Findings and Recommendations for an Expanded Capacity Building Program

Prepared by Social Sector Accelerator for Paso del Norte Health Foundation

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Executive Summary

Paso del Norte Health Foundation (PdNHF) leads, funds, promotes and leverages opportunities to assure that all people in its service region achieve good health. This is accomplished in part through grants and other assistance PdNHF provides to nonprofits in western Texas, Southern New Mexico, and Juarez, Chihuahua, Mexico. A principal component of this assistance is the provision of organizational strengthening or capacity building for nonprofits, with the objective of ensuring more robust financial and other management processes and increasing their ability to promote improved health outcomes for the region. To that end, PdNHF has provided training for members of non-profit boards, as well as leadership development for mid to high-level managers in health and human service organizations. PdNHF is now considering expanding this assistance to include organization-wide organizational strengthening support to regional non-profits. By providing organization-wide support to both grantees and other non-profits, PdNHF intends to improve non-profit organizational functioning and thus positively influence a range of outcomes for enhanced health and quality of life.

PdNHF contracted the Social Sector Accelerator to develop recommendations for PdNHF to consider were it to expand the capacity building support it offers grantees and other partners. This report provides recommendations on how PdNHF may structure such a strategy for U.S.-based partners. Future reports are planned on how to “operationalize” this strategy, and on tailoring the capacity building program to the particular needs of PdNHF’s Mexican partners.

Our inquiry had three objectives: 1) to understand the needs and interests of PdNHF with regards to supporting increased non-profit capacity; 2) the needs and interests of those organizations, and; 3) the unique contextual factors that influence the nonprofit environment in PdNHF’s region. For capacity building to be successful, it must be designed – like any product or service – with both the context and the customer in mind (the “customer” being the nonprofit). For this reason, we drew on human-centered design techniques to develop a program that we think non-profit organizations will enthusiastically embrace, but that also meets PdNHF’s interests. In preparing this report, the Social Sector Accelerator team conducted numerous interviews with PdNHF staff and leadership, CEOs and staff of PdNHF and grantees, leaders of backbone organizations, and stakeholders and advisors. We also conducted two surveys: one of PdNHF and one of its grantees. We spent four days in El Paso conducting in-person meetings with PdNHF, grantees, backbones, and other advisors.

Purpose Built Capacity Building Support

“Capacity building” is an ambiguous term that can describe many different activities. For this reason, PdNHF needs a clear sense of purpose for expanding the support they offer nonprofits, as well as a general understanding of the impacts they want their capacity building to achieve. In our inquiry, several main purposes emerged:
We were also able to clarify the impacts PdNHF hopes to achieve through expanded support. Typical of the overall clarity of PdNHF’s objectives, there was a high degree of alignment between what PdNHF staff and leadership describe as the purpose of the program and the impact they hope to achieve:

**Purpose:**
To help grantees...

- Become more adaptable
- Design and implement stronger, evidence-informed programs
- Develop and maintain strong internal structures and culture

**Impact:**
Grantees are better able to...

- Maintain financial health through diverse revenue models and multiple funding streams and increased adaptability.
- Develop evidence-informed programs with testable hypotheses that support ongoing learning and adaptation and ultimately achieve improved health outcomes for the community.
- Be leaders in their community, with the skills to collaborate with one another and other stakeholders and build strong, dynamic coalitions.
- Adhere to the highest standards of integrity, through the development and maintenance of high-quality organizational fundaments.

Based on this understanding of PdNHF’s purpose, the impact it wants to achieve, and the unique contextual assets and challenges in its community, we propose an expanded capacity building program organized with two underlying principles in mind - non-profit alignment with PdNHF’s mission, and by capacity level and need. This approach allows PdNHF to simultaneously provide targeted support to grantees that are crucial to the pursuit of its mission and to support the strengthening of the broader nonprofit sector in the region. This report is broken into four main sections. First, we describe our Key Findings, based on the document reviews, interviews, surveys, and site visits that we conducted. These findings are the foundation upon which the sections that follow are built. We then offer our Cohort Suggestions, describing what we consider is the ideal way for PdNHF to group non-profits for purposes of capacity building. In the Guiding Principles and Key Considerations section, we provide a guiding framework that we believe PdNHF should refer to in making decisions about its capacity building program. We also outline the contextual factors that figured most heavily in shaping our recommendations.
Key Findings

Effective capacity building must be sensitive to the context of its beneficiaries. PdNHF’s partners operate in an environment with both assets to be built on and challenges to be aware of. Both influence the type of support partners need.

The assets and challenges outlined below refer to those of partners and of the general environment in which they operate. These are general themes that emerged during our inquiry, and should not be taken as universal.

In terms of grantees, it was beyond the Accelerator’s remit to do a systematic assessment of grantees. Nonetheless, we are confident that our findings are representative of grantees strengths and weaknesses. Many of our findings are affirmed by what TCC Group found in its previous assessment of the select grantees.

Assets:

Grantee Trust in PdNHF

In our inquiry, grantees were widely appreciative of PdNHF’s role in the community, and of PdNHF’s approach as a grant maker. PdNHF staff – especially leadership – are highly regarded in the community and are trusted as authorities in terms of both nonprofit effectiveness and their thematic work on healthy living. This is not to say that grantees don’t feel frustrations with PdNHF. For example, there was concern amongst backbones that PdNHF does not adequately facilitate experience sharing amongst them,¹ and a feeling amongst some grantees that PdNHF can be unsympathetic to some of the challenges they face.² However, even in these areas of frustration, grantees described having a high degree of trust in PdNHF and expressed a willingness to share challenges directly with the foundation.

High Level of PdNHF Engagement

In our survey of PdNHF staff and leadership, 9 of 16 survey respondents say they provide some form of direct coaching to grantees; this ratio is even higher for those members of the team that have frequent interactions with the grantees. In conversations with grantees, they described this support as highly valuable, and PdNHF staff were seen as quite knowledgeable. In general, PdNHF is highly regarded by the nonprofit community we spoke with.

