Building Analytical and Adaptive Capacity:

Lessons from Northern and Southern NGOs

Prepared to be presented at the annual conference of
The Association for Research on Nonprofit Organizations and Voluntary Action (ARNOVA)
Denver, Colorado on November 20-22, 2003

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Acknowledgments: I would like to thank Rachel Christensen and Erin Milfeit for their assistance in collecting documents for this paper.

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Capacity building efforts in nonprofit or nongovernmental organizations (NGOs) are assumed to lead to improvements in organizational effectiveness. Donors, including private foundations and bilateral aid agencies, have increasingly funded NGOs to improve their capacities in various arenas, ranging from strategic planning and financial management to technology transfer and performance assessment. Despite the assumed benefits of capacity building programs, there is a growing concern that such assistance "often does not lead to lasting organizational improvement, and can even cause organizations harm" (Blumenthal, 2001: 1) or that sometimes "the wrong capacities may be enhanced, or the capacities of the wrong people may be strengthened," especially in turbulent environments such as in contexts of violent conflict in which development organizations provide relief services (Smillie, 2001: 7)

A key purpose of this paper is to take a look at some of the assumptions of capacity building in order to generate a more realistic perspective on its possible effects and uses. What kinds of capacity building activities are most commonly undertaken by NGOs and supported by donors or funders? What impacts do they have on organizational effectiveness, especially with respect to mission achievement?

I begin with a brief overview of capacity building that includes a concise definition and a discussion of two frameworks for thinking about this topic. This summary draws both from the literature on development NGOs engaged in poverty-alleviation activities in poorer regions of the world (the global "South"), as well as from studies among nonprofit organizations (NPOs) in the United States and other wealthier countries (the global "North"). Many of the missions and challenges faced by organizations in the South and North are remarkably similar despite their important differences in context.[1] Indeed, countries such as the United States have their own impoverished South (for example, rural communities in Appalachia, urban communities in inner cities, and migrant labor communities in the agricultural economy), while poorer nations such as India have their own North (as exemplified by growing consumption patterns of a sizeable upper middle class). There are also increasing examples of NGOs working with communities in both the North and South in order to bridge this perceived divide, particularly on interconnected issues of globalization and global inequity (Betancur & Gills, 2000; Gaventa, 2002; Hirsch, 1999). In examining capacity building efforts by organizations concerned with issues of poverty, it may be useful to think comparatively across experiences in different parts of the world. NPOs and donors in the global North can learn much from the experiences of NGOs and funders in the South. Surprisingly little such comparison has been undertaken to date.

A report on "Effective Capacity Building in Nonprofit Organizations" in the United States, prepared by the management consulting firm McKinsey and Company (2001: 13), notes that:

> There is precious little information about what works and what does not in building organizational capacity in nonprofits. This is largely due to the sector's historic inattention to capacity building, which has not been adequately supported by funders and has been of secondary importance to nonprofit managers trying to deliver programs and services to people who need them.

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[1] For simplicity, I use the acronyms NGO and NPO interchangeably throughout the paper.

While this observation may be true for the sector in the United States, it is not entirely true of the experiences among many NGOs and their funders in the global South. Fifty years of capacity building efforts in international development suggest that there are no quick fixes or conclusive managerial solutions to problems of capacity. For example, in a book on capacity building in humanitarian crises, Ian Smillie (2001: 16-17) tracks changes in thinking about capacity building (sometimes called capacity development) in international development:

> After almost half a century of conceptual refinement and considerable shortcomings in practice, capacity development has moved beyond simple ideas of organizations and human resource development . . . .
>
> The problem, of course, is not so much the intention to reinforce or create strengths [in organizations or communities], but whether in fact strengths actually result from the effort. . . . [W]hat is intended is not always what happens. Knowing what to do and what not to do becomes, therefore, the critical issue.

This paper brings together perspectives on capacity building from both the North and South. After introducing some typologies and frameworks provided in these literatures, the paper moves on to examine linkages between capacity building and organizational effectiveness. A key finding which emerges here is that the providers of capacity building (e.g., donors or consultants) often misunderstand the capacity needs of their grantees, potentially leading to unsuitable or inadequate efforts. This suggests that donors themselves may bear some of the responsibility for the capacity failures of their grantees. More importantly, it suggests a need, on the part capacity builders, to enhance their own capacities for understanding grantee needs and contexts. In the final section of the paper, I look more closely at efforts to improve the "analytical" or "adaptive" capacities of nonprofits as well as donors, and draw some policy lessons for both sets of actors.

Definitions and Frameworks

In the literature on nonprofit organizations in the United States, *capacity* is often defined as "the ability of nonprofit organizations to fulfill their missions in an effective manner" (McPhee & Bare, 2001: 1) or as "a set of attributes that help or enable an organization to fulfill its missions" (Eisinger, 2002: 117) *Capacity building*, as such, involves "strengthening nonprofits so they can achieve their mission," and typically involves two key steps: 1) an assessment of organizational needs and assets; and, 2) an intervention, often in the form of management consultation, training, or technical assistance, usually coupled with some form of financial support to the NPO (Backer, 2001: 31-33). Capacity building may thus be seen as integrated with organizational effectiveness, where effectiveness refers to mission achievement.

In disaggregating this broad concept, scholars and practitioners alike have developed frameworks for thinking about how to identify and build capacity in organizations. Two such frameworks are discussed here. The first, shown in Table 1, draws from the work of scholars at the Urban Institute's Center on Nonprofits and Philanthropy (De Vita, Fleming, & Twombly, 2001: 17). The other, shown in Figure 1, was created by the management consulting firm McKinsey and Company. It was prepared at the request of Venture Philanthropy Partners, an organization founded by a group of businesspersons seeking to invest in social change.

The Urban Institute's framework identifies five "components," common to all organizations, that can be targeted for capacity building. Each of these components is summarized in Table 1, along with examples of the types of capacity building efforts typically undertaken within it.

