

Nonprofit Capacity-Building: Challenges, Opportunities, and Collaborations

Insights from Focus Groups at
the August Learning Collaboratives

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Introduction

Nonprofits are the backbone of social change and community support, yet many face significant challenges in building and sustaining the internal capacity needed to thrive. In response to nearly 300 applications submitted for its recent capacity-building request for proposals (RFP), Sunflower Foundation awarded 65 grants. Recognizing the overwhelming interest and demand, Sunflower Foundation partnered with Patterson Family Foundation to host two Capacity Building Learning Collaboratives, open to all RFP respondents, on August 20-21 and 22-23, 2024 at the Sunflower Nonprofit Center. These Learning Collaboratives provided educational sessions, networking opportunities, and the chance to learn from fellow nonprofit leaders.

Sunflower Foundation engaged the Midwest Center for Nonprofit Leadership (MCNL) to conduct four focus groups during each of the Learning Collaborative sessions. The focus groups explored the following topics:

- Capacity-building challenges facing nonprofits (beyond funding)
- Barriers to nonprofit collaboration
- Opportunities for funders to support nonprofit capacity-building (beyond grantmaking)
- Opportunities for funders to encourage collaboration among nonprofits

This report synthesizes the findings from the eight focus groups conducted by MCNL about these topics, with an emphasis on actionable insights. The focus groups were conducted with the foundational understanding that general operating support and multi-year grants are the types of funding most nonprofit leaders would like to see more of to allow organizations the flexibility to focus on long-term planning and capacity-building rather than constantly chasing short-term project-based funding. However, the intention of the focus group discussions was to get beyond the funds and understand how they could be put to use. Also included are reflections participants shared about their experience at the Learning Collaboratives.

Capacity-Building Challenges Facing Nonprofits (Beyond Funding)

Nonprofit organizations operate in an increasingly complex environment, with growing demands for services and limited resources to meet these needs. While funding remains a critical element of nonprofit sustainability, the capacity to manage, grow, and innovate within these organizations is equally vital.

“Nonprofit work is invisible, emotional labor, labor of caring and caretaking, long overlooked, unseen, unimportant. Many grants are for things that go on a plaque. We need to recognize the real value of the emotional and caretaking labor. It is valuable.”

Nonprofit Business Education & Capacity for Growth

Some focus group participants noted that they feel they are just doing the work, and they do not have time or energy to reflect, assess, and adjust or innovate.

*“Having the luxury to figure it out, to innovate, to think.
We are always doing with no time to think how to be better, more efficient.”*

Nonprofits also face several educational challenges, including a need for training on the basics of what a nonprofit is and how it operates, as well as identifying reliable sources for this knowledge.

Many lack expertise to manage and grow a business. Participants noted that existing “hotline” opportunities to access business experts, such as Catchafire, are great in theory, but in practice take a lot of time to get each new expert up to speed on the organization or project.

Some organizations struggle with “founders’ syndrome” presenting an obstacle to growth or adapting to evolving needs in the community.

Other organizations grapple with determining when it might be time to “sunset” or close programs due to emotional attachments, fear of donor backlash, or concerns about admitting failure. Funders often push for new programs, resulting in mission drift and starving existing initiatives as nonprofits “chase” the funds. Nonprofits also fear upsetting donors when discussing potential changes to existing programs, as there is pressure to maintain every program they start.

Smaller nonprofits, in particular, struggle with the complex requirements of government funding. The administrative burden of managing these funds can be overwhelming, especially without adequate staffing or expertise.

Culture and Staff Retention

One of the most pressing capacity challenges for nonprofits is staffing. Many organizations operate with minimal staff, which limits their ability to deliver services, engage with the community, and manage daily operations effectively.

Nonprofits face significant challenges in fostering a healthy organizational culture, including staff retention, lack of internal structures, and lack of succession planning.

Staff retention is a constant concern, and hiring, onboarding and training costs money. Many nonprofits lack the internal structures to support growing demands, leading staff to “wear all the hats” without adequate support. Overworked staff members can lead to burnout, decreased productivity, and ultimately, higher turnover rates. Many organizations struggle with burnout, particularly when filling positions without investing in team-building and professional development. Front-line roles are especially demanding and often low-paying, making motivation and retention difficult.

Leadership turnover and an aging leadership pipeline add to the staffing challenge, with questions arising about who will take on future roles. A common issue is how to bring teams together, recognizing that each member learns and contributes differently. This requires creating shared expectations and an appreciation for the diverse skills within the team.

Other staffing challenges noted by participants include:

- Transitioning from reliance on volunteers to paid staff,
- Balancing the freedom to foster a creative environment with the business infrastructure necessary for financial sustainability, and
- Shifting from an entrepreneurial-minded approach to standardized business practices.

Technology

Focus group participants noted that nonprofits often lack the necessary infrastructure, including updated technology and data management systems, which are crucial for efficient operation and service delivery. Several participants mentioned that they don't know what they don't know when it comes to technology, and they struggle to identify, implement, and maintain tools that could make them more productive.

