A NETWORK APPROACH TO CAPACITY BUILDING

Jennifer Chandler and Kristen Scott Kennedy

NATIONAL COUNCIL OF NONPROFITS
National voice. State focus. Local impact.
ABOUT THE NATIONAL COUNCIL OF NONPROFITS

The National Council of Nonprofits (Council of Nonprofits) is a trusted resource and advocate for America’s charitable nonprofits. Through our state and national networks, we serve as a central coordinator and mobilizer to build connections, leverage capacity, and amplify voices to achieve greater collective impact in local communities across the country. We identify emerging trends of concern to nonprofits, share proven practices, and develop solutions for the benefit of nonprofits and the communities they serve. The National Council of Nonprofits is a 501(c)(3) charitable nonprofit. Learn more at CouncilofNonprofits.org.

Through our networks we:

• Promote a positive policy environment so that charitable nonprofits can survive and thrive;
• Provide information so that charitable nonprofits and their supporters are able to advocate to advance nonprofit missions; and
• Produce educational materials that focus on capacity building topics, including e-newsletters and special reports that inform nonprofits, board members, policymakers, the media, and the public about the important roles that charitable nonprofits play to enrich and improve lives, solve problems in communities, and provide a nonpartisan space for individuals to engage in civil society.

We invite you to learn more about the National Council of Nonprofits and stay updated by subscribing to our free e-newsletters and/or following us on social media at @NatiCouncilNPs or @buildNPcapacity.

Copyright © 2015 National Council of Nonprofits. All rights reserved.
THE NEXUS OF NETWORKS AND CAPACITY

A new and exciting conversation about nonprofit capacity building is underway. In The Return of Capacity Building, Jared Raynor of the TCC Group introduced Capacity 3.0, inviting others to comment on the evolution of nonprofit capacity building. In response, the National Council of Nonprofits – an organization with over 25 years of experience connecting and supporting the capacity building work of state associations of nonprofits – offers to the capacity building field insights from our networked approach to capacity building. With this new publication, A Network Approach to Capacity Building, we draw on examples from across our network of state associations of nonprofits and our own direct experience to make the case for intentionally using networks to build nonprofit capacity and expand impact.

Nonprofits that share common goals, and intentionally exchange information and engage collaboratively in activities to address those goals, are often considered a “network.” How does participating in a network affect capacity building? Central to this conversation is the question posed by TCC Group and capacity builders nationwide: “What constitutes capacity?” In our experience, defining “capacity” should acknowledge that high quality connections between an organization and other actors within its network not only help that organization advance its mission, but also support the ability of the network to achieve broad change together.

The way in which a network supports what TCC Group calls the “how” of capacity building is illustrated through the work of our member state associations of nonprofits. These state associations share the common goal of advocating for better policies to support the work of charitable nonprofits in their states. Any one state association generally has power to influence legislative outcomes only in its own statehouse, yet the information and experiences of that one state association, when shared with other state associations in the network, can have a significant impact on the outcomes of similar legislative outcomes in other states. This example is an illustration of the “collective impact” approach, which recognizes that when many nonprofits work together, sharing resources and learning from one another, they can solve complex problems more effectively and efficiently than one nonprofit working in isolation (Kania, Kramer 2011). Working together through intentional networks also facilitates the spread of innovative approaches (Kanla, Hanleybrown, Juster, 2014).

However, solving complex social issues is not the only benefit of engaging in a network. Individual nonprofits can leverage the same network relationships and resources used to achieve collective impact to build their own organizational capacity. This feature of networked capacity building is especially relevant for small organizations, those that Vu Le, Executive Director of Rainier Valley Corps, suggests lack “prerequisite capacity.” Nonprofits in the early stages of their lifecycle, those that lack both the infrastructure and staff to build capacity, can leverage the resources, expertise, and support found within a network to move to the next stage of organizational development.

