

**Virtual Learning Clusters: A Study of Microenterprise Nonprofit Capacity
Building**

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I. INTRODUCTION

A for profit business is expected to build a business plan that includes careful tending of its operations, business systems and human resources. Putting every ounce of resources into production without planning to build the business's capacity to grow and adapt for the future, is a recipe for failure. Yet nonprofit businesses, charged with addressing many of society's greatest challenges, struggle to prioritize the building of their organizational capacity. Historically public and private funding sources for nonprofits support special programs and direct services to clients but not the business and organizational development of the service provider. Less than 3% of funding from foundations, corporations and individuals is specifically directed toward capacity building in nonprofits (Unity Foundation). For those nonprofits that have been able to secure support for organizational capacity building, efforts have been limited to training conferences and technical assistance from private consultants. Expensive training conferences limit participation due to the high cost of travel and the staff time to participate. Private consultants are often a luxury available only to well-established nonprofits or those who are lucky enough to get the services donated. The high cost of capacity building limits the opportunity for full access and participation by most nonprofit organizations and the lack of prioritization of capacity building by both funders and nonprofits, relegates the effort to an afterthought.

As the leader of a trade association of nonprofits, I was grappling with how to build the capacity of the nonprofit members. While the state association was able to provide training in various locations throughout the state and keep the costs low by securing contributions from funders, the nonprofits still conveyed that full participation of their staff was limited because the cost and time to participate still seemed high. The state association then experimented with providing teleconferenced workshops, on site technical assistance, peer learning clusters, mentoring and web based teleworkshops as ways to improve accessibility to capacity building.

The use of peer learning clusters supported by experienced peer consultants as mentors as a method to deliver capacity building services to the nonprofits held some promise. Advances in technology and reductions in the cost of using it, offered opportunities to deliver training and technical assistance more cost effectively. Nonprofit staff were able to meet by phone and web conferencing as well as share knowledge and resources via email. Could capacity building for nonprofits be made more accessible by using technology and peer learning clusters? If more staff of a nonprofit participate in capacity building is organizational learning accelerated?

This study will examine the experience of ten microenterprise nonprofit organizations participating in a learning effort utilizing virtual training and technical assistance and peer learning clusters. Through action research

utilizing surveys, semi-structured interviews, and observation, this study will investigate the participants' assessment of the effectiveness of this learning model. An analysis of the results will provide information to improve the program and could inform the development of capacity building services for nonprofit organizations.

II. LITERATURE REVIEW

An understanding of how to encourage learning and change in nonprofit organizations in order to build their capacity is served by a review of the literature of nonprofit capacity building and organizational learning and transformation.

This section also includes a review of recent studies of the challenges in using technology for group work.

A. Non-Profit Capacity Building

Peter Drucker, founder of the Leader to Leader Institute, describes the nonprofit environment forty-five years ago as an era when business subjects were rarely discussed and many felt that all nonprofits had to demonstrate was good intentions (1999). Drucker maintains that nonprofits must demonstrate both commitment and competence in a highly demanding environment. Today people are no longer interested in the worthiness of the cause but rather the difference made in society, in the community and the life of individuals (1990, p.2).

Yet translating “for profit” business best practices into nonprofit operational guidelines poses its own challenge. Unlike for profit businesses, nonprofits cannot measure their effectiveness by demonstrating a net profit on the bottom line. Firstenberg (1996) states emphatically “Nonprofits do not have the benefit of a profit measure to apply as a litmus test of how well their enterprise is run.” (p.78). In a literature review identifying success elements of nonprofits, Heuer (1999) suggests that the lack of a clear bottom line interferes with a nonprofit’s ability to see how well they are achieving their mission. The emphasis is instead on the achievement of program goals and client satisfaction. Organizational effectiveness and health overall fall by the wayside.

Nonprofits, just like “for profit” businesses, need to focus on building the capacity of their entire organization if they want to maximize their social impact. The desire to apply business principles to nonprofits was the motivation behind the David & Lucile Packard Foundation’s efforts to establish a major capacity building program for nonprofits. Venture capitalists are also driving capacity building efforts of social venture businesses (Backer, 2002). An increased interest in professional courses in nonprofit management programs offered at universities is also promoting an increased interest in nonprofit capacity building. A Kellogg Foundation publication of the late 1990s called *Building Bridges* was dedicated to engaging universities with the field of nonprofit management and leadership. They estimate that by 2005 there will be more than 400 university programs dedicated to the topic.

The growing interest in nonprofit capacity building has prompted efforts to define capacity building and identify effective methods. One widely accepted definition of capacity building provided by the Grantmakers for Effective Organizations is “the ability of an organization to fulfill its mission through a blend of sound management, strong governance, and a persistent rededication to achieving results.” (as cited in Connolly & Lukas, 2002, p. 15). A report provided by the Innovation Network in partnership with the Environmental Support Center (2001), states that while capacity building is often addressed in certain areas like fundraising, board development, and leadership development it is certainly more than skill building in specific areas (p. 6).

Nonprofit capacity building is not a new field (Backer, 2000) but there has been an increase in interest and funder commitments only within the past few years (Connolly & Lukas, 2002). By far the most commonly recognized force behind the drive for capacity building in nonprofits is the need for the nonprofits to prove that what they do is effective and has a positive impact on society. Nonprofits must be accountable for the use of the public and private funds they receive to do their good work.

Grantmakers are demanding greater accountability in order to evaluate the effectiveness of the nonprofit work. This requires the nonprofit to have the skills and infrastructure to manage data for this evaluation process. Both grantmakers

and nonprofits say that it's the other's responsibility to ensure that these skills and infrastructure are in place. But Connolly and Lukas (2002) blame both funders and nonprofits for the lack of emphasis on organizational capacity building. "Many funders still believe that funding core organizational infrastructure diverts money from those who directly benefit from program services" (p.8). Backer (2002) agrees that funders have influenced the prioritizing of funds for nonprofit capacity building. Their reluctance to pay for core operating costs and to make small, short term investments in small nonprofits causes a struggle for survival as well as a reduction in the nonprofit's commitment to a developing strong, sustainable organization.

McKinsey and Company's report "Effective Capacity Building in Nonprofit Organizations" (2001) agrees that the funding environment focuses on creating new programs and keeping administrative costs low at the expense of building organizational capacity. But they suggest that the nonprofits themselves don't make building the organization's capacity a priority. They attribute this lack of interest to the fact that the founder's primary focus is on the original idea for the nonprofit and therefore the implementation of the original idea and its achievement take front seat. Operational issues are not as compelling and are seen as not as relevant as the social impact of their nonprofit. They contend that nonprofits and funders must change their thinking and acknowledge that an emphasis on new programs alone will not provide sustainable outcomes.

When Backer (2000) reported on the findings of the Boston Foundation's efforts to discover the cause of the demise of a number of homeless and battered women's shelters in Massachusetts he noted a "culture of inadequacy" among the failed nonprofits. The nonprofits believed that there would never be the resources to do things right so they simply accepted that they would always be under-resourced and struggling for survival. Backer goes on to recommend that "Theory-driven, model-based capacity building with good evaluation behind it seems to have the best chance for success and, to see a program endure, investments by foundations in nonprofit capacity building are essential." (Backer, 2000, p. 3).

Ultimately nonprofits themselves are responsible for articulating to funders the necessity to support the organizational capacity building efforts that sustain the nonprofit efforts. And nonprofits must choose to make organizational capacity building a priority regardless of its intrinsic difficulty or lack of funding support. "Both board and staff need to dedicate themselves to raising capacity building to the same level of importance and attention as program development and management—to think early and often about strengthening the organization in lockstep with implementing programs" (McKinsey & Co., 2001, p.27).

The drive to improve the performance of nonprofit organizations by requiring demonstrated effectiveness has created an industry of capacity building technical assistance providers. Trade associations, funders, universities and consulting

organizations have entered into the arena of nonprofit performance management and are offering an array of practitioner training, technical assistance, publications and organizational assessment tools. A common topic for seminars and publications is developing effective outcome measures, client assessment and tracking, and evaluating impact.

Backer (2000) attempts to describe the range of activities that qualify as nonprofit capacity building. A nonprofit could get a grant to improve computer hardware and software for client and program tracking. Another could receive funding within a capacity building initiative that provides technical assistance in management areas. Sometimes capacity building is one foundation funding another foundation to offer capacity building in a targeted neighborhood. Backer believes it's important to debate the definitions and boundaries of capacity building because there is no one right path.