Specific challenges in managing their technology infrastructure include operating with various disconnected systems and limited digital support. Many organizations piece together digital tools, resulting in fragmented processes and scattered data across platforms. Keeping technology updated and converting paper forms to digital formats also poses ongoing financial and operational challenges.

Organizations also have challenges understanding how to optimize tools, including their website, to effectively engage donors and members. Additionally, nonprofits struggle with managing the large volumes of data they capture.

This complexity is further compounded by a lack of training and funding for software, such as Google Business Suite, Microsoft Suite, email marketing tools, and specialized software for tracking addresses and in-kind donations.

Barriers to Nonprofit Collaboration

Nonprofit organizations face several significant barriers when it comes to collaboration, which can limit their ability to work together effectively.

Lack of Connections

One significant barrier to nonprofit collaboration is a lack of awareness about other organizations and potential partners. Participants expressed that while they recognize that service delivery often targets a single area of focus, even though recipients face systemic issues that require a more holistic approach, lack of connections can make it difficult to identify who they could collaborate with to serve the community more effectively.

Funding

Funders' emphasis on growth can also hinder collaboration, as some nonprofits prefer to solidify their core mission rather than expand. There is a need for funders to recognize mission drift and encourage opportunities for overlap and collaboration.

Complexity and Competition

Coalitions may struggle to convey the return on investment (ROI) to participants due to the added complexity they bring to already overworked nonprofit staff to work within the coalition while also managing their service delivery. Building community can also be challenging, as finite resources lead to competition and resentment, especially when public funding is distributed. This competitive mentality often causes outreach efforts around collaboration to be rebuffed.

Opportunities to Support Nonprofit Capacity-Building

Focus group participants highlighted several ways funders can support nonprofit capacity-building beyond simply providing grant funding, from access to shared services to supporting specific learning initiatives.

Provide Access to Experts and Shared Services

Funders could enhance nonprofit capacity by providing access to a range of experts, including business consultants who offer services such as strategic planning, growth, and franchising advice and legal and accounting experts to provide "tune-ups" to ensure compliance, financial readiness for growth, and proper training for staff. Providing access to external evaluators could strengthen an organization's theory of change, logic models, and long-term evaluation plans. Access to auditing support is also crucial, though often expensive and difficult to find.

Additional support could come through connections to specialized services, such as team of HR experts to assist with basic HR issues as well as organizational development. One participant noted that the Kansas Health Foundation provides access to HR services for their grantees.

Providing access to shared services or support staff for non-direct service tasks, such as administrative services (phone answering and data entry) and professional services (bookkeeping, accounting, payroll, and database management), could significantly reduce costs and increase efficiency. This would allow nonprofits to focus more resources on their core programs. Centralizing administrative tasks with external providers could help align employees with their strengths—for example, allowing therapists to focus on therapy rather than data entry—thus ensuring that the right people are equipped with the right skills and support to meet community needs effectively.

Funders could also enhance nonprofit capacity by facilitating access to a volunteer network, offering stipends and incentives to increase volunteer engagement. Other potential shared services include program evaluation and data management support,

helping nonprofits build their data ecosystems, implement tracking systems, and train staff in data analysis and reporting. Marketing support, particularly in rebranding efforts, developing template materials, and creating outreach strategies for rural communities, would help increase awareness of available services.

Like any other business, nonprofits require consistent digital support and technology training. Funding for technology tools, software, and maintenance would help staff become proficient in essential systems, streamline operations, and better manage data, ultimately improving both internal efficiency and service delivery.

Facilitate Nonprofit-Specific Training

Building awareness of and providing access to nonprofit-specific education, such as training in grant writing, financial management, data wrangling, or strategic planning, could enhance a nonprofit's capacity to operate effectively and sustainably.

One participant suggested that new nonprofit leaders could benefit from resources like a "welcome packet," which could include distilled learnings and templates from other organizations to help them get up to speed more quickly.

Team-building and community-building within the workplace are essential to create a sense of value and commitment. Funders could provide staff development services, including leadership training at all levels, empowerment programs to help staff see their worth, and support for organizations to create paths for career growth.

Board development training was another key need highlighted by participants. This could include facilitated board retreats focused on team-building, educating board members on governance best practices, attracting and onboarding new members, and clarifying roles, duties, and expectations. Training could also cover topics such as motivating and mobilizing the board for greater engagement and effectiveness, establishing and updating bylaws, and addressing sensitive issues like transitioning founders off the board when appropriate.

Expand Leadership Development & Access to Mentoring/Coaching

Investing in leadership development is critical for building strong, sustainable nonprofits. Funders can support programs that develop the skills of nonprofit leaders, ensuring they are equipped to manage challenges and drive their organizations forward. Providing awareness and access to leadership programs can equip new supervisors with the necessary skills.

"To look ahead, we need to get away from the day to day."

Another opportunity that was identified within the focus groups was to establish mentoring or coaching programs.

