

# Relational Capacity: A New Approach to Capacity Building in Philanthropy

By Chris Cardona, Julie Simpson and Jared Raynor

“What you see is what you get.” This phrase is often used to describe a person who is very straightforward, but it can have another meaning – what you are able to see, what you choose to notice, affects what you can accomplish.

As consultants at TCC Group, where we work with funders of all types to provide strategy, capacity building and evaluation services, we often see this second meaning at work. The way a funder defines a problem, a field, an issue or a set of stakeholders can have a powerful effect on the impact it can achieve. And while situations vary, there are better and worse ways of seeing.

Consider the term “capacity building.” In the social sector, it has been lifted up as a panacea and mocked as a placebo. But the discussion often fails to make a fundamental distinction between capacity (skills, knowledge and relationships) and capacity building (the process of cultivating those skills, knowledge and relationships). As a result, people focus on the processes and logistics of capacity building (the how) without identifying clearly what capacities need to be built and who needs to build them.

In a new paper, “Capacity Building 3.0: How to Strengthen the Social Ecosystem,” we and our TCC Group colleagues map the evolution of capacity building over the last few decades, arguing that in today’s environment, all the actors in the social ecosystem must pay attention to both their own capacity and the capacity of other stakehold-

ers in the system – including funders. In an ecosystem context, capacity means not just skills and knowledge but also relationships. And effective relationships start with a clear sense of who’s playing what role.

Today’s environment requires significant adaptive capacity: the ability to learn from the environment and use that

information to update one’s strategies. It also requires relational capacity: the ability to understand your ecosystem and to structure yourself to be adaptive as it evolves. Relational capacity begins with the vision to see one’s organization amidst the other organizations, actors and systems to which it relates. No longer is it enough to design strategies and build capacity as far as the walls of one’s own organization. Today’s complex, multidimensional challenges require more effective collaboration within and across sectors.

This is especially true for funders seeking to build the capacity of non-profit organizations. Too often, when funders consider capacity building, they focus on the capacity of grantee organizations. On the surface, this is laudable. But it does a disservice to the funders themselves, and their grantees. The trouble starts with seeing the relationship as one-way – funders helping nonprofits build their capacity. This limited vision doesn’t allow the funders to identify and build their own capacity as partners, conveners, advocates, brokers, network weavers and influencers. If they allow themselves to be defined as just “the bank,” funders won’t be able to see what capacities they themselves need to build, or how they can play a constructive role in relation to nonprofits and other actors, such as government bodies and companies. What’s needed is a shift from best-intentioned, yet incomplete, diagnostics of nonprofits, to multidirectional capacity analysis and knowledge exchange for mutual benefit.

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## New and Renewing Members

Alliance for Justice

Barr Foundation

Blue Shield of California Foundation

Edward W. Hazen Foundation

Foundation for Child Development

Forsyth County Public Library

Fund Good Jobs

George Gund Foundation

Hill-Snowdon Foundation

Hunt Alternatives Fund

Incourage Community Foundation

Keith and Judy Swayne Family  
Foundation

Mary Reynolds Babcock Foundation

Max M. and Marjorie S. Fisher  
Foundation

Neighborhood Funders Group

Nellie Mae Education Foundation

New Mexico Environmental  
Law Center

William Caspar Graustein  
Memorial Fund

Metropolitan Economic Development  
Association (MEDA)