Investment in Collective Impact and Backbone Organizations

PdNHF has a clearly-defined mission supported by well-defined initiatives. Combined with a Collective Impact model, this clarity of mission and strategy makes it easier to identify opportunities for capacity building investments that have the potential to be catalytic than would be the case for a foundation with a more general grantmaking strategy. PdNHF’s relationship with backbone organizations is an asset for identifying those opportunities. Furthermore, backbones present an opportunity for expanding capacity

¹ Several backbone organizations raised this during a backbone-only conversation while we were in El Paso. There seemed to be broad agreement in the room amongst the participants, although we did not systematically survey them on this question. Immediately following this conversation, two representatives from backbones felt strongly enough to reiterate the point to us.

² This too was not something we systematically surveyed; however, several grantees shared this sentiment without our prompting, so it seems valuable to share.
building impact; by strengthening these organizations and their ability to provide support to their partners, capacity building investments can ripple out, multiplying the impact of a single investment.

**Experience with the Nonprofit Enterprise Center and Similar Endeavors**

The now-largely-defunct Nonprofit Enterprise Center\(^3\) came up frequently in our conversations with PdNHF, grantees, and others. While it is unfortunate that the enterprise center – as well as other, similar endeavors – have struggled to find a sustainable financial model, these experiences have seeded a healthy base of experts that PdNHF can call on in the coming years as it engages more heavily in capacity building. PdNHF’s own Tracy Yellen, her predecessor Myrna Deckert, and the NEC’s former director, Frank Lopez, are important assets as PdNHF undertakes this initiative and should be well integrated into any efforts.

**Challenges:**

**Fundraising and Sustainability**

In our inquiry, challenges with fundraising and sustainability were consistently mentioned by grantees and PdNHF alike. The frequency with which the issues were raised likely reflects the emphasis PdNHF has placed on programmatic sustainability, but undoubtedly would have been a key issue anyway, as it is for most nonprofits and their donors.

While there is broad agreement between the foundation and nonprofits that financial sustainability is essential, this agreement obscures crucial differences in point of emphasis. Foundation staff clearly communicate that PdNHF sees itself as “funding programs, not organizations,” and this is reflected in its approach to sustainability. PdNHF grantees, on the other hand, typically do not draw such clear distinctions between their programs and the overall organization, and generally see the health and sustainability of their programs as inextricably linked with that of the organization. This difference in perspective creates tension between organizations who say they struggle to find the general operational support they need to do high-quality work, and a foundation that doesn’t want to be saddled with funding even good programs for perpetuity. We provide thoughts on how to address this tension in the *Recommendations* section below.

**Data and Evidence**

Both PdNHF and its grantees talk frequently about the difficulty of promoting improved health in the region through programs that are underpinned by evidence and best practices and informed by data. As with sustainability above, the frequent mention of evidence-based programming as a key challenge is likely influenced by the emphasis PdNHF has placed on the value of evidence. However, tension exists here as well. Many grantees feel that incorporating better data collection and analysis into their programs would be valuable, but don’t always feel that the monitoring and evaluation and data requirements set

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\(^3\) The following is based on an interview with Frank Lopez, formerly of the Nonprofit Enterprise Center:

The Nonprofit Enterprise Center was established and run by Frank Lopez from approximately 2002 – 2009. Mr. Lopez was by then a veteran of the region’s nonprofit community, and intimately familiar with its challenges. The NEC offered related to human resources, nonprofit registration, grant writing, leadership development, board development, and financial sustainability, and, based on conversations with members of the nonprofit community, was a highly valued resource. The organization’s revenue stream was a combination of fee-for-service and grants, including from PdNHF. While, as with most startups, the NEC’s early years were lean, Mr. Lopez believes they were nearing sustainability when he was unexpectedly forced to step down as director for health reasons. The board, apparently overwhelmed with managing the organization in Frank’s absence and struggling to find a suitable replacement, transferred the NED to University of Texas El Paso where it has since languished.
by PdNHF are the right ones to help them make better program design decisions. Many seem to track data that could be useful, but lack the skills and resources to analyze and make use of that data. As a result, many grantees continue to rely on a logic-based theory of change (i.e. intuition), rather than solid evidence that a given approach works.

Financial Management
There is a striking difference in the frequency with which PdNHF and non-profits point to “financial management” as a key capacity challenge. This issue was raised frequently in the survey of PdNHF staff and in conversations with them, but was rarely mentioned by any non-profits other than those PdNHF has ranked as “lowest capacity.” This is not a surprising result; while relatively few grantees may struggle with this topic, it is obviously of supreme concern for their funders.

Remote Staff
Many nonprofits are covering multiple rural communities, which can often be many miles apart. As a result, they often rely on staff and volunteers that work remotely. Although this extends their geographic reach, it limits their ability to standardize the work that they do across communities, hampers their ability to attract top talent (which tends to be concentrated in cities, rather than the rural communities), and necessarily impacts the sort of training nonprofits can offer their teams (and should similarly be a key consideration in PdNHF’s capacity building efforts).

Low Human Capital
Many of the internal challenges faced by PdNHF’s grantees are influenced by more general challenges in PdNHF’s service region. El Paso and the surrounding region struggles to attract and retain high-quality human capital. Nonprofit leaders then struggle to fill their teams with qualified staff; furthermore, nonprofit leaders themselves often reach the executive director level with far less experience than they would in a more competitive market, leaving them forced to “make more things up as they go.”

Interpersonal Communication and Conflict Resolution Skills
A frequently cited challenge amongst grantees is difficulty with effective interpersonal communication. Fundamentally, of course, are language barriers between nonprofits that are often heavily English-speaking, and beneficiaries or clients who are Spanish speaking. More generally, however, grantee leadership and staff alike described challenges with developing professional workplace environments with effective communication among staff. They also described difficulty in resolving conflicts both within the organization and between the organization and volunteers, beneficiaries, and others.

