



The Nonprofit & volunteer Capacity study



An Analysis of the Nonprofit and Volunteer Capacity-Building Industries in Central Texas Executive Summary

*A Report Compiled for United Way Capital Area
and the Texas Nonprofit Management Assistance Network*

*Based on a Collaboration of
The LBJ School of Public Affairs at the University of Texas at Austin &
The Bush School of Government and Public Service at Texas A&M University*

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Recent research has identified explosive growth in the nonprofit sector and an increased interest in evaluating and improving nonprofit performance through organizational capacity building. The growing emphasis on capacity-building services for nonprofits nationwide has resulted in the need for better information about support services for the sector. Considering the burgeoning role of capacity building in nonprofit operations, it is important to understand more about the “industry” that provides support and resources to nonprofits, including in the growing communities located in Central Texas. This report represents the first comprehensive study of nonprofit and volunteer capacity-building activities in Central Texas.

The result of a unique collaboration between graduate students at the Bush School of Government and Public Service at Texas A&M University and the Lyndon B. Johnson School of Public Affairs at The University of Texas at Austin, this study was conducted under the supervision of Dr. Angela Bies at the Bush School and Dr. Sarah Jane Rehnberg at the LBJ School. Twenty-one graduate students in both programs conducted the research and analysis for this report from September 2005 through April 2006. The Bush School and the RGK Center for Philanthropy and Community Service at the LBJ School provided funding for the study. The project also partnered on a pro bono basis with two client organizations, the United Way Capital Area and the Texas Nonprofit Management Assistance Network.

The primary research objective was to replicate two recent studies. The first was Millesen and Bies’ 2004 report for the Forbes Funds, “An Analysis of the Pittsburgh Region’s Capacity-Building ‘Industry.’” The second was an examination of volunteer management capacity modeled on a nationwide volunteer management study (Hager, 2004) conducted by the Urban Institute in collaboration with the Corporation for National and Community Service. Because our research took place in the aftermath of Hurricanes Katrina and Rita in 2005, we also explored nonprofit capacity issues related to emergency interventions, particularly how crises affect organizations’ needs for and uses of capacity building.

Research Design

The Pittsburgh study focused on explaining “*who* (the capacity builders) is doing *what* (the kinds of support services available) for *whom* (the types of nonprofits engaging in capacity-building initiatives), and *to what end* (whether capacity-building initiatives produce desired organizational change)” (Millesen & Bies, 2004, p. 1). Using the same four-part framework, we described our findings in terms of capacity-building *providers*, *services*, *recipients*, and *results*. We designed our study around seven key research questions:

1. What characterizes the local capacity-building landscape, and which services do Central Texas nonprofit organizations most utilize?
2. What is the quality and accessibility of the regional capacity-building “industry,” including consultants, management support organizations, and academic institutions?
3. How do capacity-building programs and services lead to nonprofit organizational change or improvement?
4. What role does the funding community play in promoting organizational change through capacity building?
5. What capacity do Central Texas nonprofit organizations have to effectively engage volunteers in mission-critical work?
6. How extensive is the volunteer support provided to area nonprofits, and what are the barriers to volunteer participation within the larger community and within nonprofits?
7. How do nonprofit capacity-building needs change when organizations are called upon to respond to emergencies, such as Hurricanes Katrina and Rita?

In order to answer our seven research questions, we created a four-stage multi-method research design to gather in-depth quantitative and qualitative data about capacity building, volunteer management, and disaster response in Central Texas. First, we collected archival data, conducting an in-depth literature review and environmental scan of the region. Second, we gathered quantitative and qualitative data through two comprehensive surveys, a mail-in and online survey of nonprofit executive directors and an online survey of volunteer managers. Third, we conducted one-on-one interviews with local capacity builders and funders. Fourth, we conducted two series of focus groups, one with nonprofit executive directors and another with volunteer managers. This report summarizes the findings of both the archival data collection and our primary research, which includes information from 188 survey responses from nonprofit executive directors, 50 survey responses from volunteer managers, 37 interviews, and seven focus groups.