The Unity Foundation has devoted a substantial portion of its resources to developing and promoting the use of the Capacity Quotient, A Diagnostic Tool for Benchmarking Capacity. The foundation argues, "Capacity building is a powerful means of increasing organizational effectiveness and achieving financial sustainability. Choosing to fund programs is essential, of course, but so is choosing to fund capacity benchmarking and building in order to improve the delivery, design and evaluation of those programs as well as the ability to

respond to a changing environment” (page one). The Unity Foundation goes on to recommend that capacity building programs ask the following key questions:

- What truly constitutes capacity building?
- Who bears primary responsibility for ensuring that capacity building occurs in a nonprofit organization?
- How is capacity reliably benchmarked?
- How is the building of capacity reliably measured?

In a study conducted by the Innovation Network, Inc. for the Environmental Support Center (2001) regarding “ Proven Capacity Building Principles for Nonprofits,” nine principles of exemplary capacity building practice were identified:

1. A holistic” systems perspective” is essential for effective capacity building.
2. Effective capacity building is contextual.
3. Respect for the organization’s ability to build its own capacity is essential.
4. A culture of ongoing questioning and learning elevates the quality of capacity building.
5. Team and peer learning promote effective capacity building.
6. Capacity building models should accommodate different learning styles.
7. A relationship of trust between the organization and the provider is essential.
8. The organization’s readiness to engage in capacity building is essential for effective capacity building.
9. Capacity building should take place over time to the extent possible.

This study also raised additional issues for further study such as how to foster trust between a technical assistance provider and the nonprofit and how to effectively provide capacity building to small nonprofits and other groups with barriers to resources.

The Annie E. Casey Foundation discovered the need to customize capacity building with their Rebuilding Communities Initiative (Link 2003). The grantees of this initiative received technical assistance in the topics of financial management, strategic planning, professional development, public relations, marketing, program design and needs assessment. The capacity building was provided through self-help, peer learning, training, facilitated exploration and hands on implementation. To ensure success of the capacity building initiative, efforts were made to work with grantee organizations as a total system while helping them to develop the ability to handle their own development in the future (page 22).

In another study conducted of 90 nonprofit community development organizations in Los Angeles County (1998) the Center for Nonprofit Management in Southern California reported a strong need for management assistance in five or more areas, fundraising strategies, strategic planning, board development, evaluation, marketing, board recruitment, information technology, needs assessment and facilities/office space (page 11). The recommendations resulting from this study included a) provide cluster group training and consulting for organizations in subregions poorly linked to funding sources, b) Identify methods to coach nonprofit organizations using a complete organizational process and c) develop and test approaches to provide adequate support to executive directors while providing general operating support grants to organizations receiving consulting assistance (page 14-15).

These studies and initiatives are pointing to a growing consensus that there is a challenge in delivering capacity building to the nonprofits. Universities and consultants have taken the lead in providing training and technical assistance for nonprofit organizations. But how does a nonprofit leader go about changing his or her organization with the knowledge gained in university business classes? Can an outside expert “fix” a nonprofit organization’s systems in a sustainable way? The nonprofit field continues to struggle with not only the cost and accessibility of capacity building services but the time and environmental support for the vital change. Once a nonprofit partakes in a capacity building effort, is it then able to address the constant change and adaptation needed to meet ongoing challenges? Heuer (1999) asserts that a nonprofit’s *adaptive capacity* will dictate its continued success. This adaptive capacity includes environmental alignment, organizational learning, responsiveness to clients, innovativeness to create new programs, and motivation of staff and volunteers (page six). A better understanding of how organizations learn and change may be the key to unlocking new methods of strengthening nonprofit capacity.

B. Organizational Learning and Change

Peter Senge’s seminal work on learning organizations, “The Fifth Discipline” (1994) describes how organizational learning starts with the individual. Time and

patience is needed for the individual to uncover the idea, test it and examine how it fits together into a system (page 304). Assimilating ideas into the organization requires a different view of managerial work. Instead of creating and managing work activity for its own sake, a good manager encourages reflection, conceptualization and examination of complex issues.

Taylor (1998) describes the need to foster an aspect of transformative learning called communicative learning as a way to identify ideas, values and feelings, examine them critically, test them out with others and make decisions based on group consensus. Fostering the ideal conditions for communicative learning is a central activity for adult educators. “Significant learning involves the transformation of meaning structures through an ongoing process of critical reflection, discourse, and acting on one’s beliefs.” (pages 18-19)

While an opportunity to examine an idea in the light of day with colleagues is critical for individual learning, organizational learning must include the chance to disseminate and use the information (DiBella and Nevis 1998). Building on the work of George Huber (1991), they described organizational learning as a series of three processes: knowledge creation or acquisition, knowledge dissemination, and knowledge use (page 28.) New organizational knowledge challenges one’s worldview and may point out the need for change and that change could come with a cost. To counter the costs of organizational learning, mechanisms need to

be in place such as motivational and incentive systems to encourage the assimilation and use of knowledge (page 36-37.)

Critical to establishing the condition of trust and safety essential for organizational learning is training learners how to listen and speak with each other. Senge recommends mastering the practices of dialogue and discussion, two distinct ways of conversing. Dialogue is free and creative and requires deep listening. Discussion is the presentation and defense of different views to support decisions that must be made (page 237). Knowing how to move between discussion and dialogue facilitates the identification and measurement of learning outcomes.

Does organizational learning create the need for change or does change create the need for learning? An answer to this question can be found in nature when we see that in order for an organism to survive, its rate of learning must be equal to or greater than the rate of change in its environment (Dixon 1998). Knowledge that we create through learning allows us to change our environment so learning and change reinforce each other. The faster we change, the more new knowledge we must create to deal with the change; the more knowledge we create the faster we change our world (page three).

In an unpublished master's thesis exploring OD Success for Grassroots Social Change Organizations, Zak Sinclair (2003) proposes that while organizational

learning and change management experts both try to effect organizational change, for the organizational learning field, the process, outcome and change look the same. The creation, renewal and solidification of human relationships are essential to organizational learning because this helps us process the information and effect the organizational change.

Are organizations broken? Do they need to be fixed by consultants and outside experts? A standard approach for organizational change is mechanistic and is derived from engineering thinking (Wheatley 1999). Our ideas and sensibilities about change come from the world of Newton. "When we encounter life's process for change, we enter a new world. We move from billiard balls banging into one another to affect change, to networks that change because of information they find meaningful. We stop dealing with mass and work with energy. We discard mechanistic practices, and learn from the behavior of living systems. New change dynamics become evident" (page 139).

Rather than being part of the problem that needs to be fixed or managed, human bias and assumptions are a welcome part of the change process (Sinclair 2003). "Indeed, it is the very exploration of these imperfections that organizational learning proponents believe mines deeper knowledge, allows for new learning, and provides solid motivation for change. Ultimately, human creativity is at the heart of this field's approach, steering clear of the more mechanized, engineered fundamentals of change management theory" (page 99). Welcoming

experimentation and the possibility of making errors in the organizational learning process also contributes to a more creative environment. Learners guide, coach and support each other to learn new skills (Collay 1998).

The importance of trusting relationships to allow reflection and genuine discourse is critical for successful organizational transformation (Taylor 1998; Collay 1998).

Sinclair also suggests that organizations that set aside plenty of time for relationship building will find trust building and organizational change much easier. Establishing basic conditions of trust and safety can often be the first step to positive movement in the organizational change process (page 99).

In isolation, we may not be aware of what we have learned or what we need to learn. Formal learning circles or networks are helping organizations and individuals learn in collaboration. Industry-wide learning networks formed with alliances with other companies prevent a short-sighted view of the world as well as encourage idea sharing in a public context (DiBella and Nevis 1998).

Teachers form learning circles to support each other in the process of learning. Informal and formal networks based on work, friendships and neighborhood relationships are assembling in a variety of configurations (Collay 1998).

At the foundation of a “Learning to Learn” program for transitioning homeless women was the transformative learning element of community building (Ettling 2001). Here, through relationship building, the women were “able to meet each other at the heart level, then a common sense of their shared humanity is

evoked. Such a mutual feeling creates a space or field of generosity and mutuality, one where differences can be understood and appreciated. By its very nature, this field encourages participants to tap into various modes of knowing and new ways of being with one another” (page seven).

An examination of the emerging role of peer learning networks can be informed by what is being learned about virtual group work.

C. The Use of Technology for Organizational Learning

Technology poses both an opportunity and a challenge for organizations who want to support group learning and organizational change. In 1994, Senge first described the possibility of creating microworlds as possible management learning laboratories where “teams will regularly go to reflect on how they are thinking and interacting, to surface and improve their mental models, and to enhance their capacity for high-leverage coordinated action.” (page 530).