When it comes to capacity building, we maintain that developing the ability to engage within a network is a vital capacity in and of itself. In addition, leveraging the connections and taking advantage of the resources available through a network are resource-efficient ways for a nonprofit to improve its effectiveness. Examples from within our network show how intentionally connecting a system of diverse participants that trust each other and share common values, such as generosity and openness to sharing knowledge, can weave together individuals and institutions, providing access to the knowledge, skills, and support needed to move the sector forward.
USING NETWORKS FOR CAPACITY BUILDING

Each year, for the past seven years, a majority of nonprofits participating in the annual State of the Sector survey conducted by the Nonprofit Finance Fund have reported increased demand for their services. As demands increase, but financial resources remain limited, nonprofit organizations are wise to prioritize building their own capacity so they can improve the efficiency and effectiveness of their operations in order to realize – and sustain – their missions of serving individuals and enriching communities.

For many nonprofits, building their own capacity is operationalized by leveraging relationships with other organizations in a network, which offers an antidote to the challenges of limited funding by providing access to vital resources, expertise, and peer support.

(National Council of Nonprofits)

A networked group of people and/or organizations can act in concert to accomplish what cannot be accomplished individually by “building relationships for sharing knowledge, goods and experiences and... learning from each other” (Philbin & Linnell, 2013; Keijzer, Ørnemark, Engel, 2006). Several recent reports underscore that networks are especially effective for capacity building because they encourage innovation and improve communication among members of the network. According to a 2013 report from Grantmakers for Effective Organizations (GEO), Cracking the Network Code, innovations spread rapidly through networks because of the close relationships that exist between members. As a result, GEO and others affirm that when it comes to impact, networks can “achieve surprisingly powerful results” (Wei-Skillern, Silver & Heitz, 2014). Networks may be called many things including “learning networks,” “cohorts,” “coalitions,” “collaboratives,” and “partnerships.” However, what defines a network is the common purpose of its members to achieve change together. In this, the role of the network is twofold. First, it acts as the distribution channel for awareness of grassroots challenges and/or solutions that are then distributed to a wider audience in an effort to create shared understanding among a broad group of stakeholders (Keijzer, Ørnemark, Engel, 2006). Second, the network’s connective tissue is the foundation for relationships that themselves accelerate and enhance learning. Both roles – as both pathway and trusted connector – are significant in the context of networked capacity building.

Although capacity building first emerged as a field of practice in the late 1950s, it remains a “nascent field of study in the nonprofit sector” (Kapucu, Healy & Arslan, 2011). As a result, while the concept of capacity building “permeates the nonprofit sector,” there is no consensus on a universal definition of the term (Id.). Instead, scholars, think tanks, and consultants each promote their own unique definition of capacity building, and those hearing the term may interpret it as something else. While some scholars and consultants go on to define individual elements of capacity building, others simply suggest that “[t]he definition of capacity building, similar to its interventions, is tailor-made to fit the nonprofit organization requiring assistance” (Id.). Across all definitions the ultimate goal is to improve overall organizational effectiveness and sustainability.

Here is our definition: Capacity building is whatever is needed to bring a nonprofit to the next level of operational, programmatic, financial, or organizational maturity, so it may more effectively and efficiently advance its mission into the future. Capacity building is not a one-time effort to improve short-term effectiveness, but a continuous improvement strategy toward the creation of a sustainable organization.
NETWORKS ACCELERATE CAPACITY BUILDING

In the past, capacity building focused primarily on enhancing the skills of nonprofit employees through individual training sessions and educational opportunities. However, our experience, which is underscored in recent literature including the 2013 report Funding Learning Networks for Community Impact by Third Sector New England (TSNE), suggests that a network approach to capacity building is a more effective way to create social change on a large scale. Through data gathered over the course of an eight-year network capacity building program, TSNE found that:

- Capacity building through networks fosters a strong infrastructure of relationships;
- Participation in a network has a positive impact on individual organizational capacity;
- By working together in networks, organizations increase impact on the issue of shared concern.

In other words, by collaborating with other network members, nonprofits not only improve their own capacity but also, according to GEO, “close the gap between pretty good performance and full potential.”

Many nonprofits participate in both formal and informal networks, sometimes without even knowing it. Perhaps your organization’s Executive Director attends a monthly roundtable with other nonprofit leaders to discuss issues and challenges they all face. Or, maybe a new member of your staff meets for coffee with other nonprofit professionals from time to time. As social actors, we continuously seek participation in networks by “building relationships with each other to create opportunities for joint learning, increasing [our] understanding and improving upon current practices” (Engel, 1997). Methods of learning that are especially effective because of the unique attributes of a network environment include co-learning, peer-to-peer exchange, and communities of practice.

