

# Dimensions of Capacity in Nonprofit Human Service Organizations

William A. Brown<sup>1</sup> · Fredrik O. Andersson<sup>2</sup> ·  
Suyeon Jo<sup>3</sup>

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**Abstract** The purpose of this paper is to present and develop a firmer grasp of the underlying dimensions of organizational capacity in nonprofit human service organizations. The paper draws on the resource-based view of the organization (Barney et al. in *Journal of Management* 37:1299, 2011; Wernerfelt in *Strategic Management Journal* 5:171, 1984), which recognizes that organizational attributes and capabilities facilitate performance. Interviews were conducted with 66 executives in moderate sized, human service organizations to discuss factors that influence performance. Findings suggest that human, financial, and social capital all contribute to organizational performance. Executives emphasized the quality of people associated with the organization including the role of the board of directors in supporting performance. Many respondents also believed that maintaining healthy and dynamic external relationships was critical to success.

**Résumé** Le but de cet article est de présenter et de développer une meilleure compréhension des dimensions sous-jacentes de la capacité organisationnelle des organisations de services sociaux à but non lucratif. L'article s'inspire de l'approche fondée sur les ressources de l'organisation (Barney et al. 2011; Wernerfelt 1984), qui constate que les attributs et les capacités des organisations facilitent les

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✉ William A. Brown  
wbrown@tamu.edu

Fredrik O. Andersson  
andersso@uwm.edu

Suyeon Jo  
sjo01@syr.edu

<sup>1</sup> Bush School of Government & Public Service, Texas A&M University, Texas, USA

<sup>2</sup> Helen Bader Institute for Nonprofit Management, University of Wisconsin–Milwaukee, Milwaukee, USA

<sup>3</sup> Maxwell School of Citizenship and Public Affairs, Syracuse University, Syracuse, USA

performances. Des entretiens ont été menés avec 66 cadres dans des organisations de services sociaux de taille moyenne pour discuter des facteurs qui influencent les performances. Les résultats suggèrent que le capital tant humain, financier que social, contribue à la performance de l'organisation. Les dirigeants ont souligné la qualité des personnes associées à l'organisation, notamment le rôle du conseil d'administration pour soutenir les performances. De nombreux répondants croyaient également que le fait d'entretenir des relations extérieures saines et dynamiques était essentiel pour réussir.

**Zusammenfassung** Zweck dieser Abhandlung ist es, die zugrundeliegenden Bereiche der Organisationskapazität in gemeinnützigen Human-Service-Organisationen zu präsentieren und ein tiefer gehendes Verständnis darüber zu vermitteln. Der Beitrag stützt sich auf die ressourcenbasierte Betrachtung der Organisation (Barney et al. 2011; Wernerfelt 1984), laut derer organisatorische Merkmale und Fähigkeiten das Leistungsvermögen unterstützen. Es wurden 66 Führungskräfte mittelgroßer Human-Service-Organisationen zu den leistungsbeeinflussenden Faktoren befragt. Die Ergebnisse weisen darauf hin, dass das Human-, Finanz- und auch Sozialkapital zur Leistung der Organisation beitragen. Die Führungskräfte betonten, dass die Qualität der Personen in der Organisation, einschließlich der Rolle des Vorstands, das Leistungsvermögen unterstützen. Viele der befragten Personen glaubten zudem, dass der Erhalt gesunder und dynamischer externer Beziehungen für den Erfolg ausschlaggebend seien.

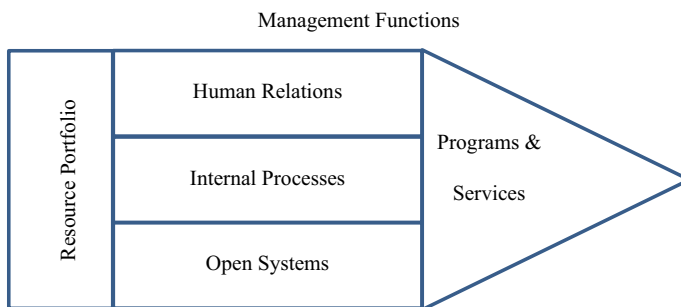
**Résumé** El propósito del presente documento es presentar y desarrollar una comprensión más firme de las dimensiones subyacentes de la capacidad organizativa en organizaciones de servicios humanos sin ánimo de lucro. El documento se basa en la opinión basada en recursos de la organización (Barney et al. 2011; Wernerfelt 1984), que reconoce que los atributos y las capacidades organizativas facilitan el rendimiento. Se realizaron entrevistas a 66 ejecutivos en organizaciones de servicios humanos de tamaño moderado para tratar los factores que influyen en el rendimiento. Los hallazgos sugieren que tanto el capital humano como el financiero o el social contribuyen al rendimiento organizativo. Los ejecutivos hicieron hincapié en la calidad de las personas asociadas a la organización incluido el papel del consejo de administración en el apoyo al rendimiento. Muchos encuestados creían también que mantener relaciones sanas y dinámicas externas era crítico para el éxito.