Table 1: Urban Institute's Framework for Nonprofit Capacity Building

Organizational Component	**Significance**	**Capacity Building Efforts**
Vision and Mission	Provides guiding principles which shape the resources attracted to an organization (e.g., funding from donors or recruitment of staff who concur with that mission), while also providing a basis for evaluating effectiveness.	Developing or periodically revising mission, and linking it to more measurable outcomes of products or services.
Leadership	Leaders, at every level of an organization (board, staff, volunteers) are required to provide direction in the context of internal and external constraints, and to set the tone for decisions, actions, and public reputation.	Enhancing existing leadership and developing new leadership (e.g., creating a board development strategy, providing training to staff and volunteers in team building, reviewing and updating operations to reflect changing environmental conditions).
Resources	Various kinds of resources — financial, technological, and human — are crucial to organizational functioning.	Traditionally focused on resource quantity by providing training on fundraising, computer technologies, and recruitment, but they have recently also considered resource quality such as upgrading staff skills, identifying the most useful technologies, and more carefully tracking finances for accountability purposes.
Outreach	Dissemination, marketing, public education and relations, advocacy, building alliances and collaboration, are necessary for building a base of support.	A frequently overlooked component, although there is growing recognition of its importance for building networks and reducing organizational isolation.
Products & Services	Monitoring the actual outputs of an organization, and its longer term outcomes, is necessary for assessing organizational effectiveness.	Development of indicators and outcome measures, many of which are quantifiable.

Source: Adapted from De Vita, Fleming and Twombly (2001: 16-23)

The authors of the framework offer a couple of general observations about these five components. First, they emphasize the importance of considering each component in relation to the others. For example, vision and mission are communicated by leaders and are ultimately operationalized through products and services. Similarly, while resources are the building blocks for delivering services, they can be acquired more successfully through a coherent vision disseminated through a deliberate outreach effort. Second, the preparatory steps for identifying which capacities to build in an organization are almost as crucial as the capacity building activity itself. These preparatory steps include identification of community needs and assets, mapping of NPOs in a community so as to identify potential gaps in service or mismatches between needs and local resources, and identification of a support infrastructure than can be used to build nonprofit capacity (such as regional nonprofit associations, management support organizations, or partnering opportunities with public and private sector entities). Only once these preparations have been undertaken, do the authors recommend selecting strategies for training, technical assistance, or networking. In this sense, their advice is similar to Smillie's emphatic claim that "knowing what to do and what not to do" is the critical issue.

Another framework is provided in a report by McKinsey and Company, as developed from a review of 13 relatively large NPOs in the United States, ranging from The Nature Conservancy at one end of the spectrum ($780 million in revenues, 3,000 employees) to a school improvement organization called Powerful Schools ($700, 000 budget, 14 staff). At the time of the study, each of the case organizations had completed, or was in the process of finishing, a "substantial" capacity building exercise (McKinsey & Company, 2001: 14). From these cases, McKinsey's team developed a capacity framework and "capacity assessment grid" as a tool for measuring an organization's capacity level. The definitional framework, depicted in Figure 1, is somewhat similar in terms of its components to that developed by the Urban Institute.

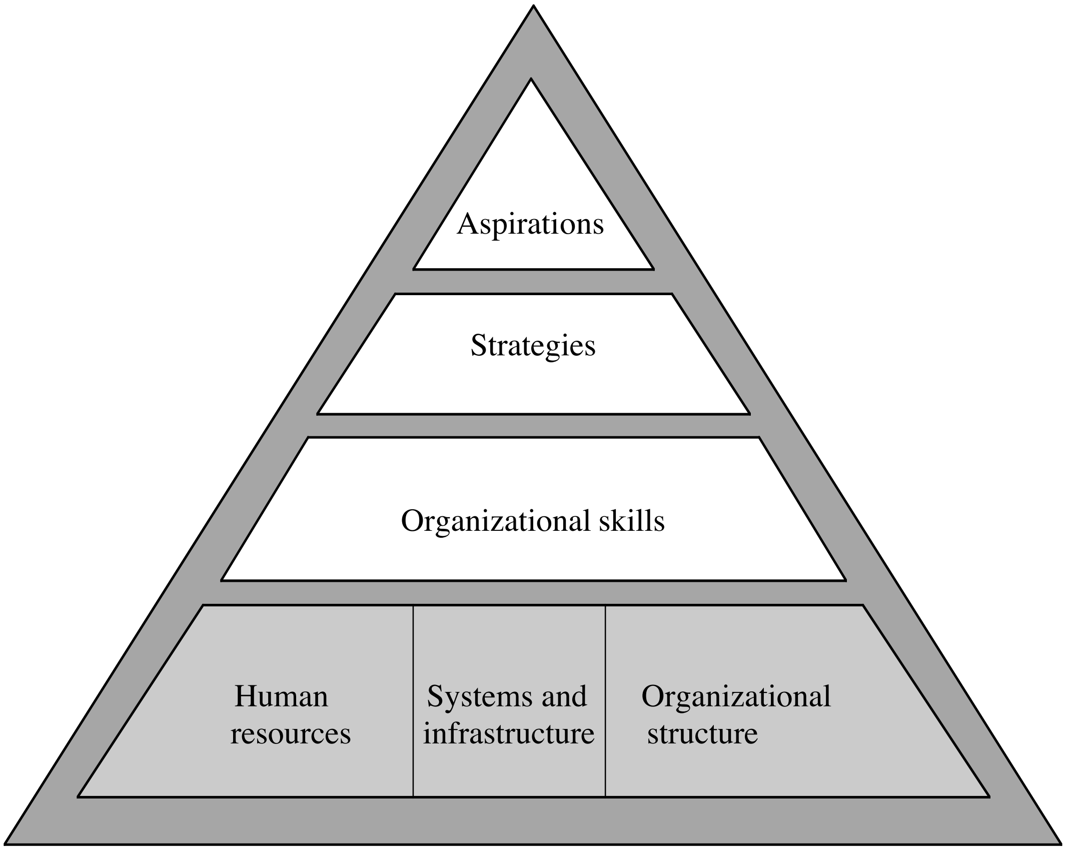

Figure 1: McKinsey & Company's Capacity Framework

Where the McKinsey framework differs from that of the Urban Institute is in its set-up a hierarchical structure among different components (what it calls "elements"). The hierarchy is a standard one in management models of rational decision making — *aspirations* or vision articulate a common sense of purpose; this is followed by a *strategy* or a coherent set of programs; and finally, a set of collective *organizational skills* or capabilities make implementation of the strategy possible. At the bottom of the pyramid are the foundational building blocks or resources of the organization: its human resources, decision making systems and physical/technological assets, as well as its management structure. All six of these elements are depicted as being embedded in a "culture," defined in the limited sense of a "connective tissue that binds together the organization, including shared values and practices, and most important, the organization's orientation towards performance" (McKinsey & Company, 2001: 33-34).

