Beyond the Balance Sheet
Teaching Capacity Building as Capital Building

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Abstract
Financial sustainability is a persistent challenge in the nonprofit sector. Capacity building is sometimes presented as a way to address this challenge. This article proposes that the teaching of capacity building can be reframed as an economic construct, capital building. By understanding capacity building as the development and activation of capital in multiple forms (e.g., social, financial, reputational, process), organizations may gain new options for program design and strategic decision making to enhance their effectiveness and sustainability. This article reviews the construct of capacity building, relating it to various capital resources and how they generate capacity. It concludes with examples of how a capital-building approach can be integrated into existing university courses to support the Nonprofit Academic Centers Council’s revised curricular guidelines.

Keywords: capacity; capital; value creation; nonprofit; philanthropy

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Financial health is a pressing concern for many nonprofit organizations. Bowman (2011) described financial viability as having two dimensions: short-term capacity (e.g., cash reserves) and long-term sustainability (e.g., profitability). Achieving these aspects is difficult for many organizations. In its survey, the Nonprofit Finance Fund (2015) found that 53% of responding organizations \((n = 5,341)\) had less than three months of cash reserves on hand in 2014, indicating they have little short-term capacity. Additionally, 24% of responding organizations reported a deficit in 2014, suggesting that numerous nonprofits grapple with profitability.

Such financial challenges have direct effects on mission fulfillment and service delivery. Among nonprofit organizations that responded to that survey, 52% reported that they were unable to meet client demand for services. The gap increased to 59% for human services organizations (Nonprofit Finance Fund, 2015). These numbers are unsettling from an organizational perspective, but they also speak to a larger social justice issue. Sixty-seven percent of the responding organizations identified themselves as serving primarily low-income communities, and 50% self-identified as lifeline organizations. When asked what happens to people they cannot serve, 71% of responding organizations reported that these individuals go without services (Nonprofit Finance Fund, 2015). Lack of capacity therefore directly results in reduced access to services for vulnerable populations.

Most academic programs require coursework in financial management to prepare nonprofit studies students to address such organizational and social equity challenges. A central goal is to build practical competencies to improve the financial health of nonprofit organizations. These courses fulfill a valuable service in increasing the capability and professionalism of the sector. At the same time, the literature recognizes that nonprofit organizations depend on many more resources than just monetary. Empirical studies by scholars such as Mendel and Brudney (2014), Salamon (2010), Brudney and Meijs (2009), and Mook, Sousa, Elgie, and Quarter (2005) demonstrate that resources in the nonprofit sector transcend financial statements.

What are these various resources, how do they interact, and how can they be developed intentionally to enhance financial sustainability? In the following sections, I examine these issues through the lens of capacity and capital building. I begin with a brief discussion of the construct of capacity building from practitioner and academic perspectives. Next, I describe capital, its attributes, and how it relates to capacity building. In the third section, I present an overview of various forms of capital described in the literature and ways these can be measured. I conclude with a review of key concepts, outlining how these can be woven into existing nonprofit management courses to align with the newly revised curricular guidelines from the Nonprofit Academic Centers Council.

The Construct of Capacity Building

*Capacity building* is a common term in the nonprofit sector, yet there is no generally accepted definition (Light et al., 2002). Nonprofit organizations think of capacity building in a variety of ways, including as a means to increase organizational resources or inputs, measure an organization's activities, improve program performance and service delivery to clients, and maximize resources and efficiency (Light, 2004). Here I use a working definition of capacity building as the process of strengthening organizations
so they can continually perform better to produce greater impact in fulfillment of mission (TCC Group, 2010).