Nonprofits may initiate capacity building efforts within a network for many different reasons, such as developing leadership, strengthening advocacy and communication practices, or seeking foresight for future planning. Whatever the reason, examples drawn from our network of state associations of nonprofits point to the importance of an engaged network in order to support and promote effective capacity building.

CASE STUDY: UTAH NONPROFITS ASSOCIATION – BUILDING CAPACITY FOR LEADERSHIP

Nonprofits often engage in capacity building out of a desire to ensure their long-term sustainability. In many cases, sustainability hinges on an organization’s adaptive capacity, that is, the ability to observe, monitor, assess, and respond to internal and external changes (Kapucu & Demiroz, 2013). According to a 2013 study, the relationship between the adaptive capacity of an organization, and the leadership of that organization is statistically significant. This means that in order to be sustainable, nonprofits must invest in developing leadership capacity (Kapucu & Demiroz, 2013).

The Utah Nonprofits Association (UNA) recognized a need to develop the leadership capacity of its member organizations in rural Southern Utah. To address the issue, the state association hired a part-time employee located in that part of the state to focus on the region and build intentional connections between rural members. The state association started off by publishing a regional e-newsletter and convening monthly network meetings. Every other month, the network meetings offered training around leadership topics that members identified as important. On alternate months, network meetings provided a forum for informal social networking, thus helping rural nonprofit leaders build professional and personal
bonds with each other. The results, according to UNA Operations Director, Patty Shreve, were impressive:

> “Before they were pulled into this network, they (the rural members) felt like they were alone out there. They have had some amazing success. I don’t use that word – “amazing” – lightly. It’s been quite dramatic how much this has helped individual nonprofits in that community that hadn’t had that kind of help before.”

### PRINCIPLES OF NETWORKED CAPACITY BUILDING

*Networked capacity building is about leveraging relationships with organizations and individuals to access resources, exchange ideas, address shared issues, and collectively problem-solve in an effort to build capacity, both for your nonprofit and for the network, with the common goal of addressing pressing social concerns.*

Many nonprofits wait for the “right” time to engage in capacity building. However, tapping into existing networks of nonprofits will allow your organization to build capacity at any time. In order to achieve the best results for your nonprofit, we suggest exploring the following principles of networked capacity building:

1. Understand your priorities;
2. Learn from your peers;
3. Utilize technology; and
4. Make it last.

### UNDERSTAND YOUR PRIORITIES

For many nonprofits, competing capacity building needs can make identifying the top priority a real challenge - especially when resources are limited. You may think to yourself, “How can I prioritize when everything is important?” Participation in a network may help you identify your nonprofit’s capacity building priorities by providing access to previously inaccessible opportunities. For example, imagine your nonprofit is rapidly adding new staff members and desperately needs to move into a larger space – something you lack the resources to do. Through participation in a network you are connected with several other organizations that face similar challenges. After several discussions, you decide to co-locate all of your organizations in one new office. What was once an unachievable capacity goal became possible because of the information you learned and relationships forged as a result of your participation in a network. There is no question that sharing space accelerates and facilitates information sharing. And co-locating may come with added capacity building benefits that are commonly present in networks, as illustrated by a testimonial from the Colorado Collaborative for Nonprofits, a group of five nonprofit capacity building organizations that came together to share workspace.
Networked capacity building opportunities can proliferate when the reach of a network is expansive and its nodes are many. Even in smaller networks, new ideas and trends are able to disseminate rapidly. As a result, there may be many new capacity building opportunities to take advantage of, from participating in a peer-learning cohort, to joining a just-forming coalition. However, just because the network makes them available does not mean you should participate in every capacity building opportunity that comes your way. Instead, focus on assessing the unique needs of your nonprofit, aligning opportunities to your organization’s priorities, then pick and choose those capacity building opportunities that are most appropriate at that juncture.