**Keywords** Capacity building · Resource-based perspective · Management

Nonprofits face high expectations for accountability, competition, and an increased demand for services, all of which contribute to the need for these organizations to be more effective and efficient in fulfilling their missions (Grønberg and Salamon 2002; Salamon 2002). The need for efficiency and effectiveness, in combination with a harsher economic climate, has brought organizational capacity to the

forefront of the concerns facing the nonprofit sector (Cornforth and Mordaunt 2011). Concern regarding the capacity of small and medium-sized nonprofit organizations has grown because the nonprofit sector is becoming increasingly polarized between large, well-resourced organizations, and small- to medium-sized organizations that find it increasingly difficult to compete for essential resources (Wilding et al. 2006). As a result, public actors and foundations have considered ways of building the capacity of the sector and in particular the capacity of smaller organizations to allow them to respond to these challenges (Bolton and Abdy 2007). Capacity is conceptualized broadly in terms of the assets and processes that are employed to improve effectiveness and sustainability.

The field of nonprofit management is flush with advice and best practice guidelines for managers. There are numerous capacity models, but relatively limited theoretically based, empirical attempts to refine models and identify priorities for managers (Minzner et al. 2014). The range of management tactics promoted as instrumental to performance is confusing and potentially contradictory when comparing different approaches. The models are often based on assumptions of what is important for nonprofit organizations with limited ability to understand the long-term implications of capacity improvements for nonprofits (Harrow 2001). The study utilizes a resource-based view of the organization (Barney et al. 2011; Wernerfelt 1984), which proposes that organizational attributes and processes facilitate performance. The nonprofit value framework (Brown 2014) depicts how resource attributes and management functions work together to achieve organizational objectives (see Fig. 1). A fundamental challenge of the resource-based view is identifying critical resources relevant to particular contexts and industries (Dess et al. 1990). The study adds to previous research that has sought to identify key factors and approaches associated with capacity in organizations (Backer 2000, 2001; Blumenthal 2003; Buteau et al. 2008). Through interviews with executives, the study identifies critical factors that are instrumental to performance in moderate-sized human service organizations. This study can guide future research and theory that seeks to better understand the nuance of how these key capacity factors are secured, bundled, and utilized.



**Fig. 1** Nonprofit value framework

## Organizational Capacity

The review summarizes the resource attributes and management functions that are likely to contribute to fulfilling performance objectives. As managers describe critical factors that influence performance, we anticipate that they will describe a variety of resource attributes and management practices that are instrumental to achieving performance objectives. The review concludes with nine propositions of nonprofit capacity.

Resource attributes include tangible assets (i.e., cash) and intangible assets (i.e., reputation) that are owned or controlled by the organization. Classic resource dependence theory (Barney 1991) identifies three broad resource categories: physical capital, human capital, and organizational capital that are utilized to implement strategy. In addition, it is useful to include social capital (King 2004) and financial capital (Chikoto and Neely 2014; Frumkin and Kim 2001) as fundamental resource features. Organizational capital includes the systems and processes utilized by the organization and is depicted as management functions (Mintzberg 1980) in the NVF. Incorporating a competing values perspective to explain organizational capital facilitates interpretation because the competing values perspective recognizes the various methods managers and leaders utilize to acquire, coordinate, and deploy resource attributes to deliver programs and services. The nonprofit value framework organizes the various resources and system elements that constitute nonprofit capacity. The review will summarize the elements that are likely to be revealed in nonprofit organizations. We anticipate nonprofit managers will prioritize some factors as instrumental in fulfilling organizational objectives.

## Resource Portfolio

The resource portfolio includes four broad resource categories (see Table 1). They are human capital, financial capital, social capital, and physical capital. The four resource categories are intended to be distinct from organizational capital or

**Table 1** Resource portfolio

Type	Features indicative of strategic value	Selected references
Human capital	Number and quality of staff	(Cappelli and Crocker-Hefter 1996;
	Commitment	Coombes et al. 2011;
	Leadership capacity	Hitt et al. 2001)
Financial capital	Cash, investments, and endowment	(Carroll and Stater 2009;
	Revenue trends and forecasts	Grønbjerg 1993)
Physical capital	Facilities and equipment	(Meng and Minogue 2011)
	Information technology	
Social capital	External relationships	(King 2004)
	Internal relationships	(Roberts and Dowling 2002)
	Attitudes of stakeholders (reputation)	(Luoma-aho 2013)

managerial functions. The resource attributes are relatively finite assets controlled by the organization. They identify general areas that are likely to be prioritized by nonprofit executives.