Marketing and Communications
Grantees struggle to tell their stories effectively. Limited resources impede their ability to develop their own marketing strategies and products, but even where those products are developed for them – such as a series of program-highlight videos PdNHF made for select grantees – they struggle to utilize them effectively. This creates multiple challenges, especially difficulty reaching new potential donors (both institutional and individual).

Limited Nonprofit Support
Perhaps the most significant of the constraints to nonprofit success in the region is the dearth of nonprofit support infrastructure. In most communities of El Paso’s size, there are organizations – usually standalone nonprofits or university affiliates – that provide educational opportunities and technical assistance that is tailored specifically to the needs of the nonprofit community. During our research and conversations with
members of El Paso’s nonprofit community, we frequently came across mention of the Nonprofit Enterprise Center, an organization that once seems to have played a significant role in capacity building for nonprofits in El Paso. Unfortunately, some years ago its founding director stepped down and the center was transferred to the University of Texas – El Paso (UTEP), where it seems it then languished before being shut down.

Another effort to address this challenge was led by Myrna Deckert (formerly of PdNHF) as a consortium of consultants made up of leaders from El Paso’s nonprofit community. This group too seems to have played a significant role during its brief time in existence, but now lays dormant as its members have returned to leadership positions in regional nonprofits or other pursuits.

A notable exception to this dynamic is the United Way, which is a key partner to PdNHF under the current REALIZE initiative. The Accelerator will explore further during the next phase of its partnership with PdNHF whether the United Way could serve as a key partner in an expanded capacity building program, but it may be important to note that, while well regarded, United Way does not seem to enjoy the nearly universal confidence that PdNHF does, so caution may be warranted in relying on them too heavily as a capacity builder in the region. We’ll be able to provide further guidance on that during the next phase of our engagement.

**Sector-wide Challenges**

Our findings on specific topics are both context specific and in line with national trends. A recent Bridgespan-JP Morgan Chase study found that communications/marketing was of greatest concern to American nonprofits, followed by volunteer strategy, executive succession planning, technology, and HR management. Based on our findings and understanding of these trends, the below outlines several types of support PdNHF might offer nonprofits, as well as a typology for organizing this support (greater detail to follow in the Recommendations section):

- **Organizational Fundamentals**
  - Sustainability: organizations, programs & outcomes
  - Facilitation – meetings, discussions, innovation
  - Mobilizing Resources - funds, volunteers
  - Communications & Marketing
  - Program Management
  - Addressing & Transforming Conflict
  - Process Mapping & Analysis

- **Adaptive, Resilient, Facilitative, Learning & Problem Solving**
  - CLA – Collaborating, Learning & Adapting
  - Evidence of Impact through Lean Data
  - Approaches to Experimentation
  - Diversity, Equity, Inclusion in Programming
  - Systems Mapping & Analysis

- **Strategy & Leadership**
  - Ladders to Leadership
  - Developing & Leading Nonprofit Partnerships & Collaborations
  - Human/Community Centered Design
  - Developing & Implementing a Purpose Lead Organizations
  - Developing & Leading Social Partnerships Across Sectors
  - Building a Happy & Health Nonprofit
Cohort Suggestions

The organization of nonprofits into “cohorts” is a common element of foundation-supported capacity building programs in the U.S. There are several reasons that a foundation might seek to organize nonprofits in this manner, and unpacking these reasons can have important implications for how to construct cohorts. For instance, a foundation may want to bring together like-minded nonprofits into a cohort for the purposes of experience-sharing around specific technical approaches (e.g. cohorts of child-welfare organizations, anti-smoking organizations, or organizations focused on a particular disease). Alternatively, a foundation may want to organize nonprofits into cohorts based on common organizational challenges, which could support more efficient delivery of capacity building services as nonprofits share a common consultant or jointly attend a training (e.g. financial management, social media and communications, volunteer recruitment). It is also easy to see how cohorts could be formed according to a foundation’s various initiatives, particularly in a collective impact approach (e.g. IGNITE, Two Should Know, etc.).

Based on the findings outlined above, however, we conclude that PdNHF’s context requires a different approach. PdNHF is a strong foundation with a clear mission supported by well-conceptualized initiatives, but which is operating in a low-capacity environment, relatively speaking. The result is that PdNHF may identify a crucial need that must be addressed to enable progress on an initiative, but without an organization with sufficient capacity to help PdNHF address that need.

We therefore propose that PdNHF organize nonprofits into cohorts based on how critical they are to PdNHF’s ability to accomplish its mission, and create “sub-cohorts” within these larger groups based on three general tiers of capacity: low, medium, and high (see figure 1). Organizing support in this way will allow PdNHF to immediately make catalytic investments in the organizations of greatest importance to the accomplishment of its goals, so that PdNHF can more quickly realize the “dividends” of an increased investment in these organizations’ capacity. In other words, PdNHF can make significant investments in organizations whose strength is critical to the accomplishment of PdNHF’s goals, while simultaneously contributing to the construction of a more robust nonprofit support infrastructure with the potential for impact well beyond PdNHF’s grantees. We describe this in greater detail in Recommendations section.
Considerations and Guiding Principles for Capacity Building

Considerations
PdNHF understands that for capacity building to be successful, it must be context specific. This is true not only of the types of trainings or other support that nonprofits are offered through the program, but also of how the program is structured in the first place. For instance, some cities have strong organizational support infrastructure, or a strong network of other funders available to co-finance the creation of such infrastructure. Others are home to socially-oriented companies that become vital sources of innovation and social leadership, stitching together the private and public sectors.

While there were a great many considerations that guided our recommendations – many of which have already been highlighted in the Key Findings section – there are three that were particularly essential:

PdNHF’s Strength and Clarity of Mission – PdNHF is a strong foundation with impressive leadership, skilled staff, and a clear sense of mission that is well-supported by clearly defined goals and initiatives. While several grantees described PdNHF as “heavy-handed” or “directive” – and PdNHF should be sensitive to this feedback – this dynamic make sense given PdNHF’s disproportionate level of capacity relative to its grantees. Furthermore, given PdNHF’s use of the collective impact model, there are good reasons to maintain a strong leadership role in the pursuit of each initiative.