Nonprofit and for profit organizations now routinely use technology for virtual meetings and web based learning for professional development. In a survey sponsored by Isoph and the Nonprofit Technology Enterprise Network (2004), it was found that the use of e-learning among nonprofits was widespread. More than fifty-four per cent of nonprofits and associations either use e-learning or plan to in the next twelve months. More than eighty-eight of those using e-learning were very or somewhat satisfied with their experience. The uses of e-learning

included staff training, public workshops, volunteer training and public education. The methods of e-learning include on-demand, self-paced programs, custom-built courses, instructor facilitated and e-learning combined with classroom-based learning. The survey revealed that the top three key benefits associated with e-learning were 1) cost-effectiveness versus other modes of training or education, 2) ability to reach more learners and 3) convenience to learners.

Most of the literature available on the topic of virtual group work centered on the challenge of managing virtual teams and relationships within a corporate environment. It is important to consider what has been learned with corporate virtual team management because these studies inform how to manage the needs of people without the benefit of face to face communication.

Duarte and Snyder (1999) found a number of challenges involved with using technology for group learning. Communication and collaboration were made more difficult because of the need to integrate work methods, organizational cultures, technologies and goals. Crossing the boundaries of time and distance were also creating difficulties (pages 8-9). They suggest seven critical success factors for virtual teams:

- technology
- human resources policies
- training and development for team leaders and team members
- standard organizational and team processes
- organizational culture
- leadership and leader
- member competencies.

Trust, important for all team work, is even more important for virtual teams. People feel like they are in a more precarious state when they are working in a virtual setting and a leader of a virtual team needs to set and maintain values, boundaries and consistency (page 83). Katzenback and Smith (2001) maintain that it's a mistake to rely on technology to enhance performance when the real problem is undisciplined behavior. Being proficient with technology was less important than how team members knew when it was appropriate to perform critical work as individuals with a single leader instead of working together in collective work with multiple leaders. They also found that establishing trust across cultures, melding skills and work products and enforcing accountability were keys to successful virtual team performance.

In an unpublished masters thesis, "A Case Study and Analysis of Feedback and Coaching by Managers of Remote Teams" (Graham 2003), it was noted that managers of virtual teams must manage through many cultures and systems, work with a high level of ambiguity and maintain flexibility with their approach toward work products. Relationship building was integral to building trust and a sense of belonging.

Managers have shifted how they manage to meet the needs of virtual teams. This theme revealed that managers must learn how to maneuver through a variety of systems and cultures, work with a high level of ambiguity and maintain mental and physical flexibility in how they approach working with their

employees. This calls upon skills and behaviors beyond what is required in face-to-face management. Clearly technology has already made its way into the arena of professional development and nonprofit capacity building. Creating an effective virtual learning community will require special skills to develop and manage programs that foster transformational learning.

The literature points to a growing demand for standards of organizational effectiveness and consensus around supporting effective capacity building for nonprofits. How a nonprofit finds the organizational capacity to meet those standards is the open question. Heuer (1999) summarizes her study by stating that “no single prescription will work for every organization and change is not easy.” The Innovation Network (2001) study concludes with the recommendation to research further the capacity building needs of nonprofits that currently confront barriers due to location, language, education and limited resources. Clearly there is an opportunity to explore more creative and cost-effective methods of building the capacity of nonprofits.

III. PURPOSE

This study is an effort to make a contribution to the field of nonprofit capacity building by exploring the potential of a new program design utilizing technology and peer learning clusters. The benefits of identifying effective low cost methods for delivering training and technical assistance to nonprofits could change the delivery systems of nonprofit capacity building. An improved learning model for nonprofit capacity building could increase a) the number of nonprofits who are

able to participate in capacity building efforts, b) the quality and effectiveness of capacity building and c) a nonprofit's ability to learn and adapt to change on its own.

IV. METHODOLOGY

The methodology employed in this study was action research utilizing written surveys, semi-structured interviews, and observation to determine whether the staff of the nonprofits participating in this pilot program perceived the process as an effective method of organizational learning. An analysis of the results of the surveys, interviews, and observation will provide the information to improve the program.

Ten microenterprise nonprofits located in California participated in a program called the Data Collection Learning Cluster. This program was provided by the state microenterprise association for the purpose of improving client and program data collection systems of microenterprise nonprofits. Microenterprise development programs demonstrate the success of their service delivery through effective data collection that measures both program outcomes and client progress in developing their businesses. Funding agencies require such data to evaluate the program and justify continued support of the nonprofits. Improving data collection processes requires an organizational commitment to change that includes staff training, commitment of funds, redesign of the client assessment processes and management information systems, the addition of new staff and

coordination of interdepartmental processes. The Data Collection Learning Cluster was an already ongoing program that began with each nonprofit participating in an initial written survey to determine a) what improvements in their data collection are most important to their organization, b) their satisfaction level with their current data collection, and c) their comfort level with online training and peer support web meetings. The purpose of this pre-program survey was to assist the trainers and consultants as they determined the training topics and consulting emphasis for the program. This survey also examined the comfort level of the participants with online training and the concept of peer learning clusters. This survey was conducted prior to this research project and the results are included for information purposes only. After the survey was completed, each organization, some with a number of staff at multiple locations, attended two web-based training sessions. The virtual training was conducted using interactive technology such as instant messaging to post questions and receive immediate answers and frequent polls to test the participants' understanding of the presented materials. A web-based Power Point presentation with a telephoned teleconference was used to present the training material. After the online training, each nonprofit met by telephone with the staff consultant of the state microenterprise association to formulate a workplan to improve their data collection process. While the staff consultant facilitated the development of the workplan's goals and action steps, the staff of the participating nonprofits were responsible for determining their own goals and actions steps based on their articulated issues and current capabilities. These

participating nonprofits received technical assistance from a consultant who was a peer practitioner with extensive experience in implementing and operating microenterprise data collection systems. This technical assistance was delivered by telephone or email and in some cases, in person when the participant was located in close proximity to the consultant. Additionally, three peer support group meetings were held by teleconference in order to encourage group learning and personal accountability for the progress of the workplans.

Throughout the duration of the nine-month program the staff consultant conducted virtual “check ins” with the nonprofit participants by telephone or email for the purpose of reviewing the progress of the participants’ workplans. The check-ins provided an opportunity to observe the nonprofits’ comfort level with the peer-led virtual learning process and their satisfaction with their workplan progress. In depth semi-structured interviews were conducted with two of the nonprofits toward the end of the program. Each interview took about one hour, were conducted by telephone and recorded with a cassette tape. The nonprofit staff of the two organizations were queried regarding their satisfaction with the experience of learning using the virtual peer learning cluster model. The interviewees were asked about their satisfaction in achieving their goals stated in their workplans. They were invited to compare this method of learning with the traditional learning methods of in person training and on site consultations.

Nine out of the ten participating nonprofit organizations were surveyed at the end of the program regarding their satisfaction with the effectiveness of the virtual training and technical assistance toward achieving improvements in their data collection goals. One nonprofit was not able to participate in the survey because of a staff change. The survey included questions that asked about their comfort level with the use of technology and the peer learning cluster model. They were also asked to compare this model of learning with more traditional methods of receiving training and technical assistance, such as training conferences and on site consultants.

All ten nonprofit organizations were offered the same level of training, technical assistance, and coaching throughout the duration of the program.

All were asked to participate in a pre-program and a post-program survey.

However, only those nonprofits that completed the participant consent forms were included in this study. The Virtual Peer Learning Cluster Programs will benefit from this research because the state association will be able to refine the methods of training and technical assistance to the nonprofits based on the information gleaned from this study. It is also hoped that this study may contribute to the discussion of nonprofit capacity building.

V. RESULTS

This study examines the effectiveness of a process used with a virtual learning cluster composed of the staff of ten microenterprise nonprofit organizations. The purpose of the learning cluster was to improve the data collection systems of the nonprofits in order to effectively report their program outcomes to funding agencies and to better track the progress of their small business clients. The experimental process of the virtual learning cluster, implemented over a nine month period, incorporated web based training, goal setting, peer consultants, and peer support group meetings.

