Do Organizational Characteristics and Activities Influence Organizational Capacities? An Analysis for Indiana's Nonprofit Sector

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Introduction

Organizational capacity is a critical issue for nonprofit organizations. Not only are there internal pressures to improve organizational performance, but they also face a wide variety of external challenges to which they must respond effectively if they are to survive. In order to enhance organizational capacities it is useful to start by an overview of the organization's components and existing capacities and to examine which factors are associated with organizational components and existing capacities. For instance, do nonprofit organizations with different missions have different organizational capacities? How do organizational size, age and sources of revenue relate to organizational capacities? And, does involvement in formal collaborations help organizations strengthen their capacities?

To answer these questions, we rely on a 2007 survey of Indiana charities. We first present a basic analysis of organizational capacities. Following this, we explore what kind of organizational characteristics and activities are related to nonprofit organization capacities. For organizational characteristics we consider mission, age, size, source of revenue. For organizational activities we consider involvement in organizational formal collaborations. We then seek to determine which organizational characteristics and activities help explain

variations in organization capacities.

Organizational Capacities V.S Organizational Characteristics and Activities

Organizational capacity is a critical issue for nonprofit organizations if they are to carry out their missions effectively (De Vita & Capitani, 1998). As defined by Eisinger (2002), capacities defined broadly are "a set of attributes that help or enables an organization to fulfill its missions" (p.115). Honadle (1981, p. 577) provides a more detailed definition of organizational capacities as the ability to (1) anticipate and influence change; (2) make intelligent policy decisions about policy; (3) develop programs to implement policy; (4) attract and absorb resources; (5) manage resources; and (6) evaluate current activities to guide future action (Honadle, 1981, p.577). Most scholars agree that organizational capacity is a multidimensional concept (Hall, 2008).

Prior researches reflect several approaches to the study of nonprofit organizational capacity. First, some researches focus on the type of resources involved in organizational capacities (Glickman & Servon, 1998; Nye & Glickman, 2000; Fredericksen & London, 2000; Elliot, 2002). Second, some researchers are mainly interested in the relationship between organizational capacities and organization performance /effectiveness (Eisinger, 2002; Hall, 2008); others explore how to enhance and build organizational capacities (Vinzant & Vinzant, 1996; Loza, 2004); still others examine how organizational characteristics and activities, such as location (Kearns, 2006), size (Yates, 1998; Han, 2006; Michele Issel et. al., 2003), age (Michele Issel et. al., 2003), involvement in collaborations and networks (Oliver, 1990; Dimaggio & Hargittai, 2001), and demands for organization's services or programs impact organizational capacities. For this study, we focus mainly on the latter approach ~ how organizational characteristics and activities impact organizational capacities.

We examine four hypotheses: (1) that older organizations will have greater organizational capacity, in part because they have had longer time to develop the capacity and in part because possession of more capacities will allow them to survive longer; (2) that larger organizations will have greater organizational capacity, because such organizations have more resources by which to develop capacities and will have more need for formalized structures in order to coordinate activities; (3) that nonprofits that rely on a diversity of funding sources will have greater organizational capacity, since funding sources differ in the activities required to obtain them (Grønbjerg, 1993); and (4) that nonprofits involved in formal collaborations will have greater organizational capacity since such activities require organizations to be reliable partners. We also control for mission, since many organizational characteristics are associated with organizational mission or major purpose.

Data and Methodology

This study is based on a survey of 215 Indiana charities, representing a combined list of associate members of the Indiana Grantmakers Alliance (IGA) and Indiana grantees of Lumina Foundation for Education (LFE). These tend to be larger, more established organizations than nonprofits overall. The survey was designed as a web-based survey and was completed in April of 2007. A total of 91 organizations responded to the survey for a response rate of 43 percent, once ineligible organizations were removed from the base (Grønbjerg and Cheney, 2007).

Dependent Variables: Organizational Capacity

To determine organizational capacities we examine responses to questions that asked respondents whether or not their organizations currently has any of 26 organizational components, such as information technology, written records for a variety of functions, and

formal procedures for managing staff, volunteer, and financial resources. Table 1 shows the percent of all responding organizations that indicated the organization currently has each of the 26 specified components (organized by general type of capacity as identified in Table 2). As Table 1 shows, while almost 90 percent have computers and email and written governance policies, only 25 percent has formal volunteer recruitment programs and about a third have formal volunteer training programs or reserves for capital or maintenance needs.