Because PdNHF is so clear about its objectives, we argue below that it should organize its capacity building around its ability to pursue those objectives. PdNHF should identify capacity building investments with the potential to be particularly catalytic in moving the needle in each initiative, and then tailor those investments to a given organization’s needs and capacity level.

Regional Human Capital Challenges – El Paso has long struggled to combat “brain drain” with significant portions of its most ambitious young people leaving income and education rates that are lower than average for the state, and this dynamic is almost certainly heightened in the rural areas where PdNHF works. While there are indications that this dynamic is beginning to shift, there remains a perception among PdNHF and nonprofit leaders alike that there is a dearth of talent at all levels of nonprofits. Well-qualified entry level employees are hard to come by and hard to retain. Mid-level staff are dedicated to their work, but often lack the necessary skills to play the robust support role needed in a dynamic organization. Because of this relative lack of talent, ambitious members of the region’s nonprofit community often find themselves at the helm of organizations much earlier in their careers – and with fewer skills – than they might in another setting. As a result, PdNHF is right to consider a capacity building program that extends beyond merely the board and leadership levels; there is a desperate need to cultivate mid-level staff to deepen the pool of dynamic, highly-qualified leaders for future cohorts of nonprofit leadership, and even to build the skills of those closer to the entry level, so that future leaders have the support behind them to build truly dynamic organizations.

Lack of Nonprofit Support Infrastructure – As discussed in the Key Findings section, the limited nonprofit support infrastructure in El Paso and the broader region is impossible to ignore in the development of capacity building recommendations. The Accelerator will be working with PdNHF to develop specific strategies for operationalizing the recommendations presented below. In the meantime, however, the very nature of our capacity building proposals must be informed by the realization that much of the support PdNHF will be able to offer, at least initially, will need to come from PdNHF itself or from
outside consultants. As we have detailed in the Recommendations section below, however, this should form only the entry point for this new program; we outline several ways that PdNHF’s capacity building efforts can directly support the cultivation of a more robust nonprofit support community in the region.

**Guiding Principles**

Based on PdNHF’s goals and priorities as a funder and the needs and interests of its grantees and the broader nonprofit community, we believe PdNHF’s capacity building efforts should be guided by three essential principles. PdNHF should use these principles as a general framework for guiding the activities they undertake and the services they offer as part of their capacity building work. This is not to suggest that every activity will be in pursuit of all three principles simultaneously, but that all activities should contribute to at least one of these.

*Supporting Evidence-Informed Approaches (Learning What Works Well)* – In general PdNHF grantees struggle to develop and implement programs that are well-supported by research and best practice; they are guided more by intuition than by evidence. Furthermore, they struggle to collect meaningful and actionable data. This impedes learning and is a major hindrance to progress toward PdNHF’s goals. High capacity nonprofits will have a clear learning agenda, a plan for collecting and analyzing relevant data, and a sense of how both short and long-term learning will feed into their strategy.

*Promoting Sustainability and Adaptability (Creating the Conditions for Durable Impact)* – Closely related to developing effective, evidence-informed approaches for achieving measurable improvements is developing strategies for sustaining those outcomes. High capacity nonprofits will have strategies for not just immediate impact, but will have plans in place for encouraging the durability of that impact, and for adapting to meet changes in the determinants of health over the long-term.

*Ensuring Financial Resilience and Cost-effectiveness (Paying for It All)* – A priority for PdNHF and nonprofits alike is the financial strength of organizations, the sustainability of funding for interventions where required, and the cost-effectiveness and efficiency of programs. High capacity nonprofits will be able to calculate the true costs of their programs, identify areas for efficiencies and savings, have diverse plans for types and sources of revenue to support both programs and their organizations.
Recommendations
As introduced previously, we propose that PdNHF develop an expanded capacity building program built on two key objectives - alignment with PdNHF’s mission and investment in the wider nonprofit support infrastructure.

A program aligned with PdNHF’s mission means PdNHF will determine levels of support based on how closely aligned a given nonprofit is with that mission; PdNHF should prioritize investments in those that are more closely aligned to its mission – and therefore more critical to the promotion of health and the prevention of disease in the Paso del Norte region.

If the first principle of our proposed framework is alignment with mission, then the second is that PdNHF should make investments in the nonprofit support infrastructure in its region. Because this infrastructure is currently so limited there are few resources available for sustained and far reaching impact.

For example, while we suggest that PdNHF make initial investments in the capacity of its staff to provide direct coaching to nonprofits to quickly improve capacity, PdNHF has made clear that it does not want to be responsible for capacity building long term and we agree that would not be a sustainable or effective approach. So, when consultants or other resources are brought in to build PdNHF capacity, the foundation should use the same consultant to host a more general workshop with backbone organizations, nonprofit consultants, or nonprofits themselves. Similarly, when resources are brought in to provide intensive support to key grantees, those resources should be leveraged to build the capacity of the broader nonprofit and nonprofit support community. Long term, PdNHF should consider supporting a new iteration of the Nonprofit Enterprise Center, or a similar mechanism to serve as a hub in the community for such support. These recommendations can be made more concrete and specific during the Accelerator’s next engagement with PdNHF around “Operationalizing” this plan (see Conclusion and Next Steps section), and as PdNHF gains more clarity about the financial resources it can commit to an expanded capacity building program.