Although this hierarchical representation of organizational elements is not new, it succeeds in providing three crucial insights on capacity building. First, the authors note that while "many nonprofits tend to think capacity building is limited to 'technical assistance' or improving effectiveness of functions at the bottom of the pyramid," their case studies suggest that "the greatest gains in social impact came when organizations engaged in capacity building efforts that were aligned within the pyramid" (McKinsey & Company, 2001: 34). As an example, they cite the case of a Washington D.C. nonprofit known as the Samaritan Inns, which provides temporary housing and rehabilitation services to homeless and drug-addicted individuals who have completed rehabilitation programs at city hospitals. In 1996, however, the D.C. government cut funding to these rehabilitation programs, effectively drying up the client stream of Samaritan Inns. In responding to this crisis, the nonprofit did not simply try to draw clients from other rehab programs. Instead, Samaritan Inns revisited its own aspirations and strategies, and eventually decided to offer its own rehabilitation programs. The organization reasoned that this insourcing would permit a much greater degree of control across the entire process of treatment, from diagnosis to rehabilitation to independent living. The crucial point, for capacity building purposes, is that the organization was able to align its vision and strategy with actual human resource and systems skills needed for enhancing its programs. Admittedly, this sort of effort is rare in the nonprofit (and for-profit) worlds.

The McKinsey consultants and Smillie both appear to agree that effective capacity building often requires a revisiting of aspirations and strategy, and that simple training programs can achieve little on their own. This leads to a second, and related, lesson — effective capacity building "is rarely confined to addressing only one of the elements in isolation" and that nonprofits "must also examine, analyze, and address ramifications that making changes will have on the other elements" (McKinsey & Company, 2001: 69). In order for such integration to occur, the authors argue that it is necessary that capacity building be driven by senior management. It is also important that managers be freed from some of their daily operational responsibilities in order to focus on bigger-picture issues.

Third, and perhaps most significantly, capacity building is a long-term process that requires patience. In the words of the management consultants:

> The last and most universal lesson is that the wise nonprofit manager takes a long-term view . . . . Almost everything about building capacity in nonprofits (and in for-profit companies) takes longer and is more complicated than one would expect. One reason is that organizations have traditionally underinvested in capacity, leaving them in need of

> improvement in virtually every area. The sad fact is that few recognize the extent of their predicament, a failing also common to capacity builders and donors. There are few quick fixes when it comes to building capacity, and in many cases it is unrealistic and often counterproductive for capacity builders to demand immediate results, reported quarterly. (McKinsey & Company, 2001: 72)

These key lessons, along with the conceptual framing of capacity offered by the McKinsey and Urban Institute studies, provide a starting point for thinking about capacity building in the nonprofit sector.

It is significant, however, that both perspectives focus on single organizations as the unit of analysis. This is an atomized view of capacity building, perhaps indicative of a lack of coherence in the nonprofit sector as a whole. A much broader perspective on capacity building is provided in the literature on NGOs in the global South. Table 2, taken from the work of Fowler (1997:188) demonstrates that capacity building can be targeted at three different levels: an organization, an institutional subsector, and broader civil society. This typology has significant strategic implications for donors interested in supporting capacity building. If a donor's aims include strengthening the capacity of the nonprofit sector to have a greater impact on problems of poverty, is this likely to be achieved with a focus on single organizations? How does a sectoral strategy differ from an organizational strategy? The table suggests that while capacity building efforts have tended to focus on the level of single organizations, it would make sense to consider their sectoral and societal implications and contexts in order to better understand and facilitate broader change. Smillie attributes the limited success of fifty years of capacity building in international development to its focus on the upper-left sector of the table (on means and single organizations). Arguably, many capacity building efforts among nonprofits in the United States and elsewhere retain in this emphasis today.

Table 2: Concepts of Capacity Building

Level of Intervention	**Means**	**Process**	**Ends**
Organization	Strengthens the organization's ability to perform specific functions	Builds coherence within internal operations; develops the possibility of continued learning and adaptation	Improves the organization's viability, sustainability, and impact in relation to its mission
Institutional sector or subsector	Strengthens ability of the sector or subsector to improve its overall impact	Develops mutually supporting relations and understandings within the sector	Achieves meaningful interaction with other sectors and social actors based on shared strategies and learning
Civil society	Improves abilities of primary stakeholders to identify and carry out activities to solve problems.	Enables and stimulates better interaction, communication, conflict resolution in society, enhancing social capital	Increases abilities of primary stakeholders to engage with and influence political and socioeconomic arenas.

Source: Adapted from Fowler (1997:188) and Smillie (2001: 11).

Drawing from Fowler's work on different levels of capacity building, Smillie (2001: 10) calls attention to yet another lesson — that specifying the *purpose* of capacity building is important for understanding its effectiveness. For example, capacity building is sometimes seen as a means to an end, such as in enhancing the capacity of an NGO in delivering a social service or emergency assistance. At other times, the end may be more important than the means, whether that involve getting relief to communities in a disaster or conflict (regardless of how or by whom this is achieved) or the building of an organization that can operate independently of outsiders. At other times, it is the process of capacity building that matters most, particularly if its builds social capital in the form of local networks and improved communication among actors. In other words "capacity building is considerably more complex than originally conceived in the training programs and technical assistance of the early development decades" and it "requires serious attention to target and purpose, as well as to considerations of process" (Smillie, 2001: 10).

