

The Case for Funding Capacity Building

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A [2022 survey of over 800 nonprofit leaders](#) by the Building Movement Project confirmed that leaders have a significant need for the capacity-building support they need to invest in the competencies and infrastructure their organizations need to sustain themselves for the long term, but often cannot readily access funding to get the help they need. This gap is even larger for leaders from marginalized communities. Funders are leaving impact on the table when they don't support the organizations they care about with capacity building.

Now, not all capacity building is good capacity building. Some has rightly been criticized for falling short, or even causing harm, when it limits nonprofit leaders, and particularly BIPOC leaders, from building on their strengths and achieving their organization's desired impact. As Melisa DeShields CEO of Frontline Solutions writes in [an article in *Nonprofit Quarterly*](#), nonprofit leaders have sometimes noted that "funders' assessments of the skills and competencies nonprofits need to build are misinformed, or they are overly informed by funders' own preferences." (See also [here](#) and [here](#) for similar critiques.)

But that doesn't mean we should abandon capacity building altogether. Some funders have shared with us that they're nervous to invest in capacity building for fear of doing it wrong. We at Bridgespan agree with others in the field (see [here](#), [here](#), and [here](#)) that there can be a synergy rather than a conflict between supporting capacity building and funding in the least restricted and most trusting manner.

What does funding good capacity-building support look like?

Bridgespan runs several capacity-building programs for nonprofit leaders in the US, Asia and Africa: [Leading for Impact](#), [Bridgespan Leadership Accelerator](#), and [Bridgespan Nonprofit Development Program](#). What follows is some of what we have learned from our own experience—as well as from others in the field—about how funders can most effectively design their support of capacity-building:

Give flexible funding: The most powerful thing a funder can do to strengthen the capacity of nonprofits is give more flexible and long-term capital, with encouragement to use the funds to strengthen their foundational capabilities. As [Community Wealth Partners has argued](#), "multi-year unrestricted grants are capacity-building grants." For example, analyses of [Ballmer Group's](#) and [Mackenzie Scott's](#) large unrestricted grants showed that organizations used their grants to invest in capacity, not just programs.

Supplement grantmaking with "beyond the grant" support: While generous flexible funding is the top priority, there's also power in providing dedicated capacity building support to grantees. This allows organizations use their grant dollars elsewhere and serves as a signal from the funder that investing in capacity building is encouraged and not a sign of weakness. Some foundations, such as [William and Flora Hewlett Foundation](#) and [Overdeck Family Foundation](#), have dedicated funds where their grantees can propose specific capacity building support they need and tap into vetted providers and other resources that complement the direct grants they've received from those foundations.

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Make capacity building opt in and offer choices: Organizations should participate in capacity-building because they need it, not because it will win them favor with their funders. And there is no one-size-fits-all program that will benefit everyone. [As three consultants from Community Wealth Partners put it](#), “Philanthropic leaders can begin to shift power by asking the nonprofits they support what they think and then changing practice to match what the nonprofits they survey say they need.” As part of the grantmaking and reporting processes, ask what financial and non-financial supports would help grantees to achieve the impact they seek, and what you as funder can do to help meet those needs.

Invest in organizations and leaders from marginalized communities: [BIPOC leaders report](#) they have a more difficult time accessing capacity building support than their white peers. Grantees need strong relationships with their funders in order to feel safe having a candid dialogue about capacity building. Funders need to invest more in building trusting relationships with BIPOC leaders to ensure they get access to high quality strategy and management support that white leaders have gotten for decades.

Invest enough to be meaningful: Leadership is learned mainly by doing. This means that for capacity building to truly “stick,” support needs to be ongoing, not one-off, to promote sustained application and address needs as they evolve. Bridgespan’s [Leading for Impact](#) works with teams over the course of a year or more in a combination of classroom-based workshops, an applied team project, and ongoing coaching from a Bridgespan advisor. Participants have told us that it is this combination which enables team to make deep and meaningful changes to their effectiveness as organizations.

Consider investing in the executive team, not just the individual leader: Many leadership development programs focus on individual leaders, but we have found there is great power in engaging the team. Many of Bridgespan’s capacity building programs are designed for the whole executive team. For instance, in [The Bridgespan Leadership Accelerator](#), executive team members work together to implement a project critical to their organization’s success. This allows them to take foundational concepts and make them their own, working together to apply these concepts in ways that are appropriate to their organization’s context. It would be much harder for an individual to bring a concept back from a training, implement it on their own, and build shared accountability for the change.

Peer networking is capacity building: In our recent work with BIPOC leaders in the early childhood sector, leaders expressed a need to engage with peers to deepen personal connections and support, share experiences, and build collective power to drive systems change. As [Grantmakers for Effective Organizations points out](#), “capacity builders who center racial equity are thinking more deeply about network and field capacity. By taking a systems approach, one that recognizes the value of collective power, capacity builders can help develop a complementary set of capacities within a network that goes beyond that of any one organization.”