The following table provides illustrative examples of possible mechanisms of support PdNHF might offer and other nonprofits over the next three years, organized by nonprofit alignment with PdNHF’s mission and nonprofit capacity.
<table>
<thead>
<tr>
<th>Year 1: Strategic Investments &amp; Seeding the Future</th>
<th>Critical to PdNHF’s Mission</th>
<th>Important to PdNHF’s Mission</th>
<th>Supportive of PdNHF’s Mission</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low capacity</td>
<td>Invest in tailored support – individual turnaround consultant, comprehensive assessment, strategic grants to reform, replace or restructure key systems – finance, HR, fundraising, volunteer management</td>
<td>Low capacity • Invitation to networking activities</td>
<td>Low, Medium and High Capacity: During Year 1 there would be no direct investment in these groups. Backbones and other grantees would be encouraged to identify and engage these groups.</td>
</tr>
<tr>
<td>Mid Capacity</td>
<td>Convene 2-3 skill building workshops on key topics • Provide Learning &amp; Practice Grants – either as additions to existing program grants where they can pilot new approaches, test new skills learned in key areas (data, rapid prototyping, gathering participant feedback) or managed as a separate grant pool open only to participants who attend the workshops • Support for peer networking with coaching – this could be provided for certain types of staff or staff at certain levels within organizations. Coaching support is key for successful cohort learning. • Provide targeted support for</td>
<td>Mid Capacity • Participation in skill building workshops • Provide Learning &amp; Practice grants (smaller investments) • Provide targeted support for conference attendance</td>
<td></td>
</tr>
<tr>
<td>High Capacity</td>
<td>• Participation in skill building workshops • Provide Pilot &amp; Experimentation Grants (smaller investments) • Provide targeted support for conference attendance</td>
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</tbody>
</table>

**Critical to PdNHF’s Mission**

- Invest in tailored support – individual turnaround consultant, comprehensive assessment, strategic grants to reform, replace or restructure key systems – finance, HR, fundraising, volunteer management

**Important to PdNHF’s Mission**

- Low capacity • Invitation to networking activities
- Mid Capacity • Participation in skill building workshops • Provide Learning & Practice grants (smaller investments) • Provide targeted support for conference attendance
- High Capacity • Participation in skill building workshops • Provide Pilot & Experimentation Grants (smaller investments) • Provide targeted support for conference attendance

**Supportive of PdNHF’s Mission**

- Low, Medium and High Capacity: During Year 1 there would be no direct investment in these groups. Backbones and other grantees would be encouraged to identify and engage these groups.
### High Capacity
- Fund deep dives on key learning topics
- Provide Pilot & Experimentation Grants – similar to Practice Grants, these might be larger grants for grantees to pilot new initiatives with learning and support built into the grant. For example, if the focus is on sustainability, PdNHF might fund a grantee to pilot a new revenue generating initiative and accompany the grant with support from a consultant or outside organization to support their implementation.
- Support the scaling of initiatives supported by data and evidence
- Support for peer networking with coaching
- Provide targeted support for conference attendance
- Begin development of ‘ladders to leadership’ for key mid-level staff

### Additional Investments
- Build PdNHF staff coaching capacity
- Support program staff to attend grantee skill building workshops to build their own skills
<table>
<thead>
<tr>
<th>Year 2: Building Non-Profit Support Infrastructure</th>
<th>Low capacity</th>
<th>Mid Capacity</th>
<th>High Capacity</th>
<th>Additional Investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Continue investments from Year 1.</td>
<td>• Continue investments from Year 1</td>
<td>• Continue investments from Year 1</td>
<td>• Implement a ‘Ladders to Leadership’ program</td>
<td>• Backbones and other grantees would be encouraged to identify and engage these groups.</td>
</tr>
<tr>
<td>• When possible secure local supports for components of action plan</td>
<td>• Support Realize Board and Realize Executive participation</td>
<td>• Limited participation in ‘Ladders to Leadership’ program</td>
<td>• Host a nonprofits and health living conference</td>
<td>• Support a social innovation incubator for new initiatives</td>
</tr>
<tr>
<td>• Support Realize Board and Realize Executive participation</td>
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<table>
<thead>
<tr>
<th>Year 3: Achieving Scale</th>
<th>Low capacity</th>
<th>Low capacity</th>
<th>Additional Investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Evaluate investment - continue investment and move to Mid Capacity cohort, pursue other tactics or end investment</td>
<td>• Invitation to networking events.</td>
<td>• Invitation to networking events.</td>
<td>• Backbones and other grantees would be encouraged to identify and engage these groups.</td>
</tr>
<tr>
<td></td>
<td>• No investment unless their area of expertise becomes more important to PdNHF</td>
<td>• No investment unless their area of expertise becomes more important to PdNHF</td>
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</tr>
</tbody>
</table>
Mid Capacity  
- Evaluate investment — continue investment and move to High Capacity cohort, continue to invest at Mid Capacity level or pursue other tactics

High Capacity  
- Evaluate investment - continue to invest – make more programmatic and unrestricted investments  
- Convene funder rounds for high capacity organizations to secure additional investment from other donors

more important to PdNHF

Mid Capacity  
- Evaluate investment — determine whether their pilots/experiments or other activities are now more central to the achievement of PdNHF

High Capacity  
- Evaluate investment - determine whether their pilots/experiments or other activities are now more central to the achievement of PdNHF

- Host a nonprofits and healthy living conference  
- Support a social innovation incubator for new initiatives

Drawing on best practice in implementing capacity building programs for nonprofits and given the particularities of PdNHF’s region, we recommend each intervention prioritize:

- A focus on building both skills and leadership abilities
- Staff training should happen in groups, as this more durable platform for change when they return to their organizations
- Programs should seek opportunities to convene staff from across organizations throughout a workshop or training series
- Integration with REALIZE Board and Executive
- Every engagement with an outside organization or consultant should be used as an opportunity to build local capacity – training of trainers, support to local consultants or staff within organizations
- Local nonprofits (i.e. non-grantees) should be invited to workshops, trainings, conferences or other activities wherever appropriate

A Note on Grants

Grant makers who provide capacity building for their grantees often make strategic use of grants to support grantees to put into practice the new knowledge, skills, and abilities they acquire. In some cases, foundations provide a “general support” grant to accompany the capacity building so that grantee can invest in new or upgraded systems, hire new staff, or invest in new equipment to accompany the changes they are making in their organization. Other foundations allow existing grantees to include costs for these kinds of changes or improvements in their existing grants on the condition that they participate in the capacity building services offered by the foundation. When the capacity building is linked to improved fundraising capacity, some funders offer matching grants to accompany the launch of new fundraising programs built with support from the capacity building program. When capacity building is linked to other
types of sustainability initiatives some grant makers help to underwrite riskier ventures such as the launch of fee for service activities or other services a nonprofit might offer. Finally, grant makers have funded small grants to incentive the application of the new knowledge and skills acquired as part of the capacity building initiative – for example if the capacity building is focused on human centered design and groups are putting in to practice their skills to design a new program, the grant maker might provide a grant for the piloting of the new initiative.

