The Ripple Effect: Taking Nonprofit Capacity Building to the Next Level

August 9, 2011

Disclaimer: This research project is not meant to be exhaustive, but a fair representation for discussion purposes only.
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**Executive Summary**

In the New Economy, nonprofit organizations are faced with shifting funding sources, economic upheaval, increased calls for accountability and impact, new technologies and modes of communication, and uncertainty about the future. To support nonprofits during this time of change, foundations, government, and community agencies, such as United Way, have turned to “capacity building” as an investment in creating meaningful change within the social sector. In order to rely on this approach, it is crucial that these investments in the sector are effective and relevant to the challenges facing nonprofits in the twenty-first century. To this end, this white paper endeavors to generate insights in order to design better capacity-building initiatives, given what is known today by leading providers.

This project, funded by Lippman Kanfer Family Foundation, was commissioned to research existing solutions, delivery methods, and business models of capacity builders that increase the effectiveness of nonprofit organizations. The Center for Advancement of Social Entrepreneurship (CASE) research team conducted a comprehensive review of secondary sources on capacity building and leading providers of capacity building within the social sector. This was followed by interviews with thought leaders from 15 organizations, comprising of a diverse set of capacity builders - leading consulting firms, education and training organizations, technology-driven providers, and venture philanthropies.

In response to the increase in nonprofit organizations and the resulting increase in need, the field of capacity building has grown over the past two decades, developing into a more professionalized field with a range of providers delivering a variety of services to nonprofits. At the same time, a growing number of university academic centers and degree programs dedicated to effective nonprofit management and leadership have brought new disciplines into the management of nonprofit organizations. The field has also been influenced by the translation of for-profit strategies into the sector, especially in the last decade.

This paper’s title, *The Ripple Effect: Taking Capacity Building to the Next Level*, reflects the aim of the paper – to identify the best-available capacity-building solutions, delivery methods, and business

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1 Capacity building has become the commonly used term to describe “activities that strengthen nonprofits so they can better achieve their mission.” Connolly, P. & York, P. (2003). *Building the Capacity of Capacity Builders*. The Conservation Company.
models to assist nonprofits with taking their organization to the next level. Inherent in this paper is the theory of change that if capacity builders know about better solutions and delivery methods and are able to use them successfully, then their clients and/or participants will have increased benefit leading to enhanced client outcomes and ultimately a stronger social sector. Given the issues facing the sector, this ripple effect could lead to exponential change within the sector.

With this theory of change in mind, as we reviewed the themes across capacity builders, a number of key findings emerged:

- **Customer**
  - While the CEO/executive director is often the key customer of the capacity building effort, it is important to engage the board of directors.

- **Engagements**
  - Many capacity builders use interviews and/or questionnaires to gauge client need and readiness. Recently, some have supplemented this approach with more rigorous tools, such as an organizational assessment to gather objective data on client need.
  - The key to a successful engagement is starting with a strong management team and an engaged Board at the nonprofit organization followed by a high level of client readiness, mutual trust, and the availability and use of objective data to evaluate the organization.
  - A few consultants are moving beyond the traditional consulting model that results in a deliverable or set of deliverables and employing a variety of modalities, such as coaching, facilitation, and training. It was also viewed important to right-size the engagement to ensure that recommendations can be more easily implemented.
  - While all interviewees agreed that identifying and/or facilitating organization change was a part of almost every engagement, few capacity builders have integrated change management tools and methodologies into their engagements.
  - To ensure that the best results are achieved and sustained after the engagement, consultants advocate for the co-creation of deliverables, which fosters client accountability for the end result, and acting as a facilitator versus a subject matter expert.

- **Capacity-Building Field**
  - While it is important for nonprofit organizations to build capacity around the design of impactful and effective programs, it is equally important to value organizational design. Based on our research, we found a "Maslow's Hierarchy of Nonprofit Capacity-Building" where the demand for capacity building is higher for the program basics (e.g. grantwriting, program evaluation) than higher levels of organizational capacity (e.g. leadership, stakeholder engagement, performance management). Obviously, further research is needed to determine if this could be related to organizational size and maturity and/or time and monetary constraints.
  - There is consensus based on the primary and secondary research on the common elements of effective capacity-building initiatives (see page 15-16). While not all are applicable in every situation, they should be used as a benchmark for each capacity-building initiative and be shared widely with capacity-building providers.
  - It is generally believed that there is an inefficient flow of ideas, tools, and promising practices between fields (e.g. arts, human services) and from thought leaders and academics to nonprofits organizations (and vice versa).
To accelerate gains within the nonprofit sector, capacity builders should themselves innovate, challenge conventional thinking, and share promising practices. Based on these findings, the research team offers the following recommendations:

- **Recommendation 1**: Prioritize Organizational Capacity Building
- **Recommendation 2**: Optimize Content, Delivery, and Outcomes in the Design of Capacity-Building Initiatives
- **Recommendation 3**: Incorporate Change Management Principles and Practices into Engagements
- **Recommendation 4**: Supplement Engagements with Education and Coaching
- **Recommendation 5**: Focus on Clear, Appropriate, and Captivating Messaging to Nonprofit Sector
- **Recommendation 6**: Disseminate Promising Practices Widely
- **Recommendation 7**: Increase Knowledge Sharing Among Capacity Builders

Capacity builders have the power to fuel and strengthen the sector through their work, their advocacy and their shared commitment to breaking down barriers to widespread social change. Through the voices and expectations of more than 30 leading capacity builders, we have identified meaningful ways to improve the capacity of capacity builders, which we hope will lead to exponential change within the sector.
Background, Objectives, & Research Approach

Background & Objectives

Lippman Kanfer Family Foundation (LKFF) has spent the last decade bringing their unique vantage point, driven by the family’s entrepreneurial work building GOJO Industries, to their philanthropic work with local and national Jewish nonprofits. Through this work, LKFF recognized that the work of their grantees could be enhanced significantly through exposure to and experience with strategic thinking, process orientation, and management practices; thus LKFF began to work with some of their grantees to build these organizational assets more intentionally. To that end, LKFF released a Request for Proposal (RFP) on April 16, 2010 to research existing solutions, delivery methods, and business models of capacity builders that increase the effectiveness of early-stage nonprofit organizations. The RFP posed key research questions, such as:

- What are the best-in-class firms or organizations providing effectiveness-building products and/or services to nonprofits?
- Who are their target audiences? How do these firms or organizations articulate the need(s) they are addressing?
- How do they articulate and frame the solution(s) they are providing?
- What kinds of products and/or services do they offer?
- How do they structure their engagements?
- What patterns exist across providers?
- How are they alike and different?
- What makes a product and/or service successful or unsuccessful?

The foundation’s working hypothesis was that “most [early stage] nonprofits have a strong focus on program development but limited time and financial resources to develop their internal capabilities.” They also believed that “by improving how leaders and staff do their work, the organization’s operations and programs will benefit significantly.”

The Center for the Advancement of Social Entrepreneurship (CASE) at Duke University's Fuqua School of Business responded to the Request for Proposal on May 31, 2010 and was awarded the research project on July 1, 2010. CASE is a research and education center that promotes the entrepreneurial pursuit of social impact through the thoughtful adaptation of business expertise. The research team (Dr. Paul N. Bloom, Matthew T.A. Nash, and Suzanne N. Smith) was excited about the opportunity to support this effort by researching and mapping current nonprofit capacity-building providers, uncovering overarching themes, and developing a white paper to guide LKFF’s strategy. Because of the importance of these research questions to the larger nonprofit community,
both CASE and LKFF felt strongly that the project should result in an external publication, to benefit the larger field.

**Preliminary Mental Model**

To help guide the project, the CASE research team built a mental model to represent the research thought process and hypotheses. It is important to note that this model illustrates the interconnected relationship between content and delivery, which was a core research question.

**Figure A: Research Mental Model**
Research Approach

The CASE research team divided the project into 4 phases – *Discovery, Secondary Research, Primary Research*, and *Report Generation*.

**Figure B: Project Plan**

In phase 1, *Discovery*, the team worked with LKFF to frame research questions that would drive the Primary and Secondary research phases and lead to the identification of relevant insights.

During phase 2, *Secondary Research*, the team researched existing innovative practices using a variety of sources, including academic journals, books, and the internet. The team then developed a list of 17 best-in-class organizations for primary interviews. This list was then winnowed into a final list of 11 through a set of decision criteria. The criteria included: reputation, thought leadership experience, client focus (based on particular stage of organizational life cycle), approach, and uniqueness of organization type.

In phase 3, *Primary Research*, the final ten organizations (one on the final list decided not to participate) were interviewed including:

- Bridgespan – Interviewed Jeff Bradach
- BWB Solutions – Interviewed Mike Burns
- CompassPoint/Alliance for Nonprofit Management – Interviewed Jeanne Bell
- FSG– Interviewed Mark Kramer, John Kania, and Hallie Preskill
Each individual brought their own professional experience and insights to the interview, in addition to their firm/organization's viewpoint.

Later in the project, the CASE research team added five other organizations to supplement the findings and explore differing modes of building capacity:

- Decision Lens – Interviewed John Saaty
- Management Systems – Interviewed Yvonne Randle
- Palo Alto Software – Interviewed Tim Berry
- Salesforce – Interviewed Steve Andersen
- Shatil – Interviewed Hagit Shacher

The project was also supported by an Advisory Committee of stakeholders involved in Jewish social innovation support systems. This Committee met three times over the phone to guide the research and included:

- Nina Bruder, Bikkurim
- Rabbi Yonatan Gordis, Center for Leadership Initiatives
- Felicia Herman, Natan & Bikkurim
- Aharon Horowitz & Ariel Beery, PresenTense
- Karyn Cohen Leviton, Combined Jewish Philanthropies
- Martin Kaminer, Bikkurim

Finally, in phase 4, Report Generation, the findings were analyzed and this white paper was developed.

It is important to point out the limitations of the methodology used in this project. They include:

- While the CASE research team is confident that the pool of primary and secondary resources is fairly representative of the larger universe of capacity builders, the interview list was drawn from CASE and LKFF experience and internet research.
- In the still-emerging field of nonprofit organizational effectiveness, there are no definitive best practices that could be used to benchmark the diverse set of theories, strategies, and
tools. Therefore, the aim was to collect data from a diverse group of "best-in-class" capacity builders that could shed light on perceptions of promising practices, compared with actual practice.
Overview & Analysis of Nonprofit Capacity-Building Field

Over the past several decades, the number of nonprofit organizations in the United States has grown at a rapid pace. Between 1977 and 1997, the revenues of American nonprofit organizations increased 144% after adjusting for inflation – almost double the 81% growth rate of the national economy. Currently, there are at least 1.2 million nonprofit 501(c)(3) and 501(c)(4) organizations in the country.