A third lesson offered by the development NGO literature concerns the roles of external experts in building capacity. For over two decades, critical observers of capacity building noted the inherent weaknesses of development efforts designed and implemented by outsiders. Well respected development practitioner and scholars, such as Michael Edwards and Robert Chambers, have expressed skepticism about development activity arising from capacity building by experts. In their own words:

> The idea that development consists of a transfer of skills or information creates a role for the expert as the only person capable of mediating the transfer of these skills from one person or society to another. Herein lies the justification, if justification it is, for the 80,000 expatriate 'experts' at work south of the Sahara today. They are there to promote 'development', defined implicitly as a transfer of knowledge from 'developed' to 'underdeveloped' societies. Yet this 'expert' status is usually quite spurious. (Edwards, 1989: 118)
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> Providing [capacity through] specialist people-services necessarily implies that [outsiders] have the expertise which the people lack and must transmit it to the people. So the people 'to be developed' start out on an unequal footing. . . .the fairly strong human bias towards authoritarianism is legitimized and reinforced through the explicit authority of professional expertise" (Oxenham and Chambers as quoted in Lecomte 1986: 45 and Smillie 2001: 9)

Although such concerns about the limitations of external "expertise" are now fairly common in the capacity building literature on the global South, the expert model nonetheless dominates practice. Smillie admits that even for the case of well-established NGOs engaged in humanitarian relief work, capacity building "boils down too often to giving the intended beneficiary a training program" (2001: 17). Interestingly, the literature on nonprofit capacity building within the United States has not questioned the role of external expertise as extensively, although critical views are evident in postmodern writings on collaborative approaches to decision making in community development, urban planning, and grassroots ecosystem management (Healey, 1997; Sandercock, 1998; Weber, 2003). To be clear, none of these scholars argues for the elimination of expert or outsider knowledge, but rather for a role in which outsiders work as part of a broader array of assets and resources available to organizations or communities in developing their own visions and strategies.

A notable exception to the dominance of expert training is the "organizational development" (OD) approach (e.g., Argyris, 1993; Argyris & Schön, 1974; Blumenthal, 2001).

The OD approach uses external consultants to help clients develop an analysis of their own critical organizational challenges. While the consultant does provide some forms of training and expertise, it is based on an iterative approach to uncovering and solving problems (rather than a one-time report with recommendations), usually requiring a longer-term engagement. The consultant's challenge is to assess organizational readiness for change, and to work with it develop a strategy that is implementable rather than ideal.

A final and related lesson to be drawn from the experiences of capacity building in the global South concerns the centrality of context. There is a tendency among donors and capacity builders to reproduce or mechanistically "scale up" programs in multiple organizations or communities with only token regard for differences in material conditions, aspirations, and timing. As Smillie puts it, "builders must have good knowledge of 'buildees'" and that a misunderstanding of context can lead to the wrong capacities being built or the wrong people strengthened. He provides the grim example of NGO relief efforts in Somalia and Rwanda inadvertently strengthening the hands of militia groups. While such stark consequences are less likely in times of peace or in places of comparative economic prosperity, they nonetheless point to opportunities for abuse and waste arising from misguided preparation on the part of capacity builders.

In effect, these last two lessons — on the role of outside expertise and on the importance of context — provide a critical challenge to the oft-cited proverb "Give a man a fish, feed him for a day; teach a man to fish, feed him for a lifetime" for they bring into question the assumed capabilities and knowledge of outsiders, experts, and capacity builders. After all, is it not possible that people and their organizations might already possess some the capacities to be built (such as fishing), that they might have their own views on which capacities need to be strengthened, and how this might best be accomplished? Smillie and Todorovic (2001: 36) provide an example from Bosnia, where they observed that, two years after the Dayton Peace Accords, numerous capacity building programs were being offered by international NGOs. Local organizations complained that they had been through many sessions on preparing mission statements, project proposals, and reports, but that their real financial and political needs had been ignored. In other words, without attention to context and sensitivity to the limitations of external expertise, it is easy to overlook existing capabilities in an organization or community, to misidentify actual needs, and to build unnecessary capacities. In this sense, capacity builders and donors may be as responsible for failures in capacity as the organizations or sectors they seek to strengthen.

In summary, there appears to be broad agreement among scholars that capacity building efforts aim to strengthen nonprofits so they can achieve their missions. General understandings of capacity building have moved beyond "quick fix" technical training programs to more complex approaches attentive to the linkages between aspirations, strategies, and actual operations. Long-term observers of capacity building advocate greater attention to context, to the limitations of outsider expertise, and to the need for patience in creating organizational change. Experiences from the global South also suggest a need for thinking more broadly about capacity building across the nonprofit sector rather than only in single organizations.

The rhetoric, not surprisingly, is ahead of reality. In particular, there is still little knowledge on how to design capacity building programs to improve mission achievement. Are certain kinds of capacities more critical than others? All of the observers cited above point indirectly to one pivotal capacity need: *for nonprofits to improve their own analytical abilities.* Arguably, most of the lessons offered — about alignment of aspirations with operations, about the need for patience and a long term view, and about attention to context and the limitations of outsiders, and about thinking sectorally rather organizationally — are difficult to practice without some capacity to make sense of how mission, operations, and context all fit together. Analytical capacity is about more than strategic planning; it is about organizational learning. The remainder of this paper begins a process of identifying key components and interventions necessary for building analytical capacity. This is a challenge not only for nonprofit organizations, but also for their capacity builders and funders.

Experiences of Capacity Builders

In examining the challenges of building analytical capacity, it is instructive look at existing efforts by capacity builders in the North and South. There are various kinds of capacity builders: funders that devote resources to capacity building and sometimes even have entire programs devoted to it; individual consultants who are hired by funders or directly by nonprofits; management support organizations (MSOs) which are usually nonprofits themselves and are established to provide support services to the sector; and for-profit organizations that offer consulting and support services. What kinds of activities have these capacity builders emphasized? What are their own assessments of the effectiveness of their efforts? What general lessons, for donors and nonprofits alike, do these experiences offer? As a caveat, it should be noted that the cases examined below do not reflect a systematic empirical surveying of capacity building communities, but are based on limited secondary materials. Nonetheless, the convergence offered by this constrained sample suggests that the findings have a broader resonance.