The academic literature suggests that, when it comes to capacity building, the needs of nonprofits vary greatly depending on organizational size and stage of development. Even “small” organizations vary in size and require different perspectives on capacity building (Kapucu, Healy & Arslan, 2011). Similarly, in What are Three Principles for Building Nonprofit Capacity? GEO proposes taking a “contextual approach” to capacity building by considering needs determined by an organization’s size, life cycle stage, program models, geographic location, and revenue norms. In addition, we suggest that you consider two strategic questions before engaging in any capacity building activity:

- Why is this the right time to engage in capacity building?
- What are my organization’s most pressing capacity building needs?

While it makes sense to take a disciplined approach to committing time and resources to a capacity building project, try to remain open-minded about new pathways. A network is a learning community where experimentation often abounds. There may be unexpected opportunities capable of leapfrogging your nonprofit forward. Understanding both the challenges and opportunities facing your organization will help to establish priorities and make you an informed consumer of capacity building services within a network.

**LEARN FROM YOUR PEERS**

For more than ten years, the Nonprofit Association of Oregon (NAO) has demonstrated its leadership as a capacity builder by facilitating peer-learning cohorts among local nonprofit leaders. In various programs, NAO convenes peer-learning cohorts around a specific topic, such as asset building, equity and inclusion, or impact evaluation. Participants are exposed to theoretical frameworks around the chosen topic and engage in practice opportunities, peer learning exchange, and coaching. As Executive Director Jim White conveyed, NAO chose the peer learning model because nonprofit leaders are too often siloed and work in isolation, or even competition, however, “when they come together, barriers to collaboration come down and people open up to each other.”

In NAO’s experience, peer-learning cohorts are excellent opportunities to find synergy with professional development trainings. They allow nonprofit leaders to share experiences and build trusting relationships with one another. While participating in a peer learning cohort, as they listen to each other’s experiences,
nonprofit leaders learn that many of the challenges they face are not unique to their organization. By working together on areas of shared interest, nonprofits can often arrive at solutions that they could not accomplish on their own. “The opportunity for organizations to share experiences on the ground powerfully enhances what we (NAO) provide in content,” says White.

GEO echoes this sentiment in What are Three Principles for Building Nonprofit Capacity? by suggesting that nonprofit capacity building should be “collective,” in part because doing so opens organizations up to efficiencies of scale (2013). This observation is also supported by the authors of Building Smart Communities through Network Weaving who propose that the “culture of collaboration creates a state of emergence, where the outcome – a healthy community – is more than the sum of the many collaborations. The local interactions create an outcome that no one could accomplish alone” (Krebs & Holley, 2006).

In some cases, the collaboration initiated through the peer learning cohorts may continue without NAO’s facilitation. “It is our intention for peer learning to continue after the cohort concludes,” says White. To encourage ongoing collaboration, NAO assists in convening an initial follow-up meeting. After that, it’s up to the cohort members to maintain the connections developed through the cohort. As one participant commented, “The contacts we made...have blossomed with new working relationships and partners.”

**UTILIZE TECHNOLOGY**

While direct human interaction is typically a preferred method for engaging with peers, the role of technology as a lubricant for learning across a diffuse network cannot be ignored. The potential for e-learning now reaches beyond the realm of higher education, and into the sphere of nonprofit capacity building. For example, organizations like the Nonprofit Technology Network (NTEN) conduct the Nonprofit Tech Academy, an eight-week training that focuses on building technology readiness and leadership, entirely online with participants from across the United States and abroad. In another example, both the Delaware Alliance for Nonprofit Advancement and the Maine Association of Nonprofits offer a self-paced e-learning certificate program in nonprofit management. This type of online social engagement is powerful because it not only enriches and expands learning, but is often “the glue that makes learning stick” (Cobb & Steele, 2014).

Washington Nonprofits recognizes that there is no “cookie cutter” approach to learning. That’s why its education strategy endeavors to create opportunities for multi-modal learning that reflect the “different needs and realities of different nonprofit people.” Part of this strategy focuses on offering online learning resources, such as webinars and training materials, to nonprofits throughout the state. One of these resources is Finance Unlocked for Nonprofits (FUN), an online BINGO game that teaches nonprofits about financial management through a series of interactive videos. FUN is available to member organizations throughout the state and can be accessed at any time, a consideration that is important for busy nonprofit board members. As Nancy Bacon, Washington Nonprofits' Learning Manager, explains, “Washington has 58,000 nonprofits. That’s at least 580,000 board members! Nearly three-quarters of all nonprofits in Washington earn less than $100,000 in annual revenue, and don’t have a lot of money to devote to capacity building. The question I grapple with is, ‘How can we put learning tools into the hands of people who are building their own nonprofits’ capacity?’”

