



# Foundations Need Capacity, Too:

Initial Findings from the  
**FOUNDATION CORE CAPACITY  
ASSESSMENT TOOL**

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# Introduction

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For many years, the social sector has paid substantial attention to the issue of nonprofit effectiveness. A robust conversation exists regarding the importance of building nonprofit capacity to achieve greater impact, and numerous diagnostic tools are available to help nonprofit groups assess their capacity strengths and challenges. By contrast, comparatively little attention has been paid to the capacities that foundations themselves need to achieve impact.<sup>1</sup> **What capacities are essential to advancing a foundation’s own mission? How do these elements compare to the capacities their grantee partners need? How can a foundation’s staff and board productively explore these matters, assessing their own capacity infrastructure and prioritizing the changes they need?**

For close to four decades, TCC Group has provided thought leadership and strategic consulting services to the nonprofit and philanthropic sector. In recent years, we have partnered with foundations to help catalyze a conversation about the capacities foundations need to effectively advance their missions. Essential questions explored together early on included the specific knowledge and skills that program staff need to advance their institutional aims effectively. The Foundation Core Capacity Assessment Tool (FCCAT) emerged out of these conversations, through a many month process that involved research, analysis, and dialogue with colleagues across a broad range of foundation types and sizes. The FCCAT, using TCC Group’s Core Capacity Framework, assesses a foundation along five core dimensions: **leadership**, **adaptive**, **management**, **technical**, and **organizational culture**. (See Appendix A for a more detailed description of the FCCAT.)

With support from the Ford Foundation, TCC Group made the FCCAT available to foundations at no cost in the spring of 2016. This report describes aggregate results from 54 participating foundations that took the FCCAT to assess their foundation’s capacity. To our knowledge, data-driven insights about foundation capacity collected from such a broad array of foundations have not been investigated or represented previously.

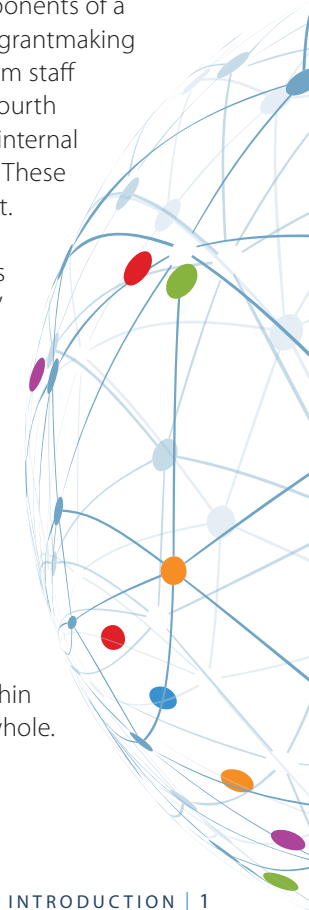
We believe that foundation capacity – like nonprofit capacity more broadly – is essential to impact. In developing the FCCAT and sharing aggregate findings

in this report, our core purpose is to elevate attention to this important issue. We hope that the capacity framework and data points presented here will generate conversations and learning about the capacities foundations need to advance their mission. We look forward to learning with you and to enriching philanthropic sector understanding of these important issues, in order to heighten impact and enable lasting change.

## Why Consider Foundation Capacity?

Historically, attention to foundation capacity has focused largely on matters that can be characterized loosely as “customer service” (for example, the perceptions of grantees regarding a foundation’s performance). A second area of attention has explored practices relevant to specific components of a foundation’s core work (such as a focus on foundation payout or grantmaking processes). A third has considered the content knowledge program staff require to assess and award grants in their priority issue areas. A fourth arena has entailed monitoring activities that track the efficacy of internal operations (for example, legal systems and grants management). These strands of inquiry are all important, but in our opinion, insufficient. Focusing selectively on specific foundation practices may inadvertently serve to compartmentalize the multiple dimensions of a foundation’s work. Focusing on content expertise (the “*what*” of grantmaking) often elides attention to the skills required to do it well (the “*how*”). And an emphasis on monitoring tends to yield insights about output rather than clarity about the knowledge, resources, and structures needed to enable meeting objectives.

We argue that to build institutional capacity, organizations must be understood as an integrated whole. This means that individual functional arenas must be examined discretely as well as in relation to one another. Assessing strengths or needs in any given domain (leadership, management, and so on) remains essential, but these select capacities must also be considered within the overall context of how discrete elements add up to a larger whole.



<sup>1</sup>Raynor, J, et.al. (2014). Capacity Building 3.0: How to Strengthen the Social Ecosystem. *TCC Group*. Available at [http://www.tccgrp.com/pubs/capacity\\_building\\_3.php](http://www.tccgrp.com/pubs/capacity_building_3.php).

## How The Data In This Report Came About

In the spring of 2016, with generous support from the Ford Foundation, TCC Group invited up to 75 foundations to join an inquiry about foundation capacity by participating in taking the FCCAT. Foundations of all types, asset size, and grantmaking scope were encouraged to participate. Philanthropy sector allies, such as Grantmakers for Effective Organizations, helped amplify our efforts in getting the word out. Parameters for participation were limited: we required only that a minimum of three individuals per institution take the FCCAT, to ensure response anonymity, and set no upper limit. We also advised that FCCAT participants have a strong knowledge of their foundation's management and operations, and be sufficiently familiar with grantmaking processes, in order to meaningfully respond to the items in the tool.

A total of 58 foundations took the FCCAT in the spring of 2016, and institution-specific results were subsequently shared in confidence with each participating foundation through customized reports. Data from 54 qualifying foundations were analyzed in aggregate; this report shares these findings.

The participating FCCAT foundation sample was diverse across a myriad of variables (see Foundation Participant Demographics to the right). Nonetheless, these findings cannot be said to represent the sector as a whole; a larger database of users will, in time, allow us to make broader statements about sector-wide trends. This qualifier notwithstanding, we believe the findings presented here offer an unprecedented look at how diverse foundations assess their foundation's capacity.

This report is the first of several field-facing knowledge products that TCC Group will produce to strengthen philanthropic sector conversation about foundation capacity. We recognize that this is a nascent conversation and are committed to an ongoing exploration, enriched by dialogue with our foundation colleagues. We look forward to learning together, and to sharing future findings with the philanthropic field.

## FOUNDATION PARTICIPANT DEMOGRAPHICS

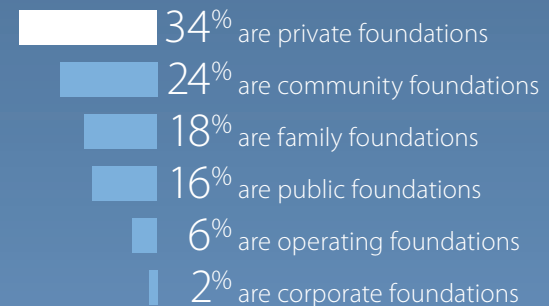
The foundations represented in this data set range in type, size, and target focus. TCC Group did not construct the participant sample to represent specific proportions of foundation type; rather, foundations self-selected and thus represent a convenience sample. Participants were asked to identify the category that best describes themselves on several demographic variables. The largest proportion of participating foundations identified as private foundations, representing roughly one-third of the sample. A quarter of participants identified as community foundations. Just under 20 percent identified as family foundations. Operating and corporate foundations represented the smallest percentage of participants.

Foundation asset size was similarly diverse, with the largest category of participants indicating assets between \$100M and \$400M. Foundation total annual giving was more uniform across the sample, with more than half of participants giving between \$1M and \$10M a year.