Literature Review and Environmental Scan

The literature review component of our study examined existing theories, research, and practice in capacity building for the nonprofit sector. Researchers have noted that, despite a variety of capacity-building resources for nonprofits, many organizations remain hampered by a lack of access to capacity building, due to a variety of internal and external barriers (Baumann, Lowell, Mallick, & Okonkwo, 1999; Blumenthal, 2003; De Vita & Fleming, 2001; Draper, 2000; Greene, 2001; Jacobs, 2001; Kearns, 2004; Millesen & Bies, 2004; Szabat & Otten, n.d.).

Prior studies of nonprofit capacity building have found: that nonprofits need better, more centralized access to capacity builders; that nonprofits benefit from sharing resources and interacting with their peer organizations; and that much more research is needed to document the impact of and ongoing need for capacity building (Backer & Oshima, 2004; Millesen & Bies, 2004; Theisen, Paine, Cobb, Lyons-Mayer, & Pope, 2003).

Research on the relationship between capacity building and volunteer management has revealed that success in maximizing volunteer engagement results from training staff in best management practices and volunteer protocols (Ellis, 1996; Rehnborg, Fallon, & Hinerfeld, 2002; Brudney and Kellough, 2000). Nonetheless, internal and external barriers frequently hamper the attempts of nonprofits to offer volunteer management training and staff development to improve strategic work with volunteers (Hager, 2004; Hager and Brudney, 2004; Hange, SeEVERS, and Van Leeuwen, 2001).

To learn about the specific context within which local nonprofits and capacity builders operate, we conducted an environmental scan of Central Texas, examining demographic, economic, and social service statistics and trends in 10 counties in Central Texas: Bastrop, Blanco, Burnet, Caldwell, Fayette, Hays, Lee, Llano, Travis, and Williamson. Together, these counties have a population of 1.5 million (U.S. Census Bureau, 2006) and are home to more than 1,600 nonprofit organizations (Texas Association of Nonprofit Organizations, 2002). The urban center, including Austin and its suburbs, is among the fastest-growing regions of the United States (Texas Workforce Commission, n.d.). Dozens of independent, corporate, and community foundations exist in Central Texas (Foundation Center, 2006), but some research has indicated charitable giving in the region lags behind other areas of the country with comparable wealth (Anft and Lipman, 2003). Data on volunteerism suggests Central Texans tend to be more generous with contributing volunteer time, with levels of volunteering in the region outpacing most communities elsewhere in the nation (Musick, 2005). As the Central Texas nonprofit sector has grown with the boom in the local population, a range of consultants, nonprofit management support organizations (MSOs), and service providers at academic institutions have emerged to provide capacity-building support to organizations.

The Environment for Central Texas Capacity Building

Surveyed nonprofit executives reported facing a number of critical issues in Central Texas, including the need to increase accountability and responsiveness to constituents and challenges in raising funds. Foundation representatives and capacity builders characterized the local nonprofit and philanthropic environment as “youthful,” as well as “in transition.” Central Texas’s nonprofit, capacity-building, and funding stakeholders were seen as benefiting from an entrepreneurial spirit in the region, but they were also perceived to lack the sophistication of their counterparts in more established communities.

Nonprofit executive directors, capacity builders, and funders discussed other aspects of the environment, such as the differing needs for nonprofit support between the Austin metropolitan area and more rural parts of Central Texas, where far fewer capacity-building services exist. Within the urban environment, capacity-building and nonprofit services were perceived to be divided along the east and west corridors of Interstate 35. Other key themes included the importance placed on collaboration in the local nonprofit culture and the effects of public policy changes on organizations.