Not surprisingly, as the nonprofit sector has grown, so too has the number of organizations that provide capacity-building assistance. The study of nonprofit management emerged as a distinct field in the late 1960s and, until recently, it was small and fragmented. During the past two decades, the number of academic and other research centers focused on the nonprofit sector has grown. For example, recent studies suggest that close to 700 nonprofit management support organizations exist. As Lester Salamon notes in *The State of Nonprofit America* (2002), “what was once a scattering of largely overlooked institutions has thus become a booming cottage industry dedicated to the proposition that nonprofit organizations are distinctive institutions with enough commonalities, despite their many differences, to be studied, represented, networked, serviced, and trained as a group.” In fact, the Alliance for Nonprofit Management (formerly Support Centers of America) has emerged as the professional association of individuals and organizations devoted to improving the management and governance capacity of nonprofits and assisting nonprofits in fulfilling their missions.

Figure B shows the range of providers (“capacity builders”) available to nonprofits and examples within each of these categories.

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As illustrated in Figure B, the providers represent many forms and sometimes cross-over between categories. For example, Annie E. Casey Foundation also provides consulting services to its grantees and many consulting firms go beyond consulting to provide community trainings and education.

As the field of nonprofit capacity-building has grown, the ecosystem in which it exists has also evolved dramatically. Nonprofits have been faced with shifting funding, economic upheaval, increased calls for accountability, new technologies and modes of communication, and uncertainty about the future. In addition, some may argue that the traditional nonprofit has been overshadowed by a new generation of organic, decentralized and flexible organizations that embrace entrepreneurship in order to deal with pressing social challenges.

In recent years, nonprofit experts have written numerous books, such as *Forces for Good*\(^5\), to help nonprofits translate for-profit strategy into meaningful applications in the social sector. For

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example, in *High Performance Nonprofit Organizations: Managing Upstream for Greater Impact*, Letts, Ryan, and Grossman endorsed the notion of “cultural adaptation” from the business sector, which “extract[ed] ideas and processes from one environment for testing and application in another.”

Through our research, we found that capacity builders are committed to providing the best possible experience for their nonprofit clients. Interestingly, the design of the deliverable, whether an executive education class or a consulting engagement, is considered both an art and science. Capacity builders design the engagements based on promising practices (“science”) available (e.g. use of adult learning model in workshops), but also heavily rely on their own past experience (“art”) of “what works” (e.g. use of case studies). In addition, the design focuses on optimizing two aspects – the content and the delivery method.

On the content side, in Figure D, an excellent construct from the Urban Institute shows how to categorize major content needs within the nonprofit sector. It is important to note that the content areas do not stand alone, but instead build upon one another with reinforcing loops, especially between vision and mission and products and services.

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The CASE research team decided to research availability of these content areas through analysis of the websites of management support organizations that highlight training and education topics for nonprofit organizations. While imperfect, it provided the best available proxy for demand from the nonprofit sector. The team found the results in Figure E:  

**Figure E: Organizational Capacity Building Trainings by Availability**

- **LOW**
  - Change Management
  - Leadership Skills
  - Stakeholder Management
  - Motivating Employees
  - Performance Management

- **MEDIUM**
  - Coalition Skills
  - Press Releases
  - Project Management
  - Board Training
  - Strategic Planning

- **HIGH**
  - Program Evaluation
  - Grantwriting
  - Form 990
  - Financial Skills
  - Fundraising Skills

In comparison with the Urban Institute construct, this analysis shows that the available resources from capacity builders place an emphasis on products and services over leadership and vision and mission, which connects to LKFF’s original hypotheses about what nonprofits themselves prioritize. This research also mirrors for-profit experience – more focus on hard skills versus soft skills. Experts hypothesize that this can be attributed to the fact that hard skills are easier to observe, quantify, and measure, whereas soft skills are more difficult to train. One of the interviewees reinforced this notion and said “we have been programmed in certain ways and deprogramming that and relearning...how to affect an individual is a hard thing to do.”

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8 Analysis conducted on September 1, 2010 through websites of 10 management service organizations of various sizes and scattered across the United States
10 Interview with Interviewee 7, Company 7 – October 1, 2010.
Capacity builders employ a range of modalities for delivery of this content – from education and training to consulting and ongoing coaching services – with various degrees of intensity based on need and intended outcomes. Each of these modalities represents a distinct part of the cycle of “knowledge flow” – knowledge development, knowledge transfer, and knowledge use (application). Figure F is a snapshot of capacity builders and delivery methods through the lens of the cycle of knowledge flow.

**Figure F: Capacity Building Modalities along Cycle of Knowledge Flow**

Figure F also illustrates the accessibility (accessibility increases as cost and time decrease) of these capacity-building modalities to the nonprofit sector. For example, degree programs are least accessible (due to high costs and time needed) versus online repositories or virtual communities that are more accessible. This construct is important to take into consideration as capacity builders determine the best approach to take when delivering new and/or improved content. Based on an environmental scan of secondary sources, the following eight characteristics were identified as elements of effective capacity-building, when applicable:

- **Comprehensive** – offers one-stop shopping with an array of content areas
- **Customized** – custom-tailored to type and stage of life cycle
- **Competence-Based** – given by highly qualified consultants
- **Timely** - information is relevant
- **Peer-connected** – allows peer networking and connections
- **Assessment-based** – begins with assessment of needs and assets of nonprofit and community
- *Readiness-based* – client is ready to receive the intervention/engagement
- *Contextualized* – aware of other activities happening within nonprofit that could support or detract from efforts

While there is much evidence indicating the growth of capacity building in size, scope, and strategy, it is equally important that those investments in capacity-building are effective and relevant to the challenges facing nonprofits in the twenty-first century. This white paper endeavors to generate insights in order to design better capacity-building initiatives, given what is known today by leading providers through an environmental scan of leading providers, which will assist capacity builders take nonprofit organizations to the next level of meaningful change in the sector.

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Findings

The CASE research team interviewed 10 best-in-class U.S.-based organizations that primarily served nonprofits, 3 capacity builders with a disposition toward technology solutions to capacity building, and 2 organizations that were added to gain diversity and learnings for the project. The first group represented the range of capacity builders available to nonprofits with a strong bias toward more mature capacity-building organizations that were likely to have a greater experience working in the nonprofit sector and, as a result, yielded more advanced lessons learned. In general, these organizations served a range of nonprofits from early stage to mature, traditional to entrepreneurial, and a wide range of content (e.g. executive transitions, board development) and issue areas (e.g. arts, education). The second group (Decision Lens, Palo Alto Software, & Salesforce), which was selected later in the process and geared more toward those providing capacity building via technology (referred later as “technology-driven capacity builders”), represented organizations that provided capacity building to both nonprofits and for-profits equally and allowed us to uncover possible “out-of-the-box” thinking. The third group, which was also selected later in the process, included a boutique consulting firm more geared toward for-profit clients (Management Systems) and a capacity-building organization (Shatil) in Israel. Each provided unique insights to the research and added important contrast to the first 10 organizations.

Below is a breakdown of both groups by organization type, customer, and products/services offered:

<table>
<thead>
<tr>
<th>Organization</th>
<th>Organization Type</th>
<th>Customer</th>
<th>Products/Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bridgespan</td>
<td>Consulting Firm</td>
<td>Nonprofits, Foundations</td>
<td>Consulting, Executive Search, Advising</td>
</tr>
<tr>
<td>BWB Solutions</td>
<td>Consulting Firm</td>
<td>Nonprofits, Foundations</td>
<td>Consulting</td>
</tr>
<tr>
<td>CompassPoint</td>
<td>Management Service Organization</td>
<td>Nonprofits</td>
<td>Consulting, Education/Training</td>
</tr>
</tbody>
</table>
| **Decision Lens** | Software Provider  
Software Support Services | Nonprofits  
Businesses  
Governments | Software Support  
Consulting |
|-------------------|-----------------------|-----------------|------------------|
| **FSG** | Consulting Firm | Nonprofits  
Foundations  
Businesses  
Governments | Consulting  
Education/Training |
| **Harvard Executive Education** | University Executive Education | Nonprofits  
Foundations  
Businesses  
Governments | Education/Training |
| **Management Systems** | Consulting Firm | Nonprofits  
Foundations  
Businesses  
Governments | Consulting  
Education/Training |
| **Monitor** | Consulting Firm | Nonprofits  
Businesses  
Government | Consulting  
Education |
| **Edna McConnell Clark Foundation** | Foundation | Nonprofits | Consulting/Coaching through Firms |
| **New Profit** | Venture Philanthropy | Nonprofits | Coaching  
Relationships  
Capital Assistance |
| **Palo Alto Software** | Software Provider | Nonprofits  
Businesses | Software Support  
Education |
| **Salesforce** | Enterprise Cloud Computing Company | Nonprofits  
Foundations  
Businesses | Application Support  
Training |
| **Shatil** | Capacity Building Organization | Nonprofits | Consulting  
Coaching  
Education/Training |
| **TCC Group** | Consulting Firm | Nonprofits  
Foundations  
Businesses | Consulting  
Evaluation  
Education/Training |
| **Venture Philanthropy Partners** | Venture Philanthropy | Nonprofits | Coaching  
Relationships  
Capital Assistance |

**Business Model**

To frame the business model analysis, the CASE research team drew upon the concepts presented in “Reinventing Your Business Model,” a *Harvard Business Review* article by Mark W. Johnson, Clayton M. Christensen, and Henning Kagermann.\(^\text{12}\) This construct defines a business model in

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terms of customer value proposition as well as the key resources and processes that drive it. Among the 11 capacity-building organizations that primarily serve nonprofits (10 from the original set + Shatil), there were 5 different organizational types (e.g. consulting firm, management support organizations). Despite these differing organizational types, they have similar business models (with the exception of the lack of importance of “profit formula” in venture philanthropy and foundations):

- The target customer is identical – nonprofits, especially those interested in organizational change or growth, and
- The value proposition is similar – helping nonprofits improve their organizations and their impact on clients.