Bacon thinks e-learning offers an answer. However, while focused and flexible online learning is valuable, she also points out that you can only learn so much in a webinar and ultimately, “learning happens in the application.” Eventually, Bacon hopes to combine other components of Washington Nonprofits’ learning strategy, including in-person group learning and in-person individualized learning, with online learning experiences. This combination of e-learning and in-person peer learning will ensure that nonprofits not only
get the information they need to build capacity, but are also supported and held accountable by their peers to make fundamental organizational changes. Washington Nonprofits believes that the success of all of these efforts are largely due to the peer-learning power of networks.

**MAKE IT LAST**

The true value of learning through a network is evident when there is a foundation of mutual trust, which opens people to sharing even sensitive subjects, including what didn’t work and why, and accelerates learning and the spread of innovative solutions. The longevity of a peer-learning experience is another characteristic of networked capacity building that offers great value for capacity building efforts. Lasting relationships enhance learning, initiate dialogue, and encourage knowledge exchange. As observed by GEO in *Working Better Together*, taking a “long view” of capacity building “delivers its own unique returns in the form of stronger connections, increased trust and more robust networks.”

As the nation’s only statewide membership association for nonprofits, philanthropy, public agencies, and advisors, Forefront provides education, advocacy, thought leadership, and project management to attract investment to the nonprofit sector in Illinois. Forefront understood the value of “long view” learning when it convened a group of nonprofit and foundation leaders in 2013 to discuss the myth that using overhead costs is an appropriate measure of effectiveness. Composed of 30 diverse stakeholders that included both local nonprofits and grantmakers, the “Real Talk about Real Costs” community of practice met every six to eight weeks over the course of a year to problem-solve, build relationships, and learn from each other’s experience. This long-term commitment, coupled with a predictable meeting schedule, was instrumental to the ultimate success of the group, says Laura Zumdahl, former Vice President, Nonprofit Services at Forefront. “The structure of the community of practice ensured that participants were committed to the process. Meeting regularly over the course of a year developed momentum within the group and also paved the way for an ongoing conversation about the challenges faced by both nonprofits and foundations [in reframing attitudes towards overhead].”

Forefront sometimes brought in experts to frame and facilitate aspects of the discussion. However, it was the participants who set goals for the community of practice. According to Zumdahl, these outcomes “evolved over time” as participants developed relationships and built trust. Through regular convenings, participants challenged the assumption that low overhead is automatically the equivalent of effectiveness in a nonprofit organization. They then established shared understanding and empathy for the challenges faced by their peers, which in turn allowed them to visualize what could be accomplished together. Ultimately, the “Real Talk about Real Costs” community of practice successfully developed a communication tool for nonprofits and foundations to use as a conversation-starter about overhead costs and twice convened a group of more than 300 funders and nonprofit leaders to address the topic. Both outcomes improved the capacity of participating nonprofits to have informed and meaningful conversations within their own organizations and with their funders about overhead costs. A community of practice model of longitudinal and networked learning is “powerful”, says Zumdahl, because it offers a “tangible way for participants to move things forward in the sector and learn from each other.”
CONCLUSION: *Capacity building works better through networks*

The National Council of Nonprofits offers the results from our own network approach to building the capacity of our network as an example of what Jared Raynor identified as the “who, what, and how” of capacity building (Raynor, 2014). Just as others have observed, we have seen that taking advantage of a networked approach improves performance of individual participants in a network and makes it more likely to have a more compelling impact collectively. Our networked approach allows us to quickly and effectively share innovations as well as lessons learned on a regular basis among the state associations participating in our network. Each state association benefits from engaging with their peer state associations; they pass what they are learning along to the nonprofits that participate in their own statewide networks. In turn, state associations learn that using the network approach is an effective way to build both their own capacity and the capacity of local nonprofit networks. It is also an opportunity to expose individual nonprofits to approaches that accelerate the pace of new concepts, including advocacy initiatives (which will be the topic of our next paper on capacity building in a networked environment). When state associations themselves offer individual nonprofits in their states the opportunity to participate in peer-learning cohorts and communities of practice, or when they serve as the coordinator and convener of local networks of nonprofits in their states, they are demonstrating a new kind of “how” in the capacity building field. Technology spins the information around, and trusted relationships make it credible and more readily adopted.

