

# THE CAPACITY TO SERVE

A Qualitative Study of the Challenges Facing Canada's Nonprofit and Voluntary Organizations



## SUMMARY



Canadian Centre for Philanthropy  
*Le Centre canadien de philanthropie*

**aruc** *économie sociale*

ALLIANCES DE RECHERCHE  
UNIVERSITÉS - COMMUNAUTÉS  
COMMUNITY-UNIVERSITY RESEARCH ALLIANCES **cura**



Canadian Council on Social Development  
Conseil canadien de développement social



Capacity  
Development  
Network



Community Services Council  
Newfoundland and Labrador



Manitoba Voluntary  
Sector Initiative



Queen's  
UNIVERSITY

Canada

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## About the National Survey of Nonprofit and Voluntary Organizations Project

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The National Survey of Nonprofit and Voluntary Organizations (NSNVO) is a two-year research initiative that is designed to improve understanding of the nonprofit and voluntary sector in Canada and to help strengthen the capacity of nonprofit and voluntary organizations to deliver benefits to the public. It has two main objectives:

- To provide a preliminary assessment of the areas where organizations could improve their capacity to achieve their missions.
- To collect comprehensive information about the breadth of the nonprofit and voluntary sector in Canada, the various types of organizations that make up the sector, and the services that they work to provide.

The first phase of the research involved a nation-wide series of consultations with representatives of nonprofit and voluntary organizations. Thirty-six consultations were held in communities across Canada to learn about the challenges that organizations face in working to fulfill their missions and achieve their objectives. Participants in the consultations were divided into groups that discussed one of three topics: financial capacity, human resources capacity, or structural capacity. The consultations were conducted in six regions: British Columbia; Alberta; Manitoba and Saskatchewan; Ontario; Québec; and Atlantic Canada. All major sub-sectors were represented in these consultations, including Arts and Culture, Sports and Recreation, Education and Research, Health, Social Services, the Environment, Law and Advocacy, Housing and Development, International Development, Religion, Business and Professional Associations, and Fundraising and Volunteerism. A small number of interviews were also conducted with representatives of national organizations.

The next phase of the research will involve a national survey of more than 10,000 nonprofit and voluntary organizations that will profile, for the first time, the size and scope of the sector in Canada and its need for capacity building. The survey is being conducted by Statistics Canada and the results will be available in 2004.

The NSNVO research initiative is being conducted by a consortium of organizations, with the Canadian Centre for Philanthropy serving as the lead organization. The consortium includes l'Alliance de recherche universités-communautés en économie sociale à l'Université du Québec à Montréal, the Canada West Foundation, the Canadian Council on Social Development, the Capacity Development Network at the University of Victoria, the Community

Services Council Newfoundland and Labrador, Queen's University School of Policy Studies, and the Secretariat on Voluntary Sector Sustainability of the Manitoba Voluntary Sector Initiative. The NSNVO was commissioned by the Voluntary Sector Initiative (VSI), a joint undertaking between the voluntary sector and the Government of Canada. The Research Steering Committee of the VSI Capacity Joint Table provides advice and support for the project.

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## About *The Capacity to Serve: A Qualitative Study of the Challenges Facing Canada's Nonprofit and Voluntary Organizations*

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This summary is drawn from the full report, *The Capacity to Serve: A Qualitative Study of the Challenges Facing Canada's Nonprofit and Voluntary Organizations*.

The research addresses the following questions:

- What do nonprofit and voluntary organizations perceive to be their greatest strengths?
- What types of external factors affect the ability of nonprofit and voluntary organizations to fulfill their missions and meet their objectives?
- What types of capacity challenges are these organizations experiencing?

*The Capacity to Serve: A Qualitative Study of the Challenges Facing Canada's Nonprofit and Voluntary Organizations* is available free of charge from the Canadian Centre for Philanthropy's nonprofit and voluntary sector information portal, [www.nonprofitscan.ca](http://www.nonprofitscan.ca).

[www.nonprofitscan.ca](http://www.nonprofitscan.ca)

[www.vsi-isbc.ca](http://www.vsi-isbc.ca)



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# Highlights from *The Capacity to Serve: A Qualitative Study of the Challenges Facing Canada's Nonprofit and Voluntary Organizations*

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## Introduction

Nonprofit and voluntary organizations are increasingly recognized for the important role they play in society. However, they may have even greater potential to contribute to Canadian life if they are able to fully tap the unique resources they have at their disposal. This research is an important first step in documenting the strengths of nonprofit and voluntary organizations and the challenges they face as they work to fulfill their missions and serve their members and the Canadian public.