Capacity building can occur at different levels (e.g., individual, organizational, and community; program, grant, and sector). These multiple levels create a unit of analysis problem that contributes to capacity building’s lack of a common definition (Light et al., 2002). According to the TCC Group (Raynor, Cardona, Knowlton, Mittenhal, & Simpson, 2014), capacity building elements include who (individuals, organizations, groups of organizations, and ecosystems), what (knowledge, skills, operational systems, and effectiveness), and how (training, technical assistance, experiential, and peer learning). Capacity building can also be considered in terms of its temporal duration (e.g., short-term vs. long-term interventions; Light et al., 2002).

What behaviors and actions constitute capacity building? Examples include board development (Brown, 2007), enhancing skills to conduct community needs assessments and program evaluation, fortifying employee skills and engagement, strengthening financial practices, developing leadership, and improving fundraising (TCC Group, 2010). Other components of capacity building include clarifying vision, values, and performance goals; understanding community needs, partnering with other organizations, and measuring results; and creating systems, processes, and structures that promote good decision making, execution, governance, and value creation (McKinsey and Company, 2001).

Light et al. (2002) analyzed 16 capacity building programs supported by eight funders. Broadly, those programs fell into three categories. The first category is direct response programs that provided financial support for short-term projects such as board training or strategic planning. The second category is capacity building initiatives focused on organizational effectiveness issues that they broke down into four dimensions: external relations, internal structure, leadership, and internal management systems. The third category is sector-strengthening programs such as knowledge development (i.e., research), delivery (i.e., dissemination of research findings), and exchange (i.e., convenings and conferences).

Several scholars have also created capacity building frameworks through empirical research and analysis. For example, Millesen, Carman, and Bies (2010) adopted a multitheoretical approach that combines strategic management, resource dependence, agency, and institutional theories to explain motivations, outcomes, and types of capacity building. Researchers have also employed discourse analysis to identify three common themes of capacity building: that it occurs on multiple levels (macro, meso, micro), mirroring the systemic nature of social problems; that capacity building includes tangible (techniques and equipment) and intangible (e.g., motivations, processes) elements; and that cross-sector partnerships are vital for driving and sustaining social transformation (Black, 2003).

In a meta-analysis of capacity building program designs, Labin, Duffy, Meyers, Wandersman, and Lesesne (2012) found that funders and practitioners seek to produce outcomes on multiple levels simultaneously including individual (e.g., changes in knowledge, attitudes, and behaviors), organizational (e.g., changes in institutional practices, management, culture, norms, and resources), and networks. That analysis confirmed earlier findings (Millesen & Bies, 2005) that participants in capacity building place a high value on activities that simultaneously promote learning and provide
opportunities to interact with peers. Among federally funded programs, nonprofit capacity building emphasizes five dimensions (Minzner, Klerman, Markovitz, & Fink, 2014). These include organizational development (e.g., board governance, finance, and information systems), program development (e.g., delivery, monitoring, and evaluation), revenue development (e.g., donor development, diversifying funding sources), leadership development (e.g., volunteer and professional development), and community engagement (e.g., asset mapping, building collaborative networks). Results of that empirical investigation support the efficacy of capacity building investments, but scholars have not yet developed a robust explanatory framework to illustrate why capacity building works.

**Capacity Building as Capital Building**

Fowler (2004) took a different approach to explain the construct of capacity building. His model is based on multiple types of capital identified by the United Nations Millennium Project as being essential to a thriving economy. These include human capital (e.g., health and education), business capital (e.g., factories and equipment used in the private sector), infrastructure (e.g., roads, airports, and waste treatment centers), knowledge capital (e.g., science and technical know-how), natural capital (e.g., ecosystems, fisheries, horticulture), social capital (e.g., trust among community members), and public institutional capital (e.g., the making and enforcement of laws). To this list he added financial capital (money, assets, investments), political capital (free elections, transparent decision making), and human competencies to activate the capitals (e.g., values and motivation).