## Human Capital

Human capital is the sum of individuals engaged in the work of the organization, which includes paid staff, volunteers, and leaders (paid and unpaid). Human capital features are based on the skills, knowledge, and ability of the workforce. Human capital is often one of the most significant resources attributes for nonprofits (Jiang et al. 2012). In the context of providing a service, people are the means of production (Cappelli and Crocker-Hefter 1996). Commitment in the labor workforce is fundamental to achieve performance objectives and is defined as “a psychological link between the employee and his or her organization” (Allen and Meyer 1996, p. 252). Managers are likely to discuss the human capital attributes of their organization and the levels of commitment enacted by different constituents. An important feature of human capital is the ability to lead and guide the organization. Does the organization have members who can fulfill key leadership functions (Hitt et al. 2001)? This includes volunteer leaders and their ability to govern the organization. The capacity of the board members contributes to board functioning (Brown 2007; Coombes et al. 2011; Herman and Renz 2000).

## Proposition One

A talented and committed workforce (volunteer & paid) is associated with organizational capacity.

## Financial Assets

Nonprofits rely on variety of funding sources which often results in significant complexity in managing funding relationships. Managers strive for some degree of autonomy in how funds are utilized (Grønbjerg 1993). It is not uncommon that resources are provided with a high degree of external control and restrictions, which limit managerial discretion. Furthermore, managers seek funds that are reliable and predictable (Mayer et al. 2014). Revenue diversification may serve as a method to mitigate volatility but does come at a cost of increased complexity and some work suggests that revenue concentration is instrumental for capacity (Chikoto and Neely 2014). Financial capital includes the nature and character of the revenue streams and the financial assets, which are instrumental to operational performance. Financial capacity is critical to the strategic success of a nonprofit and reflects a significant advantage which allows organizations to move into new service areas and to maintain stability overtime.

## Proposition Two

Organizational capacity is reflected in organizations that have sufficient financial reserves, can raise necessary capital, and have reliable revenue streams.

## Physical Assets

Physical assets entail the range of tangible objects and facilities owned and controlled by a nonprofit. This includes things such as buildings, land, equipment, technology, and other artifacts of value. The premise is that for effective performance, nonprofits need the right mix of facilities and physical resources (Amaratunga and Baldry 2000). This includes access to quality facilities in locations that support service delivery (Meng and Minogue 2011). Another concern is information technology. Human service organizations face significant demand to track and monitor service activities and sophisticated software and equipment might be vital to achieve performance objectives.

## Proposition Three

Organizational capacity is associated with having the necessary physical assets such as facilities and equipment.

## Social Capital

Social capital reflects the various types of social relationships that can be instrumental to organizational success. Nonprofits are particularly sensitive to the social context because of resource and socio-political factors. Stakeholder relationships are instrumental to managing these nonfinancial systems (Akingbola 2006). Managing and developing relationships create social capital (King 2004; Putnam 2000). Fundamental to these relationships is a sense of trust. High levels of social capital within and external to the organization are of value. Healthy relationships, rich in social capital, are difficult to replicate and thereby can provide tremendous strategic advantage. Social capital theorists recognize various types of social relationships and the concept is complex. Two types are *bonding* relationships, which tend to be deeper and more socially homogeneous (co-workers), while *bridging* relationships extend to more distant actors and include more heterogeneous groups and individuals external to the organization (Putnam 2000). Both types of social capital can be of value for a nonprofit organization. Bridging relationships tend to bring access to resources. Bonding relationships facilitate, sharing, integration, and utilization of resources (Coffe and Geys 2007).

There is a large amount of research that explores the benefits of interpersonal relationships. Social capital is instrumental in recruiting organizational participants, employees (Adler and Kwon 2002), volunteers (Hartenian and Lilly 2009; Weisinger and Black 2006), and board members (King 2004). Social capital supports funding relationships and building inter-organizational partnerships

(Zaheer et al. 1989). In general, stakeholder relationships are related to improved perceptions of performance for nonprofit organizations (Balsler and McClusky 2005). This relates to reputation, which is a perception held by stakeholders. Reputation entails three components: name recognition (awareness), an overall impression of the organization and knowledge of what the organization does and *judgments* on how it does that (e.g., high-quality services for the elderly) (Lange et al. 2011).

### Proposition Four

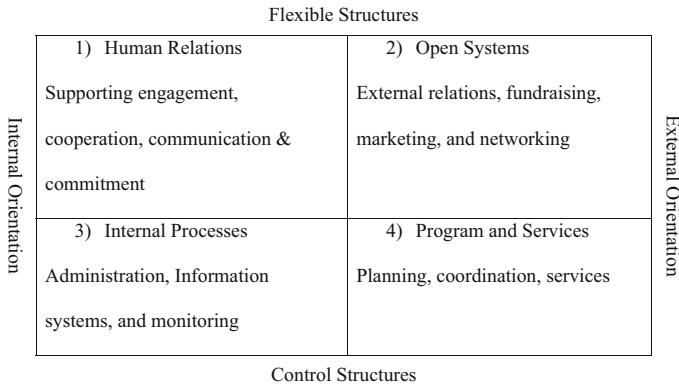
Organizational capacity is associated with bridging (external) and bonding (internal) aspects of social capital.