Evaluating an Expanded Capacity Building Program

Ongoing evaluation of a capacity building program is essential for ensuring its effectiveness and identifying areas for improvement. In addition to building reflection opportunities after each of the activities described above we suggest PdNHF evaluate each of its capacity building programs (including the existing REALIZE Board and REALIZE Executive) along four lines:

1) **Customer Satisfaction** – Surveying “customers” of capacity building program can be low-cost and high value. Those that are satisfied with the support they’ve received are likely to believe that it was relevant to the challenges they are facing in their work, and are therefore more likely to try to apply their learning when they return to their organizations. The limitation, of course, is that this level of inquiry cannot determine how much learning took place, or if the lessons participants have learned are sufficient to drive organizational change. PdNHF could conduct this survey directly or hire a third party such as the Center for Effective Philanthropy to implement a nonprofit perception survey of PdNHF’s non-monetary assistance, which can then be compared against the results PdNHF’s peer foundations have achieved.

2) **Individual Learning or Change** – To what extent has capacity building resulted in a change in individual participants’ knowledge, skills, and attitudes? Moving beyond mere perception or satisfaction, this level of evaluation will help PdNHF determine whether a particular mode of education is leading, at least in the short term, to real learning on the part of their beneficiaries.

3) **Organizational Transfer** – Individual learning is a necessary but not independently sufficient condition for organizational change. Those individuals must either be empowered to bring change to the way in which they and (potentially) their colleagues do their work and/or a capacity building program must reach a critical mass to enable such change to take place. Assessment at this level could be regular, external organizational assessments, focused on the areas intended to be addressed by the capacity building interventions.

4) **Impact** – Finally, capacity building should be evaluated against its ultimate objective: improved health outcomes for people in PdNHF’s region. The key question here is whether nonprofits are achieving greater impact after receiving capacity building than they were before? Admittedly, this is a hard question to answer, in large part because of the impossibility of drawing a direct causal link between a capacity building input and a specific outcome. Even if the ultimate assessment requires a “leap of faith,” PdNHF should develop a formal process for regularly and systematically assessing internally, with the supported nonprofits, and with the nonprofit’s target beneficiaries (as appropriate) whether capacity building support has led to greater impact. This process would be reflective and qualitative.

**Additional recommendations:**

While the focus of our work was on what PdNHF could do for its grantees and other nonprofit partners, we identified four opportunities where PdNHF could improve their own approach.
1. **PdNHF Staff Capacity** – PdNHF staff are a key asset for building capacity in nonprofits. That said, PdNHF staff skills could be strengthened to undertake this work. PdNHF should consider providing key staff with training on coaching techniques, in addition to more targeted training to build their skills as coaches in priority functional or technical areas. This support should be closely paired with a foundation-wide effort to develop common definitions of key terms. For example, there does not seem to be a collective understanding of what is meant by “sustainability,” despite sustainability being a priority for the foundation. Building skills in this functional area and defining the foundation’s terminology and related goals more clearly would be of significant benefit. (Note: capacity building for staff could also be a key opportunity to build the capacity of members of the nonprofit support community, external consultants are brought in to work with PdNHF staff, PdNHF should look for opportunities to share those resources with groups like the United Way, and other, as a modest first step in strengthening the nonprofit support environment.)

2. **Tweaking RFPs**— There are opportunities to restructure the RFP process and application to encourage higher quality applications. While an array of RFP strategies across diverse initiatives can be helpful or even necessary, greater uniformity could also help the foundation to better pursue its priorities and create opportunities for cross-initiative learning. For instance, emerging priorities across portfolios seem to be 1) evidence, 2) cost-effectiveness, and 3) scalability and sustainability. RFPs and the application template could be uniformly organized under these headings; over time, this would send a clear signal to El Paso regional nonprofits about the foundation's priorities, and would also allow for greater lesson-sharing and efficiencies by PdNHF program staff across initiatives. Additionally, applications could include a section where prospective grantees identify barriers or limitations to the achievement of the program and describe the skills or other investments they may need to be successful.

3. **Standardizing Proposal Review and “Due Diligence Process** – Closely related to the RFP restructure proposed above, is the opportunity to reorganize and standardize the proposal review and “due diligence” processes. Following on the reorganization of the RFP and application template, the proposal review could allow for structured analysis of each of those three themes, and a scoring system could then quickly highlight areas of strength and weakness in the application as a first step in identifying potential risks. Risk mitigation could be further pursued through a standardized due diligence process that assesses issues like the level of mission alignment between the nonprofit and the foundation, as well as organizational capacity, to include technical capacity in the programmatic area in addition to simply financial or “back office” capacity.

4. **Consider Expanding General Operating Support** – The last consideration is a more of a philosophical one for PdNHF. PdNHF has a practice of “supporting programs, not organizations,” which could inadvertently impede the attainment of its goals if portfolio organizations lack sufficient operational funds for making necessary or strategic investments. The circumstances of PdNHF’s region provide unique challenges. The combination of relatively low human capital with a lack of nonprofit support mechanisms creates a dynamic in which regional nonprofits are perhaps in need of more organizational support than might be found in other communities. Furthermore, El Paso’s distance from other major cities, the relative disconnect from Austin and Santa Fe, and the scale of the challenges across the border in Mexico mean that PdNHF plays an outsized role in its region,
particularly north of the border. As a result, by placing emphasis on projects over organizations, PdNHF may be creating a dynamic that gets in the way of its own goal to have strong, dynamic nonprofits to fund.