Characteristics reported about grantmaking scope are atypical for the sector, in which the vast majority of U.S. foundations give locally. By contrast, in the FCCAT sample: 44 percent grant locally, 32 percent grant regionally, 16 percent nationally, and just eight percent, internationally. Across these geographies, foundation participants support grantees in a diversity of ways: 83 percent provide program grants, 74 percent provide capacity building grants, and 79 percent support convening and networking. Other commonly reported grantmaking practices include providing general operating support (71 percent) and multi-year grants (59 percent).

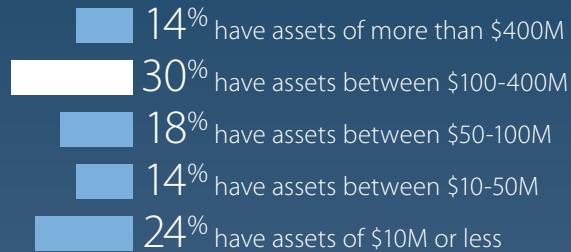
TCC Group ran an analysis of all demographic variables and did not find significant differences in capacity by any variable.

### Foundation Type

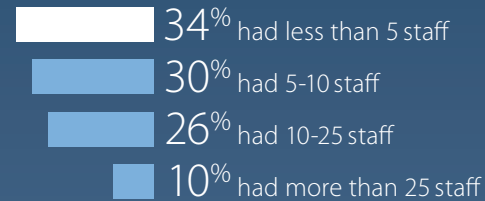




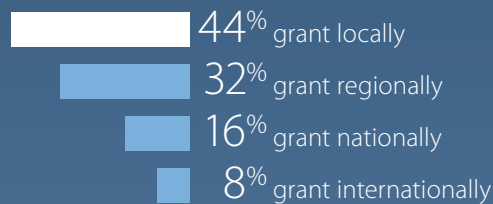
## Foundation Asset Size



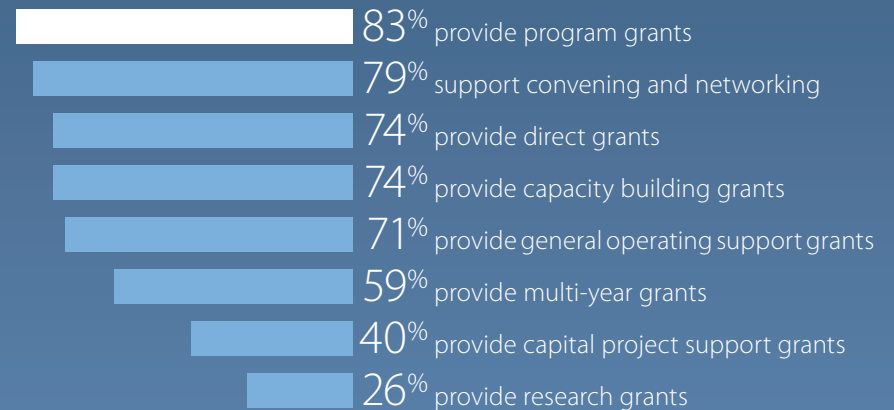
## Foundation Staff Size<sup>2</sup>



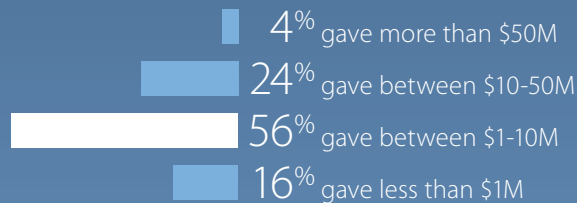
## Foundation Grantmaking Scope



## Grantmaking and Related Activities



## Foundation Total Annual Giving in 2015



<sup>2</sup> Foundations across the sample differed significantly in terms of the number of individuals that participated in taking the FCCAT. In some institutions, saturation was quite high, while in others, it was more minimal. On average, we estimate that roughly 70 percent of foundation staff participated in taking the tool.

# Capacity Findings

TCC Group's hallmark Core Capacity Framework assesses capacity strength in an integrated fashion. The FCCAT measures five core capacity dimensions:

- **Leadership capacity:** the ability of all organizational leaders to create and sustain the foundation's vision. This includes the capacity of leaders to inspire, prioritize, make decisions, innovate, and provide appropriate direction to achieve an organization's mission.
- **Adaptive capacity:** the ability of a foundation to monitor, assess, and respond to changes in the internal and external environment.
- **Management capacity:** the ability of a foundation to ensure the effective and efficient use of its diverse organizational resources.
- **Technical capacity:** the ability of a foundation to implement its key organizational and programmatic functions through available technologies, tools, and staff skills.
- **Organizational culture:** the values, assumptions, and behavioral norms that guide how a foundation carries out its work.

Each core capacity construct is comprised of a number of sub-capacities; there are 43 sub-capacities in total. Core capacities (as well as their related sub-capacities) are scored on a 300 point scale. Capacities that received a score of 230 and greater are considered "strong"; 190-229 "satisfactory"; and less than 190 "challenging."

This report begins with a discussion of overarching capacity findings and follows with a more detailed look at each of the core capacities and related sub-capacity findings.

## Overarching Capacity Findings

Perhaps the most striking feature of aggregate FCCAT core capacity results is their strength; the second most striking feature is their coherence.

Across the aggregate sample, all five of the core capacities are rated as "strong" or "satisfactory." Overall capacity scores are also fairly similar – a not altogether surprising finding, since we would expect some smoothing of results due to the aggregation of individual organizational data. No noteworthy differences in perspective (indicated as "variance") emerge between foundation respondents in the aggregate context (though again, variance does occur on the institutional level). Finally, as mentioned in the demographics section (see page 2), foundations rate their perceived core capacity strengths similarly, regardless of foundation type, asset size, and scope.

Management capacity receives the highest (or strongest) score across the aggregate sample. By contrast, operating nonprofit organizations frequently

## Aggregate Overall Core Capacity Scores\*



\*Core capacities and related sub-capacities are scored on a 300 point scale.



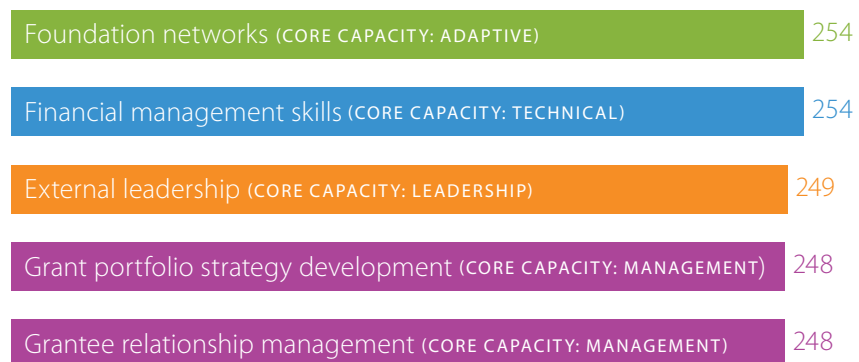
report management capacity as an area of challenge. We might conjecture that foundations score high in this domain because much of their work involves management-related functions (for example, managing payout, grant agreements, grant reporting, and so on).