A capital-based framework seeks to grow resources and make them more productive, the hallmarks of building capacity (Fowler, 2004). Capital is any enduring asset capable of producing additional assets (Clayton, 2008). Capital resources typically include facilities, equipment, and financial assets used to produce goods and services. Capital has traditionally been defined in terms of physical, durable goods (Clayton, 2008), but there is a growing realization that nonphysical resources play a vital role in value creation and profitability (Goldfinger, 1997). In the business literature, intangible capital (nonfinancial, nonphysical resources that can create future value) is now recognized as a fundamental contributor to a firm’s profitability (Omil, Lorenzo, & Liste, 2011). Intangible capital includes resources such as the skills and knowledge of workers, trust among people in an organization or a society that enhances the likelihood of collective action (social capital), and effective institutional structures and processes (e.g., judicial system, high functioning government, clear property rights; Hamilton et al., 2006). Other examples of intangible capital commonly recognized in the private sector include intellectual property, product design, and branding (Hulten & Hao, 2012).

A capital-based approach also provides explanatory power for why capacity building works. Hirschman (1958) described this as “calling forth and enlisting for development purposes resources and abilities that are hidden” (p. 5). In the nonprofit sector, volunteer service is an example of the generative nature of capital. Volunteers donate their human capital, which increases the productive capacity of the organization to deliver services and fulfill its mission. Brudney and Meijs (2009) suggested that vol-
unteer efforts can be thought of as energy that can be grown and recycled, creating a renewable resource for organizations. Emery and Flora (2006) developed a model of seven interrelated capitals: financial, political, social, human, cultural, natural, and built. They found that investing in one type of capital generated a “spiraling up” (p. 19) that set off a cascade of positive feedback to activate the other types of capital in the social system. This phenomenon of spiraling up reflects the economic concept of increasing returns (the dynamic of positive feedback, the tendency of gains to produce more gains; Arthur, 1996; Krugman, 1979).

Forms of Capital in the Literature

Building on Fowler’s (2004) model, I conducted an extensive literature review to develop a typology of capitals. Subject and title searches were conducted using a variety of combinations of the terms capital, intangible capital, nonprofit (also spelled non-profit), and philanthropy. Because relatively few results were obtained, a third search was performed, broadening the terms to include intangible assets (an accounting term sometimes used to describe intellectual property). Assets are sources of future benefits, existing in tangible (physical embodiment) and intangible forms (Lev, 2005).

To be included in the different-types-of-capital list, assets needed to exhibit two defining characteristics of capital: durability and productivity (e.g., creating future value in some form, not necessarily financial; Lev, 2005). Six major categories of capital that met the durability and productivity tests were identified in the review: financial, physical, human, relational, symbolic, and structural. Each category includes subtypes of capitals, described next:

1. Financial capital is “a medium of exchange that releases its value through conversion into other forms of capital” (International Integrated Reporting Council, 2013b, p. 6). The Nonprofit Finance Fund (n.d.) characterizes capital as “funding and financing available to nonprofit organizations for long-term mission fulfillment,” essentially a resource that has a monetary value and is capable of producing future value.

   Financial assets can take several forms, including cash/cash equivalents and equity (Krugman & Wells, 2009). Although the private sector relies heavily on capitalization instruments such as debt and shareholder equity, here I define equity as it is used in the nonprofit sector, specifically as a claim on assets of an organization limited by the nondistribution constraint (Hansmann, 1980). Surpluses that are not spent must be directed toward endowment, reserves, or temporarily restricted funds (Steinberg, 2006). Profitability is a key source of equity for nonprofit organizations and a central component of financial sustainability (Bowman, 2011).

2. Physical capital includes natural and manufactured resources such as buildings and machines (Krugman & Wells, 2009). Its two subtypes are built capital and natural capital. Built capital includes buildings, infrastructure, and other fixed humanly constructed formations (Batten, 1991). Natural capital comprises assets that abide in a location, including resources, amenities, and natural beauty (Emery & Flora, 2006).