PdNHF, like many foundations, caps its contribution to indirect costs at 10%. By comparison, the average S&P 500 firm spends about 34% of their budget on similar expenses. PdNHF strives for a liberal interpretation of “direct costs” that it will cover and provides non-programmatic support through REALIZE and the potential expansion of this capacity building program. Nonetheless, PdNHF should be lauded for this non-monetary assistance, there may be additional opportunities to provide general support to grantees that afford them greater autonomy and flexibility in decisions over how to invest in their organizations as noted on page 16.
Conclusion and Next Steps

This report is of the Accelerator’s findings and recommendations for an expanded capacity building program. As agreed, once this report has been approved, the Accelerator will work with PdNHF to define the financial resources it has available to commit to the expanded capacity building program and will produce a second report for PdNHF on how to “operationalize” this plan. This second report will address issues such as:

- Identifying consultants or other vendors to provide training and other on key subjects
- Cost-effectiveness and opportunities to create efficiencies
- Process for co-designing intensive capacity-building support with key nonprofits
- Sustainable management approaches of the capacity building program
- Building the capacity of backbones or other existing nonprofits to support the broader nonprofit community

In addition to defining budget, first steps for PdNHF and the Accelerator will be to convene internal conversations about the role PdNHF envisions for several groups of actors in capacity building: backbones, other regional nonprofit thought-leaders, regional academics, and PdNHF’s peer donors. Once we have a better sense of PdNHF’s comfort level with each of these actors, we will convene focus groups of each to get a better sense of the role they are willing and able to play in the program.

Finally, the Accelerator will also work with PdNHF to conduct a mirror process related to Mexican nonprofits in PdNHF’s region. This report will provide options for tailoring the U.S.-based capacity building program to the needs of Mexican nonprofits, including a plan to operationalize that with specific recommendations on Spanish-speaking consultants or other vendors.
Appendix A: Summary of Approach

**Surveys**
The Social Sector Accelerator completed two online surveys; one with PdNHF, and one with its grantees.

**PdNHF Survey**
Conducted at the outset of the Accelerator’s engagement with PdNHF, an initial survey with PdNHF staff and leadership provided important context for our inquiry. The 16 responses we received yielded important insights that became fundamental to our eventual recommendations. For instance, it was through this survey that we first became aware of the significant amount of direct coaching PdNHF staff were already providing grantees, with 9 of 16 respondents saying they offered some sort of direct coaching, and with that ratio being higher amongst those that said they had regular interactions with grantees. We considered this an asset that has ultimately been centrally integrated in our recommendations. We learned about some of PdNHF’s capacity building priorities, such as programmatic sustainability and the need for more evidence-based approaches, the now defunct Nonprofit Enterprise Center, and about the distinctive nature of the challenges facing grantees in Juarez. Finally, the survey revealed that PdNHF staff rate grantees an average of only 5.71 out of 10.

**Grantee Survey**
The Accelerator executed a survey of all PdNHF grantees following our trip to El Paso and the completion of most of the interviews we conducted with grantees. While it was beyond our remit to assess or interview PdNHF’s full portfolio of grantees, this survey offers perhaps the most comprehensive data on grantee capacity building preferences. Grantee CEOs and staff alike are excited about the prospect of training and other support for grantees. CEOs rated their excitement 4.5 out of 5 while staff rated theirs 4.42. Target participants (grantee staff), overwhelming preferred in-person group mentoring to other training/support delivery methods. 77% preferred this method, compared to webinars/online training (55%), conferences (48%), one-on-one mentoring (35%), and a reading list (13%); participants were allowed to select as many methods as they liked. In terms of training topics, respondents were interested in: marketing and communications (70%), financial sustainability (53%), evidence-based programming (50%), “my functional area of work” (43%), and “my technical area of work” (33%); again, participants were allowed to select as many topics as they liked.

**Interviews**
Interviews with PdNHF and its grantees formed the backbone of our inquiry in this engagement.

**Grantee Interviews and Site Visits**
Interviews with grantees yielded some of the most crucial data for this engagement. In addition to a full list of grantees and contact information, we asked PdNHF to rank grantees into three categories according to their capacity level: high-, medium-, and low-capacity. We attempted to speak with a sample of organizations from each of these categories. We ultimately spoke with:

- Frank Lopez, Ngage
- Andrea Gates-Ingle, Creative Kids
- Diane Flanagan, Girl Scouts of the Desert Southwest
- Mario Perez, Boy Scouts of America, Yucca Council
- Peter Edmunds, Border Partners
Grantees frequently say they highly value their relationship with PdNHF, seeing the foundation as a highly effective donor and partner. Many described receiving coaching support from their PdNHF grant officer, and trusting PdNHF’s health expertise. That said, some also mentioned that PdNHF can be unfairly harsh and lack sensitivity for the challenges nonprofits face. For example, grantees express understanding of PdNHF’s emphasis on “sustainability” in recent years, but also feel the foundation is not entirely clear what it means by “sustainability”, and that PdNHF lacks an appreciation for just how difficult it will be for their programs to transition away from PdNHF’s grant funding.

Similarly, grantees appreciate and share PdNHF’s interest in data and evidence-informed programming, but feel that they (grantees) lack capacity to live up to PdNHF’s expectations and the PdNHF struggles to help them address that challenge. That said, among the groups we spoke with there seems to be a high degree of confidence that their programmatic approaches are impactful; this confidence may hamper the urgency with which they pursue data to inform their strategies.

In general, there is a tension between a funder who wants to provide support to programs rather than organizations, and nonprofits who want their funder to see how closely linked healthy, well-funded organizations are with quality programing.