A closer look at the management construct reveals that two of its sub-capacity scores fall in the FCCAT's top five highest sub-capacity scores: grantee relationship management and grant portfolio strategy development. As a corollary, it's worth observing that no management sub-capacity scores fall within the FCCAT's lowest sub-capacity scores (whereas three of the remaining four core capacities have sub-capacity scores in these lowest ranges). Interestingly, the overall sub-capacity strengths of the aggregate sample appear to involve relational capacities; that is, the ability to build effective foundation networks; manage relationships with grantees; and

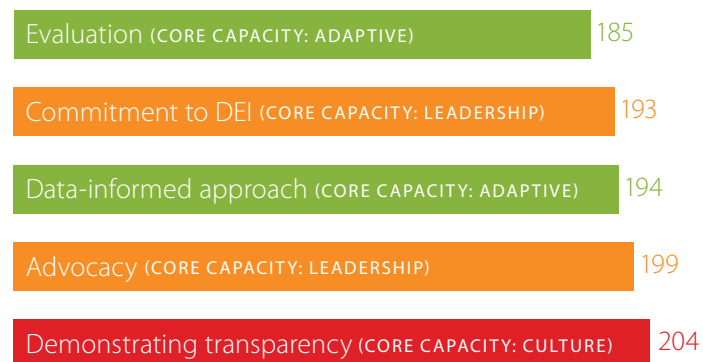
demonstrate leadership in their chosen fields. These perceived competencies are central to a foundation's ability to align and leverage work with various critical stakeholders. (See collaborative capacity on page 9.)

Organizational culture capacity receives the lowest score across the aggregate sample, and commitment to diversity, equity, and inclusion receives the second lowest sub-capacity score, a finding already well-recognized across the sector and all too-well supported by other data sources and reports. (See DEI and cultural competency on page 7.) Three final areas of comparatively weak sub-capacity are transparency, advocacy, and evaluation. These findings are also consistent with sector trends and identified by various philanthropy sector parties as deserving greater attention.

## Highest sub-capacity scores



## Lowest sub-capacity scores



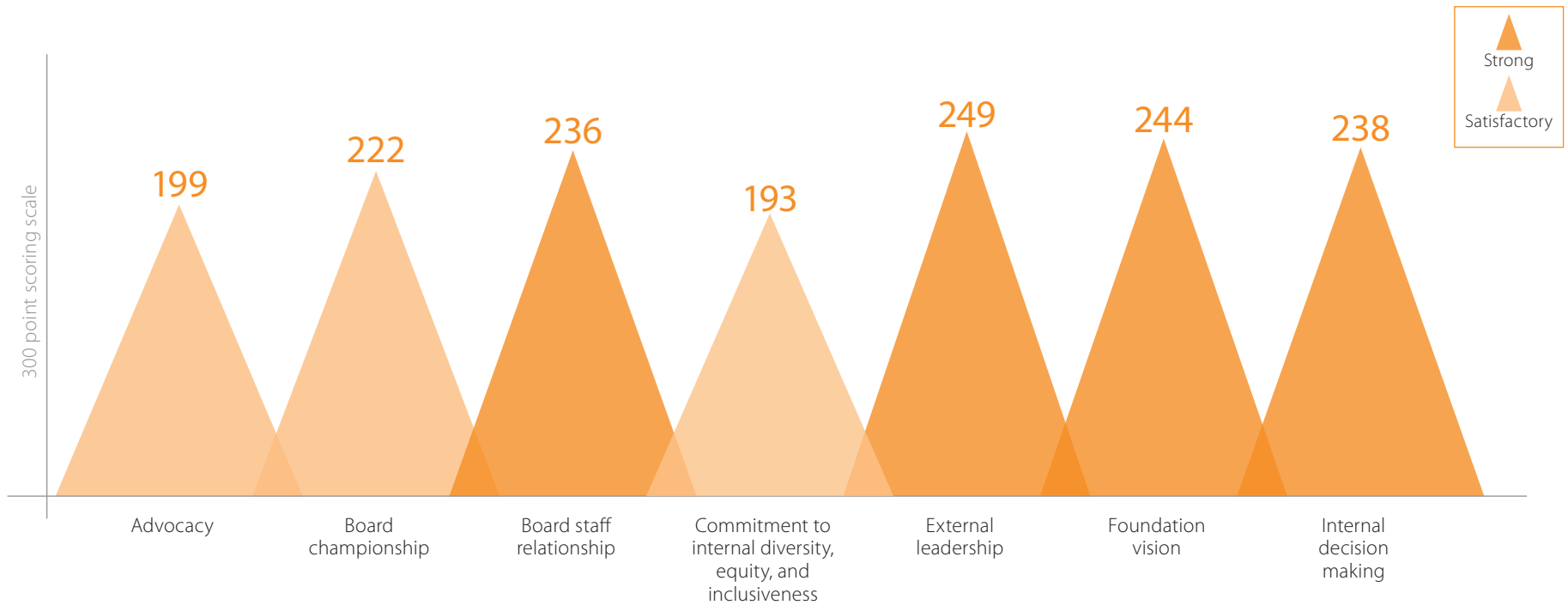
# Leadership Capacity

This core construct embraces the capacity of organizational leaders to inspire, prioritize, make decisions, innovate, and steer a foundation toward achieving its mission. Leadership capacity can be held by multiple parties rather than resting in a single individual (whether the head of board or staff). This core construct has seven sub-capacities (identified and defined in Appendix B).

The highest sub-capacity scores in the leadership construct appear externally-focused, encompassing a foundation’s capacity to demonstrate leadership within relevant communities and to convey organizational vision. Other strong leadership sub-capacities involve internal decision-making and the perception of effective relationships between staff and board. The perceived strength of staff-board relationships is somewhat surprising in light of concerns not infrequently raised by program staff regarding board members’ involvement in foundation processes – whether perceived as too much or too little.

Foundation commitment to diversity, equity, and inclusion (DEI) is rated as the lowest sub-capacity score across the leadership construct and the second lowest across the entire FCCAT assessment overall (with the lowest being Evaluation in Adaptive capacity). For a more nuanced exploration of this topic, see page 7.

Finally, advocacy appears as an area of lower leadership capacity as well. Since many foundations refrain from engaging in advocacy work, this finding is not altogether surprising. Though foundations may choose not to support advocacy strategies (whether through granting to advocacy organizations, engaging in foundation-led advocacy activities, or aligning with peer foundations that undertake advocacy work), further reflection on this capacity arena may be worthwhile as funders consider the best combination of strategies to advance their aims.





# Preliminary Capacity Findings about Diversity, Equity, and Inclusion (DEI) and Cultural Competency

Efforts to foster a more equitable philanthropy through strengthening commitment to diversity, equity, and inclusion (DEI) have been underway for years, led by individual foundations, funder affinity groups, and coalitional efforts, such as the Diversity in Philanthropy Project and its culminating, five-year initiative, D5 ([www.d5coalition.org](http://www.d5coalition.org)). Collaborative and intentional leadership on the part of many across the sector have yielded promising movement. Research from D5 and others suggests that foundations: increasingly commit to diversifying their staff and boards; report on both gender and racial demographics for their full-time staff; invest in diverse communities; and implement various practices to support diversity objectives. But by all accounts, there is still a very long way to go on each of these fronts, and in multiple sector forums, funders frequently acknowledge that DEI remains an aspirational goal and a persistent challenge.

The FCCAT aggregate data confirms these challenges. The DEI sub-capacity score in Leadership capacity of 193 makes it the second lowest of all sub-capacities in the FCCAT. Significant variance in DEI scores exists across the aggregate sample, indicating that FCCAT respondents within the same institution perceive institutional capacity in this arena differently from one another. Interestingly, foundations rate their commitment to recruiting diverse staff as “strong,” leading us to conjecture that challenges lie in identifying, hiring, onboarding, and/or retaining diverse staff. However, respondents are surprisingly more likely to agree that their boards are reflective of the communities they serve.