Fund capacity-building organizations: Being a capacity builder is a tricky business model, especially when trying to provide support to cash-starved nonprofits. Directly funding the work of capacity builders frees them up to engage with nonprofits about what they *need*, not what they can *afford*. And The Building Movement Project found that it’s [particularly important](#) to fund capacity builders that are effective at providing inclusive capacity building and who work to understand the communities and issues organizations face.

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Supporting capacity building can help funders amplify their existing support for the nonprofit organizations in their networks – and doing so thoughtfully and meaningfully will ensure that these investments are as powerful as possible.

A case study: what Los Angeles funders and 100 nonprofits have learned about the value of capacity-building

“We believe that nonprofits are at their best when they’re supported by a thriving workforce and an executive team with the resources to lead organizational growth,” says Jennifer Price-Letscher, president and CEO of [Ralph M Parsons Foundation](#), a philanthropy focused on grantmaking that supports the well-being of Los Angeles County residents. “While our grantee partners want to invest in capacity building and professional development, we have heard from them it is very difficult to find flexible funding that meets this need.”

The foundation has a long-standing commitment to “beyond the grant” capacity-building support through such programs as the [Stanford Executive Program for Nonprofit Leaders](#) and the [Nonprofit Sustainability Initiative](#). In the foundation’s 2020 grantee perception report, grantees’ desire for capacity-building support came through even louder and clearer than before.

So Parsons joined with several other Los Angeles foundations— [Ballmer Group](#), [The Rose Hills Foundation](#), and [The Ahmanson Foundation](#)—in a five-year commitment to subsidize 80 percent of the cost for organizations across Los Angeles to participate in two cohort-based capacity-building programs led by The Bridgespan Group: [Leading for Impact](#) (LFI), a comprehensive program including classroom trainings, peer learning, consulting support for team-based projects, and Bridgespan coaching, and the [Bridgespan Leadership Accelerator](#), a series of project-based programs focused on tackling a particular strategic challenge facing an organization.

The reach and impact of these programs on the Los Angeles nonprofit sector has been remarkable:

- 100 organizations opted in to the programs over four years
- 530+ leaders built their strategy toolkit and strengthened their executive leadership
- 75 percent of participants were leaders of color
- 85-90 percent of participants would recommend the programs to a peer

Consider two specific examples of what nonprofit leadership teams can get from an effective capacity-building program:

[artworxLA](#) is a Los Angeles-based arts non-profit that has provided over 15,000 at-risk high school students sequential arts programming that inspires them to stay in school and flourish as creative adults. When three members of its leadership team joined Leading for Impact, the organization had just finished a strategic plan to grow the number of youth served. The plan set clear growth goals, but the team had questions about how to achieve them. It focused its LFI project on defining criteria for what “great” looks like—both to assess and strengthen existing partnerships and to identify and evaluate new ones. Its LFI project helped the leadership team identify which school partners it should engage, deepened the team’s ownership of the plan, and helped it weather a CEO transition along the way. “I was able to hit the ground running in terms of building and expanding these school partnerships,” explains its then-new Executive Director Jaime Zavala. “Our work with Bridgespan in LFI helped us communicate the value we bring to our school partners and be clear about what needed from them to succeed. Our partners increased their commitments with us, including investing more financially.”

The [Diversity in Leadership Institute](#) works to increase racial diversity, equity, inclusion, and cultural competence among charter school and district administrators as a means to increase academic and social outcomes for Black and Latinx students. Its participation in the Bridgespan Leadership Accelerator program [Creating an Adaptive Plan](#) came at a key moment in the organization’s evolution. Founded in 2019, it had reached its targeted scale and now needed a strategy to guide its activities over the next two years. In particular, the leadership team wanted more clarity on whether its previous program mix was still relevant.

“We were grappling with which of our program elements we should prioritize among our fellowship, advocacy, or consulting services,” says Laura McGowan-Robinson, President and CEO of Diversity in Leadership Institute. Through its work during the Leadership Accelerator program, it decided to concentrate on policy and advocacy, recognizing the importance of these areas to its overall vision and goals. It also committed to nurture its organizational culture to accommodate its recent expansion. “This experience gave staff, board and partners an opportunity to reflect on our progress and be very specific about what steps we wanted to take to move from being a start up to an established organization,” says McGowan-Robinson.

The Parsons team has also seen how its capacity-building work with Bridgespan has spilled over into its work with grantees. “We have found that executive teams are energized by having the time, space, and funding to step back and strategize about their organizational goals and systems, and this learning creates a virtuous cycle of continuous/ongoing improvement,” says Piper Kamins, Assistant Director, Grants & Initiatives at Parsons.

And the funders know there is more to be done! They offered scholarships to even more LA nonprofits to participate in the program over the next few years and deepened support for those who have already participated. As Kadar Lewis, Program Officer at The Ralph M. Parsons Foundation explains, “We hope that our support of this work will inspire other funders to invest in capacity building in a way that is flexible and grantee-driven.”