Among the 3 technology-driven capacity builders, they serve both nonprofits and for-profit clients and, in general, provide the same products and offerings with the same value proposition.

As defined in the Business Model construct, the core “product” is different based on the organizational type and the intensity needed for the capacity-building experience. For example, a university executive education program provides education and training, a consulting firm provides one-time engagement and sometimes recurring coaching and consulting assistance, and foundation and venture philanthropy provide on-going management assistance and access to resources. However, despite these differences, the capacity builders value the same key resource - their staff, deliver the capacity-building services. In general, each of these capacity builders is looking for a “rock star” who has an important combination of business acumen, extensive nonprofit experience, and consultative skill set. We also found commonality among the capacity builders’ key processes, especially their engagement structures. As expected, we did find differences in how they started work with the nonprofits based on the organization type. For example, foundations and venture philanthropy have the luxury of following a more intense matching process; consulting firms predictably rely on a more traditional sales process.
Nonprofits as a Customer

Acquisition

Based on our primary research, customers came to most capacity builders through three primary channels (listed in order of importance) – word of mouth, referral from funder or past customer, or research. As one interviewee noted, “60% of our customers come from word of mouth.13” The notable exceptions were technology-driven capacity builders who also received referrals from business and computer magazines. Many capacity builders also built brand awareness by publishing articles, case studies, blogs, or newsletters.

Interviewees all agreed that clients came to them generally in response to a tangible need (e.g. business plan, strategic plan, evaluation). Interestingly, in the past five years, more nonprofits, due to pressure from funders and boards, have been issuing requests for proposals for services and distributing them widely to many firms. Most of the consulting firms argued that, while this new purchasing practice gives organizations a variety of consultants to choose from, it limits the consulting firms’ ability to assess their potential clients’ needs and prepare a related scope of work.

Target Audience

In the majority of cases, the capacity builders identified the CEO/executive director (ED) and other senior management staff as the key customers of the client organization. One Interviewee stated that it was essential to involve the CEO/executive director because people are not “going to invest in things that the ED does not think are important.14” The one notable exception was when the organization was “in transition” and in need of a firm to help them resolve leadership issues and find the right CEO/executive director replacement.

The capacity builders interviewed also noted that the board is a key asset to be included in any engagement. Many firms rely on the CEO/executive director to drive the correct approach to engaging the board. Some examples of board engagement included selecting a planning subcommittee, presenting to the board at various stages of the project, and involving the board in

13 Interview with Interviewee 2, Company 2
14 Interview with Interviewee 13, Company 13
final decision-making. All agreed that “one of the outcomes of our engagements . . . if successful... is the board and the staff end up with the same perspective and understanding.”

Pricing

Most consulting firms (including management service organizations that provide consulting) price projects based on the following formula. First, based on the scope of work, they estimate the number of days/hours needed to complete a project and by whom. Second, they multiply this by a “loaded daily rate” (inclusive of overhead costs) for each consultant involved in the project, which is determined by experience level. Finally, they add the other estimated cost considerations for the project (e.g. travel, research).

Based on anecdotal information provided by consulting firms, the following ranges were provided for various types of projects:

- Board Development – 1-3 days
- Strategic & Business Plans – 6-9 months
- Impact Measurement & Evaluation – 6-8 months

As expected, the loaded daily rate charged for consulting firms varied based on firm reputation and overhead requirements. The following is a synopsis of average daily fees per consultant for small (1-2 employees), medium (12-15 employees), and large consulting firms (15+ employees).

<table>
<thead>
<tr>
<th>Small</th>
<th>Medium</th>
<th>Large</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1000</td>
<td>$1500</td>
<td>$2500</td>
</tr>
</tbody>
</table>

Recent Environmental Shifts

When reflecting on customer shifts in the past 2-5 years, some of the interviewees identified a few noteworthy trends:

- Some funders seem to be placing a premium on capacity-building services and assisting their grantees with payment.

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15 Interview with Interviewee 6a, Interviewee 6b, and Interviewee 6c, Company 6
• While the start of the recession impacted the discretionary money available and as a result reduced client/project flow, many consulting firms now are experiencing an increase in projects as the economy improves.
• As a result of job transitions during the recession, more sole practitioners are flooding the marketplace – with cheaper prices and more “cookie cutter approaches” to capacity building.

As a result of these trends, there is a higher demand for capacity-building services and a higher supply of capacity builders ready to provide them. Interviewees noted while price does drive client decision-making -- whether it is the cost to attend a training session or hire a consultant -- experience and value are also very important to decision-making.

Engagement Phases

For the purposes of this project, we have divided a typical client/investee engagement into three phases (pre-engagement, engagement, and post-engagement.) For purposes of distinguishing between the phases, we have defined “pre-engagement” as the process prior to the start of developing the actual client deliverable, which includes any discovery process before or after a contract is awarded. “Engagement” is the process that includes the development and delivery of the client deliverable. “Post-Engagement” is any client interaction or organizational work done after the contract has concluded. We recognize this distinction varies in practice, therefore, this is meant for research purposes only.

Pre-engagement

Pre-engagement sets the stage for a successful engagement. In this phase, the client needs are identified and a scope of work is created. It is also critical along this path to develop a trusting relationship between the nonprofit and the capacity-builder as the foundation of a successful engagement. For this stage, the CASE research team investigated both subjective and objective methods of client needs assessment, organizational assessment, and change readiness.

Project Scoping

Another important topic of discussion among the consulting firms (including management service organizations that provide consulting) was the constraints brought to the client-consultant relationship because of the resource and time limitations faced in the social sector. Some firms felt that they often have to scope and size engagements based on dollars available versus the organization’s actual need. As one interviewee noted, “economics are always challenging and they
tend to force us to have relatively short-term engagements. I think we have some of the cases where we have had considerable impact on client’s behavior and thinking and those cases are where we have been involved with a client for year or two as opposed to a more typical three month to five month engagement.16"

A few consulting firms also noted that they wished they had a greater ability to be involved as a coach through the implementation process, but this was limited due to lack of funds and interest from the nonprofit. As one interviewee noted “nonprofits do not tend to purchase nor do they want help [with] implementation.17”

Many consulting firms have solved the funding issue by finding a third-party payer, such as a foundation, to pay for the consulting engagement. However, this relationship also introduces its own unique challenges, including trying to serve two clients with different vantage points and having multiple communication channels. Based on lessons learned, many consultants recommended that the parties involved develop operating principles at the beginning of the engagement, agree that the nonprofit is the only client, and ensure full transparency between the consultant, client, and funder.

If a third-party payer cannot be found, the consulting firm has a few options to deliver a high-quality experience at a price that is reasonable for most nonprofits, including:

- Opting to turn the engagement into a “coaching process” where the consultant serves as a coach to staff that then conduct and/or manage the project. This option has many advantages, including developing buy-in from staff for the final result and ensuring that content is learned and used after the project is completed.
- Following the core engagement with “booster sessions” to assess progress toward implementation.
- Developing a long-term, executive coach relationship with the nonprofit agency CEO and, when needed, providing quick-hit consulting needs.

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16 Interview with Interviewee 6a, Interviewee 6b, and Interviewee 6c, Company 6
17 Interview with Interviewee 11, Company 11
Some capacity builders, especially those in education and training or working in boutique consulting firms, did not have an extensive “fit test” to screen possible clients. They noted a natural self-selection process based on experience, pricing, and client fit. However, other capacity builders with limited resources or high demand for their services practiced a more extensive “fit test” through early conversations with clients. Some of the consulting firms and all of the venture philanthropy groups interviewed have refined a process to identify and, in some cases, select strong performers with the potential for greater impact. The most common criteria were:

- High impact potential of program/organizational idea
- Focus on system change versus just organizational/program change
- Talented management team
- Highly engaged board
- Commitment to change
- Ability and willingness to make tough decisions
- Cultural and philosophical fit with client

Another interviewee stated: “We want [the potential client] to start having an understanding of drivers of impact. We want them to be an organization that is or has started to be in the position where the social entrepreneur is not solely running all the operations. So there is an organizational element as well as a program development element that is important to us.”

These screening factors are similar to what was found in our secondary research. Academics who have written articles about nonprofit effectiveness and performance cite the following factors as differentiators between a strong organization and a less strong organization:

- Strong planning environment
- Effective performance management process – at the employee, program and organizational levels
- Engaged Board
- Independent audit of financials

Another perspective was offered one interviewee, who stated that their program tries to “upset people’s current reality.” That organization targets participants who are willing, but “stuck, as

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18 Analysis by CASE/Duke University.
19 Interview with Interviewee 7, Company 7
opposed to people who are sitting back waiting to be inspired.\textsuperscript{21} With nonprofits outnumbering capacity builders, it stands to reason that capacity builders should develop some type of screening tool to ensure an optimal experience. This would not only save resources by helping to ensure a proper fit before a relationship develops, but also would also serve as a valuable starting place for understanding the nonprofit.

\textbf{Client Diagnosis \& Solution Development}

In response to customer need, many of the consulting firms interviewed orient themselves around the traditional “business process consulting” model (e.g. creation of a business plan, development of program evaluation) taken from the for-profit consulting sector, with coaching available as needed throughout the process. However, this construct may be changing as one interviewee noted “the planning process is not so much about the plan at the end of the day; it is the process of changing attitudes.\textsuperscript{22}” In addition, a few consulting firms felt strongly that the downside of traditional consulting is “the product is a set of recommendations that nobody can afford\textsuperscript{23}” without identifying resources for implementation or helping the client understand the organizational shifts needed to implement. To that end, a few capacity builders noted the value in employing a variety of modalities beyond just consulting – including peer support, executive coaching, facilitation, and training – to achieve the highest results; however, many admitted that they were still biased toward exclusively delivering traditional consulting. Some noted a “slight shift to coaching, [because they – the client organization] are facing a lot more challenges that just having an ear seems to make a positive difference.” All in all, while the model of process consulting has merit within the nonprofit sector, more creativity and experimentation is needed to find the best combination of modalities to meet the needs of the nonprofit sector and to determine which modalities will have the greatest impact in each case. One interview had an interesting vantage point that could be leveraged - “we are coming in and saying we are going to make you better. We are going to train you. We are going to educate you. We are going to give you tools. We are going to train you to use them. We are going to be a resource to you. [However,] you are going to be the experts in your organization. We are not.\textsuperscript{24}”

Interestingly, many of the capacity builders believe that the nonprofit client can accurately identify the issues present within their organization (the issues for which they are approaching the capacity

\textsuperscript{21} Interview with Interviewee 9, Company 9
\textsuperscript{22} Interview with Interviewee 8, Company 8
\textsuperscript{23} Interview with Interviewee 4, Company 4
\textsuperscript{24} Interview with Interviewee 12, Company 12
builder for assistance), but that clients have a harder time pinpointing the root cause or how to solve the problem. One interviewee noted that often, “[nonprofits] do not know what they do not know and they do not know what they need.” As a result, many of the consultants use their “intuition” to diagnosis the root cause and judge the best possible solution. A few interviewees also use more formalized checklists for verifying that the client has correctly diagnosed the challenge. It is a “process of...interviewing key stakeholders, getting a read on organizational strengths and weaknesses, figuring out what they are really struggling with, [and] ...pattern recognition.” Some, especially the venture philanthropy groups, thought it was important to “ask tough questions about how they are thinking about things...not because we want the right answer. It is because we want to learn how they think about things and how they respond to this kind of inquiry.”