### Management Functions

Management entails the systems, processes, and activities that acquire, combine, and utilize resource attributes to achieve organizational objectives and ultimately create social value (Sirmon et al. 2007). These organizational systems are revealed by the structures created and utilized to regularize activities (Gavetti et al. 2012). An abundance of assets does not necessarily translate into performance benefits unless enacted through systems and processes. These systems are revealed in the management functions and coordination of organizational elements toward performance objectives.

The competing values framework facilitates clustering management functions into four general areas (Cameron et al. 2014; Quinn and Rohrbaugh 1983). This framework has been applied to numerous organizational contexts including human service organizations (Austin 1989), corporations, and government. The model recognizes the paradoxical nature of management activities (Arsenault and Faerman 2014). The framework organizes tasks by considering four diametrically opposed features internal versus external orientations and control versus flexibility structures (see Fig. 2). Internal reflects the needs of coordinating element inside the organization and the external perspective reflects the interface between the organization and the external environment. The control versus flexibility perspective balances the need to be responsive to individuals and opportunities while building consistency and stability (Cameron et al. 2014). The four functional areas are human relations, open systems, internal processes, and programs. These four quadrants serve as the method to frame how respondents describe and prioritize the different management functions. Each of these management functions is likely to be important and learning how managers prioritize the different functions should provide significant insight into capacity building activities and nonprofit management (Helmig et al. 2004).

The four quadrants are related to the nonprofit value framework in that (1) human relations, (2) open systems, and (3) internal processes are depicted in the middle section of the diagram. Program and services (4) are depicted in the point of the diagram. The competing values framework conceptualizes cultures, practices, and



**Fig. 2** Management functions. Based on competing values framework, developed by Quinn and Rohrbaugh (1983) and Cameron et al. (2014)

drivers of performance for each area. These concepts are reviewed and operationalized for the nonprofit context and propositions relevant to each area are proposed.

## Human Relations

Human relations entails activities that facilitate collaboration and coordination among organizational participants. It includes strategic human resource activities to manage and guide human behavior (Akingbola 2012). Managers attend to the capacity of individuals working within the organization, both paid and unpaid (Jiang et al. 2012). This includes efforts to build commitment and a culture that recognizes the value of individuals (Balduck et al. 2014).

### Proposition Five

Human relations tasks that build and utilize human capital will be reflective of organizational capacity.

## Internal Processes

Internal processes and systems include the methods managers use to control and monitor organizational behavior. It includes administrative systems and performance management practices (Denisi and Smith 2013) that facilitate coordination and maintain accountability. The ability to operate efficient organizational systems relates to performance in many contexts (Schmid 2002). We anticipate executives will discuss organizational policies and practices that support capacity to operate and provide services.



### **Proposition Six**

Organizational capacity is associated with efficient and high-quality internal systems.

### **Open Systems**

Open systems tasks entail a range of activities nonprofits carry out to manage and exploit the external environment (Greenwood et al. 2011). This includes monitoring the external environment and key stakeholders. A significant concern for nonprofits is managing funding relationships and partnerships to sustain operations (Ashley 2015). Collaborations and partnerships with other organizations and community members, as well, represent a critical management activity (Wade-Berg and Robinson-Dooley 2015) that is associated with performance capacity. Activities in this area also include efforts to manage organizational legitimacy and promote awareness of organizational roles (Andreasen and Kotler 2008; Bunger 2013).

### **Proposition Seven**

Management systems that attend to the external environment (open systems) will be reflective of organizational capacity.

### **Program and Services**

The final quadrant relates to designing and offering programs and services to address mission-related needs. Organizations design and implement a range of programs and the extent and quality of these programs is fundamental to achieving performance objectives. Management practices include a focus on outcomes (Benjamin 2013), attention to client needs (Altschuld and Kumar 2010), and the general scope of services offered (Ebrahim and Rangan 2014). The basics of program planning and service delivery are likely to be discussed by managers in regard to what supports effective performance.

### **Proposition Eight**

High-quality programs and services will be reflective of organizational capacity.

### **Board Leadership**

The performance of the board of directors is associated with the performance of the organization (Brown 2005). The nature of this association is not fully understood, but consistently the board is recognized as instrumental to organizational performance (Herman and Renz 2008; Jaskyte 2014). Executives have

responsibility for engaging board members and helping them to fulfill their leadership responsibilities (Herman 2010). The extent to which the board fulfills key roles and responsibilities is likely to be associated with the performance of the organization overall (Brown and Guo 2010). Boards are expected to provide oversight and support for the organization (Hillman and Dalziel 2003) and both these functions have the potential to support the performance of the organization.

### Proposition Nine

An active and engaged board that fulfills governance functions is likely to be indicative of organizational capacity.

