Evaluating Capacity-Building Efforts for Nonprofit Organizations

By Paul Connolly and Peter York

A S SOCIETY RELIES more on nonprofit organizations to provide critical services, advocate for public policy, and stimulate innovation, leaders in the nonprofit sector share common concerns: how to make better use of limited resources in the face of growing need; how to increase the accountability of nonprofits to donors and regulators; and how to stay the course and reach established goals in a volatile world. Increasingly, nonprofits and funders alike are turning to the same strategy to address these concerns – enhancing organizational effectiveness. Growing numbers of grantmakers believe that investing in organizational capacity building helps leverage the impact of their philanthropic resources (Porter and Kramer, 1999).[1]

Over the past several years, funders who support nonprofits, consultants and trainers who work with them, and nonprofit groups themselves have become more interested in strengthening the management and governance of nonprofit organizations through organization development activities, such as leadership development, strategic planning, program design and evaluation, and board development (De Vita, Fleming, and Twombly, 2001). More and more, they are realizing that stronger nonprofit organizations can lead to greater program impact.

What makes a nonprofit organization effective? According to Grantmakers for Effective Organizations, it is the "ability of an organization to fulfill its mission through a blend of sound management, strong governance, and a persistent rededication to achieving results" (Grantmakers for Effective Organizations, 2000, p. 2). Like all organizations, nonprofit organizations are dynamic systems. Nonprofit organizational capacity is multifaceted and continually evolving. As *Exhibit 1* shows, mission,

**Exhibit 1:
Components of Nonprofit Organizational Capacity**
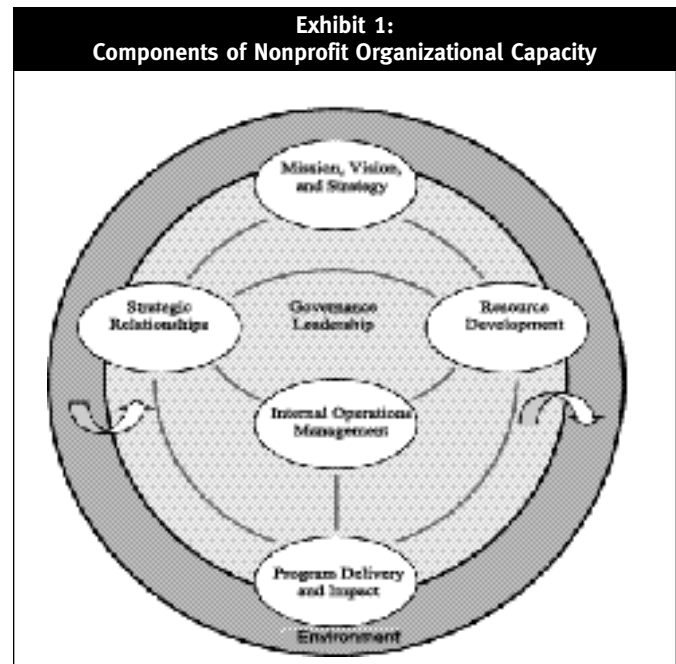
vision, and strategy are the driving forces that give the organization its purpose and direction. Program delivery and impact are the nonprofit's primary reasons for existence, just as profit is a chief aim for many for-profit companies. Strategic relationships, resource development, and internal operations and management are all necessary mechanisms to achieve the organization's ends. With any one of them absent, the organization would fail to reach its full potential, or even flounder. Leadership and governance keep all the parts aligned and moving. All of these interdependent factors contribute to the health and performance of a nonprofit organization (Fate and Hoskins, 2001).

Nonprofit leaders frequently strive to improve the performance of their organizations on their own; indeed, much organization development work is a sensitive inside job that must be done by the organization itself. Still, nonprofit organizations are sometimes assisted by outsiders who provide consulting, facilitation, and training services to support capacity-building work, such as management support organizations, intermediary organizations, independent consultants, for-profit consulting firms, or foundation staff members who provide direct management assistance to grantees. As this sort of nonprofit organization development assistance becomes more widespread, there is a growing interest in the evaluation of capacity building.