After the interviews, “part of our job is to help name that [issue], frame it, and deal with it.” Some capacity builders noted that they have lost clients because they share “a point of view [with the client] that says ‘you know you asked for X, but we really think you need Y.”’ This diagnosis is precisely where the “art of capacity-building” was most ubiquitous. Capacity builders noted that they use intuition built on years of experience with nonprofits to determine the issues and develop an engagement that will deal with nonprofits’ most pressing issues.

**Client Assessments**

In our secondary research, we found a number of assessments that can be used by capacity builders, especially those beginning a long-term engagement (e.g. venture philanthropy groups, foundations), to supplement the capacity builders’ intuition with more structured review of the nonprofit as a whole. These assessments gauge an organization’s strengths and weaknesses on core skill sets and help point to highest leverage areas for engagement focus.

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25 Interview with Interviewee 11, Company 11
26 Interview with Interviewee 5, Company 5
27 Interview with Interviewee 7, Company 7
28 Interview with Interviewee 5, Company 5
29 Interview with Interviewee 6a, Interviewee 6b, and Interviewee 6c, Company 6
We found three publicly-available assessments that were frequently referenced in secondary research:

- **Core Capacity Assessment Tool (CCAT)**\(^{30}\) – Figure G
  - Developed by Company 11
  - 360 degree evaluation with staff and Board
  - Evaluates and compares scores across 4 capacities – adaptive, leadership, management, and technical – plus one - culture
  - Compares scores to similar organizations – size and type
  - Synthesizes results and provides scores

- **Capacity Assessment Grid**\(^{31}\) – Figure H
  - Developed by McKinsey and Company
  - Provides a framework for evaluating capacity
  - Uses a questionnaire to “take the temperature” of the organization and can be compared across respondents
  - Incorporates the belief that re-setting aspirations and strategy are highest leverage points

- **Organizational Capacity Assessment Tool**\(^{32}\)
  - Developed by McKinsey and Company for Social Venture Partners
  - Assesses nonprofit across 10 functional areas (financial management, fund development, information technology, marketing and communications; program design and evaluation; human resources; mission, vision, and strategy and planning; legal affairs; leadership development; and board leadership) and is designed to evaluate capacity and set goals for future capacity building
  - Used to evaluate organizations once chosen as SVP investees

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\(^{32}\) SVPI website – [http://www.svpi.org/member-services](http://www.svpi.org/member-services)
Another common best practice identified in the secondary research was to customize the intervention based on the nonprofit’s size and stage of life cycle. There are a few models both in the nonprofit and for-profit sectors that help with this customization. The TCC Group, through its CCAT tool, plots the organization to identify what life cycle stage the nonprofit is in, as illustrated in Figure I below.

**Figure I: CCAT Life Cycle Plot**

![CCAT Life Cycle Plot](image)

Through the CCAT assessment and life cycle analysis, the TCC Group has found an interesting inflection point in the lifespan of a nonprofit organization. They claim that nonprofits are generally doing well at managing their organization until they hit the $500,000 to $900,000 range in budget size. Once they hit $1 million in budget size, they start out-growing their structure and need assistance with new ways of doing business.

Because of the long “courting” process involved in venture philanthropy, these organizations used a framework similar to a life cycle, but it instead measures stage of growth. New Profit has developed a home-grown version called “Growth Diagnostic.” It defines three stages of growth post start-up phase. Characteristics of New Profit’s Growth Stages include:

- **Growth Stage 1**: honing the program model; experimentation and testing of the innovation to determine which program elements drive social impact
- **Growth Stage 2**: building the delivery model; developing and testing an efficient, scalable delivery model; deepening understanding of program elements that drive social impact
- **Growth Stage 3**: scaling for widespread impact; building the organizational systems and processes required to grow and drive widespread social change

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33 TCC website – http://www.tcccat.com
34 Interview with Interviewee 11, Company 11
During interviews, none of the capacity builders noted formally assessing their potential clients prior to start of the official engagement (mainly due to cost). However, as discussed previously, many did conduct one-on-one interviews and meetings with key staff and board members to better understand their needs. Once the engagement started, the capacity builders continued this practice, but with more rigor using standardized, internally developed screening questionnaires. Surprisingly, very few consulting firms except the TCC Group utilized a needs assessment questionnaire, such as the CCAT, but a few interviewees liked the idea of using a formal assessment and had plans to develop one. A few cautioned the use of formal assessments because “they do not prioritize... [or] contextualize.[or] unlock the thing [root cause of their issue] that they [the client] know they need to do.36”

As for the use of the life cycle as an objective measure, one interviewee noted that “there is a growing consciousness [that] one of our frames for understanding the organization and how I might be of assistance is...the stages of development.37” Some interviewees noted that they used organizational life cycle as a framework for diagnosis, but felt it was less helpful to share the information with the client. Others thought that “[life cycle frameworks] are useful in explaining to folks why they are behaving the way they are behaving.38”

Coincidently, during our interview with Decision Lens, the Interviewee revealed his insights on ideal decision-making, which is related to client diagnosis and assessment. He shared that the research shows that “data does not always tell the story...but has to be taken in the context of the decision.” He said the best thing you can do is “bring multiple people together [and] combine their judgment with whatever information or data is available.39” This notion was confirmed by another interviewee who shared that “objective combined with the subjective is actually best.40” To that end, for short-term or focused engagements, organizational assessments are likely too time-consuming or not relevant enough to add value to the engagement; however, for long-term engagements or those focused on growth (e.g. strategic plan), it seems essential to meld both information gained from client interviews with the data gained from assessments. This approach aids capacity builders in understanding the whole story behind an organization, and serves as an example to nonprofits of the importance of the use of a diverse set of data in formulating a plan.

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36 Interview with Interviewee 4, Company 4
37 Interview with Interviewee 2, Company 2
38 Ibid.
39 Interview with Interviewee 15, Company 15
40 Interview with Interviewee 11, Company 11
**Change Management**

Many capacity builders were particularly engaged by the interview questions on nonprofit change management. Overall, they noted that "part of the challenge we face is that consultants are technical [transactional] providers," meaning that capacity builders are hired to produce deliverables. However, “the reality is...regardless of what you are brought in to do, it is going to mean change in the organization or you have not done your job." In addition, another barrier is that the client sometimes has the “false illusion that just a document somehow [will] solve their problems.” The reality that change will result from the engagement means that a great consultant goes beyond mere production of a deliverable to considering how the deliverable will be implemented. As one consultant noted “that is why things do not work, not because we did not have the right assessment tool but because they were not really ready to do the work.” Many consultants in particular noted that the role of consultant requires many hats – doctor, therapist, and architect – in order to enable the client to enact the change they desire.

In all cases, nonprofits seek out the services of a capacity-builder because they are “in need” of change; however, this does not assume that they are “ready” for change. The TCC Group has outlined the following variables that were connected with readiness to change:

- Some threshold of leadership
- Ability to adapt to change
- Individual skills, knowledge, expertise, and motivation for instituting real change

One interviewee suggested a similar “test” based on the personality of the founder/CEO by asking the question – “Are they curious, willing to ask the tough questions, and willing to be challenged and confronted with data?” This question paired with whether the organization is ready for change (i.e. “ability to commit the time”), serves as her litmus test for organizational readiness to change.

Throughout our primary research, with the exception of one consulting firm and the venture philanthropy groups interviewed, capacity builders had not fully considered how to accurately measure readiness to change or had not included it as a consideration in their pre-engagement assessment. All noted that this was an area for potential improvement.

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41 Interview with Interviewee 6a, Interviewee 6b, and Interviewee 6c, Company 6  
42 Interview with Interviewee 14, Company 14  
43 Interview with Interviewee 4, Company 4  
45 Interview with Interviewee 5, Company 5
Venture philanthropy organizations, in part because of their selectivity and long-term engagement time horizon, had more to contribute on how to assess a client’s readiness to change. One interviewee noted that judging readiness to change is “one of the hardest things to do...What you try to do is first of all find an element of demonstrated performance...have they stepped out of their comfort zone to get something done?" One interviewee also had a similar approach through the Executive Education application process. They look “at what they [the applicants] have already done” to establish their track record and readiness to change. As the interviewee stated, “we are looking for reflection and some thought about their own experience.”

Despite consistent acknowledgement of change management as a crucial element within engagements, only a few of the interviewees discussed the integration of change management tools and ideas, such as Kotter’s Eight Steps of Change into their engagement.

In the past decade, the for-profit consulting sector has started to embrace “change management” as a key ingredient to successful engagements and many consulting firms have published their findings through articles and books. Because change is behind most, if not all, nonprofit capacity-building, it is critical for educators, consulting firms, and venture philanthropy to initiate change, develop buy-in for the action needed, and make it stick within the social sector.

**Engagement**

Engagement – the process that includes the development and delivery of the client deliverable – varies in size and scope. However, in every case, the process leads to discovery, necessary adjustments, testing and, hopefully, a final product that is consistent with the nonprofit’s needs. The CASE research team looked at factors for successful engagements, use of technology through the engagement process, and how to “right-size” and embed the final product and organizational learnings.