3. Human capital can be thought of as “the acquired and useful abilities of all the inhabitants or members of the society” (Smith, 1776, p. 7). Human capi-
tal is a primary form of resource-generation capacity in organizations. Five subtypes of human capital include the physical, intellectual, creative, moral, and psychological capacities of people. Physiological capital is the physical capacity of the human body (Frezza, 2011). Intellectual capital is knowledge, information, and experience that can be put to use to create wealth (Malhotra, 2000; Stewart, 2007). Creative capital is the ability to imagine and generate new ideas (Wolf & Holochwost, 2009). Moral capital is the concern for goodness and the welfare of others (Hirschman, 1984). Psychological capital is the emotional and mental state of a person (Boulding, 1966; Luthans & Youssef, 2004) including one's sense of physical and psychological safety, hope, resilience, and other affective perceptions.

4. **Relational capital** can be defined as how an organization connects with stakeholders, internally and externally, and the value that is placed on these relationships (Capello & Faggian, 2005). Its three subtypes include social capital, political capital, and spiritual capital. Social capital is broadly defined as resources accumulated through the relationships among people (Coleman, 1988; Schneider, 2009). Social capital has been linked to a variety of positive social outcomes, including better public health, lower crime rates, and more efficient financial markets (Adler & Kw, 2002). Political capital can be thought of as the empowerment, influence, and identity of people conferred through their associations (Emery & Flora, 2006; Sorensen & Torfing, 2003). Spiritual capital is the value of personal, social, or cultural beliefs and meanings to an individual that stimulate creativity, encourage moral behavior, and motivate individuals (Zohar & Marshall, 2004). It typically involves a relationship to something beyond oneself, such as values, ancestors, the Earth, or a higher power (Berger & Redding, 2010).

5. **Symbolic capital** is the wealth and productive capacity that an individual or group has accumulated in a figurative or representational form (Bourdieu, 1983). The three types found in the literature include cultural, reputational, and temporal capital. Cultural capital can be thought of as the way people know the world and how to act within it (Bourdieu, 1983; Emery & Flora, 2006; Throsby, 1999). Corporate culture, the unwritten rules of “the way things get done around here” (Deal & Kennedy, 1982, p. 4), is one example of such shared mental models. Reputational capital can be defined as value derived from the public perception of a firm as a responsible domestic and global corporate citizen (Petrick, Scherer, Brodzinski, Quinn, & Ainina, 1999). Temporal capital is the use of time as a method of imposing order on events and concepts, typically from the past to the present to the future (Wang, 2013). Spatial capital is the geophysical matrix in which biophysical and social systems are embedded (Tan, Song, Akhmat, & Hussain, 2014).

6. **Structural capital** is the formative properties that allow for the “binding” of time-space in social systems (Giddens, 1984). This category includes property rights, rule of law, organizational structures, and management processes (De Soto, 2000). Organizational capital is the networks and structures through which the contributions of individuals are mobilized and coordinated (Ekins, Simon, Deutsch, Folke, & De Groot, 2003). Rule of law capital can be thought
of as the ability to design, influence, and enforce standards, rules, regulations, and laws (De Soto, 2000). Process capital is defined as procedures, practices, and activities that promote the delivery of value creation (Galbraith, 2002).

A comprehensive list of the types of capital identified in the literature is provided in Table 1.