Evaluating capacity building can be difficult. It is hard to develop measurements for assessing organizational effectiveness and management assistance success. It is especially difficult to

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do so for nonprofit organizations since, unlike for-profit companies, there is no financial bottom line to appraise. It is not feasible to employ such experimental methods as comparison group studies since there are too many variables that influence organizations over time. Linking capacity-building interventions to outcomes and ultimate social impact is not easy either. Given these barriers, it is not surprising that consultants and trainers who work with nonprofit organizations have performed little rigorous evaluation of their capacity-building efforts. What has been done has focused more on customer satisfaction and on process than on outcomes.

Yet there are many compelling reasons to thoughtfully evaluate these organizational development efforts. Evaluation generates new knowledge and enables the discovery of what works, for whom, and in what circumstances. Systematic evaluation helps management assistance providers increase their accountability, articulate the value of their work, and compare the effectiveness of different capacity-building activities and it also allows funders to improve their capacity-building grant-making strategies.

This article explains how nonprofit organizations, consultants, funders, and evaluators can evaluate capacity-building activities. The process should begin by determining who will conduct and participate in the evaluation and understanding the multi-layered nature of capacity building. The next steps are stating evaluation questions and potential success indicators and developing a framework for the evaluation design. The process concludes with implementing evaluation methods and using and sharing the results.

DETERMINING WHO WILL CONDUCT AND PARTICIPATE IN THE EVALUATION

Depending on the specific circumstances, evaluations of capacity-building activities can be conducted by the nonprofit organization itself, a management assistance provider, foundation staff, or an external evaluator. The decision about who conducts an evaluation should be based on available skills and resources, the ability to be objective, and how the findings will be used.

Most nonprofit groups and management assistance providers informally assess their capacity-building work on an ongoing basis to track progress and plan for improvement. When grantmakers are involved, they usually at least monitor the activities they support. When there is an evaluator on staff at a foundation, he or she may conduct a more in-depth evaluation of a grant. Some funders allocate a portion of each grant for evaluation.

Often, an outside evaluator is used to ensure that the evaluation is objective and its design, methodology, data collection, and analysis are sound and valid. An external evaluator is able to function more autonomously outside of the politics of the situation, dig deeper, and share information with a nonprofit more