Grantees consistently highlighted conflict resolution, communication, and collaboration skills as skills in need of improvement. Of the grantees we spoke with, sourcing and training quality staff and volunteers were major challenges, as was the size of the region those grantees were trying to serve. El Paso already lacks for human capital, and the problem only gets worse in the rural areas surrounding. A common theme is that mid-level staff do not acquire the leadership skills they need before being asked to move to ED or other leadership roles. So, several interviewees spoke of the need for a capacity building program to provide mid-level staff with the skills of today and prepare them for their leadership role of tomorrow. Similarly, there is a desire to create opportunities for linkages/networking at this level. This happens at the CEO level and is further facilitated by REALIZE Executive, so there is a common desire to see an expanded program offer similar opportunities for junior and mid-level staff.

There is a high degree of enthusiasm for the existing REALIZE board and REALIZE executive capacity building programs among those that have participated that we spoke with. Unanimous support for an expanded program that provides additional training or other support to staff.

Discussions with Backbones
While in El Paso, we convened a group of leaders from primarily backbone organizations for a two-hour exercise designed to elicit their feedback on our early conclusions.

This group included:

- Leah Wigham (Institute for Healthy Living)
- Annette Torres (UTEP)
- Bill Coon (YMCA)
- Deb Zuloaga (United Way)
- Nora Hernandez (UTEP)
Jeremy Jordan (YMCA)

We presented the group with several key themes that had emerged over the preceding weeks and months of interviews, and asked the group to select three of particular priority. They selected:

- Nonprofits struggling to measure impact
- Nonprofits struggling to work collectively
- Nonprofits struggling to adapt (including financial sustainability challenges)

Below is a summary of a discussion of the causes and effects of each of those priority issues:

**Struggling to Measuring Impact:** There is a general lack of understanding about how to measure effectiveness and orient programs around measurable outcomes (as opposed to countable outputs). This struggle creates problems at the design phase (programs are “intuitively” designed, but not necessarily underpinned by evidence), implementation (programs aren’t tested or monitored in a way that allows for data-informed pivots), and evaluation (evaluations are ineffective and often poorly designed; leads to perpetuation of unproven/untested approaches).

**Struggling to Work Collectively:** Competition for funding, ego, and a lack of coordination skills leads to inter-organizational conflict and inefficiencies. There was general agreement that this is undermining the PdNHF’s collective impact approach.

**Adapting:** Limited human capital, with organizations struggling to acquire good entry level staff; a general problem of regional “brain drain.” This reduced staff capacity, combined with weak boards, poor regional economic conditions, geographic isolation, and limited access to unrestricted funding leads to organizations that have a “lack of vision” beyond competing for funding, and a struggle to innovate and adapt.

**Other Meetings and Exercises**

Realize advisory group

While the Accelerator team was in El Paso, PdNHF convened a small advisory focus group of nonprofit executives and board members (Alfonso Velarde, Jerry Hobson, and Jane Snow). This conversation served to validate our earlier findings, including that there is a lack of educational support for nonprofits in the region, especially since the demise of the Nonprofit Enterprise Center. Furthermore, the group underlined that the United Way has become “too distracted” by doing direct service to provide adequate support to other nonprofits, an insight that we had heard in earlier conversations, and one that we will explore further in the next phase of our engagement with PdNHF. The group provided further guidance on what they believed an ideal support organization would offer the region’s nonprofit community. They described an organization that would work with nonprofits on organizational fundamentals such as, keep them informed about possible funding opportunities, convene nonprofits for experience and lesson-sharing, and potentially provide back office support for smaller nonprofits as a way of gaining efficiencies.

Finally, it should be noted that before and after coming to El Paso, we also spoke with other foundations to get a sense of what similar foundations in the U.S. are doing to build capacity with the goal of improving community health. These conversations – with the Potomac Health Foundation, Vitalyst Health Foundation, and St. Luke’s Foundation – guided our recommendations and ensured our proposals would place PdNHF at the leading edge amongst their peers.
Appendix B: Reading List


*Available:* [https://www.amazon.com/gp/product/0977326403/ref=as_li_tl?ie=UTF8&camp=174949&creative=9325&creativeASIN=0977326403&linkCode=as2&tag=joanmgarry-20&linkId=6W2ALXNHNAUP3L5H](https://www.amazon.com/gp/product/0977326403/ref=as_li_tl?ie=UTF8&camp=174949&creative=9325&creativeASIN=0977326403&linkCode=as2&tag=joanmgarry-20&linkId=6W2ALXNHNAUP3L5H)


*Available:* [https://www.amazon.com/Lean-Analytics-Better-Startup-Faster/dp/1449335675/ref=tmm_hrd_swatch_0?_encoding=UTF8&qid=1504126952&sr=1-1](https://www.amazon.com/Lean-Analytics-Better-Startup-Faster/dp/1449335675/ref=tmm_hrd_swatch_0?_encoding=UTF8&qid=1504126952&sr=1-1)


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Reich, Brian (2017). *The Imagination Gap: stop thinking the way you should and start making extraordinary things happen.*


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Available: [https://www.amazon.com/gp/product/0143118447/ref=as_li_tl?ie=UTF8&camp=1789&creative=9325&creativeASIN=0143118447&linkCode=as2&tag=joanmgarry-20&linkId=TCG7F22MGM2UZFD7](https://www.amazon.com/gp/product/0143118447/ref=as_li_tl?ie=UTF8&camp=1789&creative=9325&creativeASIN=0143118447&linkCode=as2&tag=joanmgarry-20&linkId=TCG7F22MGM2UZFD7)


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Available: [https://www.amazon.com/Sustainability-Mindset-Matrix-Strategic-Decisions-ebook/dp/B00NYZSLGI/ref=pd_sim_351_5?_encoding=UTF8&psc=1&refRID=ZBYNEYZTA159R13YPM6Q](https://www.amazon.com/Sustainability-Mindset-Matrix-Strategic-Decisions-ebook/dp/B00NYZSLGI/ref=pd_sim_351_5?_encoding=UTF8&psc=1&refRID=ZBYNEYZTA159R13YPM6Q)