**Table 1**

*Typology of Capitals*

<table>
<thead>
<tr>
<th>Category and type</th>
<th>Definition</th>
</tr>
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<tbody>
<tr>
<td>Financial Capital</td>
<td>Funding and financing available for an organization to achieve its mission over the long term (Nonprofit Finance Fund, n.d.).</td>
</tr>
<tr>
<td>Cash</td>
<td>A monetary asset that can easily be used to purchase goods and services. Examples include currency and checks (Krugman &amp; Wells, 2009).</td>
</tr>
<tr>
<td>Equity</td>
<td>In the nonprofit sector, a claim on assets of an organization with nondistribution constraints (Hansmann, 1980).</td>
</tr>
<tr>
<td>Physical Capital</td>
<td>Natural and manufactured resources such as buildings and machines (Krugman &amp; Wells, 2009).</td>
</tr>
<tr>
<td>Built</td>
<td>Buildings, infrastructure, and other fixed human-constructed formations (Batten, 1991).</td>
</tr>
<tr>
<td>Natural</td>
<td>Assets that abide in a location, including resources, amenities, and natural beauty (Emery &amp; Flora, 2006). Includes non-renewable resources (e.g., coal, oil) and renewable resources (e.g., ecosystems; Jansson, Hammer, Folke, &amp; Costanza, 1994).</td>
</tr>
<tr>
<td>Human Capital</td>
<td>The acquired and useful abilities of all the inhabitants or members of the society (Smith, 1776).</td>
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<tr>
<td>Physiological</td>
<td>The physical capacity of the human body (Frezza, 2011).</td>
</tr>
<tr>
<td>Intellectual</td>
<td>Knowledge, information, and experience that can be put to use to create wealth (Stewart, 2007).</td>
</tr>
<tr>
<td>Psychological</td>
<td>Sense of mental well-being. Attributes include self-efficacy, hope, optimism, and resiliency (Boulding, 1966; Luthans &amp; Youssef, 2004).</td>
</tr>
<tr>
<td>Creative</td>
<td>The ability to imagine and generate new ideas (Wolf &amp; Holochwost, 2009).</td>
</tr>
<tr>
<td>Moral</td>
<td>Concern for goodness and the welfare of others (Hirschman, 1984).</td>
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<td>Relational Capital</td>
<td>How a person or organization connects with stakeholders internally and externally, and the value that is placed on this relationship (Capello &amp; Faggian, 2005).</td>
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<td>Social</td>
<td>The resources accumulated through the relationships among people (Coleman, 1988).</td>
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<tr>
<td>Political</td>
<td>The empowerment, influence, and identity of people conferred through their associations (Sorensen &amp; Torfing, 2003).</td>
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<td>Spiritual</td>
<td>The value of personal, social, or cultural beliefs and meanings that stimulate creativity, encourage moral behavior, and motivate individuals (Zohar &amp; Marshall, 2004).</td>
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<td>Symbolic Capital</td>
<td>The wealth and productive capacity that an individual or group has accumulated in a figurative or representational form (Bourdieu, 1983).</td>
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<td>Cultural</td>
<td>The way people “know the world” and how to act within it (Emery &amp; Flora, 2006).</td>
</tr>
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<td>Reputational</td>
<td>Value that can be attributed to the perception of a firm as a responsible domestic and global corporate citizen (Petrick et al., 1999).</td>
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<td>Temporal</td>
<td>Using time as a method of imposing order on events and concepts, typically from the past to the present to the future (Wang, 2013).</td>
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<td>Spatial</td>
<td>The geophysical matrix in which biophysical and social systems are embedded (Tan et al., 2014).</td>
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<td>Formative properties allowing the “binding” of time-space in social systems (Giddens, 1984).</td>
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<td>Organizational</td>
<td>The networks and structures through which the contributions of individuals are mobilized and coordinated (Ekins, 2008).</td>
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<tr>
<td>Rule of Law</td>
<td>The ability to design, influence, and enforce standards, rules, regulations, and laws (De Soto, 2000).</td>
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<tr>
<td>Process</td>
<td>Procedures, practices, and activities that promote the delivery of value creation (Galbraith, 2002).</td>
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Transforming Capital Into Capacity

As students come to understand that organizations use many types of capital resources, the next step is to show them how managers can develop these capitals and transform them into increased capacity. A full description of that process exceeds the
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scope of this article. Instead, I offer examples from the literature to show how one form of capital (e.g., social or intellectual) can be deployed to generate other resources.