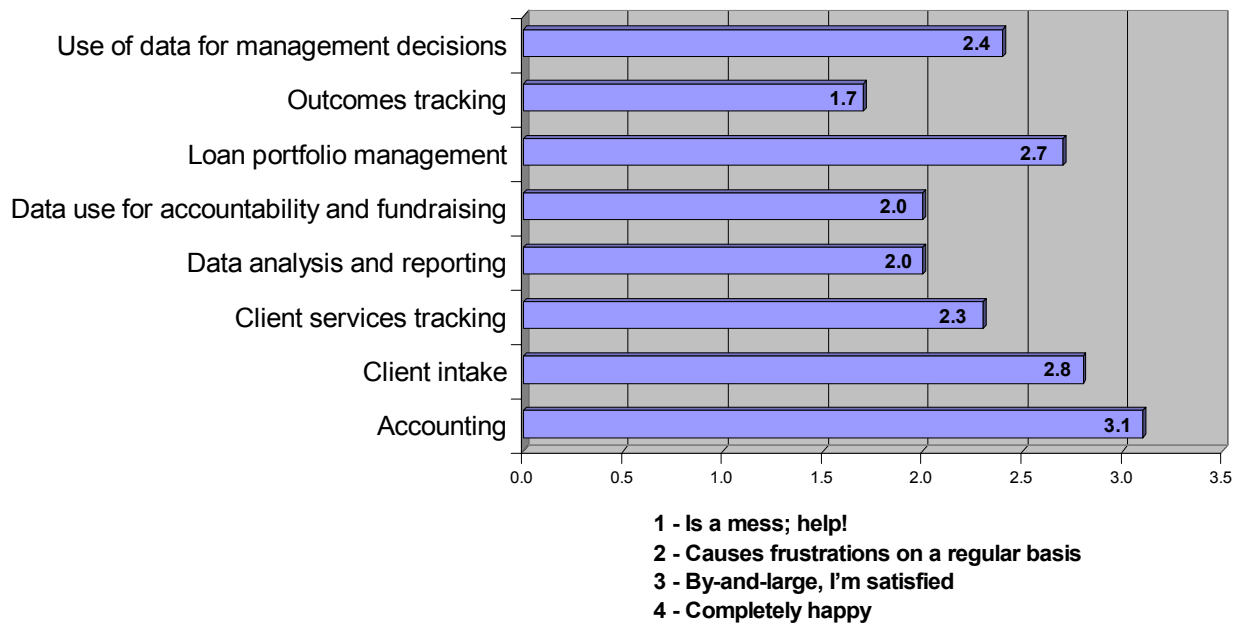
All ten nonprofits enrolled in the learning cluster attended a series of two ninety minute web based workshops, developed a workplan for improving their data collection, and participated in the teleconferenced support group meetings. Six of the ten enrolled nonprofits consulted with the peer consultant who was available for up to three hours of consulting for each nonprofit.

The following results are based on findings gathered from the post program survey, interviews and observations of the participants of the data collection learning cluster. Ten staff from the ten organizations also took part in a pre-program survey that was conducted prior to the beginning of this research project. The pre-program survey was a written survey that asked questions about the current state of their organizational data collection efforts and their

perception of the challenges that need to be addressed in order to improve their organizations' data collection systems. The pre-program survey also tested their comfort level with participating in a web based training and working with peers in a learning cluster. Because the pre-program survey was conducted prior to the beginning of this research project and its main purpose was to inform the training and technical assistance content, there are no attempts to draw comparisons to the results of the post-program survey. The results of the pre-program survey are presented for information purposes only. Nine organizations completed the post-program surveys. The post program survey was web based and asked questions about their satisfaction with the process and requested feedback on what worked and didn't work with the data collection learning cluster program. In addition to the post-program surveys, two of the program participants took part in semi-structured interviews regarding their experience with the program and their recommendations for future programs. These interviewees will be described as DC1 and DC2. In addition, observations made by the staff consultant while providing technical assistance to the individual participants and conducting the teleconferenced networking meetings will be examined for further insight into the experience of the participants.

Pre-Program Survey

Level of Satisfaction with Current Data Collection Efforts

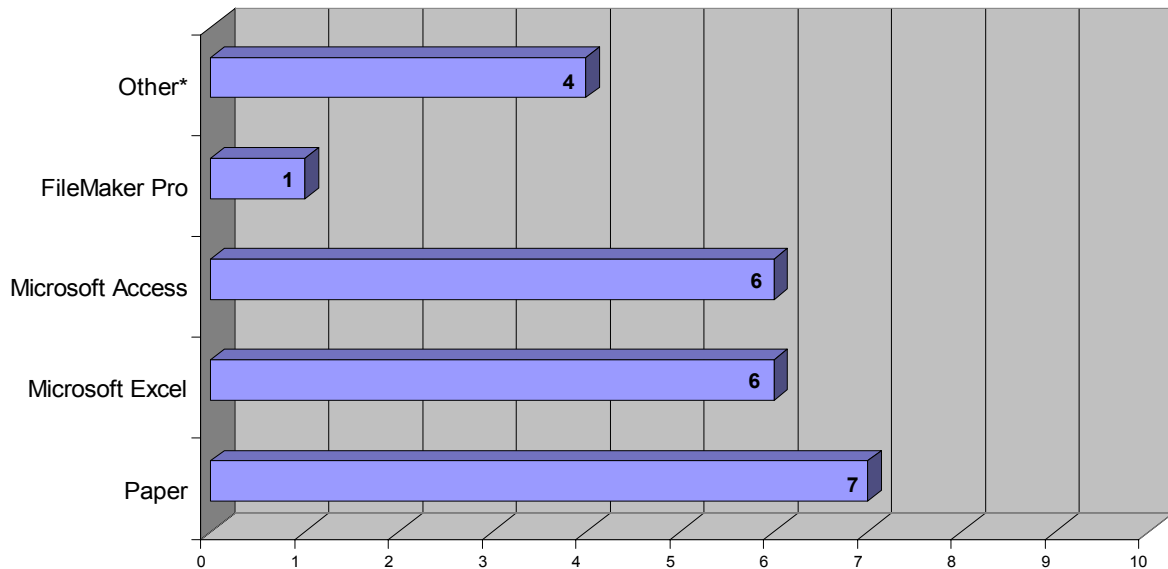


In the pre-program survey, the program enrollees were asked about how they felt about their current efforts with different aspects of data collection. To help them describe their feelings, the following measure was created:

- 1-Is a mess: help!
- 2-Causes frustrations on a regular basis
- 3-By and large, I'm satisfied
- 4-Completely happy

After averaging the measure of the various data collection aspects, it was determined that a) data analysis and reporting, b) data use for accountability and fundraising and c) outcomes tracking received a 2 measure or less indicating a level of frustration with these data collection activities. The respondents also indicated less than total satisfaction with all data collection elements with the exception of accounting. Understanding what aspects of data collection were the cause of frustration and dissatisfaction helped guide the training content and prepared the consultants for their training and technical assistance work.

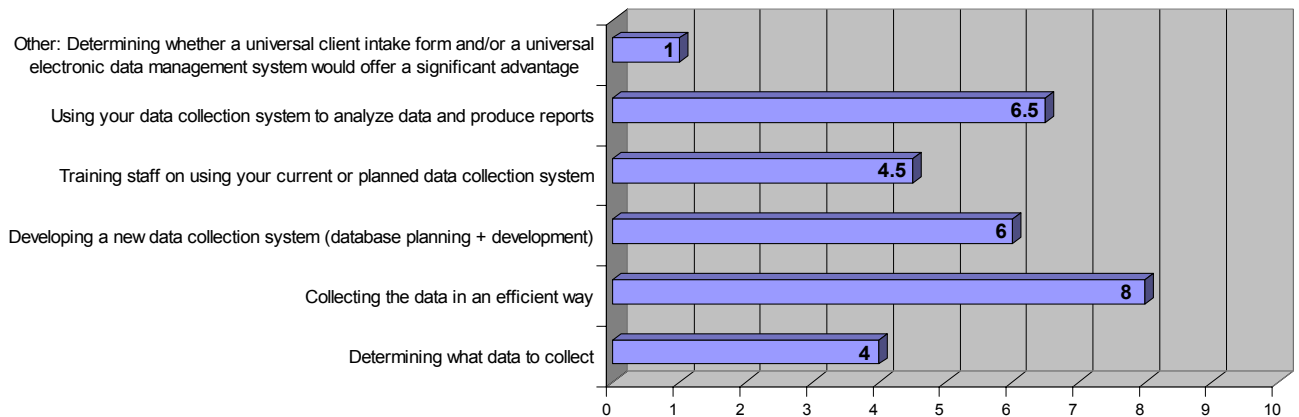
Data Collection Methods in Use



* VistaShare (2), Salesforce (1), XP-credit union software (1)

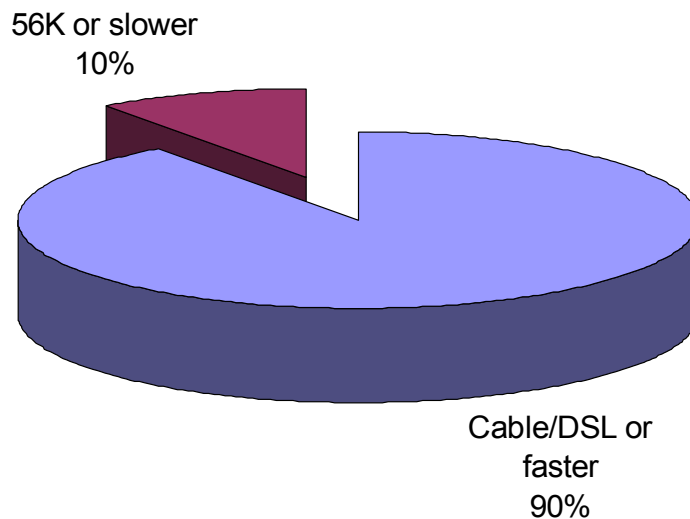
Seven out of the ten program participants still relied on hard copy (paper) data collection methods such as handwritten client intake forms. All program participants used some computer-based data tracking method such as Microsoft Excel or Microsoft Access.