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46 Interview with Interviewee 8, Company 8
47 Interview with Interviewee 9
Engagement Success Factors

The capacity builders unanimously agreed on four key drivers of a successful engagement, regardless of the length of the engagement:

- Client readiness/engagement in and commitment to process
- Trust between client and team
- Strong management team at nonprofit
- Effective use of data to evaluate organization and programs

As one interviewee stated, “the real art to this work is relationship building skills and the ability to frame and shape these conversations in the context of human systems.采访者1指出，重要的是“[the client] actually trust [that] 1) you have their interests in mind [and] 2) [share] core values of impact, respect, collaboration, and passion.” If this happens, it is a “platform where deep change happens.” Many capacity builders felt it was crucial to build this trusting relationship in the first few interactions. One interviewee, who has worked with countless business owners through his work, also shared that even beyond commitment s/he felt client confidence in the process is correlated with success. S/he noted that “it is the approach at the beginning of, ‘I’m capable. I’m going to do this. I trust myself. I’m going to look for help where I need it but I can do it.’”

Customization

Because many engagements result in the same final deliverables (e.g. program evaluation, business plan), the CASE research team was interested in how much of the development of the final deliverable was customized versus how much content could be recycled and standardized from past engagements. All the interviewees insisted on a customized approach for each client. A few interviewees went so far to state that “canned” thinking is a waste. Interestingly, one interviewee, founder of Palo Alto Software agreed that even though his product, Business Plan Pro, was available to help business owners easily develop a business plan, he resisted the notion of “cookie cutter business plans.” He believed that it was important to “empower users...to run their business better.” One interviewee agreed that it was also important to “meet the client where they are and take them as far as they are willing to go.” One way they accomplish this is through “moderate[ing]

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50 Interview with Interviewee 5, Company 5
51 Interview with Interviewee 1, Company 1
52 Interview with Interviewee 14, Company 14
53 Ibid.
our recommendations to be the ones that we think are realistic for the client given all the variables: the funding, the culture, the leadership, the board and so on. And it may be that the change we promote sometimes is more incremental and less radical, but I think it results in a higher adoption rate.” While all insisted on customized approaches, each capacity builder has developed case studies on successful engagement approaches that often include frameworks that can be applied in similar circumstances. For example, Bridgespan has become well-known for its frameworks on “theory of change” and cost analysis. More research should be completed on the tension between customization and standardization, where customization can work and when standardization is called for, and the impact on client outcomes.

**Embedding Techniques**

A recurring theme during the interviews was that capacity builders believe it is critically important to build the capacity of the organization, not just deliver a product or set of recommendation (e.g. strategic plan). The intensity of this belief seems to be correlated with whether or not an interviewee has had significant past experience working within the nonprofit sector. Many capacity builders consciously try to build organizational capacity by co-creating the deliverable and developing buy-in throughout the engagement; others accomplish this by adding coaching to their consultations or being involved in implementation planning. Another interviewee goes even farther and sees her role as an “educator and facilitator” and leaves behind tools to run her clients’ organization better, including simple and straightforward exercises on topics such as management and delegation. Interviewee stated that “the best consultants...help [nonprofits] develop their own strategy... [where] the leaders lead the whole thing.” As one interviewee stated, “It is not just about us being the smartest person in the room and giving them the answer.”

One important embedding technique was fostering client accountability for the outcomes of the engagement. Interviewees reinforced that organizations need to hold themselves accountable, either through the board or by an important funder for organizational development. To help achieve this organizational ownership, one interviewee noted “[the clients] own the decision...we facilitate meetings to get everybody understanding what the issue is, understand the homework,”

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54 Interview with Interviewee 6a, Interviewee 6b, and Interviewee 6c, Company 6  
55 Interview with Interviewee 12, Company 12  
56 Interview with Interviewee 11, Company 11  
57 Interview with Interviewee 5, Company 5  
58 Interview with Interviewee 9, Company 9
the research, [and] making decisions about the ‘so what?’ of the research.\textsuperscript{59} Others agreed with this concept – “it is always best if the client makes the decision about what they want to do...so they can emotionally commit to something.\textsuperscript{60}”

Some capacity builders believed that one barrier to embedding is that clients “default to consultants.” Consultants should “check their egos at the door” and understand that it is the organization’s plan and not the consultants’ plan. Sometimes, because of the gravitas of the consulting firm and its employees, it is difficult for the client to voice their opinion and be heard. Many asserted that “cultural assimilation [with the client] is vital.\textsuperscript{61}” As a final note, one interviewee stated “the definition of a successful ending is that they actually have clarity about the direction they are headed and they are moving in that direction.\textsuperscript{62}”

While this commitment to incorporating capacity-building within every engagement was universal among our interviewees, it would be interesting to study its implementation across a larger sample of capacity builders. If it is indeed a key determinant of the ultimate success of a nonprofit consulting engagement, it may be helpful to encourage the adoption of this philosophy through networks of capacity builders, such as the Alliance for Nonprofit Management, and share best practices among capacity builders.

\textit{Use of Technology}

Although technology has advanced significantly over the past decade, interviewees agreed that technology was not being leveraged to its full extent by capacity builders or their nonprofit clients. All seemed to use online survey and webinar tools. One consulting firm uses wikis in peer learning environments with some success. Many suggested the reason for limited adoption was less about supply and more about demand: “We have learned so far [from others] that these tools tend to get used less than people would think or grantmakers originally planned. So we are trying to figure out how to optimize this.\textsuperscript{63}”

\begin{table}
\centering
\begin{tabular}{|c|}
\hline
59 Interview with Interviewee 2, Company 2 \\
60 Interview with Interviewee 6a, Interviewee 6b, and Interviewee 6c, Company 6 \\
61 Interview with Interviewee 4, Company 4 \\
62 Interview with Interviewee 1, Company 1 \\
63 Interview with Interviewee 7, Company 7 \\
\hline
\end{tabular}
\end{table}
Post-Engagement

Post-engagement is the final stage of the consulting process in which the client is left to implement the recommendations. The consultant, on the other hand, reviews the work and evaluates their impact on the client. In this stage, the CASE research team probed for insights on knowledge management and impact measurement.

Knowledge Management

While all the capacity builders agreed that knowledge management (i.e. how to capture learnings across engagements and share best practices internally) was important, almost all stated that they needed to improve their knowledge management infrastructure internally. Many use informal mechanisms, such as email and monthly meetings, to share best practices and troubleshoot issues, rather than formal structures such as wikis, Google applications, and databases. Even the technology-based providers noted that they are grappling with this issue. One interviewee shared their own struggle – “sometimes we are like the fish going after the next glittering lure and changing the tool instead of working better on the human side of how we share information.64"

Some consulting firms use written case studies or published articles as methods of knowledge management and dissemination as well as for business development as stated previously. One noted that they are a “learning organization [where] there is no hoarding of information [and] information flows extremely freely and openly and consistently.65"

Beyond internal knowledge management, many of the capacity builders agreed that more should be done to share outside their firms between capacity builders and across sectors. In fact, one noted that “we [have] got to organize the infrastructure much differently. It is completely disorganized and underresourced right now.66” A few interviewees acknowledged that the sector could benefit from capacity builders sharing ideas and promising practices.

64 Interview with Interviewee 14, Company 14
65 Interview with Interviewee 6a, Interviewee 6b, and Interviewee 6c, Company 6
66 Interview with Interviewee 4, Company 4
Impact Measurement

Many capacity builders have questioned the best approach to measure their own impact, considering questions such as: "How do you measure client satisfaction? How do you measure client impact? What is the best way to measure the impact of capacity-building efforts?" As one respondent noted, “I cannot totally take credit for folks becoming better, bigger, different organizations. All I can take credit for is having gotten them through the process and making good decisions." Others also noted that they are “careful with [attributing] causality” to their work.

All of the capacity builders, with the exception of the providers of product-based solutions, measure client satisfaction upon conclusion of the engagement; some measure at intervals afterward (e.g., 6 months, 1 year). Some capacity builders complete this step in-house while others hire an outside consultant to follow-up and ask both quantitative questions on satisfaction and performance and qualitative questions on how the firm could improve their work with clients. Either way, many capacity builders follow up with clients on an ad-hoc basis to check-in on progress and answer follow-up questions. Many encourage clients to call with questions because the consultants sincerely want the engagement to work for the clients.

A few also tackled the social impact question by having an outside consultant go back to the client and ask questions at intervals after the engagement (e.g., 1 year, 2 years), such as:

- What happened? What did they implement?
- What progress have they made on the social issue?
- Did they achieve the goals they set forth at the completion of the engagement?
- Did the consultants involved accurately predict where they would be at this point in time?

Through this process of determining the evolution of the organization post-engagement, evaluators (be they internal or external) try to trace what outcomes could be associated with the capacity-builder.

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67 Interview with Interviewee 2, Company 2
68 Interview with Interviewee 1, Company 1
Advancing the Field of Capacity Building

As the CASE research team conducted secondary research, additional questions arose that were important to the further development of capacity-building for nonprofits. After asking our interviewees specific questions about the engagement process, we also asked them for their opinions on how best to advance capacity-building as a field of practice. In particular, we probed for insights on the need for increased focus on leadership development and effective translation from the for-profit sector to nonprofit sector.

Needs for Additional Organizational Capacity Building

The secondary research indicated that many nonprofit capacity-building efforts lack sufficient emphasis on developing clients’ adaptive capacity and leadership capacity. Adaptive capacity is defined as “the ability of a nonprofit organization to monitor, assess, and respond to internal and external changes.69” The research indicated that adaptive capacity can be built through a set of organizational processes, including learning to measure performance and identify both problems and possibilities for improvement; responsiveness to how well clients are served and what changes are needed to improve quality of service; innovativeness where the organization uses its people and knowledge effectiveness to create new initiatives; and motivation to create jobs and organizations where staff and volunteers see the results of their work.70 Through interviews with capacity builders, many agreed that “adaptive capacity” was lacking in the nonprofit sector – both in supply and demand. In fact, the Harvard Executive Execution program offers “Adaptive Leadership” executive education and few nonprofits attend.71 However, one interviewee noted that if organizations have this capacity, they “are on the leading edge in terms of taking stock of the environment and context and repositioning their organization for greater impact, for better relevance, and for better policy advocacy work.”72 Now that it has been established that adaptive capacity is needed, especially for twenty-first century nonprofits, it is important to not only provide ways for nonprofits to learn this skillset, but also create demand for this skillset among nonprofit leaders.