Exhibit 2: Continuum of Capacity-building Evaluation

	Evaluation Level	Evaluation Questions Addressed	Evaluation Methods
Less meaningful / Easier to measure / Shorter term	**ACTIVITY/ENGAGEMENTS** (the capacity-building process, such as training or consulting)		
	Attendance/Usage/ Participation ■ Number of participants and organizations served; and engagement duration	■ How many and what types of people and organizations used the services, which services did they use, and what was the extent of their usage?	■ Counting, documenting, and describing participants' characteristics and usage rates.
	Quality of Service ■ Degree of program excellence	■ To what extent do the services reflect best practices and current knowledge? ■ How relevant were the services? ■ How satisfied were participants with the services? What did they like and dislike about them?	■ Identification of best practices and determination if programs incorporate them. ■ Direct observation of service. ■ Customer satisfaction surveys. ■ Exit interviews with participants after engagements.
	SHORT-TERM OUTCOMES (the direct result of capacity-building engagements on individual participants)		
	Cognitive Change ■ Learning or knowledge acquisition	■ What did the participants learn as a result of the capacity-building activities, and how did they do so?	■ Observation of training and consulting process. ■ Interviews and surveys of participants about self-reported learning (including pre- and post-test and/or comparison group studies).
	Affective Change ■ Shift in attitude or emotion	■ To what extent and how have the attitudes and beliefs of participants, staff members, or community members' changed regarding the problem or issue being addressed?	■ Self-perception surveys (including pre- and post-test and/or comparison group studies). ■ Focus groups, interviews, and participant observation.
	Behavioral Change ■ Altered behavior	■ To what extent and how did the participants, organization, or communities apply what was presented during training sessions and advised during consulting engagements? What have they done differently?	■ Interviews, surveys (including pre- and post-test and/or comparison group studies), and focus groups with participants and their colleagues. ■ Observations of participants.
	LONG-TERM OUTCOMES (the longer-term outcomes related to the organization, the organization's clients, and the community)		
	Organizational management and governance	■ How did overall organizational management capacities (i.e., governance, leadership, management, fundraising, human resource development, financial management, communication, community outreach, etc.) improve as a result of the capacity-building engagement?	■ Interviews and focus groups with Board, staff, community partners, and collaborators. ■ Review of financial and operational data. ■ Monitoring of progress on strategic plan implementation. ■ Administration of organizational assessments (including longitudinal or pre- and post-test organizational assessments).
	Programmatic (organizational level)	■ In what ways (directly and/or indirectly) was the quality of programs and services improved? ■ In what ways was program capacity increased (scale, reach, or extent of impact on target population)?	■ Interviews with staff who deliver programs, especially focusing on their perceptions about the "critical" organizational resources that they needed and did or did not have to support their work. ■ Surveys and focus groups with clients, to gather in-depth information about what it was about the engagement and organization that led them to feel satisfied or not. ■ Performance information about program operations.
	Programmatic (organization's clients level)	■ What cognitive, affective, and/or behavioral changes have constituents shown as a result of receiving programs and services? ■ How have the organization's constituents' lives improved?	■ Surveys of and focus groups and interviews with constituents, focusing on outcomes. ■ Observation of constituents. ■ Interviews or focus groups with those in the community that have observed constituents.
More meaningful / Harder to measure / Longer term	**Community**	■ How have nonprofit organizations improved, on the whole, in a given community? ■ How has the performance of nonprofits in addressing community challenges improved? ■ How have changes in organizational management and governance and program delivery affected the community? ■ What impact have these changes had on the community? To what extent have community conditions improved? a	■ Periodic collection of organizational assessments of nonprofits in the community. ■ Surveys of all nonprofit organizations in a given community. ■ Review of resource acquisition in a given community (new grants, contracts, individual donations, etc.) through audits or surveys. ■ Monitoring networking/collaboration activities in a community. ■ Review of evaluation data collected by nonprofit organizations. ■ Longitudinal community studies to monitor changes in indicators of community conditions.

candidly than might be possible or appropriate for a management assistance provider or funder.

Nonprofit organizations may find external evaluations threatening since staff and trustees may fear revealing information about sensitive organizational issues. At the outset, it is important for all involved parties – evaluator, capacity builder, nonprofit, and funder – to explicitly agree about what information can be shared and with whom.

Beyond this, one can attempt to determine what participants learned, how they applied the knowledge, and how they changed their behavior.

Ultimately, one can strive to determine the long-term impact of capacity building on the organization and its clients and community. Many nonprofits and consultants strive for organizational change to lead to improved services and stronger communities. It becomes increasingly difficult, however, to

> It is important to decide the most appropriate level on which to focus. This usually depends on the goals, scope, and duration of the capacity-building activity. When evaluating the outcomes related to a staff person attending a computer training session, it is best to concentrate on assessing the activity and short-term outcomes, rather than community level impact.

UNDERSTANDING THE MULTILAYERED NATURE OF EVALUATING CAPACITY BUILDING

How success is specifically measured will depend on the nature of the particular organization development work that is being carried out. Evaluation can usually be conducted on many levels from usage, to short-term outcomes, to long-term impact. (*Exhibit 2: Continuum of Capacity-Building Evaluation* illustrates this broad range of evaluation for training and consulting activities.) At a basic level, one can simply count number, duration, and satisfaction-how many individuals and groups used the capacity-building services for what duration and their level of satisfaction. Moving deeper, one can assess the quality of the capacity-building strategies through participant ratings, comparison with research-based practices, and expert observation.

assess impact as one goes from the organizational to the community level.