Defining Capacity Building

When asked to provide a definition of capacity building, nonprofit representatives, capacity-building providers, and funders in Central Texas offered divergent descriptions or reported unfamiliarity with the term, suggesting no clear or shared definition of capacity building exists. Study participants frequently provided a definition related to activities that make nonprofits more robust and effective, particularly technical activities (such as marketing or budgeting support) and planning. Many nonprofit executives also defined capacity building in terms of two key inputs: funding and qualified staff. Survey respondents described lower turnover rates as invariably leading to fewer complications among workers and a lower frequency of training sessions and, thereby, better organizational capacity.

For the purposes of this study we based our definition of capacity building on the work of Hansberry (2002) and Millesen and Bies (2004), focusing on nonprofit support services that enable long-term improvement and sustainability within organizations. Following these authors, we probed for data related to services that support nonprofits’ ability to adapt to their environment, address management and governance issues, and develop systems and processes that ensure effective mission-related results.

Capacity-Building Providers

Perhaps as a result of inconsistencies in study participants’ definition of capacity building, the question of who provides capacity building produced mixed responses. A significant majority of nonprofit executives indicated their organizations rely heavily on “internal capacity building” from board members and staff, followed by peer-exchange networks and consultants. Management support organizations received moderate usage, and university-based centers appeared to be the least utilized type of capacity-building provider. Though few nonprofits mentioned funders as a source of capacity building, a number of funders viewed themselves as providing capacity development support.

Capacity-Building Services

Many nonprofit executives had difficulty assessing the quality, quantity, and accessibility of the region’s capacity-building services, citing limited knowledge about available capacity building (which, in itself, may suggest inaccessibility). This may be exacerbated by capacity builders’ tendency to rely on word-of-mouth promotion for their services. The nonprofit executives who had experience with capacity building expressed general satisfaction with the available services, especially from academic institutions and management support organizations. A majority of survey

respondents reported directing less than 3% of their annual budgets and less than half a day a month of staff time for capacity building.

Greater availability of services in rural communities and more affordable services generally were perceived to be needed. Several study participants also called for more funders willing to provide capacity-building support. Perceived gaps in the capacity-building supply also included a dearth of programs to support evaluation and assessment in nonprofits and few resources for executive-director training and transitioning.

Capacity-Building Recipients

Nearly all nonprofit executives reported they value capacity building and have a wide range of needs for it, but many encounter barriers to engaging in capacity building. Eight in 10 survey respondents cited time as a barrier, while 59% noted limited funding available. Other barriers included lack of board support for capacity building, and organizations' difficulty understanding they need support.

Organizations most likely to engage in capacity building were characterized as "proactive" and open to change and constructive criticism. Agencies unlikely to allot resources for capacity building, according to capacity builders we interviewed, included those with staff whose entrenched practices eclipsed a willingness to consider organizational change.

Capacity-Building Results

Assessing the direct outcome of capacity building was beyond the scope of this study, but indirect evidence of capacity-building's results emerged. Nonprofit executives said capacity building resulted in information that improved performance and enhanced their ability to achieve their organizational mission. Nearly all nonprofits also felt capacity building could promote best practices in their agencies.

Study participants described successful capacity-building projects as partnerships between nonprofits and capacity builders, where nonprofit leaders champion change in their organizations. Peer interaction and learning and clear communication were also seen as key to successful capacity building. Drawbacks to capacity building mentioned in the study included tension that sometimes emerged between capacity builders, nonprofits, and funders when they had different expectations of capacity building's purpose.

Drivers for Capacity Building

Nonprofits' motives for capacity building included a desire to create stronger organizations and attempts to secure additional funding. Some organizations engaged in capacity building in response to a crisis or in an effort to gain support from colleagues. Capacity-builder motivations for working with nonprofits included a desire to help agencies act more strategically. Funders said they desired capacity building to improve and sustain nonprofit programs.