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71 Interview with Interviewee 9.
72 Interview with Interviewee 4, Company 4.
Leadership capacity, another missing element, is defined as “the ability for all organizational leaders to create and sustain the vision, inspire, model, prioritize, make decisions, provide direction and innovate, all in an effort to achieve the organization's mission.” Jim Collins called this capacity “the Level 5 Executive,” which he adapted to the social sector by modifying executive leadership (e.g. authoritative) to legislative (e.g. consensus-driven) leadership. In an important study, Paul Light, a leading nonprofit scholar, interviewed numerous nonprofit executives and opinion leaders to identify key issues of organizational effectiveness in the social sector. Among his interviewees, nonprofit executives (71%) and opinion leaders (64%) prioritized leadership over external relationships, internal structure, and internal management. As illustrated in the table below, when asked to define leadership, the top two responses were: “fostering open communications” and “motivating people.”

<table>
<thead>
<tr>
<th>Leadership Equals</th>
<th>Nonprofit Executives</th>
<th>Opinion Leaders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fostering open communications</td>
<td>92%</td>
<td>72%</td>
</tr>
<tr>
<td>Motivating people</td>
<td>92%</td>
<td>70%</td>
</tr>
<tr>
<td>Fundraising</td>
<td>72%</td>
<td>65%</td>
</tr>
<tr>
<td>Clarifying board/staff relationships</td>
<td>72%</td>
<td>59%</td>
</tr>
<tr>
<td>Embracing participation</td>
<td>50%</td>
<td>51%</td>
</tr>
</tbody>
</table>

In our interviews, capacity builders were split on whether or not leadership capacity was lacking in the nonprofit sector. One respondent noted that she felt that “people are pretty good at vision and inspiration...what they are really not good at are management capacities.” She later explained management capacity as “creating an economic model to go with the programmatic model...human

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resources systems, performance management systems, evaluation monitoring. Another interviewee noted that “I do not presume that managing and leading are the same thing...one is a technique and skill and the other is fit and personality.”

When asked if the lack of leadership capacity was a supply or demand issue, a few interviewees felt that it was most related to a demand issue due to lack of time and money for training. “It is demand but it is truly driven by lack of resources that lead to a lack of time and also the ability to pay.” Others cited a supply issue that was present in both the for-profit and nonprofit sector. Many added that leadership is a difficult concept to teach and many of the courses miss the mark by teaching leadership traits versus leadership as an activity. One interviewee stated “leadership is really taught badly...leadership is an activity that someone exercises over time.” It requires “a great big degree of self-reflection and an ability to understand what drives you as an individual...It is a hard thing to teach.” Or as one respondent stated, “leadership is not something that is taught in short little bursts.” Despite the mixed reaction, everyone agreed that leadership was an all-important skillset for nonprofit managers. To ensure that the sector is able to produce the next generation of strong leaders, it is important to resolve some of the issues presented by the interviewees, including: what constitutes leadership versus what constitutes management, the best ways to teach leadership, ensuring that leadership development is a stated priority of the organization, and the need to supply affordable and/or free resources to attain proficiency.

In addition to adaptive and leadership capacity, we uncovered other missing elements in organizational capacity-building from the primary and secondary research, including:

- Strategic HR Management
- Decision-making skills/abilities
- Being a Learning Organization
- Collaboration skills/network building
- Product/Program Design

Further research could be completed to uncover whether or not these elements are key to building higher performance and higher impact nonprofit organizations.

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76 Interview with Interviewee 9
77 Interview with Interviewee 2, Company 2
78 Interview with Interviewee 6a, Interviewee 6b, and Interviewee 6c, Company 6
79 Interview with Interviewee 7, Company 7
80 Interview with Interviewee 9
Translation from For-Profit to Nonprofit Sectors

While discussing the needs for additional capacity-building, some interviewees cautioned against the idea of “transplanting business ideas” directly into the social sector without adapting them to the nonprofit context. “The mantra was ‘nonprofits need to be more like business’ 15 years ago and there was this huge backlash.” This is consistent with Jim Collins belief that: “we must reject the idea – well-intentioned, but dead wrong – that the primary path to greatness in the social sectors is to become ‘more like business.’ Most businesses – like most of anything else in life – fall between mediocre and good. Few are great.”

Consistent with this belief, a few capacity builders also cautioned against “making the tool the thing.” They argued that too often the tool (e.g. Balanced Scorecard) is seen as the answer both in the for-profit and nonprofit sectors. When the tool itself fails because it is too labor-intensive or is not right-sized for the organization, unfortunately, the point behind the tool is often lost. This assertion is consistent with many of the capacity builders’ viewpoint that it is important to customize the engagement to the client’s need and not provide “canned approaches.”

Program versus Organizational Effectiveness

Many nonprofits are launched to solve a social problem – through a program that meets a previously unmet need. As a result, nonprofits tend to focus on program initiation, evaluation, delivery, and practices -- versus organizational effectiveness. Many experts also believe that this is driven, in part, by funders who support programs (not organizations generally) and restrict overhead funding.

Through the interviews, we found universal agreement about this reinforcing loop. One respondent noted that “they (the nonprofit) start at the program level” and overlooked “how to build a good organization.” Another respondent stated that nonprofits “focus their energies on what they are actually delivering, which is the program side of things. Unfortunately, without all of the organizational part being built as well, the program is never going to sustain.” However, like the experts, capacity builders did not place the blame solely on nonprofits, but also on the marketplace. It is “partially a product of the way organizations have been judged in the past where the only

81 Interview with Interviewee 9
82 Ibid.
83 Interview with Interviewee 7, Company 7
meaningful financial ratios put out is percentage of organizational revenue spent on programmatic expenses. Another noted “it exists because of this historical dysfunctional view that the sector is a set of programs and not a set of organizations delivering programs and some of that is self-fulfilled and some of that is developed because of pressures of funders who focus on programs and only fund programs.”

Given this dysfunction, capacity builders need to recognize their influence within the sector and uncover how to elevate the importance of organizational effectiveness without devaluing the mission-critical programs. Advocacy efforts, such as those led by author Dan Pallotta, are starting to reveal the beginnings of the dysfunction. However, capacity builders in their role as thought leaders could also further this work and begin a shift in perception.

**Silo-effect among Sectors**

Nonprofits get the majority of their capacity-building training and education through sector-specific conferences and associations rather than general trainings for all nonprofits. This can be advantageous because these sector conferences can focus on issues specific to their organizations and provide organizations with opportunities to network with like-minded organizations. As one respondent noted “you reduce the resistance [to the training] that the nonprofit leaders have by thinking they are unique.” However, it can also be disadvantageous to the sector as a whole because it can generate gaps of knowledge between sectors and reinforce siloed thinking.

One interviewee suggested that “a lot of our work is about trying to get above the silo...there are a few structural dynamics that might make it slightly different to be in the arts versus in education, but 80 percent of it is the same.” S/he, in fact, has experience bringing together a community of practice across many issue areas. At the end, many left the experience saying “who knew that I would have so much in common with an arts organization.” A few agreed that capacity builders from their vantage point could be a catalyst for “flushing out best practices” and cited organizations, such as Grantmakers for Effective Organizations or the Alliance for Nonprofit Management, as having an interest in fostering this dissemination.

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84 Interview with Interviewee 7, Company 7
85 Interview with Interviewee 3, Company 3
86 Interview with Interviewee 9
87 Interview with Interviewee 5, Company 5
Perception of Traditional versus Entrepreneurial Nonprofits

In the secondary research, we uncovered nuanced differences between the perception of a “typical nonprofit culture” and a “socially entrepreneurial culture.”

**Figure J: Culture Comparison**

<table>
<thead>
<tr>
<th>TYPICAL NONPROFIT CULTURE</th>
<th>SOCIALLY ENTREPRENEURIAL CULTURE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mission-Focused</td>
<td>Keep mission first, but know that without money, there is no mission</td>
</tr>
<tr>
<td>Risk Avoidance</td>
<td>Willing to take risk on behalf of those they serve</td>
</tr>
<tr>
<td>Resource constrained</td>
<td>Understand that all resource allocation are really stewardship investments</td>
</tr>
<tr>
<td>Consensus-driven</td>
<td>Looking for new ways to serve &amp; add value</td>
</tr>
<tr>
<td>Focused on Payer Model*</td>
<td></td>
</tr>
</tbody>
</table>

* DEFINITION: Focused on who gives them money as a key driver.

We were interested to find out whether or not capacity builders noticed many cultural differences between working with traditional nonprofits (e.g. Girl Scouts, United Way) and entrepreneurial nonprofits (e.g. Teach for America, City Year) and, if so, did it change their engagement strategy. When the capacity builders were asked about the difference, they noted nuanced differences in governance issues (e.g. accountability, role of the Board). Other capacity builders noted that entrepreneurial nonprofits tend to be more focused on growth than traditional nonprofits. However, many felt that the differences between these types of nonprofits was “a lot of...buzz and sizzle.” A few noted that, especially in recent years, the leadership in “traditional nonprofits turn over...and Boards look for newer, more innovative thinkers [and] it is really contingent on the

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88 Analysis conducted by CASE/Duke University.
90 Interview with Interviewee 6a, Interviewee 6b, and Interviewee 6c, Company 6
leader. This has led more traditional nonprofits to become more entrepreneurial. In addition, as entrepreneurial nonprofits grow, they have looked at how traditional and time-tested nonprofits have grown and survived through implementing processes and adding infrastructure. As a result, many of the capacity builders noted beneficial cross-pollination between best practices utilized by the traditional nonprofit and the entrepreneurial nonprofit.

**Knowledge Creation and Translation**

As discussed in Figure F (on page 15), each capacity-builder has a stake in effective flow of knowledge. The CASE research team was interested in what is working and what should be fixed to make knowledge flow more effective. Some capacity builders argued that there was a distribution problem with getting promising practices out to nonprofits in an easily digestible format. “There is a pretty big bridge between theory and practice...partly it is just language and framing.” Another interviewee noted that “it [the practices] is still too high level and not accessible.” Another noted “we are often talking to ourselves.” While it is a common problem noted across a host of other disciplines, a few noted that the responsibility lay with both parties – researchers sometimes are not relevant enough to practitioners, and practitioners “are so overwhelmed that they often do not have time to step back and reflect.” For example, Interviewee 15 stated that “decision theories have resided in academia...but they had never been taken out of the commercial world...because you need a Ph.D. in decision sciences...to understand all the different nuances of decision-making.” In fact, Decision Lens was created to “take the decision processes that have been really validated in academia and in a very simple way be able to apply them.” Their goal was to “hide the complexity” behind the theory in a simple tool.