A related sub-capacity area, cultural competence, is differently appraised. This sub-capacity area – in Technical capacity – encompasses the skills the skills foundation staff must have “to work and communicate effectively with people from different backgrounds and positions.” Here results indicate “strong” capacity across the aggregate data set. This finding may suggest the values of diversity, equity, and inclusion are deemed important to uphold among foundation staff, even if these staff are not sufficiently diverse. Intriguingly, foundations with strong advocacy capacity are more likely to possess strong cultural

competency as well; cultural competency does not appear to be correlated with any other assessed capacity domain.

We intend to further explore the potential relationship between DEI and cultural competence capacity, as well as the relationship between capacity in these areas and strengthening foundation capacity – and impact – overall. We encourage foundations to further consider the skills and structures needed to build capacity in this domain as well, given the critical importance of these capacities.

## Commitment to diversity, equity, and inclusiveness: 193

The composition of our board reflects the communities we serve.



The composition of our staff reflects the communities we serve.



We actively seek to recruit diverse foundation staff.



## Cultural competency: 241

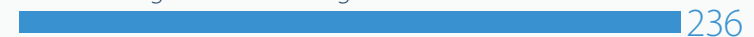
Our staff value the cultural identity of those we work with.



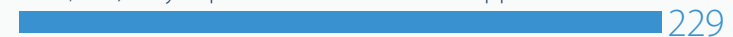
Our staff have the knowledge and skills they need to work effectively with colleagues whose backgrounds differ from their own.



Our staff are sensitive to how their language and other behaviors affect colleagues whose backgrounds differ from their own.



In developing grant strategies and programs, our staff routinely considers how individuals from different backgrounds (race, gender, class, etc.) may experience the issues we support.



# Adaptive Capacity

Adaptive capacity addresses a foundation’s capacity to monitor, assess, and respond to changes in the internal and external environment in order to pivot as needed to enable impactful work. Seven sub-capacities (defined in Appendix B) comprise the adaptive capacity construct.

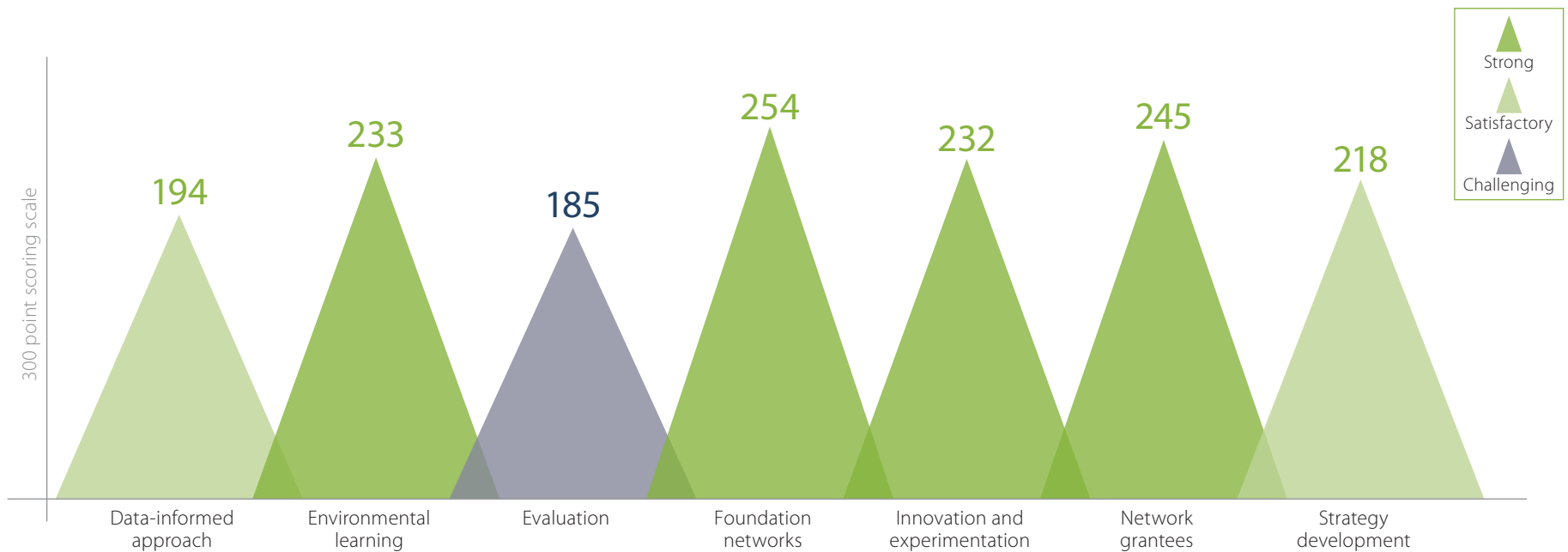
Foundations routinely collect data – sometimes formally, through structured evaluations, funding landscape scans, grant proposals and reports, and sometimes informally, through routine meetings with grantees, issue experts, and community members, and so on. We would hope and expect that tapping these varied data sources, and drawing on the wisdom of different stakeholders, strengthens a foundation’s ability to understand the environment (or “ecosystem”) in which it operates. High scores in the aggregate sample encompassing networks for foundations, grantees, and environmental learning appear to bear this out.

Though still falling within the satisfactory range, foundation capacity for strategy development is perceived as comparatively less robust. Evaluation

is the lowest element of adaptive capacity. Specifically, incorporating both formal and informal evaluation into foundation work is rated the lowest sub-capacity across the FCCAT. While foundation staff report some success in having the space to reflect on lessons learned, they appear to lack clear criteria for determining whether that work is effective, and similarly lack a regular approach or system for evaluating their portfolios. Foundations also report lower capacity in their ability to share and use different kinds of data to inform decision-making.

These findings are consistent with a recent field report published by the Center for Effective Philanthropy, indicating a number of challenges foundations commonly face in incorporating evaluation and learning practices within their institutional practice, and in applying lessons learned to grantmaking activities.<sup>3</sup>

<sup>3</sup>Benchmarking Foundation Evaluation Practices. (September 2016). *The Center for Effective Philanthropy*. Available at <http://research.effectivephilanthropy.org/benchmarking-foundation-evaluation-practices/>.



# Preliminary Findings About Collaborative Capacity

With the understanding that collaborative capacity is important to effective work, the FCCAT explores the concept of “collaborative capacity” across multiple core capacity constructs and their associated sub-capacities. The tool looks *internally* at the potential demonstration of collaborative relationships between and among staff and board, both within and across portfolio areas. The FCCAT also looks *externally* at the demonstration of collaboration in the development and execution of grantmaking strategy and processes, through potential alignment with grantees, community members, peer funders, and other stakeholders.

In investigating the data, we queried various possibilities, looking at sub-capacities across leadership, adaptive, and organizational culture constructs encompassing among other things the attributes of cohesion, foundation and grantee networks, aligning others behind vision, and collaborative values. We asked various questions, including:

- Does strong collaborative capacity correlate with stronger capacity in any of the core capacity constructs?
- Does collaborative capacity bear any relation to adaptive capacity, in particular, possibly reflecting an ability to listen well – and hence respond better – to internal and external allies?
- Might collaboration strength indicate greater commitment to diversity, equity, and inclusion?
- Does evidence of internal collaboration align with evidence of stronger external collaborative practices, seen for example in stronger ties between foundations and their grantees, peer funders, or other external allies?