Meyer Foundation

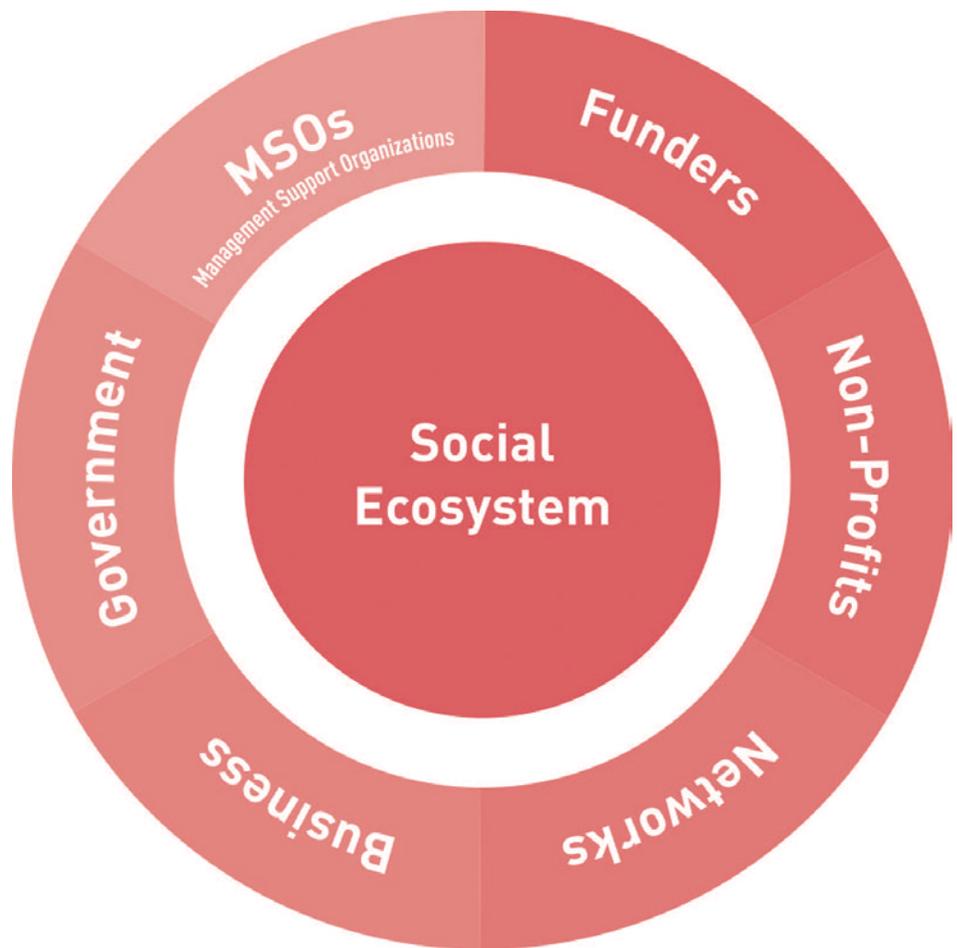
Public Welfare Foundation

Roadmap Consulting

San Francisco Foundation

Silicon Valley Community Foundation

Z. Smith Reynolds Foundation



*Capacity Building 3.0: Key Stakeholders. Image courtesy of TCC Group.*

So what can funders do to help facilitate this shift? Several things come to mind:

- **Cultivate the ability and will to examine funder capacity.** Funders should turn the capacity-building table on themselves and thoughtfully assess the types of capacity they need to be successful – not just program strategy, but what it takes to get there and execute that strategy. Input from other ecosystem actors can provide valuable insights as to where improvements can be made. Philanthropic peers, regional associations of grantmakers (RAGs) and/or alliances such as Grantmakers for Effective Organi-

zations (GEO), NCRP and Council on Foundations (COF) can often provide valuable insight into the types of capacity funders might need to enhance their impact. Perhaps even more importantly, grantees and other nonprofits can provide unique and valuable insights about the types of behaviors, skills and practices that funders can adopt (or should avoid) to advance the work of the broader system.

- **Understand the strategic fit of funders within their environment.** Chief among the capacities that funders should examine is their ability to understand their own

environment and intent within it. Effective capacity building begins with a clear understanding that all are operating within an ecosystem, and that the benefit of capacity building must be experienced on all sides. Funders need to appreciate their own role in the larger ecosystem. They need to be clear about their purpose, intent and success metrics, and where those overlap or don't with those of other ecosystem actors. Similarly, funders need to be clear about their position of power and role in influencing conversations about strategy and impact. This includes examining the sometimes mystical due diligence process, and working with their own board members to help them understand and accept interdependence with grantees.