It is important to decide the most appropriate level on which to focus. This usually depends on the goals, scope, and duration of the capacity-building activity. When evaluating the outcomes related to a staff person attending a computer training session, it is best to concentrate on assessing the activity and short-term outcomes, rather than community level impact. In some cases, all levels need to be examined. For example, Eureka Communities – an organization that provides two-year fellowships that allow nonprofit CEOs to study the management and community-building best practices of other nonprofit groups – conducted an evaluation which focused on measuring the program's impact at individual, organizational, and community levels. The evaluation revealed that fellows enhanced their leadership and management skills, which led to improved organizational functioning, which eventually resulted in greater collaboration among community-based groups and improved service delivery to community members (Batten and York, 1999).
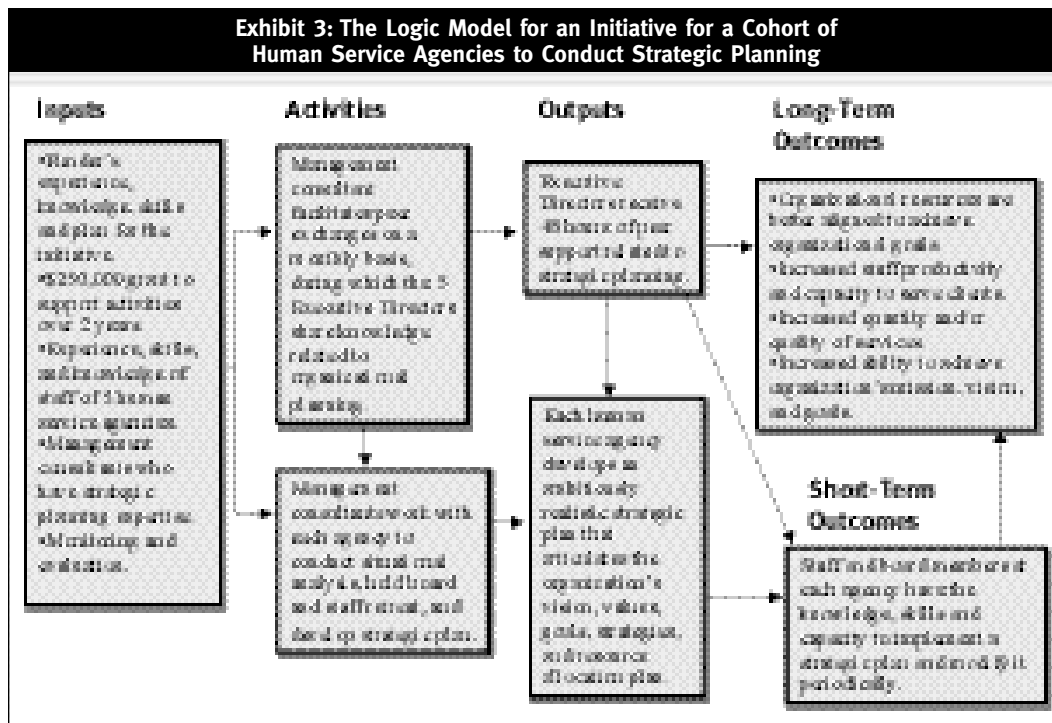
USING A LOGIC MODEL TO GUIDE AN EVALUATION

Common sense says that a well-run nonprofit organization will be more likely than a poorly managed organization to operate productive pro-

Exhibit 3: The Logic Model for an Initiative for a Cohort of Human Service Agencies to Conduct Strategic Planning

