

# Effective Grantmaking Practices that Support Nonprofit Sustainability

Nonprofit sustainability can be defined as an organization effectively demonstrating mission-aligned outcomes over time. To achieve sustainability, organizations need to have skills and capacity in three critical areas: mission-aligned leadership, adaptability, and organizational capacity (York, 2009). When these factors are in place, organizations can thrive or adapt to a changing economic, political, and social environment. Given the many challenges nonprofits face today to adopt new technologies, adjust to changes in funding, and respond to changing community needs in the current political and economic environment, to be sustainable, organizations must have a growing number of skills and competencies.

## ORGANIZATIONAL SUSTAINABILITY FRAMEWORK



Adapted from York, 2009 and Kimberlin, Schwartz, & Austin, 2011

## Capacity building to support organizational sustainability

Capacity building is one approach used by funders to help organizations develop new skills. Effective capacity building efforts should align with the interests and priorities of the nonprofit organization. While funders may provide support for capacity building in multiple ways, the most effective models share the same key characteristics. Funders should provide capacity-building that is: **comprehensive** and **customized** so that support is aligned with the priorities of the organization; **competency-based**; **timely** and **aligned with the organization's readiness**; **peer-connected**; and **contextual** to consider the organization's other activities, as well as the broader social, economic, and political climate (Backer et al., 2001).

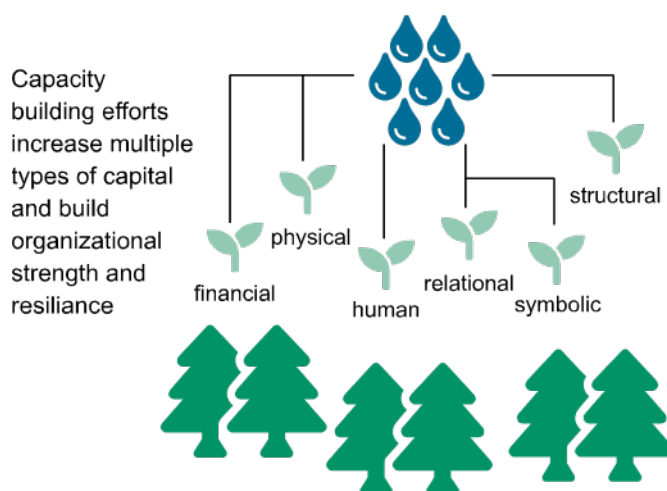
## Strength-based capacity building increases capital

Too often, capacity building is considered as a response to organizational gaps or deficits. Another approach is to look at capacity building efforts as a way to build on organizational strengths to increase different forms of capital. With this lens, capacity building is not viewed as a correction, but as an opportunity to provide additional coaching to help talented individuals and strong organizations achieve an ever higher level of performance.

### TYPE OF CAPITAL

- **Financial:** Cash reserves, consistent funding
- **Physical:** Building, machines, local environment
- **Human:** Experience and skills of staff and community
- **Relational:** Connections within and external to the organization
- **Symbolic:** Reputation in community, organizational culture
- **Structural:** Organization networks, structures and processes

Some research suggests that investment in one type of capital activates change in other types of capital, generating a “spiraling up” of positive momentum (Emery & Flora, 2006).



## Relationship matters

To make sure capacity building efforts bring the greatest benefit to organizations, funders need to listen and respond to the needs identified by grantees. This requires trusted relationships to be in place so that organizations feel comfortable identifying their needs, and in giving constructive feedback about the quality of capacity building support they receive. Just as organizations need to be creative in how they adapt to a changing landscape, funders must also be flexible to help organizations sustain and thrive.

## Sources

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### For more information

This summary presents highlights of the report, *Effective grantmaking practices that support nonprofit sustainability*. For more information about this report, contact Melanie Ferris at Wilder Research, 651-280-2660.

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