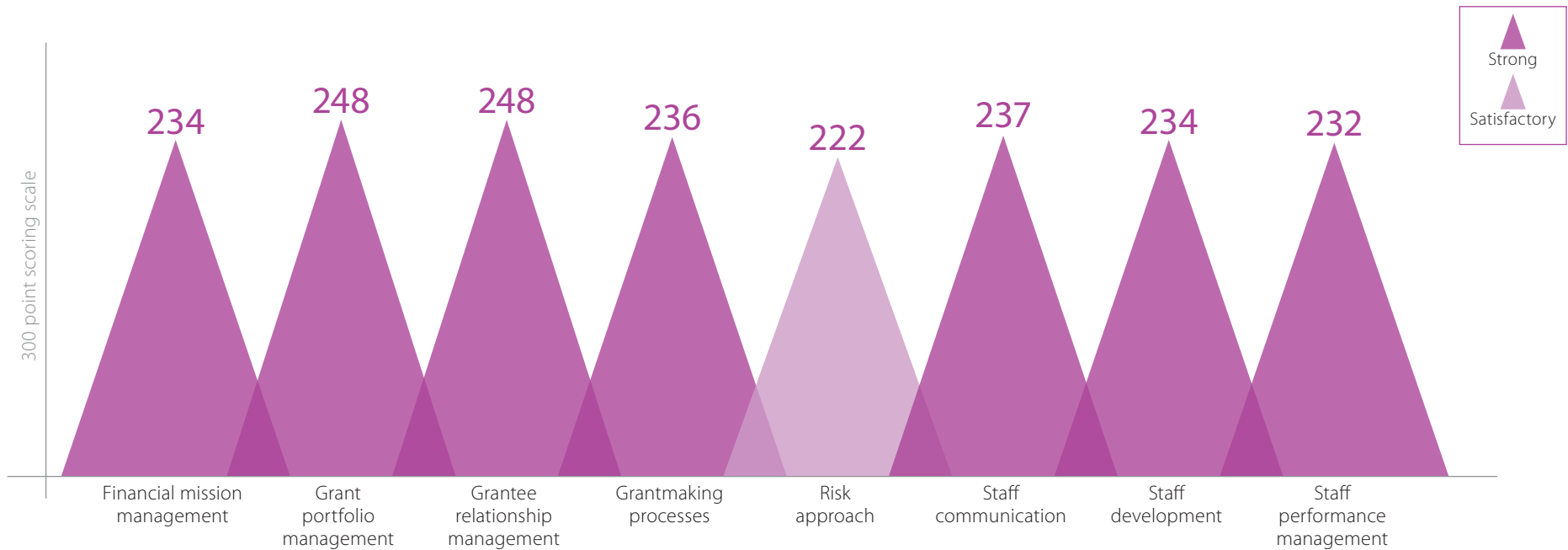
Our findings are preliminary, and ripe for further digging. For example, we found that being a highly collaborative organization does not predispose a foundation to being more committed to DEI, nor does strong internal collaborative practice translate to strong capacity for collaborative work externally with a foundation’s grantees or funder peers. This said, strong internal collaboration does, intriguingly, appear to correlate with stronger capacity for innovation and experimentation, two elements within the management capacity construct. Evidence of strong external collaboration capacity also correlates, logically, with higher levels of environmental learning.

As foundations that have taken the FCCAT convene to reflect on their institution-specific findings, it might be interesting to explore whether the ingredients they perceive as essential to their institution’s best programming relate in any way to their capacity to collaborate within or beyond foundation walls. Collective thinking about mechanisms to codify and integrate collaborative practices into a foundation’s routine work would also be of value. These perceptions, coupled with an enlarged FCCAT data set, in time, may shed helpful insights into the ways in which collaborative work enables stronger philanthropic practice overall.

# Management Capacity

This core construct addresses a foundation’s capacity to ensure the effective and efficient use of its diverse organizational resources. As noted previously, management is the strongest core capacity across the aggregate sample, with seven of its eight sub-capacities (defined in Appendix B) falling in the “strong” range, and the remaining element (concerning a foundation’s approach to “risk”) falling in the high “satisfactory” range. Foundations’ commonly high management scores (in contrast to their nonprofit grantees, who typically identify this arena more “satisfactory”) may suggest their ability to apply comparatively greater resources to fulfilling their core functions, including financial and grants portfolio management, staff development, and other fundamental activities.

Foundation capacity to take appropriate risks, utilizing multiple strategies to achieve greater outcomes, rates lowest among the management sub-capacity elements (though still falling toward the upper end of the “satisfactory” range). The question of risk and risk tolerance is not a new one for the sector. These data seem to show that risk is an area of low confidence, potentially driven by disposition (i.e., discomfort to take on risk) as well as the lack of systems or processes to pursue a range of risk strategies. This finding deserves further exploration in order to ascertain what enables or impedes risk taking behavior.





# Technical Capacity

This core construct broadly addresses whether a foundation has the skills and resources it needs to carry out its key organizational and programmatic functions. The FCCAT's 12 technical sub-capacities encompass numerous critical skills and resources foundations arguably need to carry out their core work (including, for example, grantmaking, legal, and evaluation skills, as well as material resources such as facilities and technological equipment).

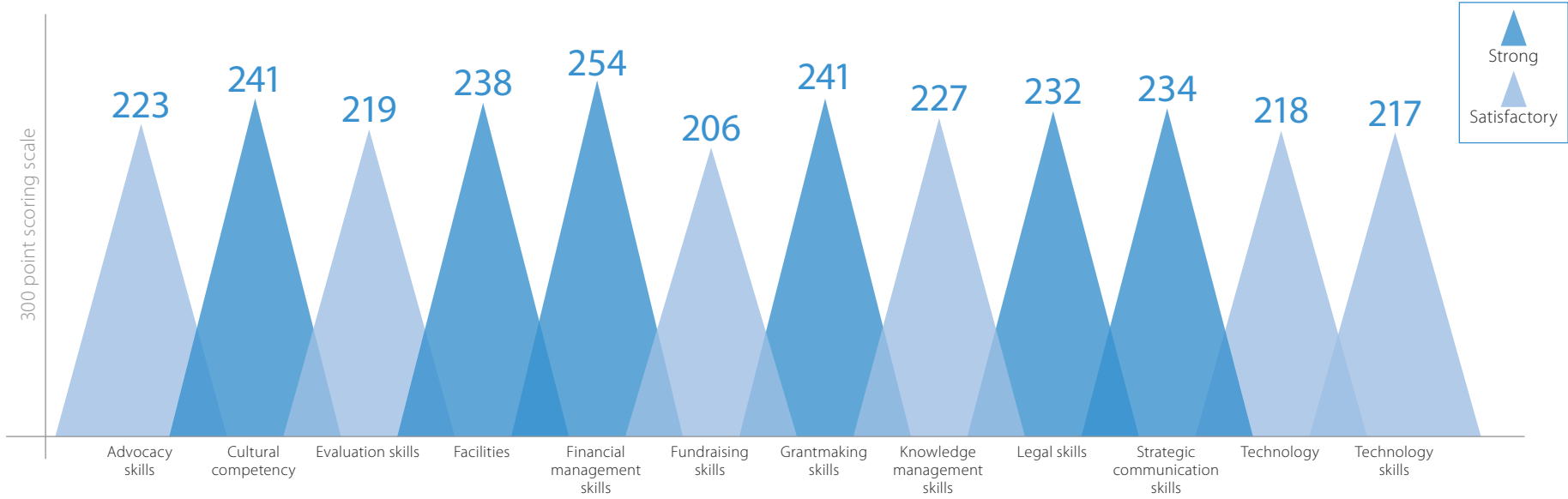
Technical capacity appears to be an area of overall strength for foundations across the aggregate sample, with 6 of the 12 sub-capacities in this context rated "strong," and the remainder "satisfactory." By contrast, nonprofit organizations frequently identify challenges in this core arena. The comparative strength of foundations' technical capacity may reflect their presumed ability to allocate greater resources where needed to enable effective work.