The collective experience of the more than 300 organizations that participated in this study suggests that the nonprofit and voluntary sector has significant strengths in human resources and in its ability to draw on networks and relationships. However, the sector also has substantial limitations with respect to organizational capacity.

## Defining the Nonprofit and Voluntary Sector

The organizations that are of interest to the NSNVO have been given a variety of labels, such as voluntary organizations, nonprofit organizations, charities, third sector organizations, civil society organizations, or community-based organizations. We have chosen to use the term *nonprofit and voluntary* to describe the organizations that are the focus of this study. Organizations are considered to be part of the nonprofit and voluntary sector if, among other things, they have a degree of institutional structure, do not distribute profits to owners or shareholders, and operate independently of government and business.

## What is Organizational Capacity?

Capacity refers to the ability to perform or produce and is often used in reference to potential, as in “maximum capacity.” The main focus of our research is on the capacity of nonprofit and voluntary organizations to fulfill their missions and mandates. An organization’s overall capacity to fulfill its mission depends on a variety of specific capacities.

Our research is guided by a conceptual model that distinguishes among three major types of capacity that organizations can draw on to achieve their missions and objectives:

- *Financial capacity* — the ability to develop and deploy the revenues and assets of the organization.
- *Human resources capacity* — the ability to deploy paid staff and volunteers within the organization, and the competencies, knowledge, attitudes, motivations, and behaviours of staff and volunteers.
- *Structural capacity* — the ability to develop and use:
  - a. Relationships and networks with various stakeholders;
  - b. Infrastructure and processes such as equipment, facilities, and management systems; and,
  - c. Programs and strategic plans.

## The Findings

### ***What are the Greatest Strengths of Nonprofit and Voluntary Organizations?***

*“It’s people — committed, talented, resourceful people.”*

Most of the nonprofit and voluntary organizations in our study identified human resources — volunteers and staff — as their greatest strength.

- Volunteers are especially recognized as “dedicated” and “devoted” and are occasionally noted as the organization’s “greatest resource.”
- Paid staff are recognized for their commitment and enthusiasm, and their willingness to work efficiently with limited resources.
- Board members are valued for their ongoing contributions to vision, innovation, and leadership, and for their commitment to guiding and sustaining their organizations.



The second most frequently cited strength is the ability of organizations to draw on the relationships that they have developed with their members, their communities, and other organizations.

- Members provide key support through their diverse skills, knowledge, and enthusiasm.
- The capacity to build and use networks with both for-profit and other nonprofit organizations allows organizations to access and share knowledge, experience, and other resources.
- Community support and “grassroots” networks allow organizations to stay abreast of the needs of the communities they serve.
- The history and public reputation of organizations are also important assets.

A number of organizations also reported as strengths their openness to innovative ideas, and their flexibility and responsiveness in dealing with both new and ongoing challenges and opportunities.

#### **What External Factors Influence Capacity?**

*“From 12 years ago until now we’ve had an 80 percent increase in the demand for our services, but no additional funding for staff to provide services.”*

Participants identified a number of external factors that present challenges to their organizations. These external factors include:

- Government downloading of services coupled with funding cutbacks.
- A growing tendency for funders to support short-term projects rather than long-term activities and operational or core costs.
- Increasing competition among nonprofit and voluntary organizations for scarce resources.
- Declining availability of skilled and committed volunteers, especially those interested in management and administration.
- Mandated collaborations with other organizations that are often complex and time-consuming to undertake and maintain.
- Negative media coverage and inaccurate public perceptions about the needs and strengths of nonprofit and voluntary organizations.

Of all the external factors cited, the one that organizations have the most difficulty dealing with is the changing funding environment. Participants reported that the priorities of funders change frequently and that funding is increasingly restricted to direct program costs and short-term projects.

#### **What are the Key Challenges to Financial Capacity?**

*“What we need to look at is more stable funding, that is, multi-year funding.”*

The most pressing challenges relate to financial capacity. In discussing financial capacity, we asked participants to identify the one factor that would most improve their organization’s capacity to achieve its objectives. Participants indicated that they do not just need *more* money; they need *better* money. Better money refers to funding that is flexible enough to give organizations a degree of autonomy so that they can decide what activities to pursue, and can develop and maintain their human resources.