In general, capacity builders have offered assistance in two primary areas: technical and management capacity. The former area refers to improving the abilities of nonprofit organizations to handle a range of operational tasks including budgeting and accounting, information systems management (e.g., using indicators to track progress on projects), marketing and communications, fundraising, and grant writing. The second area involves building managerial skills, particularly in strategic planning and teambuilding, but also includes governance issues such as making the best use of boards. Numerous assessment tools are now available online for nonprofits in order to help them identify arenas of greatest capacity need – for example, a board self-assessment tool for improving board performance is offered by BoardSource (www.boardsource.org), a management and financial competency assessment for community development organizations is made available by the Development Training Institute (www.dtinational.org), a series of evaluation capacity tools are provided by the Innovation Network (www.innonet.org), and a very broad range of assessment tools and resources are offered by the Leader to Leader Institute (formerly the Drucker Foundation; www.pfdf.org),The Management Center (www.tmcenter.org), and Grantmakers for Effective Organizations (www.geofunders.org) — to name just a few. NGO support organizations are also on the rise in the global South, such as Pakistan's NGO Resource Centre (www.ngorc.org.pk) which not only provides management training to NGOs, but is also active in researching policy issues affecting the sector. One of the world's largest nongovernmental organizations, BRAC in Bangladesh (www.brac.net), is known for its extensive training programs and a special "global partnership" which enables NGO managers to obtain master degrees from the School for International Training in the United States. This partnership also offers graduate diplomas through NGO-based education centers in Bangladesh, Zimbabwe, the Philippines, and Peru.

Most foundations fund some level of capacity building or another, although a handful of large foundations have developed programs explicitly devoted to capacity building in nonprofits. In the U.S., for example, the David and Lucile Packard Foundation provides its current grantees access to special funds for "organizational effectiveness" which are to be used "primarily to cover the costs of outside experts who assist with assessments, planning, and training."[2] The Packard Foundation even had a special grants program for management support organizations, although it has now significantly cut back its work in this arena. The Ford Foundation, in contrast, does not maintain a separate capacity program on the assumption that capacity building is an integral component of all of its program areas (see, for example, Ford Foundation, 2002). One of the most creative capacity building projects is supported by the Fannie Mae and Meyer Foundations, based in the Washington, D.C. area -- a "Learning Circles Project" that provides peer-to-peer learning opportunities and extensive coaching for participants, especially on issues of evaluation and organizational learning.[3]

With some notable exceptions (such as the Learning Circles Project), the primary emphasis on technical and management capacity has also been associated with a drive towards "outcome measurement" or "results based management." Both of these terms refer to the direct measurement of organizational performance, not only in terms of immediate results (outputs) but also medium and longer-term results (outcomes or impacts) through the use of extensive sets of indicators. Outcome measurement is a commonly used term among U.S. nonprofits, whereas results based management (RBM) is more prevalent among organizations active in international development in the South such as bilateral funding agencies.

In the United States, the United Way of America has been a leader in the use of outcome measurement among its member organizations. A survey of 391 member organizations conducted by the United Way found that an overwhelming proportion of organizations found outcome measurement useful for communicating results and identifying effective practices (84-88%). On the other hand, a significant number also reported that implementing outcome measurement has led to a focus on measurable outcomes at the expense of other important results (46%), has overloaded the organization's record-keeping capacity (55%), and that there remains uncertainty about how to make program changes based on identified strengths and weaknesses (42%) (United Way of America, 2000).

In other words, while nonprofits are collecting data on outcomes, many do not know how to feed it back into decision making. *Simply collecting these data has not enhanced their capacities to improve performance*. Similarly, case study research on 36 nonprofits conducted by the Independent Sector and the Urban Institute (Morley, Vinson, & Hatry, 2001) found that only about half of these organizations actually use the data they collect for learning to improve programs. The James Irvine Foundation's efforts to assist nonprofit agencies in California to improve data systems also concluded that "establishing these systems alone was not good enough. In the end, the project's success had less to do with whether measurement systems were developed and more to do with . . . [creating] a culture that valued the process of self-evaluation" (Hernández & Visher, 2001: 2).

Similar findings are apparent in the global South, where NGOs typically engage in measurement and evaluation at the request of donors, usually midway through a project or program and at its conclusion. In his review of a report on evaluations commissioned by ten bilateral donors throughout the 1980s and 1990s, Riddell (1999) observed that the donor-initiated evaluations tended to emphasize cost-effectiveness and measurable benefits. In contrast, NGOs' own evaluations tended to allow for the use of more participatory methods and placed a greater emphasis on evaluation as a means of providing feedback for enhancing future interventions. This analysis is supported by Edwards and Hulme (1996: 968) and Ebrahim (2003: 102) who note that appraisals by bilateral donors tend to focus on products — they are short-term and emphasize easily measurable and quantifiable results over more ambiguous and less tangible change in social and political processes. Such measurement, often operationalized through a method known as "logical framework analysis," also has important implications for accountability in that the wide use of logical frameworks and their derivatives may "distort accountability by overemphasizing short-term quantitative targets" resulting in a "tendency to 'accountancy' rather than 'accountability'" (1996: 968).

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[2] See the website at www.packard.org/index.cgi?page-special-oe, accessed October 26, 2003.

[3] See the website at www.innonet.org/learningcircles/lc_area/index.cfm?element=about, accessed October 26, 2003.

This picture is further complicated by observations of little correlation between capacity building and organizational effectiveness. In a study of 92 food pantries and soup kitchens in the Detroit region of the United States, Eisinger (2002) found that many capacity attributes (involving technical assistance and strategic planning) had little or no correlation with organizational effectiveness. He did find, however, that effectiveness was improved through better staffing, especially with the hiring of professional paid staff (rather than exclusive reliance on volunteers) who brought with them a range of administrative skills, training, and public relations experience. Blumenthal's (2001) work, based on interviews with over 50 leading consultants and grantmakers in capacity building in the United States, documents a series of problems in linking capacity building with effectiveness. She identifies four key problems: few changes recommended by consultants are actually implemented by nonprofits; strategic planning is often particularly disappointing, given that much time and effort is spent on collecting data, analyzing trends, and reaching consensus on strategies and priorities, but with few resulting changes; consultants are often rebuffed when attempting to assist with implementation, either because clients only want assistance with planning or because funders support planning but not implementation; and, improved performance often does not follow from implemented organizational changes. This research challenges assumptions that technical and management training will improve organizational effectiveness, and suggests that it might be worthwhile to rethink capacity interventions.