### Methods

Potential respondents included moderate-sized human service organizations in two geographic regions in Texas. The selection criteria included organizations with budgets greater than \$100,000 but less than \$10,000,000, classified in one of six NTEE codes (see Table 2), and operating in either Houston or the southern region of Texas. There were 1533 organizations that meet these criteria in the 2012 Business Master File developed by the National Center for Charitable Statistics. From this group, 564 organizations were randomly selected and contact information and operational activities were verified using publically available information. Two-hundred sixty-five organizations were excluded because detailed contact information was not available or activities could not be verified. This resulted in contacting 299 executives. Seventy-nine (26 % response rate) agreed to be interviewed. Phone interviews were ultimately conducted with 66 executives split between the two regions (Houston—36 participants, South—30 participants). Just over half ( $n = 36$ , 54.6 %) of the participant organizations were classified as Human Services (P). The remaining participants were distributed across seven other service-related categories

**Table 2** Industry distribution

	Participants	
	Frequency	Percent
Health care (E)	5	7.6
Mental health (F)	5	7.6
Crime & legal-related (I)	8	12.1
Employment (J)	1	1.5
Food, agriculture, & nutrition (K)	3	4.6
Housing & shelter (L)	6	9.1
Youth development (O)	2	3.0
Human services (P)	36	54.6
Total	66	100.0

such as Crime and Legal (I,  $n = 8$ , 12.1 %) and Housing and Shelter (L,  $n = 6$ , 9.1 %). Average revenue for participant organizations was \$1,446,003 and ranged from \$101,862 to \$8,762,740.

## Data Collection

Two methods were utilized to obtain information from participants. First a quick response survey asked three simple questions. (1) Overall how effective is your organization? (2) How effective is the board of directors? (3) How effective are you as a manager? Participants indicated their response on a seven-point scale (one very ineffective to seven very effective). These questions were used to frame the subsequent interview. During phone interviews participants were asked four questions in regard to each survey question. (1) What criteria did you use to come up with your score? (2) What factors contribute your current level of performance? (3) What would it take for you to move your score up? (4) What could potentially lead to your score going down? Interviews lasted an average of 43 min.

## Analysis

Interviews were recorded and transcribed. The transcripts were loaded into content analysis software (NVIVO). A coding scheme, based on prior literature and the conceptual model discussed in the literature review, was developed (N. King, 2012). These items were clustered into three areas: (1) resource attributes, (2) management functions, (3) and board of directors and leadership. Training on the concepts was conducted and two coders tested the coding scheme on five organizations. Based on discussions some items were modified, added, and simplified. This resulted in over 40 factors. Inter-rater validity was substantiated through concurrent coding of interviews and synthesizing differences.

## Results

The factors are organized according to the nine propositions. The four propositions related to resource attributes are discussed first.

### Resources that Contribute to Performance

Resource attributes were the most commonly discussed factors and were mentioned by every respondent, often repeating and reiterating the significance of the factor and how it relates or contributes to performance (see Table 3).

#### Proposition One—Human Capital

Human capital is the most common resource attribute identified by respondents. It is often the first explanation that respondents provide when asked—“what makes your organization successful?” Nearly every respondent (97 %) mentioned the

**Table 3** Resource factors

Proposition	Factors	# of managers	% of total
1	Human capital	62	94
	Staff	56	85
	Board members	56	73
2	Financial capital	47	71
3	Physical assets	26	36
4	Social capital	56	85
	External relationships	49	70
	Internal relationships	34	52
	Total (resources)	66	100

importance and contribution of “the people.” This includes paid staff, volunteers, and board members. About 70 % of respondents believe that they have good people in their organization. They would talk about the quality of the workforce, their dedication, their skills, and commitment to the organization and the mission. Respondents also discussed how staff are creative and entrepreneurial; they innovate and get the job done often with limited resources.

...high quality people that really add value to the organization.

I have a very dedicated and passionate staff...that works really hard and diligently to achieve the goals that we have in our organization.

My staff has been in this arena for some time and they're very caring and loving individuals. That's what keeps the agency moving is the people that care for the people that we are serving

There was a modest concern (expressed by just over 25 % of the respondents) that they are likely to lose their talented and committed workforce.

if I have a lot of staff turnover and people who I depend on and I count on every day that would be very, very difficult to manage.

We have to keep our staff current and hopefully with longevity so that the culture replicates itself

Comments about the quality of people in the organization include board members and the experience, skills, talents, and level of participation that they bring to the organization. When talking about the board, respondents readily identify how board members bring valuable experience, talent, and commitment to the organization, which helps in operating more effectively at both the board and organizational level. These board members help in numerous ways from financial issues, operational activities, marketing, and strategy. Example comments:

I've just got resources like that—like all those folks [board members]—that I can pull from.

the majority—wholesale 100 %, very well-known, very well established, very successful. A number of them very wealthy, independently wealthy. So it's a smart Board and they're very committed to the mission so that makes a big difference.

Participation has increased. I would say that ... that's probably the two most important right there, is just getting them [board members] to come and getting them to be involved with the organization.

### **Proposition Two—Financial Resources**

Financial resources are one of the most frequently mentioned factors of organizational performance. Forty-seven out of 66 directors, 71 % of the total interviewees, said that financial capital significantly affects their effectiveness. Respondents most often discussed the lack of sufficient resources, but also talked about reliability of revenue streams and access to different sources of revenue. Many respondents (30 of the 46) had serious concerns about losing money and they commented on the need for more funds to expand programs and serve more people.