This said, it is worth noting that FCCAT respondents differ from one another in their perception of foundation technical capacity strength, as opposed to their comparatively well-aligned assessments of other core capacities; 7 out of 12 technical sub-capacities indicate variance among foundation respondents.

This finding may suggest that staff and/or board members are differently aware – or able to take advantage – of available institutional goods, and/or that staff display different skill competency across portfolio and operational areas.

The highest sub-capacity scores in the technical capacity construct are financial management, grantmaking skills, and cultural competency. (See page 7 for more discussion of cultural competency and its relation to the DEI findings.) The lowest sub-capacity scores are in evaluation skills (see discussion on page 8 within adaptive capacity), technology, technology skills, and fundraising skills. Fundraising is, not surprisingly, the single most cited capacity challenge for operating nonprofits, and this difficulty seems to carry over to those foundation types (public and community) that engage in fundraising activities. While falling in the lower end of the technical skills range, fundraising is nevertheless less of a challenge for foundations than for their nonprofit counterparts, presumably because foundations have greater ability to allocate resources to this function (just as they do towards other sub-capacities in the technical domain).<sup>4</sup>

<sup>4</sup>FCCAT respondents were instructed to skip items (regarding fundraising or other arenas) if they were not relevant to their own foundation's activities; results were not affected.



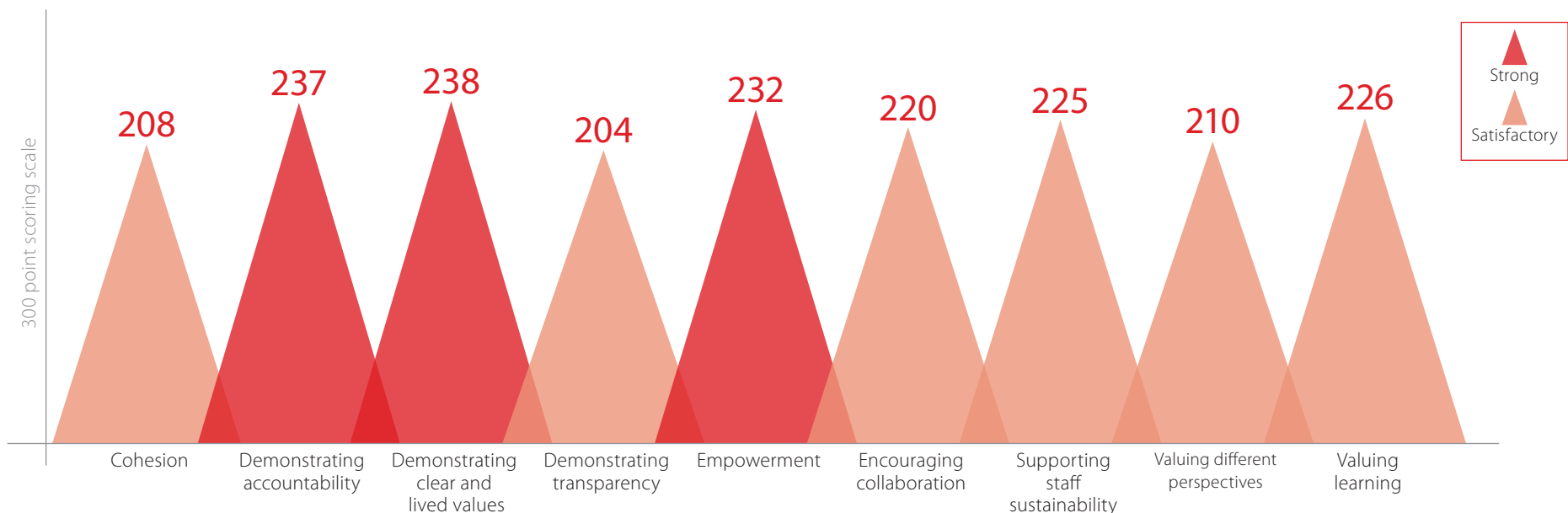
# Organizational Culture Capacity

Organizational culture capacity encompasses the values, assumptions, and behavioral norms that guide how a foundation carries out its work. This is, notably, an unusual area of capacity to rate, but we underscore here that the FCCAT is best understood as a tool for gauging how parties internal to a foundation perceive the demonstrated behaviors and attitudes of an institution; it is not an objective assessment that ascribes value to the traits perceived (that is, whether something is judged as “good” or “bad”). In this context it is worth noting that the nine sub-capacities that comprise the organizational capacity construct (each defined in Appendix B) all rate as “strong” or “satisfactory,” and that there is no variance between FCCAT respondents in each of these sub-capacity areas. Put another way: FCCAT respondents have a clear and coherent sense of their respective institution’s cultural values, assumptions, and behavioral norms, and they perceive these attributes in similar ways.

Generated by Grantmakers for Effective Organizations (GEO), recent publications and dialogue have heightened attention to the importance of organizational culture within foundations (and presumably, elsewhere), arguing the centrality of cultural norms in enabling or impeding foundation efforts to advance mission objectives.<sup>5,6</sup> Whether an institution’s cultural norms are this influential is of course debatable, but it is clear from aggregate FCCAT results that foundation respondents recognize (and share perspectives on) the institutional norms through which people engage with one another, express their point of view, and align for shared purposes. Nuanced discussions with staff and board members who participated in taking the FCCAT, coupled with an expanded data set, in time, will shed light on how salient various dimensions of organizational culture capacity are to supporting or constraining a foundation’s best intentions, and how they correlate with other core dimensions of a foundation’s capacity.

<sup>5</sup>David, T. and Enright, K. (October 2015) The Source Codes of Foundation Culture. *Grantmakers for Effective Organizations*. Available at <http://www.geofunders.org/resource-library/>.

<sup>6</sup>Shaping Culture Through Key Moments. (November 2016). *Grantmakers for Effective Organizations*. Available at <http://www.geofunders.org/resource-library/>.



