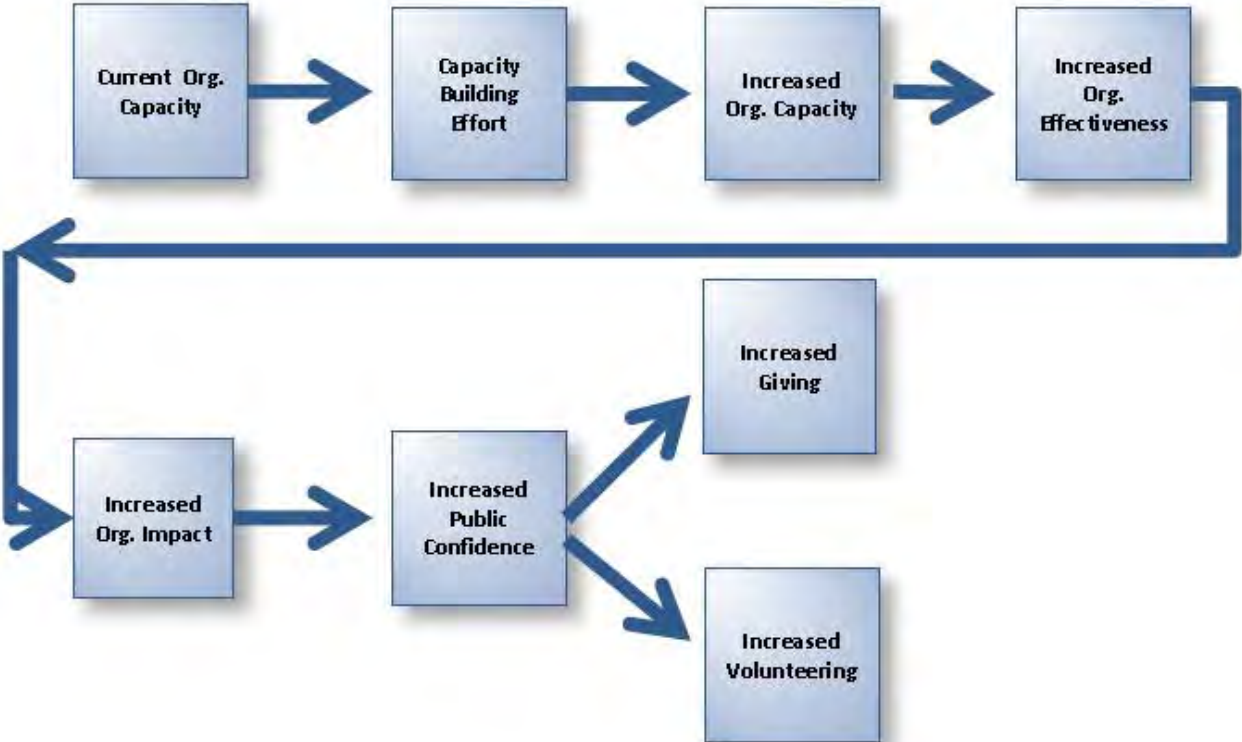
"In theory, capacity building is designed to change some aspect of an organization's existing environment, internal structure, leadership and management systems, which,

in turn, should improve employee morale, expertise, productivity, efficiency, and so forth, which should strengthen an organization's capacity to do its work, which should increase organizational performance" (p. 46), which in turn should increase organizational impact (p. 45) and in turn, increase public confidence, which in turn should increase discretionary giving and discretionary volunteering (p. 15).

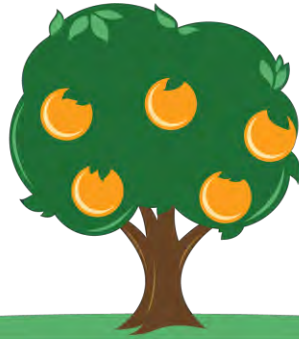
Thus, Light conceives of an indirect link between capacity building and organizational effectiveness, and organizational effectiveness is an intermediary output thought to produce other outcomes of interest (i.e. greater societal impact; increased public confidence, which in turn should increase giving, and volunteering).

York and Connolly theorize that effectiveness and the nature and extent of organizational capacity, as measured by CCAT, are one and the same concept (TCC Group, 2011). In other words, organizational effectiveness is defined by a thorough assessment of core capacity and the organizational culture (York, 2012). While identifying the nature and extent of specific capacity building behaviors is part of what is done, examining capacity/organizational effectiveness involves an assessment of the organization's culture and external forces and context, and whether or not the organization's knowledge, abilities and resources meet the demands present within their internal and external environment (Connolly, 2006; TCC Group, 2011). (See the TCC Group's website for diagram and explanation (TCC Group, 2012).

Figure 3 Light's (2004) Logic Model of Capacity Building



Modified from Light (2004, 15, 47)



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