We're very healthy financially and that has happened literally over the last maybe six or so years

We have some consistent donors that provide, not a lot, but provide us some monthly funds.

Well, we get a lot of grants. And of course that has to come into it. We couldn't provide these services without grants. We have 11 government grants, both federal and state.

Funding was rarely the first factor discussed, but when asked how they could improve their performance or what they were concerned about, their common reaction was funding, consistent, reliable, and more funding. Respondents would use the funds to hire more people to provide more services—that is what would make them more effective. While some respondents discussed specific sources of revenue, many spoke generally about “funding” and challenges of sustaining the organization.

Most significant is continued funding. There's no doubt about it. The continued funding's at the top of the list

Funding always helps. If we had more funds we could reach some more people and do some other things.

I think that this agency can do a lot more with our knowledge and our skill base and the people that I have here, if I just had more funding.

### **Proposition Three—Physical Assets**

Physical assets were discussed by 39 % of the respondents. They often discussed the quality, or lack thereof, of their facilities. Some discussed new buildings, while

others lamented the poor condition or size of the current facilities. Some respondents discussed technological capabilities and the use or need for new technology or new equipment to support services. Facilities often were discussed in conjunction with how they could improve operations and activities.

We're able to open up our brand new building

It's so that when they [clients] walk through the front doors, that we're in a place that's easy to find, that's easy to get into and out of, that it's comforting and it's relaxing and it's peaceful so that people want to come back.

This organization could probably benefit from a total makeup. The facilities have been here for a while and as I was mentioning to you we're 60 years old.

the way that we move forward in the construction process is going to be very dire to our success for the future.

we need to make better use of the technology that's available

#### **Proposition Four—Social Capital**

Respondents discussed both bonding (internal) and bridging (external) social capital. Seventy percent of interviewees discussed external relationships with other nonprofits, government, and communities. These relationships are vital to securing resources and to serving clients. Many interviewees recognized that the support from community and other agencies often enables them to improve their organizational performance. Working with other organizations can help them accomplish outcomes and achieve impacts they might not have accomplished alone.

We have a very good relationship with other agencies. We realized that we are limited at what we can do, but if we come together as a group, united, we can impact more people in our communities.

We have a lot of that [partnerships]. We are a part of the United Way and so collaborate a lot with them. But we're also part of another network, which has about 12 organizations in it.

We're networking with both nonprofits and the private sector. It's very important for the nonprofit to work hand-in-hand with the private sector.

In addition, respondents discussed how they are well known and trusted organization in the community. This too is instrumental in the organizations ability to attract resources. The partnerships support activities, which builds awareness and reputation. In general, respondents are confident in the range and type of external relation that they maintain and just ten respondents (15 %) discussed the need for more or stronger external relationships.

I think another factor that's instrumental is that we have support of key community leaders...our board has a great relationship with them.

we have a lot of recognition in the community. We are recognized for doing an effective job

relationships that we've been able to build in the communities that we serve

Bonding-type social capital was mentioned by 34 (52 %) respondents. They discussed strong interpersonal relationships among the staff. They would refer to the staff as a team that worked well together and a few individuals commented that the staff were like a family.

for us being so close now and supportive of each other, that's made a huge impact

We have a very good support system. I mean, the directors have a good relationship with each other as well as with our direct supervisors.

We enjoy being in each other's company and so we don't have all the infighting and the schism and gossiping and stuff that I have experienced in other places.

Another type of bonding social capital discussed by respondents was their relationship with the board. Twenty-three individuals (35 %) commented that they and staff had a good working relationship with the board. That relationship was tantamount to effective performance of the board and in many cases the sanity of the executive. Selected comments include

it was a little rocky at the beginning but I've been able to establish a very respectful relationship with my Board.

it just makes for a much easier communication channel between us and the board

I believe our board is very effective because they work together with the staff.

And because of the camaraderie and the rapport with my board of directors, I am very fortunate that I'm in a very good place.

## Management Functions

Responses were classified into the four areas as reflected in the competing values perspective. Every area was mentioned by respondents. Programs and services were the most commonly discussed area, mentioned by 74 % of the respondents ( $n = 49$ ). Open systems-type activities were next most common, which were mentioned by 68 % of the respondents ( $n = 45$ ). This was followed closely by human relations management activities, which was mentioned by 67 % of the respondents ( $n = 44$ ) (Table 4).