With what do you think you need assistance?



When asked with what area of data collection they needed assistance, eight of the ten replied “collecting the data in an efficient way.” Help with “using the data collection system to analyze data and produce reports” and “developing a new data collection system” were also requested by six of the ten program participants.

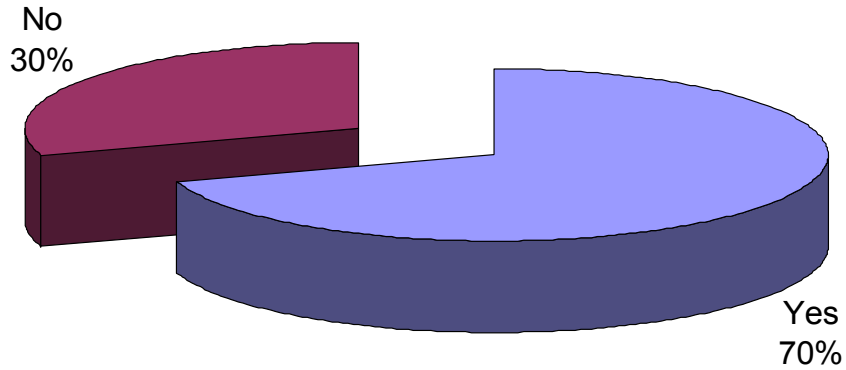
How fast is your internet connection?



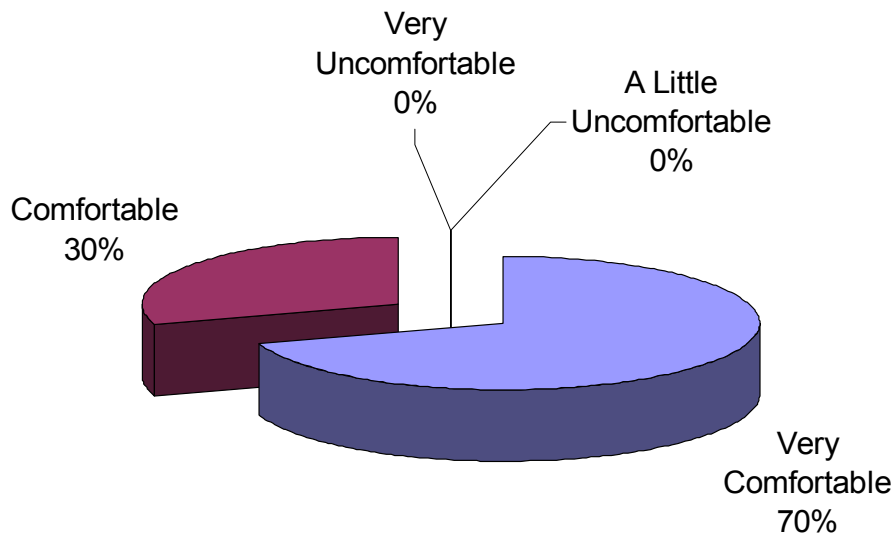
Of the seven organizations that had set aside a budget to improve their data collection, six reported an average of \$3,250 as an estimate of this cost. All ten participants were using IBM compatible personal computers in their organization and nine of the ten were using an Internet connection comparable to DSL or

faster. These questions helped determine their current technology capacity and their readiness for online training.

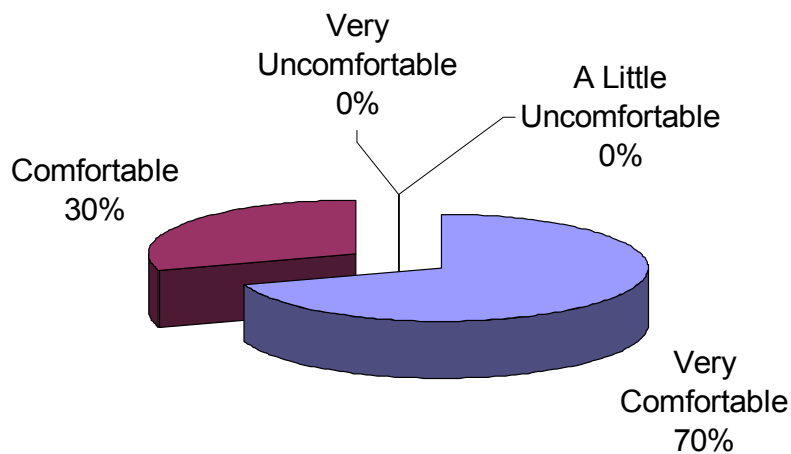
Have you ever participated in an online seminar before?



How comfortable are you with the idea of online trainings?



How comfortable are you with the idea of peer learning and support?



Seven out of ten had participated in web-based seminars before and all ten program participants were comfortable or very comfortable with the idea of participating in online trainings and working with peers in a support group environment.

When queried about the challenges that drive their organizations to improve data collection systems, all ten organizations describe 1) reporting to funders accurately and efficiently and 2) tracking the progress of clients as the most important. Understanding these important challenges helps us appreciate the basic tension of achieving organizational capacity building while providing quality client services.

Reporting to Funders of Microenterprise Development Nonprofits

Microenterprise development nonprofits are funded by a variety of funding agencies, primarily government, foundations and corporations. Each funder

requires a program evaluation report on the use of the funds including indications that the program purpose was achieved. Typically a nonprofit would be required to report on how many clients attended training and received counseling.

Nonprofits that provide microloans must report on how much was loaned and the progress each client is making in paying back the loan. Some funding agencies, particularly government agencies, require proof that businesses were started or expanded and jobs were created as a result of the microenterprise development services provided. These report requirements necessitate establishing data collection systems that not only track the outputs of the program (numbers of clients participating in training, counseling hours, loans) but also track the successful outcomes of the program on the individual and the community at large (increases in individual income, increases in local sales tax revenues).

When individual funding agencies require their own combination of reporting data, a microenterprise nonprofit is challenged to collect the data and produce evaluation reports for each funder in a cost efficient way. This is particularly true when labor intensive and hard copy data collection methods are still in place.

The costs of developing a more efficient data collection system is considered a capacity building activity not covered by the funds of the program grant. The following are reflections of the study participants responding to the pre-program survey question regarding the issues and challenges of implementing effective data collection systems.

“We have different programs that require different types of data collection, management and reporting. We want one system rather than a fragmented one.”

“Numerous programs are funded by a number of different government and private entities. Each entity has specific data collection and reporting requirements.”

“We need to set up a methodical system for maintaining contact with the client and acquiring information over time as opposed to rushing to put together a funder report.”

The pressure to become more efficient with data collection without impacting client services is reflected in one program participant’s statement, “The primary concern in this effort (to establish a data collection system) is that already limited organizational resources will be diverted from improving actual program components, which is of vital importance at this time.”

Tracking Client Progress

Maintaining contact over time with a client is essential in order to track whether the microenterprise services are effective at creating businesses and improving the lives of the small business clients. But starting a business and making a living at self-employment takes time. The majority (78%) of the microenterprise clients are low-income and microenterprise services are often funded by

government agencies that require the nonprofit to verify the clients' eligibility to participate in the program. This requires creating an intake form for each client and asking detailed questions regarding family income and assets. A microenterprise program must establish a baseline for each client when s/he enters the program and then track the client's progress over regular time intervals. It is not uncommon for a microenterprise client to graduate from an entrepreneur training program, work at regular employment while developing a business plan and start a business one or two years later. Tracking the progress of this client base is hampered further with challenges posed by client transience, language barriers or reticence to share personal financial information. A practitioner responding to the pre-program survey question about issues and challenges of improving data collection worries about the labor intensive aspect of client progress tracking.

“Capturing data from students six, twelve, and eighteen months after our programs can be difficult due to the transient nature of the population that we work with. Students often move, change their telephone numbers, etc. Also, because all of our students speak English as a second language, it is sometimes difficult to gather information via telephone. Either family members don't speak any English or client's English level makes phone conversation difficult.”