- **Commit to strategic sharing of information to build ecosystem capacity.** One result of almost any capacity-building effort is greater knowledge, revealing capacity strengths and needs or clarifying the relationships among actors. Too often, this knowledge is not recognized, captured or shared among the various actors that are intertwined by virtue of their intersecting goals. Funders should hold themselves responsible for sharing this knowledge with all the actors in the ecosystem. For example, funders are uniquely positioned to learn from multiple interventions: What have we learned about the capacities necessary to fund and advocate effectively for juvenile justice, led by those directly affected, while building the capacity of movement leaders? What have we learned about the capacities needed to help facilitate multiracial coalitions for climate justice?

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- **Deliberately give nonprofits the space to assess their capacity needs.** The funder first needs to provide an opportunity for grantees to learn more about for what they really need capacity. "Capacity for what?" is question number one. For sustainability? For better program delivery?

For increased community responsiveness? For greater adaptability? To weather a leadership transition? To build social capital? The list goes on. While it is ultimately the nonprofit's job to explore these questions, it is also the funders' job to see the need for such questions and help ecosystem actors to address them.

- **Commit the resources to institutionalize capacity, not just build skills.** In addition to investing in the nonprofit sector's ability to figure out "capacity for what," funders should hold themselves accountable for providing resources within the expectations they clearly establish. This means understanding that institutional capacity development takes time and requires more substantial shifts in organizations than just adding technical skills. For example, "sustainability" requires more than fundraising prowess – it requires reputation, leadership, vision, effective resource management, etc. In cases where different ecosystem actors play distinct roles, it can take time to figure out how to integrate strategies, build relationships of trust and share diverse resources.
- **Be a committed partner in bridging impact and capacity conversations.** The key characteristic here is relationships that are built around iterative learning. No one owns the answers going in, and through a back and forth, sometimes mediated by a consultant, sometimes directly, the ecosystem actors arrive at a common understanding of what capacities are most important to build. There is really no way to know upfront what nonprofits need in relation to other stakeholders, and how to have increased impact, without engaging more relationally

over time. The funder engages in a relationship of mutual understanding and offers support in a respectful way, becoming part of the learning process, marrying its desired impact and metrics of success with the thoughtful analysis of nonprofits regarding their own mission and capacity needs.

Let us cite one experience in which TCC was able to work with a funder to help craft individualized capacity-building initiatives to benefit a community as a whole, and thus every player in the ecosystem. Most of the nonprofits working with a health funder in Texas had an advocacy focus or sought to influence health policy or change public

perceptions on health. Understanding the collective aspirations of the nonprofit health sector in the region helped the funder design a capacity-building initiative to identify the organizations most ready to receive targeted support for using local resources. We then were able to work with the various stakeholders to design a process that leveraged everyone's strengths, needs and learning objectives. It's impossible to predict where this kind of exploration will lead the group, but it will be a shared destination and likely lead to long-term impact.

What our six recommendations have in common is that they are grounded in a different vision of the relationship between funders and nonprofits, one that is more collaborative, mutual and iterative. "What you see is what you get" – to get a deeper form of capacity building, funders should start by striving to see their role and capacity needs through a broader ecosystem lens, choosing to notice how they can mutually improve the capacity of all within that ecosystem.

These are just some of the ideas TCC Group takes on in "Capacity Building 3.0."<sup>1</sup> We invite others to contribute to the conversation. Write us at [cb3.0@tccgrp.com](mailto:cb3.0@tccgrp.com) or tweet @TCCGROUP with the hashtag #cb3point0. ■

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## Notes

1. Jared Raynor with Chris Cardona, Thomas Knowlton, Richard Mittenthal, and Julie Simpson, *Capacity Building 3.0: How to Strengthen the Social Ecosystem* (TCC Group, 2014), [http://www.tccgrp.com/pubs/capacity\\_building\\_3.php](http://www.tccgrp.com/pubs/capacity_building_3.php).

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**IMPACT**

A W A R D S

SAVE THE DATE

**TUESDAY, MAY 19, 2015**

DURING THE

**CENTER FOR EFFECTIVE PHILANTHROPY'S CONFERENCE IN SAN FRANCISCO**

The graphic features a dark background with a pattern of white stars and light trails. The text is primarily in white and red. The word 'IMPACT' is the largest and most prominent, with two small human silhouettes integrated into the letters 'I' and 'M'. Below it, 'AWARDS' is written in a smaller font. The event details are at the bottom in a bold, sans-serif font.