A few interviewees suggested that it was important for researchers to “do consulting for nonprofits,” because they will “tend to have better suggestions.” Many capacity builders also called themselves “bridgers” between theory and practice. They felt the solution is to focus on applied work with stories to make it as practical as possible – “give people varied...stories,

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91 Interview with Interviewee 6a, Interviewee 6b, and Interviewee 6c, Company 6
92 Ibid.
93 Interview with Interviewee 4, Company 4
94 Interview with Interviewee 5, Company 5
95 Interview with Interviewee 15, Company 15
96 Interview with Interviewee 7, Company 7
analogies, models, frameworks that are not too abstract, but they are easy to grasp and then very practical tips on how to get started.97”

97 Interview with Interviewee 5, Company 5
Concluding Remarks and Recommendations

The aim of this report was to research existing solutions, delivery methods, and business models of capacity builders that increase the effectiveness of nonprofit organizations. We learned that this effort is called “capacity building” by the nonprofit sector and represents a wide range of delivery modalities from education/training to consulting engagements – each with their role in improving the capacity of the sector. We conducted an exhaustive search of secondary sources and then interviewed 15 organizations that had a wide range of capacity-building experience – both those steeped in the social sector and those who were not. Based on our research, we were surprised by the number of times we raised questions that did not seem to have a good answers. As a result, this report has also become a mechanism to discuss the state of capacity building, make recommendations for how to design better capacity-building initiatives, and pose questions for further research. It is our hope that these ideas will result in further discussion among all capacity builders in the social sector.

The overriding theme, which was based on our theory of change, became apparent through the interviews. Most capacity builders viewed their role as “changemakers” and used solutions and methods to enhance the change for their clients and/or participants. All of the capacity builders were experimenting within their organizations and interested in what other organizations did to enhance their outcomes with clients and/or participants. Unfortunately, despite this interest, few mechanisms exist to share capacity building techniques. Through the interviews, we did uncover common findings98 to consider when designing more effective capacity-building initiatives and the field itself:

- **Customer**
  - While the CEO/executive director is often the key customer of the capacity building effort, it is important to engage the board of directors.

- **Engagements**
  - Many capacity builders use interviews and/or questionnaires to gauge client need and readiness. Recently, some have supplemented this approach with more rigorous tools, such as an organizational assessment to gather objective data on client need.
  - The key to a successful engagement is starting with a strong management team and an engaged Board at the nonprofit organization followed by a high level of client readiness, mutual trust, and the availability and use of objective data to evaluate the organization.

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98 It is important to note that while these are common points among capacity builders that this is not the same as stating that these are effective strategies or “best practices,” which could only be concluded through client outcome evaluation.
A few consultants are moving beyond the traditional consulting model that results in a deliverable or set of deliverables and employing a variety of modalities, such as coaching, facilitation, and training. It was also viewed important to right-size the engagement to ensure that recommendations can be more easily implemented.

While all interviewees agreed that identifying and/or facilitating organization change was a part of almost every engagement, few capacity builders have integrated change management tools and methodologies into their engagements.

To ensure that the best results are achieved and sustained after the engagement, consultants advocate for the co-creation of deliverables, which fosters client accountability for the end result, and acting as a facilitator versus a subject matter expert.

**Capacity-Building Field**

While it is important for nonprofit organizations to build capacity around the design of impactful and effective programs, it is equally important to value organizational design. Based on our research, we found a "Maslow's Hierarchy of Nonprofit Capacity-Building” where the demand for capacity building is higher for the program basics (e.g. grantwriting, program evaluation) than higher levels of organizational capacity (e.g. leadership, stakeholder engagement, performance management). Obviously, further research is needed to determine if this could be related to organizational size and maturity and/or time and monetary constraints.

There is consensus based on the primary and secondary research on the common elements of effective capacity-building initiatives(see page 15-16). While not all are applicable in every situation, they should be used as a benchmark for each capacity-building initiative and be shared widely with capacity-building providers.

It is generally believed that there is an inefficient flow of ideas, tools, and promising practices between fields (e.g. arts, human services) and from thought leaders and academics to nonprofits organizations (and vice versa).

To accelerate gains within the nonprofit sector and create a ripple effect, it follows that capacity builders should themselves innovate, challenge conventional thinking, and share promising practices. Based on these findings, the research team offers the following recommendations:

**Recommendation 1: Prioritize Organizational Capacity Building**

While we found that organizational capacity-building efforts – as distinct from program-related efforts – are growing in popularity, it is critical that they are seen as important to the health and growth of nonprofit organizations. Funders and nonprofits must view this type of capacity building as a critical investment in the long-term performance and impact of the nonprofit sector.

**Recommendation 2: Optimize Content, Delivery, and Outcomes in the Design of Capacity-Building Initiatives**

When designing capacity-building engagements, it is important to carefully consider the content, delivery method and the intended outcomes. These three factors need to be carefully weighed in order to create the optimal experience for the organization(s). For example, when teaching about
change management, a series of coaching sessions across a 6-month period may be the best delivery method to create long-term change within an organization.

**Recommendation 3: Incorporate Change Management Principles and Practices into Engagements**

Capacity builders, especially consultants and venture philanthropists, need to be more intentional about the required change inherent in every capacity-building engagement. When possible, readiness to change should be considered at the beginning of the process and integrated into the design of the engagement. In addition, capacity builders need to be monitoring the organization as a whole during the engagement to gauge additional signs of readiness (or lack thereof) and help prepare them for the inevitable change that will result from the engagement. It is important the nonprofit capacity builders start to adapt for-profit change models to be used during engagements and teach change management techniques to senior executives within the sector. At the end of the engagement, it is crucial for the success of the engagement for capacity builders to leave the organization with an action plan, which not only focuses on implementation of the deliverables, but also assist the organization with how to make the change.

**Recommendation 4: Supplement Engagements with Education and Coaching**

Nonprofits seek out capacity builders to improve their organization and for their outsider viewpoint. Because of this special relationship, capacity builders have an opportunity to not only deliver on that promise through the final deliverable or training, but also offer reinforcement through education or coaching to ensure that the client understands and has the tools needed to implement the change both during and after the engagement. For example, if the consultant is assisting with a business plan, it might also be important to assess and shore up any deficits the organization might have in their capacity to make decisions, which is arguably one of the most critical elements in the success of an organization. Or, if a foundation offers a workshop, it is also important to offer coaching sessions during and after the workshop to customize the approach to the organization and assist with the reinforcement of concepts.

**Recommendation 5: Focus on Clear, Appropriate, and Captivating Messaging to Nonprofit Sector**

To accelerate the speed and rate of adoption of ideas, tools, and templates within the nonprofit sector, capacity builders should consider the importance of messaging in addition to high-quality content. The communications should be clear and practical and when possible use stories to convey
the impact. When it is based on business practices, it should be properly translated into the nonprofit context and piloted among a diverse group of nonprofits before distribution.

**Recommendation 6: Disseminate Promising Practices Widely**
To ensure that ideas, tools, and templates do not get bottlenecked within one sector or one geographic area, it is important for capacity builders and academics to gather on a regular basis and share and disseminate promising practices.

**Recommendation 7: Increase Knowledge Sharing Among Capacity Builders**
Capacity builders themselves also need a mechanism to improve their own capacity and reach out to each other to share best practices. While it is important to focus on the art of capacity building, as the field continues to mature and expand, it will also be equally important to focus on what works and share it broadly. For example, we identified eight characteristics of effective capacity building that should be used as a benchmark when designing or evaluating capacity-building initiatives, which should be shared widely among the large field of capacity builders, including sole practitioners and volunteer-driven capacity builders. Specifically, we saw potential areas of further exploration and research, including how capacity builders assess client need and readiness, how to structure projects to maximize growth and learning for the client, the tension between customization and standardization within engagements, how to measure their impact, and how to best share knowledge internally and externally.

With the advent of a New Economy built on innovation and cross-sector collaboration to solve problems, capacity builders fuel and strengthen the sector through their work, their advocacy, and their shared commitment to breaking down barriers to widespread social change. This paper incorporates the voices and expectations from more than 30 thought leaders. We believe that capacity builders play an important role in building the capacity of the nonprofit sector and, if certain promising practices are well-known and used, that this role can create a ripple effect that will lead to higher impact and higher performance organizations that will be better equipped to transform the sector.
Bibliography


SVPI website – http://www.svpi.org/member-services

Introductions/Permission

- Thank you for speaking with us. We know you are busy and really appreciate you finding the time to speak with us.
- This call is being recorded – to ensure that we have accurately recorded your statements. Do we have your permission to record this call?
- Introduce everyone:
  - Suzanne – Research Fellow, CASE (most of questions)
  - Dara – Project Director, LKFF
  - Elizabeth – Research Associate, CASE
  - Marcella – Director, LKFF (if appropriate)

Overview

**Purpose:** CASE is working with Lippman Kanfer Family Foundation, headquartered in Akron, Ohio on a research project, “Advancing Social Entrepreneurship through Effective Capacity-Building Solutions & Delivery Models.” Given the renewed interest in capacity-building in the past few years, the timing could not be better to assess the existing tools, models, and practices that are being used to improve the effectiveness and impact of social sector organizations. We are specifically researching what blend of capacity-building levers – both via content and delivery - leads to more sustainable organizations and innovative social solutions. We have already conducted a significant amount of secondary research and have no intention of duplicating existing findings from organizations such as yours. We intend to take the research to the next level, find gaps, and assist capacity builders more precisely understand how to assist nonprofits with sustainable solutions and delivery models. Now, we are turning to primary research to ask questions specific to your organization that were not available through secondary research and, if we have time, to get your opinion on some of our findings in the research to-date.

Any questions?