Asking detailed and intimate questions about a microentrepreneur's financial and family life requires that the practitioner establish trust with the client and explain

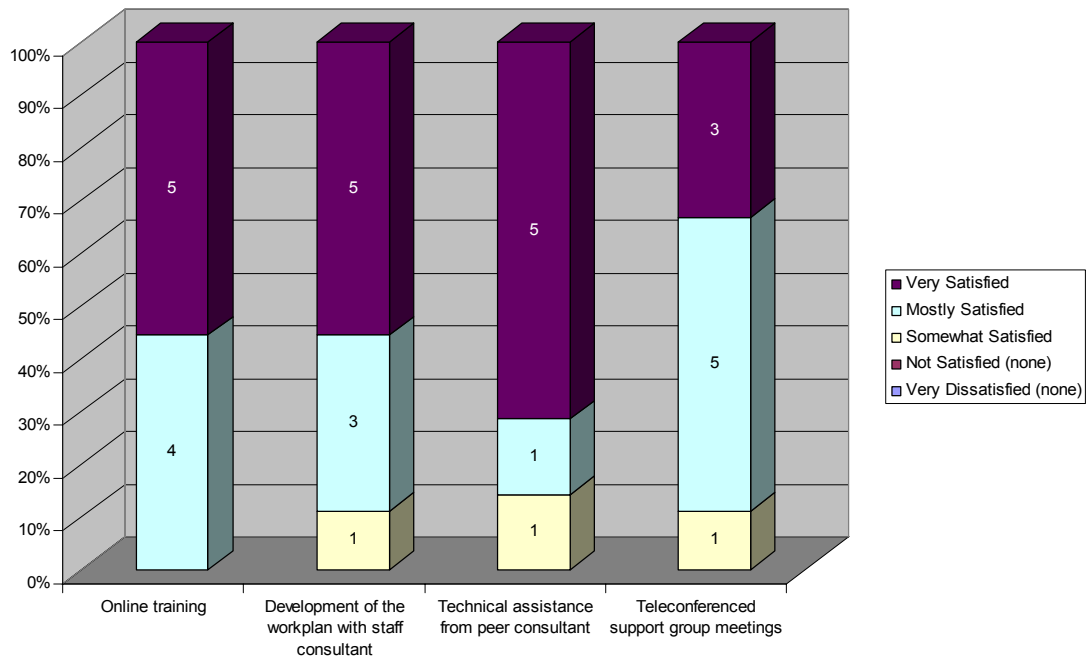
how the information will be used. One practitioner acknowledges that tracking client progress changes the way the entire organization interacts with the client. “The challenge will come in instituting yet another element into our client relationships. It needs to be embraced by the entire staff and we need to adopt a new philosophy around our interaction with our clients. Clients too will be tasked with the job of keeping better track of their own progress.”

Two of the participating organizations were new microenterprise practitioners and their big challenge was the “lack of human resources and finding time to implement the system. We are consumed with recruiting program participants and raising funds to operate.”

Post-Program Survey

At the end of the nine-month program, nine of the ten participating organizations responded to a post-program survey. This survey tested their satisfaction with the effectiveness of the virtual training and technical assistance toward achieving improvements in their data collection goals as stated in their individual workplans.

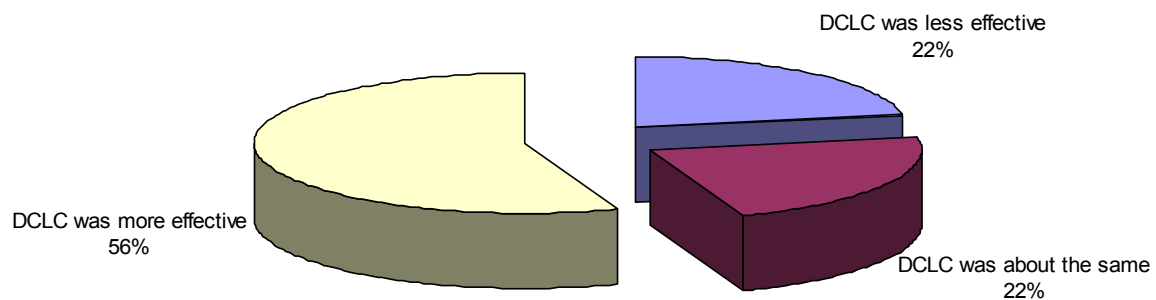
How Satisfied Were the Participants With the Program Elements?



The participating organizations were asked to rate their satisfaction with the different components of the data collection learning cluster. All nine of those surveyed were mostly satisfied or very satisfied with the web-based training. A typical comment was “The training was excellent. The trainers have an extremely strong command of the information and are able to relate well to the concerns of practitioners. The web-based portion of the presentation worked smoothly and was effective.” Eight of the nine surveyed were mostly satisfied or very satisfied with their work with the staff consultant to develop a workplan for their data collection goal. Additional feedback on the workplan included, “Having an actual workplan documented was extremely helpful for tracking our progress.” Six of the nine participating organizations sought advice from an expert peer

consultant. Of those six, five were very satisfied or mostly satisfied with their experience. Comments include, “The consultant was wonderful!” and “The one-on-one technical assistance was invaluable.” Eight of the nine participating organizations were mostly satisfied or very satisfied with the teleconferenced support group meetings.

How Did This Process Compare With Other Capacity Building Methods?



The survey asked the participants to compare this method of capacity building to other methods such as offsite trainings and consultations with an outside expert. All nine organizations had attended offsite practitioner training and seven of the nine had contracted with an outside consultant to provide technical assistance to the organization. Of the nine respondents, two said the learning cluster was about the same and two said the learning cluster was less effective than other methods. Of the two that said the learning cluster program was less effective, one of the respondents indicated “the timing of the program wasn’t good because we were not able to allocate the time necessary to it.” The other stated that the program, “didn’t allow for the intensity for starting up a completely new data collection project.”

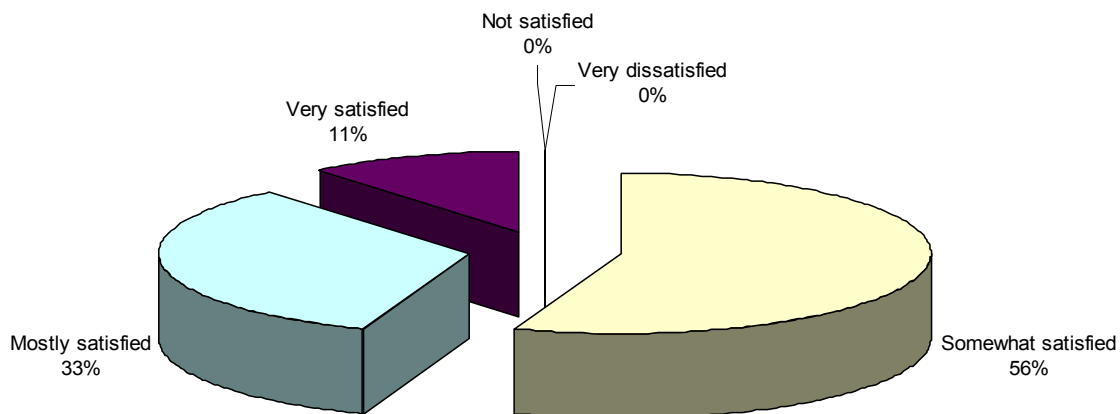
The five respondents who reported that the method was more effective than other methods provided comments that indicated that they believed the virtual learning cluster allowed for a) an opportunity to concentrate on this issue over a period of time, b) better accountability and documentation of progress, c) an in depth study and work on the issue and d) a supportive environment. Some of the comparison statements included,

“The part that I liked most was that it was an on-going process. We created and implemented individual work plans and were accountable to a group. So many skills gained through training or consultants never get implemented.”

“I feel like the online training with phone conference environment is better than off-site because it is easier for me to keep track and document what was accomplished during the sessions. “

“Spreading the training over several months allowed for information to ‘settle in.’ Pairing group sessions with one-on-one counseling was an effective means towards covering issues in greater depth.”

How Satisfied Were the Participants With the Completion of Their Workplans?



Four of the respondents indicated that they were mostly or very satisfied with the completion of their data collection workplan. Of the five indicating they were somewhat satisfied, several noted that factors outside the learning cluster were preventing the workplan progress.

“We still have a long road ahead.”

“We were unable to devote as much time as desired to the work plan. However, this was a result of finite organizational resources and does not reflect on the efficacy of the DCLC project.”

What Worked Well and What Needed Improvement?

