

# Building Non-Profit Capacity: Findings from the Compassion Capital Fund Evaluation

## RESEARCH BRIEF

Non-profit organizations (NPOs) play a critical role in the provision of a wide array of social and health services. However, because funding sources often stipulate that the funds may only be used for direct service, NPOs are left with limited or no resources to invest in their own organizational needs. To address this gap, the Office of Community Services (OCS) within the Administration for Children and Families established the Demonstration Program within the Compassion Capital Fund (CCF). Between 2006 and 2009, OCS undertook a random assignment evaluation to assess the impact of the CCF Demonstration Program.

The evaluation results provide evidence of the effectiveness of the Demonstration Program in increasing organizational capacity. The evaluation found that the non-profit organizations that received capacity building services under the program experienced significantly higher levels of growth in each of the five critical areas examined compared to organizations assigned to the control group, when contributions of all of the measures for the area are considered together. The program group also had significantly higher capacity growth than the control group on some individual outcome measures in each of the five areas.

### Introduction

The Compassion Capital Fund (CCF) builds organizational capacity among non-profit organizations (NPOs) to strengthen their long-term sustainability and ability to provide effective social services. Rather than support direct services as is more typical of human services grant programs, this strategy is intended to address a widely agreed upon need – improved organizational capacity. Though NPOs are uniquely situated to partner with the federal government in serving individuals and families in need, many lack resources to invest in and strengthen their capacity to effectively provide these services. By addressing issues critical to long-term sustainability and effectiveness, NPOs should be better prepared and positioned to carry out their missions in local communities.

This Research Brief provides an overview of the CCF programs, the multiple evaluation approaches used to evaluate program components, and key findings from the most rigorous of those studies – the Impact Evaluation of the Demonstration Program. Agencies and organizations interested in helping NPOs reach their full potential may benefit from lessons and findings from the Impact Evaluation.



## The Compassion Capital Fund Strategy

Between 2002 and 2009, OCS awarded 1,285 grants through three CCF programs to expand and strengthen the capacity of NPOs to provide social services to low-income communities and individuals and families in need across the country. CCF capacity building services are designed to increase an organization's sustainability and effectiveness, enhance its ability to provide social services, and create collaborations to better serve those most in need. There have been three separate programs under CCF designed to accomplish these goals:

- The Demonstration Program (2002–2010) funds experienced lead or “intermediary” organizations that in turn provide capacity building training, technical assistance, and financial sub-awards to less experienced organizations.
- The Targeted Capacity Building Program (2003–2007) provided one-time “mini-grants” of up to \$50,000 directly to NPOs.
- The Communities Empowering Youth (CEY) Program (2006–2010) uses training, technical assistance, and financial sub-awards to build the capacity of community partnerships of NPOs to address youth violence, gang involvement, and child abuse and neglect.<sup>1</sup>

These CCF programs focus on improving multiple domains of organizational capacity. The box on the left presents the domains addressed in the Demonstration Program with examples of how each is defined in the Impact Evaluation.

## Evaluation Approaches

Consistent with its emphasis on performance measurement and accountability, OCS contracted for evaluation studies of each of the CCF programs. Multiple evaluation approaches were designed for the three programs based on the purpose, timing, and scope of the program (see Table 1). These approaches built towards the most rigorous evaluation approach: an impact evaluation utilizing random assignment. For the Impact Evaluation, similar NPOs were randomly assigned to a program group, that received services from CCF intermediary grantees (funded under the Demonstration Program), and a control group that did not. The study examined the differences between the program group and control group across the five organizational capacity domains (see box at left) over a 15-month period.

### Organizational Capacity Outcome Domains

- **Organizational Development.** Includes management and planning practices, governance practices and financial management systems, and use of technology to improve efficiency of operations.
- **Program Development.** Examples include the quantity and scope of services offered, client recordkeeping practices, and the ability to engage in internal self-evaluation for continuous program improvement and accountability.
- **Revenue Development.** Includes planning, training, and resources to engage in fund development, the number of development efforts directed at existing and new sources, and the success of those efforts.
- **Leadership Development.** For example, leadership and professional development training for non-profit directors, staff, and board members.
- **Community Engagement.** Includes efforts to expand community awareness about the organizations' services, and the number and types of partnerships with other organizations in their communities.

<sup>1</sup> An outcome evaluation of CEY is currently underway.