Many participants acknowledged that their organizations are facing difficulties in obtaining the financial resources they need to provide their programs and services. Their key financial capacity concerns include the following:

- Reductions in funding prevent organizations from meeting the increased demands for services that result from government downloading and cutbacks.
- Funding restrictions lead to difficulty finding revenue to support organizational infrastructure and administration.
- Difficulty accessing long-term funding requires organizations to spend excessive amounts of time searching for new funding to support programs, and limits their ability to do long-term planning.
- Difficulty in obtaining funding tempts organizations to “drift” from their missions in order to access funds.
- Onerous demands for financial accountability from funders and the different financial accountability requirements of funders are straining the available resources of organizations.
- Corporate support is difficult to access for many organizations.

Financial capacity issues also exert a major influence on other key capacity areas.

#### **What are the Key Challenges to Human Resources Capacity?**

*“People don’t want to join for life, and they don’t want to administer. They are much more interested in project-type volunteering where there’s a beginning and an end.”*

Although human resources were identified as the greatest strength of many nonprofit and voluntary organizations, participants also reported a number of challenges in this area. The greatest concerns pertain to volunteers, followed closely by concerns about paid staff. Concerns about boards were less common and less severe.



Participants noted the following:

- They need more volunteers, and more effective volunteer recruitment, training, management, and retention strategies.
- They have difficulty obtaining volunteers who are willing to make a long-term commitment or to take on leadership or administrative roles.
- There is a shortage of paid staff with specialized skills, and problems in retaining skilled staff that are attributable to the restrictive, unstable, and unpredictable nature of project funding.
- They need more targeted board recruitment strategies to obtain the right mix of people and skills, along with better board training and retention strategies.

Most participants agreed that greater access to stable operational funding would enable nonprofit and voluntary organizations to better develop their human resources capacity and thus address many of the issues that appear to impede long-term organizational development and planning.

#### **What are the Key Challenges to Structural Capacity?**

*“The expectation of funders is that they want accountability, they want planning, they want all of those pieces. And yet they’re only willing to pay for a portion of it.”*

Our findings indicate that structural capacity depends, in large part, on existing financial and human resources capacities. Key concerns related to structural capacity are:

- Limited ability to engage in strategic planning and development due to funding uncertainties, frequent changes in funding priorities, and constraints on the use of funds.
- Underdeveloped management systems and structures stemming from a lack of financial and human resources capacities.
- An inability to adequately participate in policy development activities due to a lack of time and other resources. For many, policy development is regarded as a luxury that can only be pursued by large, influential organizations, or by those with a specific policy mandate.

Challenges to structural capacity are largely the result of a dependence on project-based, time-limited funding that does not support organizational infrastructure. This lack of support can also affect information technology and systems, and collaborative networks for resource sharing.

## Conclusions

The representatives of the nonprofit and voluntary organizations who participated in this study displayed a strong commitment to the missions of their organizations and pride in their ability to operate within what they perceive to be an increasingly constraining environment. Most participants identified their organization’s greatest strengths as their human resources and their ability to draw on their networks and relationships with others. However, they also made it clear that current funding practices and mechanisms pose substantial challenges that prevent them from realizing their full potential to serve Canadians.

Although the results of this study require further substantiation, they also suggest ways to strengthen efforts to build capacity among nonprofit and voluntary organizations. These include the development and implementation of:

- New funding models that provide nonprofit and voluntary organizations with the stability and support they need to develop human resources and organizational infrastructure, and to engage in long-term planning.
- New models of financial accountability that reduce the burden on organizations while providing funders with assurances that funds are being used appropriately.
- Approaches to volunteer recruitment and management that meet the changing needs and interests of potential volunteers.
- Strategies to reduce competition among organizations and increase opportunities to share infrastructure and other resources.
- Strategies to help organizations provide effective training for paid staff, volunteers, and board members.
- Strategies to improve public and media awareness of the value of nonprofit and voluntary organizations, their contributions to society, and their need for support.

Nonprofit and voluntary organizations are unique in their ability to draw on the talent, energy, and commitment of their staff and volunteers. However, they appear to face considerable constraints on their capacity to serve Canadians. In the next phase of the NSNVO we will map, for the first time, the size and scope of the sector and provide a quantitative assessment of its strengths and weaknesses.