# Final Thoughts and Moving Forward

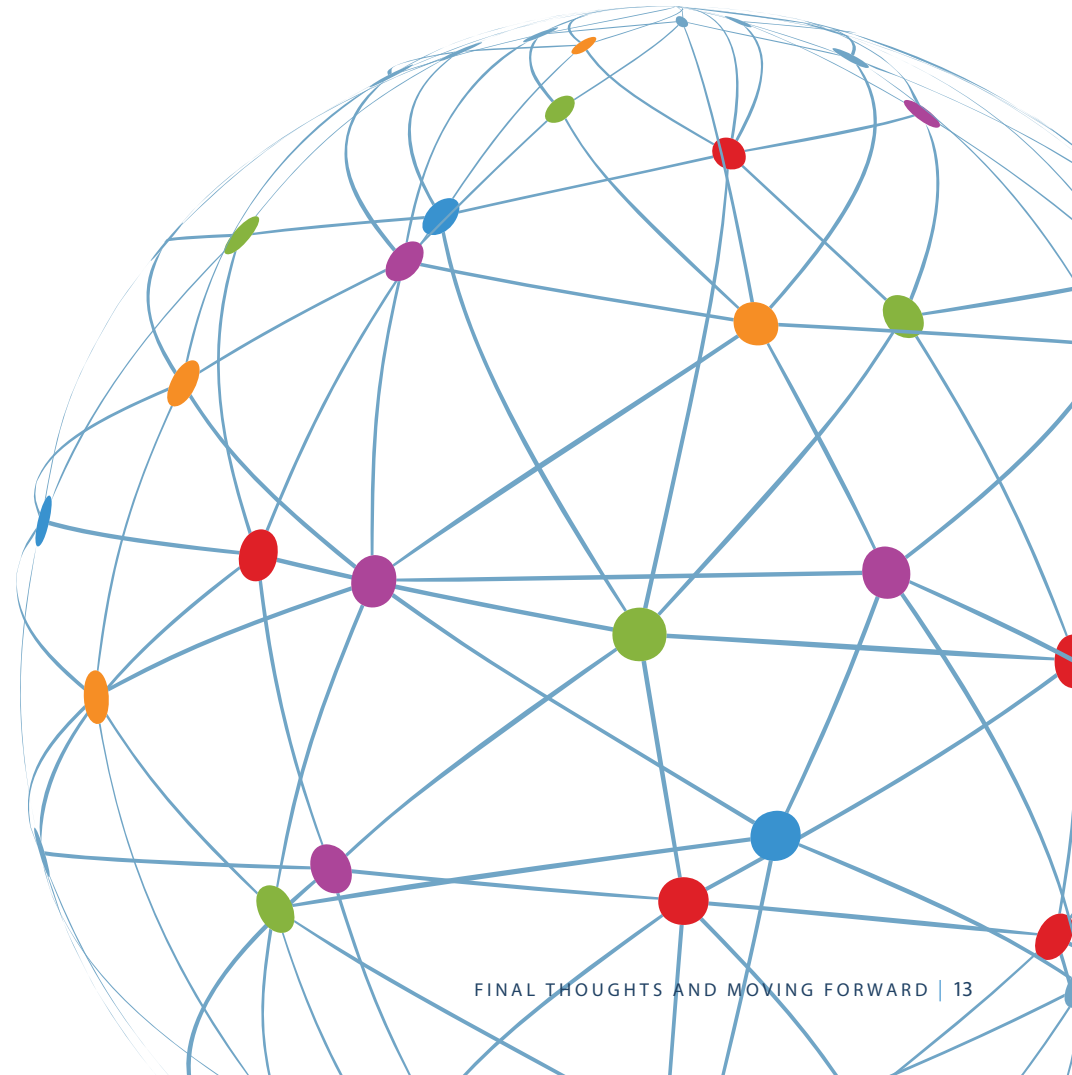
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The data presented here portray an initial snapshot of how 54 highly diverse foundations regard their organizational capacity. We believe that examining foundation capacity through a holistic framework can help in diagnosing what enables or impedes an institution's ability to advance its mission and achieve its goals.

Arguably both an art and a science, capacity building is a complex endeavor: grounded in diagnosis of strengths and challenges; assessment of what to prioritize, when, for what purposes; and initiated when organizational readiness suggests concrete progress can be made. For some time, the philanthropic sector has rightly concerned itself with doing all it can to strengthen the effectiveness of nonprofit organizations, often coupling its direct grant support with investments that seek to build the internal capacity of grantee partners to enable more successful work. In this context it is worth noting that foundations appear to assess their capacity strength more positively than nonprofits assess their own (judging from differences we observe between common FCCAT and CCAT scores).

Will this pattern hold out as the FCCAT data set increases? Might heightened attention to what foundation capacity entails lead to more critical self-assessments? Do currently observed differences indicate that foundations are really more effective than the nonprofit organizations they seek to support? What might account for this difference, if it is indeed the case? Alternatively, might operating nonprofits simply rate themselves differently (that is, at a higher bar) than foundations do, since the former are publicly accountable for their performance in a way that foundations are not? How might the assessments of foundation staff and board in key arenas (such as grantmaking processes, transparency and timeliness, collaborative will, and so on) compare with how grantees perceive foundation behavior along these lines? If they differ, why do they differ? And what makes some foundations particularly good at aligning with their grantee partners in these assessments? Finally, recognizing that foundations are commonly (and understandably) concerned with getting resources out the door, why are some more willing to invest in building their internal capacity than others? These and other questions are ripe for further exploration.

We believe it is time for foundations to complement their nonprofit capacity-building commitments with explicit attention to the capacities foundations themselves need to accomplish their institutional goals. We believe doing so will enable more impactful work across both nonprofit and philanthropic sectors. We hope this initial report will spur philanthropic sector conversation for these purposes. We look forward to your comments and insights, and to learning together about how to build foundation capacity in order to achieve greater and more sustainable change.





## APPENDIX A: BACKGROUND OF FCCAT

### Background and purpose of the Foundation Core Capacity Assessment Tool (FCCAT)

The Foundation Core Capacity Assessment Tool (FCCAT) was developed to help foundations explore their capacity in detailed and concrete terms. TCC Group crafted FCCAT in collaboration with foundation partners of all shapes and sizes, through a process that entailed well over a year of research, discussion, pilot testing, refinement, and measure validation. In developing the tool, we also drew on insights gleaned from TCC Group's nearly four decades of work in foundation strategy, evaluation, strategic learning, and grantmaking and operational management. Finally, the FCCAT builds on what we have learned from TCC Group's complementary Core Capacity Assessment Tool (CCAT), which since 2005 has helped over 5,000 nonprofits assess their organizational capacity and take action. Foundations frequently partner with TCC Group in providing the CCAT to their grantees and in developing their foundation or portfolio capacity building approach. Impressed by the power of data-informed group learning, funders increasingly asked, "Where is our *own* diagnostic tool for assessing our institution's capacity needs?", and the idea of the FCCAT was born.

### How can foundation capacity be measured? An overview of the FCCAT

The FCCAT is as an opportunity for collective organizational learning. It captures the insights of foundation respondents independently and at a particular moment in time, based on their perceptions of foundation behaviors and actions.

Foundations identify the individuals within their organizations who they would like to complete the assessment. A minimum of three respondents are required, but there is no upper limit. Each individual is then asked to independently complete the FCCAT survey, which is administered via the Internet. Through a series of 148 response items, all with a five-point Likert scale, FCCAT measures five overall "core capacity" dimensions: **leadership**, **adaptive**, **management**, **technical**, and **organizational culture**.

These capacities are considered critical to nonprofit effectiveness; our research and lived experience suggests that they are similarly relevant for

foundations. Each of the FCCAT's five core capacity components is comprised of a number of sub-capacities. The sub-capacities are comprised of a number of similar items that are bundled (or "scaled") into the sub-capacity construct. For example, the core concept of adaptive capacity concerns the extent to which a foundation listens and responds to changing conditions in its internal and external environment. This overarching concept includes seven sub-capacities, including the ability to develop, assess, revisit, and retool grantmaking strategy in real time, mindful of how conditions have changed.