Many of the comments on what worked well with the program centered on the high satisfaction with the online training. Program participants were also pleased with their work with the experienced peer consultant. Other program elements that were noted as working well were the program’s a) convenience “not having

to go to a meeting location”, b) the support “Follow up one-on-one phone calls kept the motivation high and made the workplan seem doable.” and c) the overall administration of the program. “The program was administered very well. Technically it went smoothly.”

Recommendations for improving the program centered on the need for a) more structure with the teleconferenced support group meetings and b) more connectivity among the participants themselves. Primarily the concerns around the support group meeting structure centered on a lack of a detailed agenda with a topic of discussion distributed in advance of the meetings. However, there were a number of recommendations regarding the need to build stronger connectivity among the participants. “Teleconferencing didn’t facilitate a creation of a strong network/community.” And “When we don’t meet people in person, it is hard to establish relationships. I would guess that there are many untapped opportunities for collaborations and information sharing.”

Interviews

Two participants were interviewed regarding their experience with the data collection learning cluster and what recommendations they would have for a future program. These participants, identified as DC1 and DC2, were both program managers of small microenterprise nonprofits that had been in existence less than four years. When asked about their experience working within the Data Collection Learning Cluster, both participants expressed many of the same sentiments of the survey respondents such as appreciation for the

- Access to the experts through the program.

“I thought it was great that you had someone from (research institute) because whatever I would read about in the publications was always written by the people in the trainings and I thought ‘wow’ I would never have access to that expertise otherwise.” (DC 2)

- In depth process that allowed implementation of the project over time.

“It’s much different when you are honing in on one particular aspect. This is much more of an in depth look as part of the data collection learning cluster as opposed to a training where you’ll talk about something for an hour.” (DC2)

- Supportive environment provided by other participants and the program consultants.

“It was great to hear about other people’s experiences...to be able to gather information from them about what worked and didn’t work.” (DC1)

“The learning cluster was more of a network of learning, a collaboration of learning with all the different organizations.” (DC2)

- Opportunity to work over time on this effort.

“The big difference for me in this was that it was an ongoing process...It meant that you were really using the information that you were given and constantly learning new things.” (DC1)

- Accountability to a group.

“It was great having a group push you along and actually make progress towards this. And to constantly be reminded of how important this piece is.” (DC1)

“I feel like I wouldn’t have gotten a lot of it (the workplan) done if I hadn’t been part of the data collection learning cluster. I really think I would have put it on the back burner. That was one of the valuable things about being a part of it.” (DC2)

The interviewees also agreed that the program itself was well executed by the program consultants.

In contrast with a couple of the survey respondents who felt the timing of the program did not allow them to be fully successful, both interviewees noted that the timing of the program was very opportune. DC2 was studying management information systems for her masters program while working on the Data Collection Learning Cluster so it felt like her studies were particularly relevant.

“I feel like I definitely had enough time to make the progress on it (the workplan). But it helped that I was also taking a class outside of work that I was also addressing it, that I was also learning about technology outside of it. The learning cluster was another learning tool.” (DC2)

While participating in the learning cluster, DCI was developing a relationship with a foundation that required a strong data collection system in order to receive a grant. With the knowledge gained during the online training component of the learning cluster, DCI was able to make the case for the foundation’s support of their data collection system development.

“When we met with the ‘Z’ foundation they asked, ‘What about evaluation?’ We were able to say, ‘Well, I am so glad you asked. We have been participating in this data collection learning cluster and we’ve been thinking about all these different things that we need to put together and it would be great if you guys would help us to do that.’ ” (DC1)

The interviewees both provided details of how they would improve the program.

These included:

- Improved connectivity through better introductions and time for networking.

“The one piece that I missed was getting to meet people face to face, having those contacts, exchanging business cards so that we could really work with each other outside the meeting. I don’t feel those types of contacts are as easily made when you’re on the phone or the computer.” (DC1)

- Guidance to the participants to be better prepared for the process such as advance reading.

“I think having some sort of preliminary meeting within your organization before going to the learning cluster would be helpful so you can talk about what’s working and not working in your organization.... it’s a little hard when only a couple of people are on the conference call.” (DC1)

- Clearer outlines about what was expected to operate within the program such as reporting on the workplans, agendas for support group meetings.

“It might not be possible, but it might be better to say right up front here’s four things you’ll be responsible for and here’s the schedule, two online training and two phone calls and here are the dates and times. For me it would have been a lot easier to write it all down at once in my daytimer, which day works for you and what time.” (DC2)

- Improved follow up from trainings and meetings with resource information compiled as they developed with the networking and training.

“It might be good to have a follow up manual of all the resources that we went through. I tried to find some of the websites...maybe a one pager with all the resources that we mentioned.” (DC2)

Observations

During the last support group meeting held by telephone, the program participants were also asked informally about their experience participating in the learning cluster. The most frequently mentioned positives about the program were the access to experts and the supportive nature of the process. The presence and engagement of the staff consultant, peer consultant and other program participants contributed to a sense of support for the individual efforts of the nonprofits. One of the program participants who was not able to meet with the group for the last telemeeting requested a separate appointment to meet with the researcher/program consultant. During this short meeting, the researcher noted frequent references to the effective framework of the program and how it

helped their organization organize and complete a project they were committed to doing but had not been able to prioritize up to now.

Summary

Overall, the participants of the Data Collection Learning Cluster were pleased with the program components and generally felt that their participation helped them achieve or at least get the momentum to achieve changes in their data collection processes. These desired changes, stated in the pre-program survey, were the basis for their workplan goal setting and the consulting technical assistance. Since 100% of the respondents of the post-program stated they felt satisfied with the workplan completion, we can conclude that some progress in data collection process had been made from when the pre-program surveys were taken to when the post program surveys were completed. The strongest areas of satisfaction came from the

- 1) Opportunity to access experts such as the trainers and peer consultants in a convenient way.
- 2) Accountability of the program. Having to report to their peers and to a program consultant kept them motivated.
- 3) Framework or program design that included the basic training, workplan development, consultant work and peer support group meetings.
- 4) Supportiveness of the program trainers, consultants and peer participants.

The aspect of the program that held some dissatisfaction was the element of connectivity. The interviewees and survey respondents all requested better connectivity with each other as a way to benefit more from the networking. While some of the participants had met each other before, most of them had only the voices on the telephone as a frame of reference.

Recommendations for improvement also focused on the issues of preparation and follow up. During the training and support group meetings several of the participants had resource information to share but, other than an emailed announcement, this information was not stored in a way that could be accessed regularly. Most of the participants suggested more information in advance about what was entailed in the program such as agendas for support group meetings.

Discussion

Can combining the use of technology and peer learning clusters provide an effective and low cost method of capacity building for nonprofits? It is clear that an area of high satisfaction to the participants was the use of technology to reduce the cost and enhance the convenience of accessing training and technical assistance. The nonprofits were motivated to seek out low cost methods of improving their management information systems. Prior to the Data Collection Learning Cluster, microenterprise nonprofits had the options of traveling to the national training conference to attend topical workshops, contracting with MIS consultants, purchasing expensive customized software, or

participating in a national multiyear program called MicroTest. The “lack of human resources and finding time to implement the system” also played a part in putting the data collection improvement priority on a “back burner.” The high cost of trainer and consultant travel was also a prohibiting element for the trade association charged with providing capacity building programs. Considering that this model offered an alternative that eliminated travel costs and allowed more of the staff to participate, the virtual learning cluster seemed like a wise program choice for the nonprofit.

The convenience of the program, offering such easy access to experts, was an area of high satisfaction for the program participants. These findings were consistent with those of the e-learning survey (Isoph 2004) on web-based training for nonprofits with the top three benefits of web-based training being cost-effectiveness, accessibility and convenience.

The participants of this program also valued the accountability element of the program. By creating and committing to a workplan and reporting on their progress over time to the program consultants and their peers, the participants felt “accountable to a group” and appreciated “having the group push you along.” Organizational learning takes time and patience and that comes at a cost with all the other demands of nonprofit service delivery. The program design made the large undertaking of data systems improvement the work of the group instead of

a solo task. The group work helped the participants remain motivated to keep the project moving forward.

This finding concurs with the literature when group work resulted in an increase in the assimilation and use of the knowledge (Huber 1991). While the uncovering, testing and examining the idea starts with the individual, transformational learning comes from the group work of dialogue, reflection and knowledge (Senge 1994, Huber 1991; Taylor 1998; Sinclair 2003; Collay 1998.)

The supportiveness of the program staff, consultants, and program peers was mentioned many times in the responses to the participant surveys and interviews. While the workplans were created by the nonprofit staff with the help of the staff consultant, everyone worked together to help the nonprofits implement them. This support came in the form of brainstorming and the sharing of experiences and resources such as documents, website and product information. “The learning cluster was more of a network of learning, a collaboration of learning with all the different organizations.”