Exhibit 4: Sample Evaluation Design for Board Development Work			
Evaluation Questions *What critical questions do you want to answer?*	**Indicators** *What will indicate success for the evaluation questions?*	**Information Required** *What are the sources of the information you need?*	**Data Collection Methods** *What tools will you use to collect the information you need?*
Question 1: *To what extent and how did board participation increase?*	※ Board participation increases so that 90% of trustees make an annual contribution and, on average, 75% attend board meetings.	※ Nonprofit managers and board members. ※ Board minutes. ※ Annual grant progress reports.	※ Review of organization's documentation of board meeting attendance and activity and board giving. ※ Interviews with trustees and staff members about how and why board participation changed and the resulting outcomes.
Question 2: *To what extent and how did the board assess the Executive Director's performance?*	※ Board writes a job description for Executive Director and conducts an effective performance review annually with Executive Director.	※ Executive Director job description and performance review. ※ Executive Director and board members. ※ Assessment of skills needed by new board members.	※ Review of Executive Director job description and performance review. ※ Interviews with Executive Director (ED) and board members about how the board's assessment of the ED changed and the resulting outcomes.
Question 3: *To what extent and how did the board recruit and orient effective new board members?*	※ 4 new qualified board members are effectively recruited to the board and they are effectively oriented.	※ Minutes of board Nominating Committee meetings. ※ Board Nominating Committee members.	※ Review organization's documentation of board recruitment and orientation activity. ※ Interviews with Executive Director and members of board Nominating Committee about how board recruitment and orientation occurred and the resulting outcomes.

grams, meet its goals, and survive unfavorable changes in the external environment. But precisely what effect do capacity-building efforts have on organizational functioning? How do changes in individuals within the organization translate into organizational change? How do these changes affect the provision of services? Finally, what is the impact on the lives of people and strength of the communities that depend on those services?

A *logic model* can help bring order to these questions and articulate the underlying assumptions of capacity-building efforts. A logic model is a pictorial representation of why and how a capacity-building effort will happen. It serves as the evaluation framework from which all evaluation questions, data collection tools, methodologies, and data analysis are derived and it provides a frame of reference for testing assumptions and having a dialogue about ways to make improvements. This approach begins by spelling out the program's inputs, activities, outputs, and outcomes. Often this information is obtained from the program's key stakeholders.

Inputs are the resources employed, such as funding, staff,

expertise, or skills. *Activities* are what happen during the period being studied, such as training programs offered. *Outputs* are the direct results of the program efforts, such as the number of people who attended the training. *Outcomes* are the changes the program will help create in the short and long term, such as increased performance by the training participants. Exhibit 3 shows a logic model for an initiative to support strategic planning for a set of human service agencies.[2]

Since 1999, The Conservation Company has evaluated Strategic Solutions, a multi-year effort involving a combination of consulting assistance, training, research, and communications activities supported by the James Irvine Foundation, David and Lucile Packard Foundation, and William and Flora Hewlett Foundation. The initiative aims to influence the nonprofit sector's perception, understanding, and use of strategic restructuring, a model for developing partnerships among nonprofit organizations, ranging from joint ventures and back-office consolidations to mergers. The Conservation Company began its evaluation by helping the funders to develop a logic model for the initiative. The logic model has made the underlying program

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rationale and goals more explicit and provided a framework for dialogue about the evaluation findings and ways to improve the program design over time.

STATING EVALUATION QUESTIONS AND POTENTIAL SUCCESS INDICATORS

When evaluating capacity-building efforts, it is important to ask "capacity to do what?" and have the answer inform how success is measured. It is easier to design an evaluation if the objectives of the organization development activity are clear at the outset. Using the logic model as a framework, the questions that need to be addressed in the evaluation should be carefully crafted; good questions lead to good answers. Then, indicators of success for each question can be stated, and sources of the necessary data can be identified. Stakeholders can help select the types of evidence needed. *Exhibit 4* is a sample evaluation design for board development work.