Scholars now largely concur that social ties play an important role in generating other resources (e.g., information, influence, and solidarity; Kwon & Adler, 2014). Putnam (2000) studied volunteer affiliation and association members and found that social capital facilitates coordination and cooperation for mutual benefit. At the individual level, social capital allows people to draw on resources from other members of the networks to which they belong. These resources can take the form of useful information, personal relationships, or the capacity to organize groups (Paxton, 1999). Other benefits include employment connections (Granovetter, 1973), psychological well-being (Bargh & McKenna, 2004; Helliwell & Putnam, 2004), and reduced transaction costs (Steinberg, 1997).

Lin (2008) described social capital as “. . . resources embedded in one’s social networks, resources that can be accessed or mobilized through ties in the networks” (p. 51). Thus, social capital has a potential form (access) and an activated form (mobilized), with effects occurring at micro (individual), meso (organizational), and macro (societal) levels. A person’s location in a network may, through relationships, provide access to other people’s resources (e.g., power or reputation), generating some benefit or return to the person (Lin, 2008). Among organizations, participation in networks can generate corporate social capital that promotes prestige, status, reputation, and brand (Todeva & Knoke, 2005). Similarly, social capital has been associated with firms receiving lower interest rates on financing (Uzzi, 1999). At the societal level, social capital has been linked to a variety of positive outcomes such as better public health, lower crime rates, and more efficient financial markets (Adler & Kwon, 2002).

For intellectual capital, Mortenson (1999) empirically demonstrated that investments in education set off a cascade of benefits, producing immediate effects (e.g., knowledge) and long-term results such as better and more numerous employment opportunities, a stronger workforce, a stronger tax base, higher levels of parent involvement, and greater participation in civil society through voting and volunteering. In the context of governance, Chait, Ryan, and Taylor (2011) found that high functioning nonprofit boards use their intellectual, political, reputational, and social capital to build capacity by investing in community relationships that generate returns of increased value to the organization and the community. As these examples demonstrate, capital of one type can be used to grow and develop other capacities to generate immediate and long-term benefits for the organization and society.

Integrating Capital Building Into Nonprofit Management Education

In this section, I discuss how instructors of nonprofit and philanthropic studies courses can connect capacity building to multiple forms of capital. Examples of relevant courses include marketing (reputational capital), human resource management (human capital), resource development (financial and social capital), advocacy (political capital), governance (rule of law), and organizational theory (cultural and organizational capital). This integrative framing addresses several of the Nonprofit Academic Centers Council’s (2015) newly adopted curricular guidelines at graduate and undergraduate levels. For example, in a resource development class instructors can address
guideline 10.2 (components and elements that are part of a comprehensive fund development process) by discussing how successful fundraising hinges on building awareness of the organization to attract new prospective donors (i.e., building reputational capital), developing meaningful and long-lasting relationships with donors (social and temporal capital), and fulfilling commitments to donors (moral capital). In a volunteer management course, instructors can connect multiple capitals to guideline 13.2 (the role, value, and dynamics of volunteerism in carrying out the work and fulfilling the missions of nonprofit organizations) by discussing human capital as an essential resource for organizational success. Volunteer engagement and motivation can be connected to the importance of attending to volunteers’ psychological capital.

A multiple capitals perspective also offers new insights into evaluating organizational effectiveness, addressing guidelines 15.3 (the types, sources, and location of information that are useful to the effective operation of nonprofit organizations) and 16.1 (methods and modes to evaluate performance and effectiveness at both organizational and programmatic levels). Effectiveness of capacity building efforts can be difficult to measure, often because of the intangible nature of processes and outcomes. Reframing capacity building as capital building offers a potential solution to this problem. Many forms of capital have measures and scales. Globally, social capital offers some of the most well-developed metrics. Examples include the World Values Survey that assesses the level of trust and membership in associations (Inglehart, 1997), the New South Wales Study that helps organizations gauge their effectiveness in building civic engagement (Onyx & Bullen, 2000), the Barometer of Social Capital, Columbia (Sudarsky, 1999), the Index of National Civic Health, USA (National Commission on Civic Renewal, 1997), and the Global Social Capital Survey (Narayan & Cassidy, 2001).