Volunteer Capacity

Nonprofits perceived numerous benefits to engaging volunteers, including organizational cost savings, improved responsiveness or level of services to clients, and improved public relations and support; few organizations, however, employed full-time volunteer managers. Organizations that dedicated more staff time to managing volunteers tended to have greater numbers of volunteers and to believe they received more high-value service from volunteers. Most agencies offered little staff development or professional preparation for volunteer managers and most organizations required volunteer managers to perform several frequently competing job duties. Although volunteers were perceived as furthering the organization's mission, few organizations could articulate strategic opportunities to expand the role of volunteers within their organizations.

Emergency Relief and Capacity-Building Needs

More than half of survey respondents reported that they engaged in relief after Hurricanes Katrina and Rita, and for many it was their first involvement in emergency relief. Most nonprofits that participated in the relief effort expressed that they had sufficient capacity to respond to the disaster, and many interview participants heralded the good work organizations performed. Organizations reported they were able to extend their capacity through collaborations and networks with other nonprofits, and by engaging a large number of volunteers. Most of this capacity extension, however, was only temporary, and some study participants acknowledged a general apprehension about the hurricanes' long-term impact on demand for services.

Implications for Practice and Related Recommendations

The following recommendations and implications for Central Texas stakeholders followed from the findings of our report.

- Develop a Shared Understanding about the Definition and Role of Nonprofit Capacity Building in Central Texas. A common lexicon, championed by funders and including a more widely-held or shared notion of what capacity building is and entails, could be an essential step in making communication more fluid between nonprofits, funders, and capacity builders and could help form a common vision for regional capacity building that would also improve funders' return on investment in nonprofit agencies.
- Form Umbrella Associations to Advance Quality Capacity Building in Central Texas. Organizations to bring nonprofits greater access to information about capacity-building opportunities available to them would provide a centralized mechanism for nonprofits to organize information-sharing and collaboration within the sector and offer capacity-building providers greater opportunities to collaborate and engage in self-improvement efforts.
- Use Evidence-Based Decision-Making to Inform Capacity-Building Investments and Activities. More strategic investments in capacity building by local funders and more deliberate efforts by nonprofits to avail themselves of evidence-based tools would ensure better planning for limited capacity-building dollars.
- Compile a Repository of Information on Available Capacity-Building Resources. Given that Central Texas capacity builders do little marketing and many executive directors indicated they do not know how to access local capacity-building resources, a central directory could educate local nonprofits about the range of "shared tools" available.
- Foster Partnership Relationships between Nonprofits and Capacity Builders. Clear communications upfront about expectations, available services, necessary time commitments, and resources required help facilitate mutual understanding between capacity builders and nonprofits and shared commitment to seeing capacity-building endeavors through to their conclusion.
- Improve the Link between Capacity-Building Interventions and Long-Term Organizational Development. Capacity building should be an integrated approach linked to organizational development, planning, and evaluation, and capacity builders need the skills and systems to help nonprofit clients leverage desired organizational change.
- Develop Critical Diagnostic Tools to Assist Nonprofits in Ascertaining Capacity-Building Needs and in Selecting Appropriate Service Providers. Assessment with diagnostic tools will help facilitate appropriate matches between nonprofit support needs and capacity builder interventions.
- Create More Opportunities for Peer Learning and Exchange. Most respondents found engaging in peer-learning networks useful and would welcome more opportunities in the community.
- Extend Capacity-Building Opportunities for Rural Agencies. To provide more equitable access in rural communities, funders and nonprofits can further the development of local peer learning

networks and opportunities for collaboration and resource-sharing, and capacity builders can work to market their services more to outlying areas

- Increase Investments in Long-term Sustainability. Funders, who are generally reluctant to support general operating expenses and capacity development, have an opportunity to play a more strategic role in the sustainability of nonprofits by encouraging capacity building.
- Improve the Strategic Engagement of Volunteers. Greater organizational support and more strategic thinking about the range of potential roles volunteers might play in addressing key organizational goals would greatly enhance volunteer engagement.
- Plan for Collaborative Short- and Long-Term Emergency Response. Building collaborative relationships before disaster strikes can foster successful emergency response through clear communication, planning for large volunteer deployments, and a willingness to “share the credit” with others.

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