**Table 4** Management practices associated with capacity

Proposition	Factors	# of managers	% of total
5	Human relations	44	67
	Collaborative management	21	32
6	Internal processes	38	58
	Strategic direction	14	21
	Ethical practices	15	23
	Efficiency	13	20
	Open systems	45	68
7	Fund raising	23	35
	Marketing/PR	16	24
	Networking	12	18
	Programs and services	49	74
8	Orientation in mission and purpose	27	41
	Customer orientation	20	30
	Quality services	19	29
	Comprehensive services	15	23
	Total (management practices)	66	100

### Proposition Five—Human Relations

Human relations management represents the way nonprofit organizations work with their staff and volunteers. Sixty-seven percent of interviewees ( $n = 44$ ) emphasized the contribution of human resources management practices to their organizational effectiveness and over half of respondents believe they have good human resources management practices in the organization. They discussed how they are able to work together to provide services. Respondents also mentioned open communication practices, training, leadership development, and education. Some responses from the interviews are as follows:

How our HR works, and how—internally, I think that the improvement has been drastic and we are really in a solid place.

I want them [staff] to feel that they have input and that they are engaged and that they are part of the system not just in the system itself.

I think that the most important thing is I have been able to find the right people and put them in the right position where they take ownership of their job and then they move on with it and excel.

we are...an interdisciplinary organization...and so we rely on a lot of collaborations with others

We encourage our employees to find better ways of working with clients.



### Proposition Six—Internal Processes

The internal systems and processes that facilitate efficiency and accountability were mentioned by 58 % of the respondents ( $n = 38$ ). This included general comments about ‘procedures’ as well as comments about financial controls and efficiency in providing services. Respondents commented that these features reflect criteria that are important to stakeholders and facilitate optimal utilization of limited resources. Respondents also talked about creating plans and using those to guide activities. Selected comments include

Just that whole accountability efficiency. Creating efficiency models, work flows and then accountability for what’s going on

but we run a very efficient operation in terms of overhead.

strategic planning is a big piece of that, knowing which way we’re going and what it is that we want to do, and setting our goals and objectives

I understood structure, systems, processes, how to put those in place, how to make them work for you, how to identify when they weren’t working any longer

### Proposition Seven—Open Systems

Almost 70 % of the participants ( $n = 45$ ) commented on the need to respond to key stakeholders in the external environment. The number and complexity of stakeholders includes community members to raise awareness, donors to gain financial support, and potential service partners to coordinate and/or expand services. Participants discussed fundraising strategies, marketing and public relations-type activities, and efforts to network with other providers. Respondents believed that these management activities contributed to broader recognition of the organization, which is related to securing “support.”

Yes, we are trying very hard. I’ve been reaching out to a lot of people to try and bring out the awareness.

We were even able to help some other organizations across the state and we’re...more effective being able to get out our message on local media.

I’ve been pretty good at maintaining the relationship with my donors and always making it—reaching out to them on a personal level and keeping that relationship going even when I’m not asking them for money.

More than half ( $n = 26$ ) of those who discussed open systems activities felt that they were able to manage the complexity of the external environment or at the very least had a number of systems and activities (e.g., fundraising events) that were successful. Nevertheless, a full 70 % of the respondents ( $n = 32$ ) recognized some concerns or needs in these activities.

Yeah, and that's what we're working on now, and it's an advertising piece. You know, it's making sure that when we're searched online that we're the first vendor that comes up.

God has been really faithful to continue bringing this organization along. But at the same time, he also expects us to be diligent—pursuing new funding and that kind of thing. And there's not a lot of awareness about [name of organization]

We had somebody working on [grants], and we just can't seem to get that done.

### Proposition eight—Programs and Services

Comments in regard to programs and services and how they were managed were mentioned by 74 % ( $n = 49$ ) of the respondents. The range and quality of services as well as the approach utilized (attention to outcomes or the 'customer') were common ways to describe how their programs and services contribute to organizational effectiveness.

You'd have to keep producing quality products and meet their standards

meet the goal, which is our mission—to provide employment opportunities; that always needs to be the focus of whatever we do.

just in providing the services that we do, we really, really, really do a great benefit for ... these women that come in here

to be effective in anything in this organization you have to care about what you're doing. You have to care about the people

### Proposition Nine—The Board of Directors

Nearly every respondent ( $n = 63$ , 95 %) discussed the role of the board in supporting organizational performance. Respondents often referred to the board's role fulfillment: whether the members have accomplished their expected roles and have provided helpful insights to the organization (Table 5).

**Table 5** The board and how they operate

Proposition	Factors	# of managers	% of total
9	Board of directors	63	95
	Fulfillment of roles*	46	70
	Recruitment	24	36
	Clarification of roles and responsibilities	19	29
	Strategic approaches	18	27
	Shared visions and means	16	24
	Understand organization culture and values	15	23

They [the board] are very good at what they're doing, but also very much already involved.

I'm very happy, excited about our board...I'd say about half of our board is willing to continue to learn and get our message out and do things on their own.

I'm very happy, excited about our board. We would obviously, as every organization has, there's always the 80/20 rule. Twenty percent of your board is going to be doing all the work, but I think we have a little bit better percentage

Respondents discussed a number of ways that the board is effective, in addition to high-quality members; respondents talked about recruiting new members, working to ensure board members had a shared vision and purpose as well as a clear understanding of the organization's operations and activities. Their concerns were related getting the board to be fully invested and committed. Some respondents expressed the need for more training and education for the board in regard to roles. The most common role discussed was related to fundraising. Respondents were either pleased with the boards activities in this area or they were lamenting the limited involvement of the board in supporting resource development activities. Some example responses from the interviewees are as follows:

more involvement from my board of directors and not just the monthly day for the meetings and that's it. We need more board involvement.