In our experience, nonprofits that are part of a network leverage resources and knowledge to build capacity more effectively than those nonprofits that “go it alone.” A growing body of literature supports this observation by suggesting that when nonprofits employ a network approach to capacity building, they generate impact “at a scale exponentially greater than the sum of their individual parts” (Wei-Skillern, Silver & Heitz, 2014). We hope that readers will keep in mind that network effectiveness evolves over time; as intentional cultivation of the network’s relationships occurs, trust between network members builds; information flows more freely; innovations are disseminated more rapidly; and mutual accountability is reinforced. Then, as members of networks becomes more engaged, the network itself begins to constitute a sort of “bank account of relationships” that members can draw upon over time, and that holds the potential for mobilizing assets collectively to achieve a common purpose, thus increasing...capacity” (Taschereau & Bolger, 2007). It is this “bank account of relationships” that supports both the network and its individual members, expands opportunities for learning and problem solving, accelerates capacity building for individual nonprofits, and, ultimately, creates a resilient web of support that yields more sustainable and effective nonprofit organizations.

The “network approach” builds capacity “better, faster, smarter” than individual nonprofits toiling alone. To learn more about participating in a network of nonprofits near you, explore membership in your state association of nonprofits.
ADDITIONAL RESOURCES

Capacity Building 3.0 (TCC Group, 2014)
Capacity Building 9.0: Fund people to do stuff, get out of their way (Vu Lee, 2015)
Driving Results through Social Networks (Cross and Thomas, 2009)
Leveraging Social Sector Leadership (GEO with Callanan, Silver and Jansen University of California, Berkeley, 2015)
Networked (Rainie and Wellman, 2012)
Network Approach to Social Change (Nell Edgington, 2015)
Supporting Grantee Capacity: Strengthening Effectiveness Together (Grantcraft, 2015)
Strengthening Nonprofit Capacity (GEO, 2015)
Two Must Read Reports on Nonprofit Capacity Building (Beth Kanter, 2015)
REFERENCES


ABOUT THE AUTHORS

JENNIFER CHANDLER, JD
Jennifer Chandler serves as Vice President for the National Council of Nonprofits. Jenny’s past service for charitable nonprofits includes being a legal advisor, board member, senior staff member, program volunteer, and grantmaker. Before joining the Council of Nonprofits Jenny served as Senior Counsel and Director of Special Projects for the Nonprofit Risk Management Center. Prior to that her work focused on good governance and ethical practices as Assistant Project Director of the Panel on the Nonprofit Sector (convened by Independent Sector) where her work contributed to the original version and the legal analysis underlying the Principles of Good Governance and Ethical Practice. Jenny was recruited from her private law practice to serve as the founding director of the New Jersey program of Probono Partnership. She has experience as a board member of both charitable nonprofits and private foundations, and currently serves on the Advisory Board at American University for the Masters Programs in the Department of Public Administration and Policy. Jenny received a Bachelor’s from Dartmouth College and a law degree from Boston College Law School.

KRISTEN SCOTT KENNEDY, MPA
Kristen Scott Kennedy is Program Manager for the International Cooperative Research Group, a division of the U.S. Overseas Cooperative Development Council (OCDC). In this role Kristen is responsible for both conducting and sharing research on the development, performance, and growth of cooperatives in developing countries. Prior to joining OCDC, Kristen was founding Managing Director at The Bhutan Canada Foundation (BCF), a nonprofit dedicated to improving education in the Kingdom of Bhutan. Kristen is also Managing Director at Lean & Hungry Theater, audio theater company based in Washington, DC.

Kristen received a Bachelor’s degree from the University of Southern California and a Master’s degree in Public Administration from the American University.