**Table 1. Overview of the CCF Evaluation Studies**

CCF Program	Evaluation Activity/Study Period	Purpose	Method	Response Sample
Demonstration Program	Impact Evaluation 2006-2009	Estimate the causal effect of the Demonstration Program on the organizational capacity of NPOs.	Web-based baseline survey with 15-month follow-up survey; Random assignment of NPOs.	385 (217 program + 168 control) NPOs served by 10 intermediary grantees from 2006 grant cycle
	Outcome Study 2004-2008	Describe changes in organizational capacity over a 15-month period among NPOs receiving CCF services.	Web-based baseline survey with 15-month follow-up survey.	835 NPOs served by 44 intermediary grantees from 2003 - 2005 grant cycles
	Retrospective Study 2006 -2007	Describe NPOs' perceptions of changes in organizational capacity after receipt of CCF services.	Mail survey administered 3½ years after receipt of services.	125 NPOs served by 9 intermediary grantees from 2002 grant cycle
Targeted Capacity-Building Program	Retrospective Study 2007	Describe NPOs' perceptions of changes in organizational capacity after receipt of CCF mini-grants.	Mail survey administered 2-4 years after grant award.	292 NPOs from 2003-2005 grant cycles
Communities Empowering Youth	Outcome Study 2007 - 2011	Describe changes in organizational and partnership capacity over three years among NPOs receiving CEY services.	Web-based baseline survey with two annual follow-up surveys; Qualitative study of 10 CEY partnerships.	81 lead NPOs and 513 partner NPOs from 2006 and 2007 grant cycles.

## Impact Evaluation Findings

The Impact Evaluation showed that NPOs receiving training, technical and financial assistance from CCF intermediary grantees experienced significantly higher levels of growth in each of the five domains when the contributions of all of the measures for the domain were considered together.<sup>2</sup> The program group also had significantly higher capacity growth than the control group on several individual outcome measures in each of the five areas. Below we present key findings for each capacity domain.

<sup>2</sup> When a large number of outcomes are assessed, many might be found statistically significant merely by chance. To address this problem, we followed recognized research protocols and performed a joint test for each of the five domains to determine whether there was any evidence that the intervention collectively affected the outcomes in each domain.

## Organizational Development

NPOs receiving capacity-building services from CCF intermediary grantees reported significant improvement on several measures of long-term planning, human resources management, technology access and use, and financial management systems. Specifically, as a result of the CCF services more non-profits had written strategic plans, completed organizational assessments, written job descriptions for paid staff, and a designated person responsible for financial management. NPOs also increased their level of focus on developing effective financial management systems, recruiting and managing volunteers more effectively, and recruiting and developing board members with a wide range of expertise and community backgrounds. There was no impact on staff size, 501(c)(3) status, board composition and primary activities, use of staff performance reviews, or the existence of financial management procedures.

## Program Development

The CCF services also impacted NPOs' service delivery capacity. In the areas of record-keeping and evaluation, the CCF program increased the number of NPOs that were keeping systematic records on services provided to clients and developing or implementing plans to improve outcome measurement systems. In the areas of service delivery and program design, CCF services resulted in more NPOs developing or implementing plans to increase the number of clients served, expanding services to include new types of clients and/or geographic areas, adding new types of services, and using new approaches to improve the quality of existing services. There was no impact on the actual number of clients served, the number of NPOs that added or expanded program areas, or the number of NPOs that measured client outcomes.

## Revenue Development

NPOs that received CCF services increased their capacity in several areas of revenue development. Specifically, significantly more program group organizations had written revenue development plans, hired grant writers to train staff, participated in development training, and increased their overall organizational focus on revenue development planning.

The CCF capacitybuilding services also increased the number of NPOs that applied for or received grants from any source in the prior 12 months. Organizations that had never applied for federal funding were more likely to have applied for and received federal funding as a result of CCF. While their total number of funding sources remained the same, program group NPOs were more likely to have obtained funding from new sources during the follow-up period, which indicates diversification of their funding sources.

There was no impact on the total number of grant applications submitted, pending, or approved, nor on total grant funds received.

## Leadership Development

The CCF program also impacted NPOs' leadership development capacity. In particular, their executive directors completed a greater number of leadership training sessions, and they increased their level of focus on providing leadership and job skill development opportunities for staff. In the area of board

development, CCF services increased the percentage of NPOs that sent board members to training about their roles and responsibilities, and strengthened the overall focus of the organizations on improving board performance. There was no impact on the number of organizations whose directors or staff met regularly with a mentor.

## Community Engagement

Within this domain, CCF services increased the percentage of NPOs engaged in partnerships in their communities (especially with businesses and schools). There was also a significant increase in the percentage of NPOs that used both paid and unpaid advertisements to expand awareness of their organizations among potential partners and funders. There was no impact on the use of websites, written materials, or presentations to expand awareness of potential partners and funders, nor on efforts to expand awareness in the general community.

## Subgroup Differences

To determine whether the services work better for some types of NPOs than others, outcomes for five sub-groups were analyzed. Five sub-groups were created based on: 1) organization type: faith-based or secular organization; 2) age of the organization; 3) size (based on annual expenditures); 4) pay status of the Executive Director; and 5) whether the intermediary had prior CCF grant experience.

Very few differences in outcomes between faith-based and secular organizations across the five domains of organizational capacity were found. These results suggest that the range and types of services provided through CCF intermediary grantees are relevant and useful to both types of organizations. Similarly, there were no differences in the effect of the services based on organization age or prior experience of the intermediary.