In order to reduce the 26 indicators to a more manageable number of dependent variables, we first use factor analysis to identify tentative groupings of the indicators and then use reliability analysis to determine whether these groupings cohere and form a single additive scales. Based on the reliability analyses, we modified the scales slightly in order to increase the reliability of the individual scales[1]. Table 2 shows the results of this analysis and reveals that the 26 indicators group into six underlying dimensions: operations and governance, human resources, programs and planning, financial resources, information technology and volunteers. The alpha values range between .73 and .85 for the five scales that include two or more indicators, suggesting that the indicators scale appropriately.

Specification of Independent Variables

As noted above, we consider four independent variables, each of which we hypothesize as having a particular relationship to organizational capacity (see Table 3 for descriptive statistics).

[1] We used reliability analysis to separate the 26 items into five groups (see Appendix 1), then moved some items with low correlations to the scale to other groups in order to increase the alpha values to the extent possible.

Table 1

Percent Indicating that the Organization Currently Has a Given Organizational Component

Operations and governance components	**Yes**
Written governance policies or by-laws	87%
Written conflict of interest policy	72
Staff/board orientation process	69
Annual report produced within the last year	66
Written strategic plan	65
Written code of ethics	62
Written board manual	53
Human resources components	
Written job descriptions	80
Written personnel policies	74
Programs and planning components	
Evaluation or assessment of program outcomes/impact within past 2 years	49
Financial resource components	
Recent audited financial statement	81
Written fundraising plan	50
Endowment	50
Reserves dedicated to maintenance/equipment	35
Reserves dedicated to capital improvement	34
Information technology components	
Computers available for key staff/volunteers	89
Email address for your organization	89
Website for your organization	85
Anti-virus/anti-spyware/anti-spam programs	84
Computerized financial records	82
Broadband internet access	81
Computerized client/member/program records	78
Routine backups of your data	78
Internal computer network	77
Volunteer components	
Formal volunteer training program	32
Formal volunteer recruitment program	25

Age: We use the log of the number of years since the organization was established to measure organizational age. The median age is 36, but the average is 52, suggesting that there are a disproportionate number of older organizations in the sample. Overall, the sample is slightly older than those included in a larger, more representative survey of Indiana nonprofits completed in 2002 (Grønbjerg and Allen, 2004).

Table 2 Reliability analysis for organization capacities

Dimension	Items	Alpha
1. Operations and Governance	• Written governance policies or by-laws • Written conflict of interest policy • Written code of ethics • Written strategic plan • Staff/board orientation process • Written board manual • Annual report produced within the last year	**0.7329**
2. Human Resources	• Written job descriptions • Written personnel policies	**0.7431**
3. Programs and Planning	• Evaluation or assessment of program outcomes/impact within past 2 years	**--**
4.Financial Resources	• Written fundraising plan • Recent audited financial statement • Reserves dedicated to capital improvement • Reserves dedicated to maintenance/equipment • Endowment	**0.7676**
5. Information Technology	• Computers available for key staff/volunteers • Internal computer network • Computerized financial records • Computerized client/member/program records • Routine backups of your data • Broadband internet access • Website for your organization • Email address for your organization • Anti-virus/anti-spyware/anti-spam programs	**0.7485**
6. Volunteers	• Formal volunteer recruitment program • Formal volunteer training program	**0.8526**

Size: We use the log of the number of full-time equivalent (FTE) employees, defined as the number of full-time employees plus one-half the number of part-time employees. The median number of FTEs is 13, but the average is 147. The larger, more representative survey completed in 2002 (Grønbjerg and Allen, 2004) found that half of Indiana Nonprofits had no staff at all, suggesting that organizations responding to this more recent survey are notably larger.

Diversity of revenues or revenue profile: The survey asked respondents to indicate the percent of total revenues that came from each of five sources: government or public agencies (e.g., grants, fees, sales, and appropriations), donations & gifts (e.g., United Way, foundations, individuals, and corporations), special events (net of expenses), dues/ membership fees, private sale of goods and services (non-government), and other sources (including endowment, and interest. We define revenue diversity as[2]

$$D = 1 - \sum_{p=i}^{N} p_i^2$$

where p = proportion of revenues from a given source

and N = number of revenue sources (in this case five).

On average, responding organizations received 31 percent of their revenues from government sources, 30 percent from donations, 12 percent from private sales, and 9 percent each from special events, dues and membership fees, and other sources. The average revenue diversity score is .42, with a median of .47.