While the most of the participants were very satisfied with the supportive element of the program design there was some concern that there was not enough connectivity among the participants. Since some of the participants had never met each other and their only program connection was through the web-based training and teleconferenced support group meetings, some felt there was

something missing. “The one piece that I missed was getting to meet people face to face....so we could really work with each other outside the meeting. I don’t feel those types of contacts are easily made when you’re on the phone or the computer.” This connectivity is an important consideration as we look to technology to help us meet together. In the studies of corporations managing virtual teams, it was clear that a different type of facilitator, teacher, and program manager is needed for technology based group work. People feel constrained and precarious when they are working virtually and the leader needs to set some standards for operating together (Duarte and Snyder 1999; Katzenback and Smith 2001). The high degree of ambiguity and flexibility required to work in this medium also brings a need for greater relationship building leading to the building of trust and a sense of belonging (Graham 2003). One participant described the lack of connectivity in terms of a lost opportunities when she said, “When we don’t met people in person, it is hard to establish relationships. I would guess that there are many untapped opportunities for collaborations and information sharing.” Developing trust was essential for teacher learning circles (Collay 1998), industry-wide learning networks (DiBella and Nevis 1998) and virtual teams (Katzenback and Smith 2001). The literature supports the idea that trust building is at the heart of transformational learning and building the relationships that foster that trust needs to be a part of the work group goals (Innovation Network 2001; Collay 1998; Taylor 1998; Sinclair 2003).

It appears that the program design of the virtual learning cluster may encourage better integration of the learning by engaging the whole system (nonprofit). Change to the data collection system affects all aspects of the nonprofit's operations so it was important to engage the whole organization in the learning cluster. The combination of training, goal setting, technical assistance and peer support in a program held over a nine month period was intended to facilitate change over time to the whole system of the nonprofit. This "holistic systems perspective" was identified as one of the nine principles of exemplary capacity building practice by the Innovation Network (2001). The study of the Los Angeles nonprofits (1998) also recommended a complete organizational process and the Annie E. Casey Foundation (2003) asserts that success of their capacity building initiative's depended on working with the grantee organization as a total system. The appreciation of the long term task of changing the organization was summed up by a program participant who stated, "It needs to be embraced by the entire staff and we need to adopt a new philosophy around our interaction with our clients."

This success in engaging staff in changing the organization's data collection systems led to an interest of the nonprofits in adopting the program model for their own ongoing organizational learning. There is the possibility that this program provides a model for the nonprofits themselves to manage their own capacity building efforts. The program staff and consultants saw their role as facilitative rather than directive and took care to encourage the participants to set

realistic goals that could be accomplished during the program period of nine months. The nonprofits themselves drove the workplan development and set goals that were customized to the organization's current challenges. Making individual progress while sharing learning with their peers kept nonprofit staff motivated to continue their workplan. Organizations that did not finish their workplan during the program period reported that they were pleased that they had a blueprint to guide their next steps and were optimistic about completing it. "It's not completed yet but we have all the stuff we know we need to get there." Such comments indicate that the program participants may feel empowered by their success using this model and may grow to view capacity building as an adaptive process that puts them in control. The Annie E. Casey Foundation learned from their capacity building initiative that nonprofits already had the technical skills and content they needed to deal with organizational development issues and that the consultant's role was to work collaboratively with the nonprofit to achieve a set of specific results and enhance their capacity to address issues for the future (page 4). This adaptive capacity was also identified by Heuer (1999) as a key to nonprofit success and the Innovation Network's nine principles for capacity building included "Respect for the organization's ability to build its own capacity is essential." Experiencing capacity building as an empowering, internally driven process may encourage the nonprofits to become more proactive in their advocacy to obtain support for capacity building efforts.

Finally, the cost effectiveness of the virtual learning cluster is a major consideration for the nonprofits. When comparing the program model of the virtual learning cluster with traditional capacity building methods of training conferences and on site consultants, it is important to note that there was consensus among the participants that the learning cluster was less expensive than traditional methods. The participants paid a nominal participation fee and were aware that the program was subsidized by a funder. Cost comparisons aside, when the participants were asked about how this program compared with other capacity building methods, 80% replied it was about the same or was more effective. Considering most of the training and technical assistance of this program was delivered virtually, it's promising that the participants did not believe it was less effective than face to face training and consulting. In fact, the participants pointed to the unique program design, the ability to work on the program over time and the opportunity to work with their peers as elements contributing to their perception of program effectiveness. "This is much more of an in depth look as part of the data collection learning cluster as opposed to a training where you'll talk about something for an hour." "The big difference for me in this was that it was an ongoing process." "So many skills gained through training or consultants never get implemented."

One of the purposes of this study was to gather information to improve the program design of the virtual learning cluster model. Changes to the program that are already underway:

1) *formalizing relationship building among the program participants.* Future virtual learning cluster programs include more time during the training component for participant nonprofit staff to build better rapport with self-introductions and opportunities to share their learning challenges. A contact list of participants will be provided to all and the participants are explicitly encouraged to contact each other outside the program for networking and resource sharing.

2) *providing a pre-program orientation to offer better guidance on the requirements of the program.* Each virtual learning cluster program will be preceded by a pre-program orientation that will review the program components including what is expected for successful participation.

3) *capturing and sharing resource information more easily by devoting a page of the association's website to the learning cluster.* When the program consultants and participants share resources such as documents, models and website links, the information will be captured on a page of the website run by the association program manager. This webpage will not only provide a resource for the current program participants but can be a resource for past and future program participants.

4) *preparing and circulating formal agendas of the support group meetings in advance.* Dates for the peer networking meetings held by telephone will be

selected by the participants at the end of the training. Meeting reminders will include an agenda and any expectations for participant presentations.

Conclusions

Overall the findings of the study supported the growing evidence that use of technology has potential in aiding nonprofit capacity building. Web-based training, email, listservs and teleconferencing already play important roles in sharing information and supporting nonprofit capacity building. The facilitative approach to creating and implementing a workplan driven by the nonprofit's learning goal also appears to hold value and can be incorporated easily within the technology platform. While peer learning clusters have already been identified as a potential method of providing training and technical assistance to nonprofits with limited resources (LA county Center for Nonprofit Management 1998), there still needs to be further study of how to foster this group work when using technology. Without the face to face contact, building relationships is hampered and the trust building and connectivity needed for organizational transformation suffer.

If the challenges of virtual peer group work can be addressed, will this model work for any group of nonprofits? The nonprofits that participated in the Data Collection Learning Cluster were part of an existing network of microenterprise development nonprofits within California. Though the nonprofits were located throughout the state and several participants had not met each other, it is unclear

whether prior connections were critical to the success of the program. An area for future research could explore whether the virtual learning cluster model works for nonprofits that initially have nothing in common except for an interest in the learning topic.

Can funders and capacity building service providers encourage greater incorporation of capacity building by nonprofits by simply adopting a stance as facilitative resources rather than experts? The inaccessibility of traditional capacity building methods may be fueled by the conventional thinking that nonprofits need to be fixed using the “mechanized, engineered fundamentals of change management theory” (Sinclair 2003). By removing the need for “experts” as the driver of capacity building, could we empower nonprofits to create their own learning communities within their own organizations and among themselves, tapping experts as needed? Further study may encourage more creative solutions to the delivery of capacity building for nonprofits using a facilitative approach.

Finally, prioritizing nonprofit capacity building is the responsibility of both funders and the nonprofits. Considering the pressure to prioritize resources for direct client services it may be necessary to consider the existing environmental pressures before embarking on a capacity building program of this nature. Nonprofits will be motivated to participate in capacity building efforts if there is the environmental support and pressure to do so. Funders may choose to make

participation in capacity building programs a condition to receiving support. Negative pressures such as the threat of reduced funding or financial losses may lead the nonprofits to seek capacity building programs. Could the reduction of the cost of capacity building encourage both funders and nonprofits to invest in the effort more often and in greater scale? The review of the literature demonstrated that capacity building continues to receive a “back burner” position because of the high cost of traditional methods. Funding agencies acknowledge that the requirement for more effective evaluations of programs will only come about if the nonprofits are encouraged to make it a priority to build capacity with strong business systems and evaluation processes. This encouragement could come in the form of special grants for the purpose of capacity building, supported access to training and consultants for grantees and financial support of capacity building organizations such as trade associations and nonprofit resource centers. The low cost and high level of satisfaction with this model is encouraging. It is hoped that both funders and nonprofits will support further development of creative and accessible methods of nonprofit capacity building.

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