At the organizational level, integrated reporting is increasingly employed to monitor and track multiple forms of capital such as financial, manufactured, social, human, intellectual, and natural (International Integrated Reporting Council, 2013b). Such comprehensive reporting seeks to make visible the relationships between an organization, its functional units, and the capitals that it deploys or impacts through its operations. Integrated reporting is currently used primarily by private sector firms in Europe and South Africa, and Adams and Simnett (2011) outlined its potential application in the nonprofit sector in Australia.

A capital-building framework can also be used to inform social enterprise and social entrepreneurship courses, supporting NACC graduate guideline 4.4 (trends associated with social responsibility and sustainability). Nonprofits are sometimes seen as a poor cousin to social enterprise, but a capital-based approach provides a new storyline (Jones & Donmoyer, 2015) by demonstrating that it is not a particular sector but rather the use of capital in its multiple forms that drives sustained value creation and contributes to a triple bottom line. For example, Andersson’s (2011) heuristic tool of the nonprofit entrepreneurship tree can be explored through the lens of multiple capitals as a strategy to build organizational capacity, develop greater human competencies, and create new opportunities for nonprofits and society.

**Conclusion**

In this article, I proposed that capacity building in nonprofit organizations can be reframed as the development of multiple forms of capital. This approach offers several
advantages. First, it makes intangible resources such as relationships and governance more visible, explicitly calling out their vital role in producing organizational value and public benefit. This increased visibility can help organizations think about resources in new ways. It also creates a business case for increasing philanthropic investment in these resources.

A second advantage is that it can help develop more resources for capitalization. To address the nonprofit sector's historic pattern of financial difficulties, capitalization (i.e., the acquisition and use of resources to help fulfill an organization's mission over time; Curtis, 2010) has become a growing topic of interest in the sector. Generally Accepted Accounting Principles (GAAP) require that capital assets be reflected on financial balance sheets (Curtis, 2010). Consequently, in the nonprofit sector capitalization has been discussed almost entirely in financial terms (e.g., Calabrese, 2011; Curtis, Nelson, & Engel, 2010; Miller, 2003; Ryan 2001). However, the World Bank estimates the largest form of wealth globally resides in nonfinancial capital (Hamilton et al., 2006). Adopting a multiple capitals approach to capacity building provides a systematic framework to enact this broader conceptualization of capitalization.

A third benefit of this approach is that it creates new options for performance measurement. When students understand that nonprofit performance transcends a balance sheet, more expansive conceptions of measurement and performance can be developed. These include scales and measures to assess and monitor capital resources in multiple forms (tangible and intangible) using tools such as social network analysis. Because multiple forms of capital are the primary inputs in an organization's business model (International Integrated Reporting Council, 2013a), program design becomes a strategic resource to deliver programmatic outcomes and grow various forms of capital simultaneously. Just as it takes four seasons to know one year, a variety of capitals is fundamental to know organizational sustainability and success.

Perhaps most important, framing capacity building as capital building has larger consequences for civil society. Lev (2005) suggested that the economy's current focus on monetary indicators (e.g., financial statements and the gross national product) obscures the supporting elements of civil society that make these financial returns possible. For example, an emphasis on financial capital alone may lead to a transactional approach to serving clients that disconnects the organization from the community (Alexander, Nank, & Stivers, 1999). Although financial capital is a vital component of organizational sustainability and therefore essential to a nonprofit management curriculum, prioritizing a single form of capital (financial) has been associated with marketization that puts democratic values, accountability, and joint action at risk (Eikenberry & Kluver, 2004). To have a balanced perspective, nonprofit management students should understand the full array of capitals on which organizational success depends and recognize that these resources are the de facto currency of civil society.

References