Involvement in formal collaborations. The survey included questions about whether the

[2] The index of diversity measures the degree of concentration or diversity achieved when the elements of a population are classified into groups (Simpson, 1949). The most common index of diversity measure was created by Gibbs and Martin (Gibbs & Martin, 1962). As applied to our analysis, a perfectly homogeneous revenue profile would have a diversity index score of 0. A perfectly heterogeneous revenue profile would have a diversity index score of 1 (assuming infinite categories with equal representation in each category).

organization was involved in formal collaborations (legal, fiscal, administrative, or programmatic exchanges) or informal networks (cooperating, coordinating, or working together in other ways). We coded participation as 1 if the organization was engaged in formal collaborative activities, else 0. Overall, 68 percent of responding organizations were involved in formal collaborations (and fully 97 percent were involved in formal collaborations, informal networks of both). This is notably higher than the 40 percent who reported involvement in formal collaborations (and the 57 percent that were involved in formal collaborations and/or informal networks) in the larger, more representative survey of Indiana nonprofits completed in 2002 (Grønbjerg and Child, 2004).

Control Variable: Mission

We use an open ended question about the responding organization's primary purpose or mission to classify it into one of 26 major NTEE-CC (National Taxonomy of Exempt Entities-Core Codes) fields. When responses to this question did not provide enough information, we examined also description of the organization's three most important programs. To simplify our analysis, we recorded the 26 fields into nine major groupings: arts and culture, education, environment and animals, health, human service, public benefit, religion, mutual benefit and other. Because there were relatively few organizations in several of these fields, we focus on whether the organizations were involved in arts and culture, education, human services, public benefit, or all other fields combined and use dummy variables to capture each of these types.

As Table 3 shows, roughly one quarter of the responding organizations are education nonprofits and another quarter are human service nonprofits. Public benefit nonprofits constitute 13 percent and arts and culture nonprofits 11 percent, with the remaining 27 percent distributed among the remaining five fields. Compared to the larger survey of Indiana nonrpofits completed in 2002, our respondents are disproportionately concentrated in education and arts and culture and under-represented in the religion and public benefit fields

(Grønbjerg and Allen, 2004).

Methodological Approach

The analysis of the data proceeds in two phases. First, we provide descriptive statistics for different dimensions of organizational capacities and how these differ among nonprofits that vary on our control and key independent variables. We then use multivariate analysis to explore whether our ability to predict organizational capacity changes when we add more organizational characteristics and activities to our model.

Table 3 Descriptive Statistics for all variables

	N		Mean	Std. Deviation	Min	Max
Mission						
Art and Culture	10	1 if organization is in Art and Culture, else 0	0.11	0.31	0	1
Education	23	1 if organization is in Education, else 0	0.25	0.44	0	1
Human Services	22	1 if organization is in Human Services, else 0	0.24	0.43	0	1
Public Benefit	12	1 if organization is in Public Benefit, else 0	0.13	0.34	0	1
Other	24	1 if organization is any other type, else 0	0.04	0.21	0	1
Age	91	Log of age of organization	1.54	0.43	0.30	2.22
Size	91	Log of number of full-time plus one-half the number of part-time employees.	1.27	0.85	0.00	3.45
Revenue		Index of diversity	0.42	0.23	0	0.76
Collabora-tions	90	1 if organization has formal collaboration, else 0	0.69	0.47	0	1

The multivariate analysis equation has the general form:

$Y=b_0+b_1X_1+b_2X_2+\ldots\ldots\ldots..+b_pX_p$

Where the parameters $b_1, b_{2,\ldots,} b_p$ are the partial regression coefficient and the intercept b_0 is the regression constant. This equation is known as the multiple linear regression equation of Y (organizational capacities: operations and governance, human resources, programs and planning, resources, information technology and volunteers) upon $X_1, X_{2,\ldots\ldots}X_p$

(mission, age, size, revenue diversity, and collaborations).

We use three models in our multivariate analysis. Model 1 includes only the control variable, mission; Model two adds the variables of age, size and revenues diversity; Model 3 adds collaborations.

Results

We begin our analysis by examining average scores for each of the six components of organizational capacities identified in Table 2. As Table 4 shows, Indiana charities have well established capacities in the areas of information technology (IT, mean score of .907) and human resources (HR, mean score of .846). Capacities are somewhat lower for operations and governance (OG, mean score of .761). They are notably lower for programs and planning (PP, mean score of .538) and financial resources (FR, mean score of .464) and they are especially low for volunteer management (VOL, mean score of .313).