Sub-capacities for the FCCAT were developed through field research, leading to the construction of survey items for specific practices and beliefs. In 2015, TCC Group piloted FCCAT with a sample of 23 private, family, and community foundations. We analyzed results per institution; provided each foundation with a customized report about its foundation's findings; and followed up with telephone "interpretation sessions" where we made sense of findings together. Informed by feedback secured through these conversations, we modified the FCCAT to meet diverse foundations' interests and needs, and validated the instrument through further analyses. When the FCCAT was re-released in its current form, all items and sub-capacities were reverified through a multi-step statistical analysis. This analysis included verification of the quality of items, including review of skewness and kurtosis; factor analysis to see if sub-capacities held up when combined with non-sub-capacity items; and reliability testing of sub-capacities (Cronbach's Alpha).

A distinctive feature of the FCCAT (like the nonprofit CCAT which preceded it) is that it assesses organizational functions comprehensively. The tool examines specific core capacity components (leadership, management, and so on), as well as their corresponding sub-capacities (grantmaking strategy, for example), scoring each of these capacities and sub-capacities discretely. However, the tool's overarching, core capacity framework is premised on the understanding that distinct capacities necessarily influence (and are influenced by) each other.

The FCCAT is neither a "report card" nor an objectively verified, 360° assessment. Rather, this online, statistically validated, self-assessment tool is best understood as a data-driven prompt for self-reflection and group discussion. It aims to foster the shared understanding of different parties within a foundation to enable informed action.



## APPENDIX B: FCCAT SUB-CAPACITIES AND DEFINITIONS

### Leadership

SUB-CAPACITY	DEFINITION
Advocacy	Foundation directly undertakes and/or funds advocacy work and externally communicates advocacy goals.
Board championship	Board is knowledgeable about and an active champion of the Foundation's work and approach.
Board-staff relationship	Board works respectfully with senior staff leadership, ensuring shared strategy and accountability to meeting organizational mission.
Commitment to internal diversity, equity, and inclusiveness	Foundation practices reflect commitment to diversity of staff and board as well as meaningful inclusion of communities served.
External leadership	Foundation plays recognizable and credible leadership role on issues relevant to Foundation mission, including raising up other voices.
Foundation vision	Foundation leaders articulate and direct resources toward a clear and compelling vision.
Internal decision-making	Foundation leaders make decisions guided by mission priorities and inclusivity values, and are skilled at putting ideas into action.

### Adaptive

SUB-CAPACITY	DEFINITION
Data-informed approach	Foundation uses different kinds of data to inform decision-making.
Environmental learning	Foundation stays abreast of needs, opportunities, and shifts in relevant environment through connecting to peer funders, community, and other relevant actors.
Evaluation	Foundation incorporates formal and informal evaluation efforts and shares information with external stakeholders.
Foundation networks	Foundation actively participates in peer networks and other collaborative efforts to advance shared objectives.
Innovation and experimentation	Foundation demonstrates willingness to challenge assumptions, try new things, and modify existing approaches.
Networking grantees	Foundation actively connects grantees with potential allies, such as nonprofits and other funders.
Strategy development	Foundation intentionally develops, assesses, and revisits strategic priorities and practices.

## Management

SUB-CAPACITY	DEFINITION
Financial mission management	Foundation management of resources, including investments and budgeting, is well-aligned with the institutional mission.
Grant portfolio management	Foundation portfolio-level strategy is clear, intentional, and nimble, utilizing diverse funder tools and approaches.
Grantee relationship management	Foundation has effective, respectful, and thoughtful relationships with its grantees.
Grantmaking processes	Foundation has effective, efficient, and consistent processes and systems for making and monitoring grants.
Risk approach	Foundation is willing to take appropriate “risks” and utilize multiple strategies to achieve greater outcomes.
Staff communication	Foundation has open and respectful channels of communication and feedback across levels of staff.
Staff development	Foundation supports professional development of staff through coaching, mentoring, training, and other means.
Staff performance management	Foundation has effective human resource policies and practices, cultural sensitivity, and clear work expectations.

## Technical

SUB-CAPACITY	DEFINITION
Advocacy skills	Foundation has skills to engage in and/or support policy advocacy and overall issue advocacy.
Cultural competency	Foundation staff has skills to work and communicate effectively with people from different backgrounds and positions.
Evaluation skills	Foundation has skills to carry out evaluation and learning activities.
Facilities	Foundation has appropriate and well-managed facilities.
Financial management skills	Foundation has ability to effectively administer day-to-day financials and manage budget.
Fundraising skills	Foundation has ability to identify and cultivate new funders for the foundation’s work.
Grantmaking skills	Foundation staff has effective skills for grantmaking activities (e.g., managing grantmaking process, budget development and management, developing grant strategy, conducting due diligence, and holding content-specific knowledge).
Knowledge management skills	Foundation staff has ability to share and codify information within the foundation, over time, and across teams.
Legal skills	Foundation has sufficient resources to guide the foundation regarding legal issues.
Strategic communication skills	Foundation has skills to effectively message foundation priorities and work.
Technology	Foundation has necessary technology resources (equipment, systems, software, etc.) to run efficient operations.
Technology skills	Foundation has technological skills to effectively use and maintain technology resources.

## Organizational Culture

SUB-CAPACITY	DEFINITION
Cohesion	Foundation climate is congenial.
Demonstrating accountability	Foundation leaders are held accountable for making decisions that advance the organization's mission.
Demonstrating clear and lived values	Foundation holds clear values that guide foundation practices for interpersonal interaction both internally and externally.
Demonstrating transparency	Foundation is open with sharing information with external audiences.
Empowerment	Foundation staff is given the support and space to exert their own ideas and feel like they can be successful.
Encouraging collaboration	Foundation climate and practices foster collaboration for shared purposes.
Supporting staff sustainability	Foundation climate and work conditions support staff's sustained enthusiasm for and ability to manage work activities and responsibilities.
Valuing different perspectives	Foundation actively considers diverse viewpoints when making decisions.
Valuing learning	Foundation staff is encouraged to reflect on their work and to see mistakes as an opportunity for learning.

## Acknowledgments

We would like to thank the many people that have had a hand in making this report possible. This report was prepared by Melinda Fine, Ed.D., Jared Raynor, and Deepti Sood. Foremost, the report was made possible by a generous grant from the Ford Foundation and the 58 foundations that agreed to have the capacity-building mirror turned to their organizations, providing the rich data for this report. The 23 foundations that initially piloted the FCCAT provided feedback that informed our future development of the tool. Chris Cardona's thought leadership was essential early on in the FCCAT's conceptualization and development, and Ashley Blanchard provided helpful suggestions as well. Our colleagues at TCC Group have provided feedback and analysis throughout the FCCAT development and this report's process. In particular, Charles Gasper and Amy Lippincott provided data analysis support; Richard Mittenthal and Julie Simpson provided comments on early drafts; Hana Kamal provided administrative support, and Lindsay Emery provided support on design and editing.

# About TCC Group

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At TCC Group, we are committed to addressing complex social problems by heightening our clients' understanding of their collaborative role in society; we help them strengthen strategy, build capacity, and advance assessment and evaluative learning. We envision an effective social sector that addresses society's complex problems through a collaborative approach that harnesses the diverse skills, energy, and visions of its stakeholders.

TCC Group has more than 35 years of experience working in the social impact field with companies, philanthropies, and nonprofit organizations. Our unique strength as a firm lies in our ability to assist clients at all stages of development across the interlocking areas of planning, execution, and evaluation. Our approach is data-driven and outcomes-based, draws from the knowledge of in-house program management and evaluation teams, and ensures that our clients develop actionable and measurable strategic goals to communicate effectively with their stakeholders.



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