DEVELOPING AN EVALUATION WORK PLAN AND IMPLEMENTING EVALUATION METHODS

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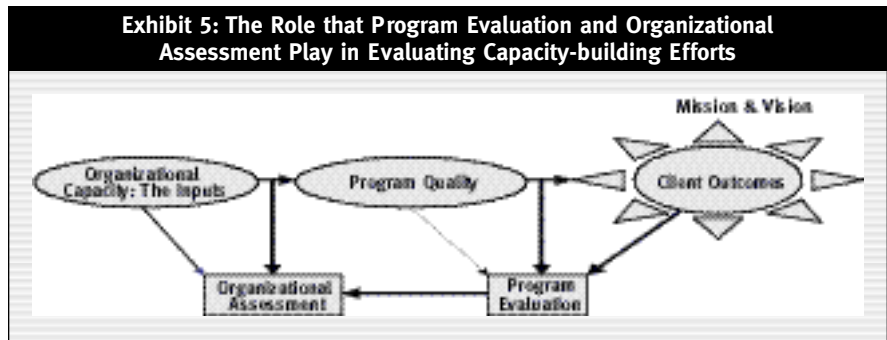Next, one needs to identify the methods needed to collect the information. By employing a combination of tools, both quantitative and qualitative, progress toward goals can be reliably measured. Quantitative techniques, such as surveys, frequently use standardized measures that fit diverse opinions and experiences into predetermined response categories. Qualitative methods—such as focus groups, interviews, and case studies—provide greater depth and detail.

A combination of program evaluation and organizational assessment is critical for evaluating capacity-building efforts, as shown in E*xhibit 5*. It is essential to conduct high quality, ongoing program evaluations through which data about programmatic impacts on clients and communities is gathered and then analyzed in relation to organizational capacity improvements.

Organizational assessments can also be helpful tools for capacity-building evaluations. Organizational assessment instruments designed specifically for nonprofits can be used to diagnose a group, ensure that the capacity building is focusing on the right issues, and repeated over time to measure change. For example, The Corporation for Supportive Housing evaluated its capacity-building program for a set of organizations by measuring baseline indicators for organizational health and then tracking each group's progress in reaching performance benchmarks over time. The evaluator found that the participating nonprofits did better planning, became fiscally stronger, and improved their administrative systems (Nye, 1998).

USING AND SHARING RESULTS

Evaluation findings can be used to determine what worked, what did not, and why. These insights enable one to modify goals and enhance the impact of organization development work. Eval-

Exhibit 5: The Role that Program Evaluation and Organizational Assessment Play in Evaluating Capacity-building Efforts

uation should be an ongoing, rather than a one-shot, process. Periodic evaluations clarify which activities are getting results or proving unproductive, which strategies need to be refined or abandoned, which evaluative systems need to be improved, and which unforeseen challenges or benefits have occurred.

By sharing results of evaluations, nonprofit organizations, management assistance providers, and funders can help others in the field learn from their experience, sidestep potential pitfalls, and avoid reinventing the wheel. Evaluations can help determine what capacity-building efforts work best and enable consultants and trainers to improve their services.

The work of nonprofit organizations is critical. Those that support nonprofits – including organization development consultants, trainers, other management assistance providers, and funders – can help them strengthen their organizational capacity to do it well. Evaluation of capacity building can help inform and, ultimately, improve efforts to build effective nonprofit organizations that can manage and sustain high-impact programs for a long time to come. ■

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NOTES

1 See Grantmakers for Effective Organizations' web site at www.geofunders.org for more information about funders' work related to capacity building and, in particular, see Philbin and Mikush's "A Framework for Organizational Development: The Why, What, and How of OD Work" for an in-depth examination of how one funder, the Mary Reynolds Babcock Foundation, invested in the organization development of nonprofit groups.
2 See the W.K. Kellogg Foundation's *Logic Model Development Guide* for more information on logic modeling.