**Project Partners:** Center for the Advancement of Social Entrepreneurship: A research and education center based at Duke University’s Fuqua School of Business, CASE promotes the entrepreneurial pursuit of social impact through the thoughtful adaptation of business
expertise. (www.caseatduke.org)

(if asked)

**Lippman Kanfer Family Foundation:** The family behind Lippman Kanfer Family Foundation is in its third generation of ownership and leadership of GOJO Industries, a leading global innovator of hygiene and skincare solutions for B2B markets. Beginning in the 1990s, family members have brought their strategic thinking and process orientation to their philanthropic work with national and local Jewish nonprofits, many of whom are mezzanine level organizations. The Foundation is now seeking to learn how they can better provide those resources to their grantees.

**Interview Questions**

**FRAME:** We have already done a lot of research on you and your organization via secondary sources.

**Pre-Engagement Process:**

**Think back to an engagement with a brand new client/one that is typical for your organization. We will first ask questions around the pre-engagement phase.**

1. How do they typically come to you (e.g. referral, inquiry on your website)? If you can give rough percentages, that would be great.
2. Why do they typically come to you? (e.g. funder recommendation, crisis)? If you can give rough percentages, that would be great.
3. Is there a typical issue or common concern of why they need assistance (e.g. strategic planning, scaling)? If you can give rough percentages, that would be great.
4. Have you noticed any of these shift in the last 2 years since the recession or other environmental factors?
5. Do you limit who you work by any pre-conditions (e.g. revenue size, type of organization)? If so, how and why?
6. In this phase, the potential client tells you what they think they need from you. In the pre-engagement process, do you assess what they actually need? If so, how do you do this? In your opinion, how often is there alignment between what they think they need and what they actually need?
7. During this process or after you start, do you conduct any capacity assessment of their organization? For example, McKinsey’s tool or another online/excel-based tool. When? If so, how is it used to define the engagement?
8. During this process or after you start, do you plot the organization’s life cycle stage? When? If so, how is it used to define the engagement?
9. During this process, do you assess their need as well as their capacity or readiness to change? If so, how?

**Engagement:**

Now that you understand their needs and their organization, it is important to structure the engagement to ensure optimal success. We are defining a “successful engagement” as one that is successful in client terms (e.g. implemented by the client, meets desired outcomes, achieves change in organization)

1. Does your organization customize engagements to the organization? If so, how?
2. What do you do to “get to know” the organization in early engagement process? What is most successful?
3. If possible, what does your typical engagement look like? What delivery method do you find most successful?
4. In your experience, what are the 3-4 drivers of successful engagements? If you were forced to choose one, what would it be?
   a. (if not listed) How important is talent? If important, what elements are most important?
5. Who do you typically work with (e.g. CEO, Board Chair)? What is the role of the CEO? What is the role of the Board? How often do you see tension? If you see tension, how do you engage both toward a common solution?
6. Do you share technology tools to support the progress & content of the project? (e.g. online platforms)

**Triangular Relationship (if time permits):**

1. Do you have an issue between someone selling the product versus who delivers it?
2. Do you ever have clients who have a third party payer (e.g. foundation). If so, does that impact the engagement? Any mitigation strategy?

**Post Engagement:**

1. What does your organization do to ensure that the engagement gets buy-in from the organization and the results will be implemented upon completion?
   a. Do you offer ongoing coaching or facilitate communities of practice?
2. Does your organization assist with implementation? If so, how?

**Impact:**
1. How do you define your success as a firm?

2. How do you evaluate impact of each engagement? When do you evaluate it post engagement (e.g. right after, 1 year after, 5 years after)?

3. Have you noticed any correlation (scientific or observational) between a specific factor (e.g. stage of life cycle, CEO engagement) and the likelihood of a successful engagement?

4. Do you have a knowledge management structure to share lessons learned across the organization? How does it work?

Lessons Learned:

1. Any other lessons learned that you have not shared?

2. What differences do you find between traditional nonprofits and entrepreneurial nonprofits? Has this changed over time?
   a. Engagements?
   b. Readiness?
   c. Results?

Research To-Date/QUESTIONS FOR RESEARCHERS

1. We have found through secondary research that the two capacity skills that are most needed by the field are leadership and adaptive capacity. Do you agree? If so, do you think this is a supply issues (few training are provided, less is known on how to train) or a demand issue (nonprofits are less interested)? Do you find that leadership training is often limited to senior managers in nonprofits?

2. We found that most of the capacity building within the sector is focused on program practices and not organizational practices – why do you think this gap exists?

3. (Repetitive for Providers) Do believe that capacity building needs differ or need to be “right-sized” based on type, size, stage of life cycle, readiness? What do you believe?

4. We have a hypothesis that there is a “silo-effect” when it comes to nonprofit capacity building. Nonprofits are influenced primarily by how they associate and many associate with similar type organizations (e.g. human services, arts). These types develop their own capacity-building strategies and tactics, but they don’t seem to circulate outside. What are your observations? How can this be mitigated?

5. We have a hypothesis that it is important in the ultimate success of capacity building to link content with the delivery method – both through training method and consulting engagements. What are your thoughts on this?

6. Many sources suggest what constitutes “nonprofit effectiveness.” What do you believe constitutes it? Do you think it is important for stakeholders to agree on the common drivers?

7. (Repetitive for Providers) What differences do you find between traditional nonprofits and entrepreneurial nonprofits? Do you believe that their keys to effectiveness differ? Has this changed over time?

8. We have a hypothesis that there is a disconnect between “what academics and leaders in the sector learn and believe (knowledge creation)” and “what is translated to the
sector (knowledge delivery).” What do you think about this? What are some ways to mitigate this?

Final Thoughts:

1. Do you have other ideas to share on either the substance or approach of our project? Are there any other key questions that you think may be important to include?

To Save Time:

- We have a list of quantitative questions about your organization (e.g. number of engagements per year, average size, fee structure) that we are interested in, but will likely take time for you to collect. May we send these questions to you and have someone in your office get back to us? They will be used for research purposes only and, if shared in the report, will only be shared in the aggregate to better understand the characteristics of capacity-building organizations. We know they are sensitive in nature and will respect your privacy if you do not want to share them.
  - What is your average fee per engagement?
  - What is your average (or blended) hourly/daily rate?
  - What is the average length of time for an engagement by the type of engagement? (e.g. strategic plan = 3 months)
  - What is the average revenue size of the typical organization you serve?
Introductions/Permission

- Thank you for speaking with us. We know you are busy and really appreciate you finding the time to speak with us.
- This call is being recorded – to ensure that we have accurately recorded your statements. Do we have your permission to record this call?
- Introduce everyone:
  - Suzanne – Research Fellow, CASE
  - Dara – Project Director, LKFF
  - Elizabeth – Research Associate, CASE
  - Marcella – Director, LKFF (if appropriate)

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Any questions?

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**Interview Questions**

**FRAME:** We know a fair a bit about X, but could you please provide a quick synopsis of your current role with X?

**HIGHLIGHTED ITEMS COULD BE CUT IF PRESSED FOR TIME**

**General Questions/Customer Insights**

10. Do you have an underlying management philosophy or conceptual framework that drives your product?

11. When you structured your interface, to what extent do you introduce new ways of working/thinking vs making current practices easier (e.g. gmail is a better way to do email, but it doesn’t change the way email is done.)

12. How do customers typically come to you (e.g. referral, inquiry on your website)? If you can give rough percentages, that would be great.

13. Why do they typically come to you? (e.g. crisis, impetus of a funder/major investor)? If you can give rough percentages, that would be great.

14. Under what conditions do organizations recognize the need and become interested in becoming a customer? What are some of the biggest obstacles you have to creating demand?

15. At the beginning of the engagement/sales process, the potential client tells you what they think they need from the product/service. Do you assess what they actually need? If so, how do you do this? In your opinion, how often is there alignment between what they think they need and what they actually need?
16. You have designed a system that allows the user to overcome challenges with X. What is the key driver of their success with your tool? The technology, the content, or the blend thereof? How does this compare with other items on the market?

17. What types of organizations or organization leaders are the early adopters of this type of product? What commonalities, if any, have you noticed between leaders or organizations that use your product? How many of them are nonprofit organizations? Any commonality within that group?

18. We noticed that you decided to utilize software/online access? Can you comment on that decision? Did it reinforce usage and adoption?

19. Did you choose your modes of delivery based on their effectiveness, your business model, and/or for other considerations?

Customer Support/Buy-In/Usage

7. What support do you typically provide? How much is the implementation support used – do they have the number of videos watched per customer or other anecdotal data? Do you see a difference in the success of customers who utilize support versus those who do not?

8. What training/support methods do you find most successful?

9. Does your organization customize support to the organization? If so, how?

10. Does your organization allow the organization to customize aspects of the product? If so, how? Does customization have to be made by your organization or are there options that the customer can customize himself (e.g. changing headers, changing what is shown/not shown)? What do you see as the advantages and disadvantages to this approach?

11. In your experience, what are the 3-4 drivers of successful use of the product? If you were forced to choose one, what would it be?

12. Who do you typically work with (e.g. CEO, CIO)? Cross-functional teams? People at different levels of the organization? What is the role of the CEO?

13. Are you aiming to change the way the whole organization does something or specific roles? How do you push down usage of the product by all levels of the organization (beyond the C-suite)?

14. What does your organization do to ensure that the product use gets buy-in from the organization and continued use?

Client Learning:

1. In your opinion, unrelated to your engagements, what are your clients’ greatest needs for knowledge and learning? How can these needs be met most effectively?

2. In what way(s) do you believe your clients learn most effectively?
Impact:

5. How do you define your success as a firm outside of financial success?
6. Do you evaluate impact of each product placement? Do you evaluate it post placement (e.g. right after, 1 year after, 5 years after)?
7. How do you receive feedback from users?
8. Do you have a knowledge management structure to share lessons learned across the organization? How does it work?

Lessons Learned:

3. Any other lessons learned that you have not shared?
4. What differences do you find between traditional nonprofits, entrepreneurial nonprofits and your corporate clients? Has this changed over time?
   a. Engagements?
   b. Readiness?
   c. Results?

Validating/Challenging Hypothesis

9. We have found through secondary research that the two capacity skills that are most needed by the field are leadership and adaptive capacity. Do you agree? If so, do you think this is a supply issue (few training are provided, less is known on how to train) or a demand issue (nonprofits are less interested)?
10. We have a hypothesis that it is important in the ultimate success of capacity building to link content with the delivery method – both through training method and consulting engagements. What are your thoughts on this?

Final Thoughts:

2. Do you have other ideas to share on either the substance or approach of our project? Are there any other key questions that you think may be important to include?