The experiences of bilateral development agencies in results based management appear further to support these findings. In a series of reports prepared for the Canadian International Development Agency (CIDA) between 1996 and 1999, Peter Morgan observes that capacity development efforts have success rates about 30 to 40 percent (according to donor statistics) and that they must constantly deal with ambiguous or disappointing results (Morgan, 1999: 9). Reflecting on the use of results based management in CIDA, he and a colleague argue for a refocusing on more complex and longer-term questions of process:

> [R]esults-based management systems will not, by themselves, produce an increase in organizational effectiveness. They must be supported by a broader program of organizational improvements that, *together with RBM*, can combine into a performance management system. (emphasis in the original, Morgan & Qualman, 1996: ii)
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> The CIDA model with its emphasis on deliverables and products has an inherent bias against inputs and processes which may be critical to institutional and capacity development. Some of the "results" of institutional and capacity development such as

> attitude change, the slow evaluation of new organizational behaviour and the development and adoption of new ideas do not easily fit in the CIDA model. A focus on "substantive" outcomes can sidetrack effective institutional development. Attention to "process" outcomes needs to supplement the substantive focus. (Qualman & Morgan, 1996: 7)

These findings – on the limitations of a focus on "products" at the expense of "processes" of institutional development – are echoed in a World Bank report that examines experiences in capacity building in Sub-Saharan Africa. The report focuses on "evaluation capacity development" efforts to create or strengthen national monitoring and evaluation systems that would improve "transparency and [build] a performance culture within governments to support better management and policymaking" (Schacter, 2000: ii). The author observes that the Bank's heavy reliance on "inputs of expatriate technical expertise . . . have limited the impact of Bank-supported activities in capacity building at the local level" and that it might be better, in the long run , to let local partners take the lead in developing and designing interventions (Schacter, 2000: 17). The report also notes that "despite decades of donor assistance, the capacity and effectiveness of public administrations in the Region have actually declined since independence" and that a particularly important area of weakness is that the policymaking process "is rarely informed by sound analysis, based on lessons learned from evaluation of completed programs and the monitoring of ongoing ones" (Schacter, 2000: 17). Both the World Bank and CIDA reports acknowledge the relevance of results based management and tangible targets, but suggest that such efforts are misplaced without concurrent efforts to build analytical capacities of the leaders and managers of organizations.

To recap, there are at least three broad insights to be gleaned from this range of experiences in the North and South. The first is that it is useful to think of capacity building in broader terms – that focus on processes of analysis, learning and adaptation and not simply in terms of technical and management training or easily measurable performance indicators. These are what I refer to below as "analytical" and "adaptive" capacities. The second insight is that enhancing such capacities of organizations requires capacity builders to take a longer-term and more context-specific view of organizational change and improvement. A third insight is that the relationship between capacity building and organizational effectiveness is rather ambiguous. A correlation is often assumed by donors and NGOs alike, but there is little evidence documenting a clear positive relationship.

Rethinking Capacity Building

What does the complex and somewhat ambiguous nature of capacity building suggest for its future directions? Such a rethinking might begin, as Peter Morgan has proposed to CIDA, with a look at questions of process, and especially at the links between capacity building and long-term institutional change. Such questions are also raised rather forcefully in an evaluation report on "Building the Capacities of Capacity-Builders" prepared for the David and Lucile Packard Foundation in the United States. The Foundation hired an external team to evaluate its support to management support organizations. The study's authors observed that:

> Nonprofits struggle the most with adapting to changes in the external and internal environment. . . . Many nonprofits have strong technical capacities to develop, support

> and deliver programs an services. *Yet nonprofits tend to focus their capacity building efforts on building their technical and management capacities, even though the need for adaptive and leadership capacity building is greater.* (emphases in the original, Connolly & York, 2003: 2)

The authors place particular attention on a need for adaptive capacity, which they define as the "the ability of a nonprofit organization to monitor, assess, and respond to internal and external changes" (2003: 2)Management support organizations, they argue, are not presently focused on building such capacities in nonprofits or even in themselves, although the "best" MSO demonstrate these features:

> The best MSOs are highly reflective and flexible. It is particularly important that MSOs maintain a high level of adaptive capacity through such practices as formally evaluating the quality and impact of their services regularly, as well as conducting community needs assessments, customer satisfaction surveys, and formal organizational assessments of particular nonprofit organizations. (Connolly & York, 2003: 5)

What the survey's authors refer to as "adaptive capacity" is often described in the organizational studies literature as "organizational learning" – that is, "improving actions through better knowledge and understanding" (Fiol & Lyles, 1985: 803) or "encoding inferences from history into routines that guide behavior" (Levitt & March, 1988: 320). Learning, as such, involves generating knowledge by processing information or events and then using that knowledge to cause behavioral change. According to this usage of learning, simply generating knowledge is not enough; learning also involves the use of knowledge to influence organizational practices. Monitoring and assessment efforts by nonprofits can thus be said to contribute to learning only when they lead to behavioral change in an organization. Simply identifying shortfalls in organizational performance and assuming that the information will be used by the organization to improve performance is insufficient for ensuring actual change. Rather, organizational members require an ability to use the findings of evaluation and reflection to then actually change organizational routines and practices. "Learning" or "adaptive capacity" is thus the ability reflect upon *and* respond to changes in the external and internal environment.

What sorts of practices build adaptive capacity? The authors of the study conducted for the David and Lucile Packard Foundation emphasize the importance of "blended solutions" that combine consulting, coaching, training and peer exchanges. Coaching is singled out as a "particularly promising strategy for improving executive leadership" and enhancing the abilities of leaders to adapt to change (Connolly & York, 2003: 3). These findings support an earlier study by CompassPoint Nonprofit Services, a well-known management support organization based in San Francisco, that surveyed nonprofit executive directors in five regions across the United States. Based on 1,072 survey responses from nonprofit executive directors, the study's authors found that nonprofit leaders "want to learn from each other and are fairly desperate for structures through which to do so" (Peters & Wolfred, 2001: 4, 31). Peer exchanges and coaching might be two ways of overcoming the dearth of targeted supports available to these executives, who also indicated a need for help with governance issues such as board development.