Table 4 Descriptive Statistics for six dimensions of Organization Capacities

	Mean	Std. Deviation	Min	Max
1. Information Technology	.907	.1659	.2	1.0
2. Human Resources	.846	.3223	.0	1.0
3. Operations and Governance	.761	.2463	.1	1.0
4. Programs and Planning	.538	.5013	.0	1.0
5. Financial Resources	.464	.3793	.0	1.0
6. Volunteers	.313	.4324	.0	1.0

Table 5 presents the means and standard deviations for each of the six capacity dimensions for major categories of the control and independent variables. As Table 5 shows, education nonprofit organizations have higher average OG (.82), PP (.70), FR (.59) and IT (.95) capacities than other types of nonprofits, while human service nonprofits score high on HR (.93) and Vol (.46) capacities. Public benefit nonprofits tend to have lower capacities, especially in OG (.69), FR (.29) and IT (.82) as do arts and cultural nonprofits for HR (.70)

and PP (.30) capacities. However, these differences are not statistically significant.

Table 5 Descriptive Statistics for different characteristics and activities of organizational capacities

Variable		N	Operations Governance (OG)		Human Resources (HR)		Programs and Planning (PP)		Financial Resources (FR)		Information Technology (IT)		Volunteers (Vol)	
			Mean	SE	Mean	SE	Mean	SE	Mean	SE	Mean	SE	Mean	SE
Mission	Art and Culture	10	0.75	0.06	0.70	0.13	0.30	0.15	0.38	0.09	0.89	0.03	0.25	0.13
	Education	23	0.82	0.05	0.83	0.07	0.70	0.10	0.59	0.09	0.95	0.03	0.20	0.08
	Human Services	22	0.77	0.04	0.93	0.05	0.50	0.11	0.48	0.078	0.90	0.04	0.46	0.10
	Public Benefit	12	0.69	0.09	0.88	0.09	0.58	0.15	0.29	0.11	0.82	0.08	0.25	0.13
	Other	24	0.74	0.06	0.83	0.07	0.50	0.10	0.46	0.08	0.92	0.03	0.38	0.09
Age	>1.54[3]	44	0.81	0.04	0.88	0.04	0.57	0.08	0.64	0.06	0.94	0.01	0.28	0.07
	<1.54	47	0.72	0.04	0.82	0.05	0.51	0.07	0.30	0.05	0.87	0.03	0.34	0.06
Size	>1.27	46	0.84	0.03	0.94	0.03	0.65	0.07	061	0.05	0.97	0.01	0.33	0.07
	<1.27	45	0.68	0.04	0.76	0.06	0.42	0.07	0.32	0.05	0.85	0.03	0.30	0.06
Revenues (Index of Diversity)	>0.42	45	0.81	0.03	0.84	0.04	0.56	0.08	0.49	0.05	0.92	0.02	0.34	0.07
	<0.42	45	0.71	0.04	0.84	0.05	0.51	0.08	0.43	0.06	0.89	0.03	0.29	0.07
Collaborations	Yes	62	0.80	0.03	0.85	0.04	0.56	0.06	0.49	0.05	0.91	0.02	0.34	0.06
	no	28	0.67	0.05	0.82	0.06	0.46	0.10	0.38	0.07	0.89	0.03	0.25	0.07

As Table 5 shows, the older nonprofits (log value of age greater than 1.54) generally have higher organizational capacities, except for "volunteer program" capacities. Older organizations are especially likely to have greater capacities in the area of financial resources ($p<.000$) and information technology ($p<.05$) and also marginally in the area of operations and governance ($p<.09$). The bigger nonprofits (log value of FTEs greater than 1.27) have higher organizational capacities almost across the board (all differences are significant at $p<.05$ or better, except for volunteer program capacities, which is not significant). Nonprofits with more diverse revenue sources (index of diversity greater than .42) generally have higher organizational capacities than those with less diversity (index of diversity less than .42),

[3] We use medians to divide the three continuing variables into two groups: 1.54 for the log value of age, 1.27 for the log value of FTEs, and 0.42 for the index of revenue diversity

although the differences between the means are small and is only marginally significant for operations and governance capacities ($p<.06$). The same holds for nonprofits involved in collaborations: they tend to have higher organizational capacities than those not so involved, although the differences are small and only significant for operations and governance capacities ($p<.05$). Overall, these findings lend initial support to our four hypotheses and also suggest that mission is a relevant control variable, although the patterns are not strong.

We turn now to our multivariate analysis to explore how the full complement of characteristics jointly explain the different dimensions of organizational capacities. We present three models. Model 1 (base model) includes only our control variable, mission; Model 2 adds age, size and revenue diversity and Model 3 adds collaborations. Table 6 shows the regression results for the three models for each of the six types of capacities.