Participants noted that these programs can vary in structure, from short-term—such as a series of six hour-long sessions aimed at helping nonprofits sort through specific issues—to more extended programs—such as six-month engagements to help nonprofit leaders

build capacity through a structured process that holds them accountable for their growth and development.

By providing access to experienced mentors or coaches, funders could help nonprofits identify challenges, develop strategies, and build capacity for sustained success. This could also encourage a culture where leaders think differently, giving leaders "permission to slow down" and invest in their well-being.

Focus group participants noted that they had benefited from programs offered by the Community Engagement Institute or the Kansas Leadership Center.

Support Transition Planning and Sunsetting Programs

Another potential area of support is in transition planning support. Encouraging nonprofits to regularly review and refine their services will enhance efficiency and ensure better utilization of grant funding. Funders can play a crucial role in prompting important conversations about transitions by offering fresh, unbiased perspectives and showcasing examples of organizations that have successfully navigated similar changes. Additionally, funders can provide resources and encouragement for documentation of key systems, protocols, and position descriptions to ensure knowledge transfer and organizational continuity. This is applicable at all levels, particularly in small-staff organizations. Finally, funders can provide explicit permission and support for sunsetting programs when they have fulfilled their purpose, helping nonprofits make strategic decisions about their offerings.

Communicate Funding Decisions

Participants emphasized the need for better communication between funders and nonprofits to avoid wasting time and resources. A frustration some expressed was the lack of feedback when they were not awarded funding. Nonprofits suggest the use of a rubric or scorecard to help them understand the decision-making process. They are eager to learn from this feedback to improve their application writing skills and ensure they are applying to the most appropriate opportunities.

Promote Shared Funding Opportunities

Participants also suggested that funders could streamline the work for nonprofits by exploring partnerships at the funder level, identifying overlap in grant applications, and promoting shared funding opportunities.

Opportunities to Support Nonprofit Collaboration

Opportunities for funders to foster nonprofit collaboration include acting as conveners, facilitating partnerships, and promoting joint initiatives that strengthen collective impact across the sector.

Identify Overlap and Make Connections

Funders can play a key role in fostering collaboration among nonprofits by identifying and convening potential partners, including conducting landscape analyses and sharing local and regional information to connect organizations with similar missions.

“Reach out to us and facilitate introductions to other organizations.”

Many nonprofits lack the capacity to research potential partners or arrange meetings, so funders could “connect the dots” on their behalf, actively reaching out and introducing organizations doing similar work to one another. By supporting and organizing networking events among grantees or applicants with similar missions, structures, or interest areas, funders could bring together organizations facing similar challenges and opportunities, fostering an environment where nonprofits can learn from each other. Funders could also offer recommendations to decrease service overlap and streamline efforts to better serve constituents.

“Bring like organizations together with similar challenges and opportunities so we can learn from each other.”

One idea from the focus group participants was to segment future learning collaboratives and tailor them to specific groups, such as by type (e.g. membership-based or volunteer-led), geographic focus (including urban versus rural), or by staff size.

Support Collective Impact Exploration

Funders can also promote collaboration by providing financial support for collective impact initiatives and facilitators to guide collaborative efforts. This includes offering incentives for sharing information, forming Memorandums of Understanding (MOUs), and creating intentional collaboration plans, as well as recognizing and valuing the time and effort it takes to build partnerships and overcome competitive mentalities to work more effectively for the communities they serve. Focus group participants mentioned the Network for Change model.

Supporting coalitions by providing financial and organizational resources—such as regular meetings, data sharing, and community engagement—can help nonprofits work more effectively together. In some cases, community foundations facilitate this process, creating a single, centralized resource to aid in coordination and reduce service duplication, though some participants noted that can confuse service recipients and foster competition for funding. One participant suggested Unite Kansas was a potential model, though other participants noted that they were not aware of it. Another focus group discussion considered the idea of funders acting as or working with intermediaries to access, distribute, and report on federal funding that smaller organizations would not be able to access on their own.

Reflections on the Learning Collaboratives

Overall, the focus group participants felt connected to each other and appreciated the investment Sunflower Foundation made in them via the Learning Collaboratives. They highlighted several benefits, emphasizing the value of having a supportive space that took them out of their typical work environments, allowing nonprofit professionals to "refill their cups."

The collaborative environment also provided invaluable education, especially for those new to the nonprofit sector or lacking a business background. Participants appreciated the "come as you are" approach, offering flexibility and honesty in discussions, while also valuing the relationship between attendance and grant reporting. The overall experience was seen as highly valuable, with opportunities to take learnings back to others in their organizations.

Recording all breakout sessions was identified as an opportunity, as it would allow participants to access various topics like board development and social media management as their organizations evolve. And a few participants from volunteer-run or small-staffed organizations found the content about delegation unrelatable.

Participants expressed a desire to use the gatherings to build stronger relationships, indicating that facilitated connections could be a desirable component of future gatherings. A related suggestion was to include short descriptions of each participating organization (along with their contact information) to help participants who aren't familiar with all the different organizations to identify potential partners or resources.