On a more cautious note, however, the effectiveness of coaching in the nonprofit sector remains largely unproven (although it is very common in the private sector) since most of the executives surveyed had never used coaching and transition planning, with many being unaware that such services are even offered. In any case, capacity builders are only now beginning to offer coaching, and also seeking ways to bring nonprofit executives together regularly in order to learn from each other (Peters & Wolfred, 2001: 4, 31). *The more general lesson is that improving adaptive capacity needs mechanisms that encourage reflection and vigorous deliberation*, either through the use of coaches as sounding boards, or through forums in which managers and executives can learn from and debate with one another (e.g., through topical town hall-style meetings, workshops, peer networks, or conferences). These are essentially forms of peer support groups and networks. While rural development NGOs in the South have often used this approach to peer learning for sharing the experiences of farmers in one region with those in another (through "farmer-to-farmer extension"), they have rarely applied the same process to themselves.

Several additional ways forward are proposed by Qualman and Morgan (Qualman & Morgan, 1996: 3) in their report to CIDA's Policy Branch, in which they distinguish between a donor-oriented and field-oriented approach to results based management. Their insights are relevant to capacity building more broadly, and are summarized in Table 3, along with the recommendations of other observers described below. First, they advocate a shift towards a planning style that is incremental and experimental, and in which the host country partner (or the NGO, as the case may be) is responsible for defining the development problem and its possible solutions. This is a significant shift from a model of technical capacity building in which external experts set the problem domain. Broader findings from the field of organizational development also suggest that joint diagnosis of issues and joint project design are crucial to building internal organizational commitment to change (Blumenthal, 2001: 3)

Table 3: Characteristics of Capacity Orientations

Information and Management Issues	**Technical Capacity Orientation**	**Adaptive and Analytical Capacity Orientation**
Planning style	Technocratic, predictive; heavy use of log frames; donors define problem domain	Incremental, experimental; joint diagnosis of problems and solution
Indicator development	Designed and selected by funders, with local agreement and compliance	Designed by local staff, with agreement of beneficiaries and donors
Relevance of information	Collected based on funder needs, and expert analysis of cause-effect relationships	Collected based on its relevance to NGO staff; usable by NGO staff
Information systems	Complex systems; emphasis on formally documented knowledge; sophisticated and comprehensive indicators and analysis	Simple and flexible systems; emphasis on iterative and incremental data collection and analysis; partner with others for complex analysis
Communication structures	Hierarchical flow of information and analysis upwards; limited feedback down the chain	Decentralized knowledge; flexible structures to enable cross-functional teamwork; some hierarchy is necessary
Job roles and incentives	Job descriptions and expectations separate field-level implementation from managerial and strategic analysis	Job descriptions and performance appraisals reward reflection and "time off to think"; field staff viewed as experts who can contribute to managerial decision making
Time periods	Driven by donor schedules, especially	Longer-term, flexible schedules;

	quarterly and annual budget cycles	activities and timing adjusted to field realities
Nature of accountability	Emphasis on demonstrating accountability to donors and judging performance as acceptable or unacceptable; compliance-oriented accountability	Emphasis on using information to promote group and organizational learning, and to make mid-stream changes to improve outcomes; results-oriented accountability

Source: adapted from Qualman and Morgan (1996: 3)

Second, they recommend that indicators be designed by local staff, with the agreement of beneficiaries and donors, and that the collection and analysis of these indicators be participatory and delegated. They propose that the indicators encompass multiple levels – project specific indicators for project level management and beneficiaries, that can then be readily aggregated for assessing program impact. Qualman and Morgan also suggest an increased reliance on qualitative evidence (e.g., perceptions of clients and informed judgments) rather than largely on quantitative data, the relevance of which may not be apparent to field-level workers. Most importantly, the emphasis of these data and their analysis is to be on using the information “to promote group and organizational learning” rather than on “demonstrating accountability and judging performance as acceptable or unacceptable.” And finally, the authors recommend a re-orientation of incentives towards increasing local ownership and achieving desired results, rather than towards simply complying with regulations or with distant donor expectations.

All of Qualman and Morgan’s recommendations are, at some level, about the relevance of information in organizations. There is typically a gap between the originators of information and the users of that information. For example, nonprofits sometimes collect information because funders require it, but do not actually use that information because they do not see it as being relevant to their own needs (Ebrahim, 2002). This problem also exists between different levels of a single organization, particularly in cases where information collected by field staff is consumed by managers or directors. If the field staff do not see that information as being relevant to their own needs, then it is unlikely that they will be invested in the ultimate findings of that information. For example, when new knowledge from the field leads to changes in organizational strategy or policy, it is field staff that ultimately have to implement those changes. It is difficult to get staff to use this new knowledge unless, as Edwards (1994: 123) puts it, they see “that by using it they will be able to improve the quality of their work and increase the benefits enjoyed by the subjects of the work in question.” Organizations can increase the relevance of information (or at least its perceived relevance) by involving the originators of information in its analysis. This step involves a shift from perceiving front-line workers simply as implementers to also seeing them as foundational problem solvers. It also requires that information collection be driven by issues that staff care about, so that the relevance of the information is apparent.

The issue of relevance is closely related to systems for accessing, storing, transferring and disseminating information and knowledge throughout the organization. Overly complex information systems can form just as large a barrier to learning and accountability as poorly developed ones. NGOs and donors tend to overemphasize formally documented knowledge, information storage, and dissemination (Edwards, 2002: 336). But since nonprofits and NGOs are primarily focused on implementation rather than research and analysis, simple and flexible systems that are seen as being relevant to NGO needs are more feasible than elaborate or highly technical systems that can overwhelm NGO staff. While some proponents of outcome measurement and evaluation have advocated for improving the capacity of nonprofits to conduct rigorous and sophisticated assessments (Buckmaster, 1999; Hoefer, 2000), few nonprofits have the resources to be able to do so. In addition, many NGOs have a surfeit of information that is counterproductive in promoting learning (Smillie & Hailey, 2001: 85)

A more practical approach may be to develop simpler systems that are congruent with existing resources and which can be built up if resources increase. A comprehensive diagnosis is usually not necessary, as it would only delay action. The organizational development literature is particularly emphatic on this point, noting that organizational change is often iterative and that it "is often more valuable to get the organization moving than to carefully develop the right answers" (Blumenthal, 2001: 3). Nonprofit staff, especially at the field level, have neither the time nor the inclination to develop detailed analytical reports. If they are to be encouraged to use information in order to reflect on their own work, it must be made available in forms that are accessible and culturally meaningful (e.g., workshops, newsletters, meetings, discussion, video, theater, etc.). In their study of nine highly regarded South Asian NGOs, Smillie and Hailey (2001: 78-79) found that a combination of formal and informal processes of learning and dissemination were common. They also noted that Northern NGOs have much to learn from the experiences of successful Southern NGOs — since the latter have actually invested more in research, staff training, and learning than have their Northern counterparts. In addition, as the experience of large NGOs such as Save the Children has borne out, forging alliances with universities and research organizations may be more productive and useful than creating extensive in-house research units (Edwards, 2002: 343).