There were differences on some measures based on the size of the organization and those with paid and unpaid executive directors. However, there was not a consistent pattern of findings to suggest that one type of organization should be the target of capacity building services similar to those provided through the CCF Demonstration Program.

## Conclusion and Recommendations for Further Study

The CCF Demonstration Program Impact Evaluation provides rigorous evidence that the organizational capacity building services provided by the 2006 CCF intermediary grantees produced many significant gains across all five areas of capacity—organizational development, program development, revenue development, leadership development, and community engagement—among the non-profits they served beyond what would otherwise have been achieved. Moreover, the Impact Evaluation confirms most of the earlier findings from the CCF outcome and retrospective studies.

This study represents a critical advance in the evidence base of an emerging area of research: the effectiveness of non-profit capacity building. The findings also raise additional questions for future research.

### What is the relative effectiveness of different types of capacity building assistance?

While the Impact Evaluation found positive impacts on organizational capacity, the study was not designed to provide insights about which elements of capacity building assistance or combinations of elements contributed to the impacts. Knowing more about the types of assistance that were effective could help funders and others to develop more effective capacity building programs for non-profits. Future research might focus on whether the impact is attributable to the cumulative receipt of training, technical assistance, and financial assistance, or whether one or two of these account for the majority of the effects. Studies that randomly assign NPOs to different models of assistance would be one way to answer this question and contribute important information on the parameters and requirements of capacity building programs.

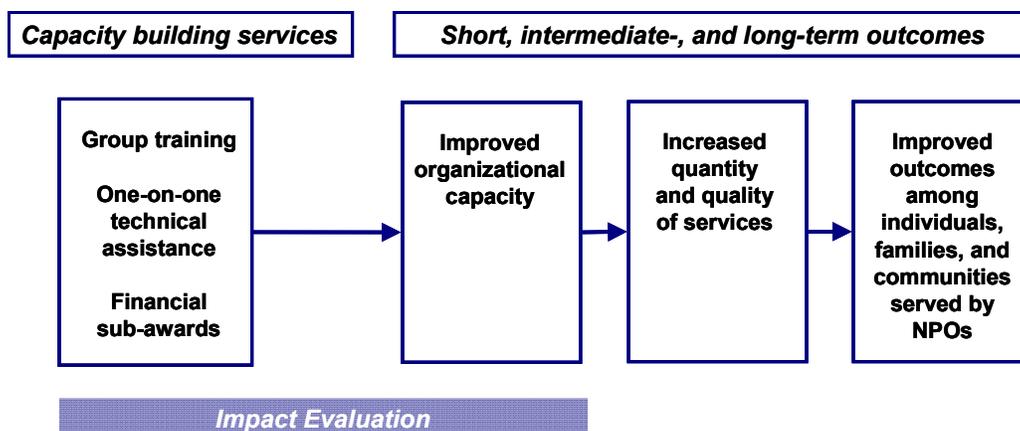
### What are the intermediate and long-term effects of capacity building assistance on organizational capacity?

The Impact Evaluation was designed to assess short-term (within 15 months) outcomes anticipated as a result of capacity building efforts. While some improvements were reported within the 15-month follow-up period, greater gains across more areas of capacity may be found at later points in time. Follow-up surveys and qualitative interviews with the same organizations in these studies two to four years after receiving CCF services could advance our understanding of how organizational change occurs—for instance, the timing of different outcomes and whether gains achieved early are sustainable over time.

### What are the long-term effects of capacity building on service delivery and client outcomes?

The general theory of change underlying the CCF capacity building strategy (see Figure 1 below) assumes that increased organizational capacity results in more effective service provision, thereby improving clients' outcomes. The CCF Impact Evaluation documents the changes that occur in the first step along this theory of change — short term organizational capacity outcomes. Longer-term random assignment studies of programs with shared goals serving similar target populations could begin to investigate the outcomes further down the chain—improved quality of services and client outcomes—thereby addressing the ultimate goals of investments in capacity building.

Figure 1. General Theory of Change for the Compassion Capital Fund



## Are the CCF Evaluation Findings Generalizable?

Experimental designs often are susceptible to threats to external validity—that is, the extent to which results are representative of other types of organizations, in other community contexts, and other time periods. For example, the 454 NPOs that applied for capacity building assistance from the ten CCF intermediary grantees funded in 2006 are likely not representative of all NPOs in the United States, or non-governmental organizations in other countries. One way to address external validity concerns is to replicate the study in different contexts—with different types of organizations in different places and at different times. Additional evaluations are needed to increase confidence in the effectiveness of capacity building assistance across a broader range of contexts.

Nonetheless, the methodological rigor of the Impact Evaluation demonstrates that the capacity building efforts of experienced intermediary organizations can improve the planning, management and governance structures of grassroots organizations. With these capacities in place, NPOs may ultimately increase their sustainability and effectiveness, and thereby better meet the needs of their neighborhoods and communities.

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