The fundraising activities from the board are weak.

They're very good at fundraising; they've got great ties to the community and so those are the reasons why we've done well and the center has done well because of them.

They're good fundraisers. They have access to grants and they offer those grants to us and they support funding in many ways. They are active as far as participating at all our events. And then they take on at the committee level, anything that they have expertise on and they provide the support that they can or that I need.

## Conclusion

I think the success of the organization and the success in being able to hire high performing staff, and the fundraising and all those things that I do in terms of building relationship and setting up the organization and engaging the board.

This quote captures the interconnected factors that support capacity and subsequently performance in moderate-sized nonprofit human service organizations. The quote starts with people and methods utilized to identify the right people to work in the organization (Balduck et al. 2014). Respondents were adamant that

people were the most important resource in the organization. It was often the first thing discussed. The second factor is resource development (Bell and Cornelius 2013). Respondents were challenged to manage and control the resource environment. As they discussed resource challenges, the fundraising systems to overcome those issues were often under developed. The next aspect of the quote recognizes the need for strong relationships. This too was a consistent refrain from respondents. Aspects of social capital were discussed even more than money. Respondents recognized the need for strong internal and external relationships. They saw those efforts as critical to gaining support and providing services. Finally, the quote concludes with the board of directors. Mentioned by nearly every respondent, boards were instrumental in nearly every aspect of the organization—from, of course, fundraising, to financial oversight, to public relations, to trusted advisor. Respondents with high-quality boards could not say enough; those without them were struggling to bring the pieces together.

The paper utilizes the nonprofit value framework to organize capacity elements into resource attributes and management functions. Identifying resource attributes and management activities is an intuitive approach to capacity development that is readily interpretable. Respondents freely discuss these features when asked to explain the factors that support performance. Respondents do inter-mix management activities with resource attributes, although many respondents clearly identified resource attributes that make them successful. While boasting about their “people” or lamenting insufficient funding it was not uncommon that they discussed how they managed those resources. In nearly every case, however, there is a distinction between resources and management functions that can inform practice and scholarship. At times resource portfolio attributes are tangled with management activities, for instance, when managers discuss needing reliable funding and they explain what they have done or need to do to achieve sufficient finance stability. Nevertheless, as scholars and researchers there were interpretable distinctions between the things that managers did and the resource attributes they control. This aligns with the long-history of research that utilizes a resource-based perspective to understand organizational behavior.

There were a few factors that respondents seemed most confident in regard to helping them achieve their objectives. Almost universally respondents were satisfied, given constraints, with the range and quality of services they offered. Many wanted to serve more clients, or expand but current services were frequently described as high quality and meeting the needs of beneficiaries. Similarly, respondents were generally satisfied with the human capital attributes in the organization especially as it relates to providing services. Most respondents were also satisfied with their ability to manage staff members. Furthermore, external relationships were consistently discussed as an important asset. Most respondents were confident in the range and type of external relationships they had especially as these relationships related to networking for services. While these were areas of strength, there were just as many concerns.

Sufficiency of funds and the ability to manage the resource environment was a challenge for just about every organization. There were a rare few that had overcome resource issues. Most respondents were very concerned about funding.

Some expressed a desire to focus on services because that was a strength; the need to secure funds was an unwelcome distraction. It was apparent in how respondents described their fundraising and marketing systems that most lacked specificity in tactics that would lead to success. Far too many were ambiguous and hopeful in how they described their resource development work. This is often where they sought assistance from the board of directors. Sometimes the board fulfilled that need, but there too just as many lamented the inability of the board to fulfill that objective.

## Limitations of the Paper

This research is based on the perspectives of managers. There were not independent, objective analytics to measure organizational effectiveness. Respondents were allowed to define effectiveness and then to explain how they worked toward that definition. In most instances managers discussed some version of outputs and outcomes as how they define of performance. Even if it was as simple as “we help people.” Some managers wasted no time in explaining what they produced but rather launched right into a conversation about how they did it—“we raise money,” “we work very hard.” What they said and their own definitions of performance were clarified and explored in depth, but interviewers tried to avoid planting perspectives or preferences to respondents in regard to effectiveness. The focus of the conversation was on factors that support effectiveness as managers defined it. The lack of a universal performance measure potentially allowed respondents to discuss factors that might not contribute to an objective definition of performance. Nevertheless, the 66 participants had fairly consistent conceptions of what makes a difference. The patterns were fairly clear and this suggests more alignment than not. Another concern is that we were unable to verify the nature of the factors as described by respondents. Participants might have shared truisms of management without actually operationalizing these factors in their organizations. Future studies will explore these factors and performance in various ways to confirm or deny the findings of this study.

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