Relatedly, communication structures appear to have a strong impact on adaptive capacity and learning. Based on research in the private sector, Beer and Eisenstat (2000) identify a series of "silent killers" of strategy implementation and organizational learning, emphasizing the negative impacts on learning of poor vertical communication and coordination. They note the importance of communication structures, both formal and informal, not only for learning upwards from staff to management but also for effective downwards implementation of strategy. Denton (1998: 92, 196) adds that a flexible structure which enables cross-functional teamwork can help generate and spread new knowledge and learning in an organization. This presents advantages for small organizations that have the benefit of less hierarchy and greater flexibility, although they may lack in training and experience. Contrary to popular conception, good communication does not necessarily require that organizations be entirely horizontal or non-hierarchical in structure, since hierarchies can sometimes serve as efficient clearinghouses for knowledge, especially under conditions where that knowledge is new and of uncertain relevance (Schultz, 2001). A potentially powerful barrier to learning across hierarchies, however, can arise from the anxiety of managers who fear a loss of status or power by decentralizing knowledge and its dissemination and use (Smillie & Hailey, 2001: 87).

Job roles and incentives also matter. Adaptive capacity, or learning, can, be built into job descriptions and performance appraisals, so that staff are rewarded for critically reflecting upon their own work and for coming up with new ideas, rather than being penalized for "taking time off" to think. Stepping back from one's work, observing it and analyzing it, are difficult skills to acquire and can be supplemented through staff workshops and training on basic learning and information skills (Garvin, 1993). Where such incentives are not in place, staff may see learning as being someone else's responsibility, particularly if they are rewarded for implementation and for demonstrating success (rather than assessing and reflecting on failure). Providing learning incentives is particularly important at the level of field staff since, in development NGOs, this is often a very experienced and stable population in the organization (i.e., it has low personnel turnover) and is thus an important component of the memory of the organization. In the United States, surveys of nonprofit executives confirm that the they are desperate for time to reflect and for structured means for learning from one another (Peters & Wolfred, 2001).

Finally, building analytical and adaptive capacity requires a time horizon that extends beyond quarterly and annual budget cycles, since the process of social change can be slow and incremental. Accountability to donors is frequently compliance-oriented, in which judgments of a program's acceptability or success must be made within short budget cycles (in order to ensure continued funds from member governments or foundation boards). In contrast, Qualman and Morgan (1996) suggest that an emphasis on group learning can lead to better results in the long run, due to mid-stream corrections in services and programs.

In sum, a great number of challenges lie head, for nonprofit and donors alike, in reorienting capacity building so that it enables experiential learning and adaptation. The long term relevance of undertaking such a task is captured by Michael Edwards of the Ford Foundation (2002: 339), who has argued that "experiential learning among fieldworkers is the foundation for other learning linked to good practice, policy and advocacy work. If learning is not taking place at grassroots level, then other layers in the learning system will be defective." Rethinking capacity building, as such, is about reorienting our thinking about the capacities that make organizations more effective in the long run.

Conclusions: Accountability and Sectoral Change

An important subtext to the discussion in this paper concerns accountability. Donors expect nonprofits and NGOs to be accountable for the funds they spend. Are they efficient and effective in using these funds? Are they achieving the desired results? Conventional types of capacity building – usually involving technical assistance in financial management, strategic planning, and indicator development – are a means through which donors provide NGOs with the tools they need in order to effectively deliver programs or services. They are seen as means towards results based management. It is assumed by donors and NGOs alike that such capacity building leads to improvements that are measurable, thus enabling improved accountability.

The insights from over fifty years of capacity building suggest, however, that a more nuanced and multidirectional view of accountability might be more appropriate. The opening section of this paper quoted Smillie's (2001: 16-17) warning that "what is intended is not always what happens. Knowing what to do and what not to do becomes, therefore, the critical issue" in capacity building. Is it not reasonable, then, to ask that donors take responsibility for enhancing their own understandings of the capacity needs and strengths of grantees? Failures in capacity building appear to arise from multiple sources – not only from instances of poor implementation or lack of commitment in nonprofits, but also from failures of capacity builders and funders to understand adequately the contexts and needs of their clients or grantees.

The central challenge for donors and nonprofits alike lies in reorienting their perceptions about capacity building as a means of encouraging learning. For donors, this means engaging in capacity building for the long haul, without the expectations of short-term results typically characterized by logical frameworks and result based management matrices. By extension, this implies a rethinking of accountability in two respects: an expectation of results over longer time frames (years rather than quarterly or annual budget cycles) and acceptance of some responsibility for failure and ambiguity in capacity building. Nonprofits that lack analytical and adaptive capacities cannot be expected to identify their own capacity needs, and thus require the support of donors or capacity builders who can help them think through their priorities, assets, and needs.

For NGOs, the greatest challenges lie in taking capacity efforts seriously. Rather than seeking capacity building as a "quick fix" for satisfying donors (for example, through training on maintaining financial accounts or writing reports), building adaptive capacity requires organizational commitment to working with consultants, board members, and staff through an incremental and iterative process. This requires an insistence on working with consultants who are willing to serve as coaches during implementation (rather than simply those who help design new strategic plans or information systems but then disappear during implementation) . It also requires that nonprofits take the time and risk to educate their donors so as to build relationships of mutual understanding.

The broader challenge for nonprofits and funders lies in working towards building analytical and adaptive capacities across the sector as a whole, rather than only in atomized organizations. If nonprofits wish to influence social policy – on health and human services, on poverty, on environmental management, on fiscal and economic regulation – then it will also be necessary to build capacities for sector-wide communication, analysis, and adaptation.

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