For Model 1, we consider only nonprofit mission or major purpose. As Panel 1 in Table 6 shows, we find no significant coefficients and none of the prediction equations are significant or explain more than 6 percent of the total variance. This is consistent with contrary to our expectations based on the bi-variate relationships shown in Table 5.

Model 2 adds the three independent variables of age, size and revenue diversity. As Panel 2 in Table 6 shows, we find that size is positively – and significantly – related to five of the six types of capacity, thus lending fairly strong and consistent support to our second hypothesis. Only volunteer program capacities are not related to the number of full-time equivalent staff.

Table 7 Organization Characteristics and Organizational Capacities (Multi-variables)

	Model 1						Model 2						Model 3					
	OG	**HR**	**PP**	**FR**	**IT**	**Vol**	**OG**	**HR**	**PP**	**FR**	**IT**	**Vol**	**OG**	**HR**	**PP**	**FR**	**IT**	**Vol**
Art & Culture	0.010	-0.133	-0.200	-0.083	-0.028	-0.104	0.012	-0.098	-0.152	-0.070	-0.014	-0.130	0.019	-0.094	-0.139	-0.057	-0.010	-0.114
	(0.094)	(0.121)	(0.188)	(0.142)	(0.062)	(0.162)	(0.089)	(0.121)	(0.187)	(0.128)	(0.061)	(0.168)	(0.087)	(0.122)	(0.187)	(0.125)	(0.061)	(0.166)
Education	0.076	-0.007	0.196	0.129	0.035	-0.159	0.092	0.003	0.215	0.168	0.044	-0.135	0.076	-0.001	0.210	0.157	0.043	-0.145
	(0.073)	(0.094)	(0.146)	(0.110)	(0.048)	(0.126)	(0.068)	(0.093)	(0.144)	(0.098)	(0.047)	(0.129)	(0.067)	(0.094)	(0.145)	(0.096)	(0.047)	(0.128)
Human Services	0.033	0.098	0.226	0.019	-0.013	0.100	0.056	0.117	0.010	0.079	0.000	0.107	0.043	0.114	0.088	0.065	-0.003	0.092
	(0.073)	(0.095)	(0.147)	(0.110)	(0.049)	(0.127)	(0.069)	(0.093)	(0.145)	(0.099)	(0.047)	(0.130)	(0.067)	(0.095)	(0.145)	(0.097)	(0.047)	(0.128)
Public Benefit	-0.052	0.042	0.083	-0.167	-0.093	-0.104	0.053	0.110	0.206	-0.011	-0.048	-0.038	0.015	0.091	0.144	-0.0785	-0.068	-0.116
	(0.088)	(0.114)	(0.176)	(0.133)	(0.058)	(0.152)	(0.086)	(0.117)	(0.181)	(0.123)	(0.059)	(0.162)	(0.086)	(0.121)	(0.186)	(0.124	(0.061)	(0.165)
Age							0.037	0.061	-0.079	0.272**	0.044	-0.046	0.021	0.047	-0.130	0.226*	0.028	-0.104
							(0.071)	(0.097)	(0.150)	(0.102)	(0.049)	(0.135)	(0.072)	(0.102)	(0.156)	(0.104)	(0.051)	(0.138)
Size							0.094*	0.103*	0.198*	0.114*	0.054*	0.034	0.101**	0.110*	0.223**	0.137*	0.062*	0.063
							(0.036)	(0.049)	(0.076)	(0.052)	(0.025)	(0.068)	(0.037)	(0.052	(0.079)	(0.053)	(0.026)	(0.070)
Revenue							0.304*	0.070	0.298	0.269	0.070	0.316	0.290*	0.069	0.296	0.260	0.070	0.310
							(0.108)	(0.160)	(0.249)	(0.170)	(0.081)	(0.223)	(0.115)	(0.162)	(0.249)	(0.166)	(0.081)	(0.220)
Collaboration													0.103**	0.014	0.035	0.079	0.011	0.071
													(0.052)	0.074	(0.113)	(0.075)	(0.037)	(0.100)
Constant	0.740***	0.833***	0.500***	0.458***	0.917***	0.354***	0.411**	0.559**	0.215	-0.262	0.739***	0.237	0.367**	0.564**	0.241	-0.265	0.747***	0.250
	(0.051)	(0.066)	(0.102)	(0.077)	(0.034)	(0.088)	(0.116)	(0.158)	(0.245)	(0.167)	(0.080)	(0.219)	(0.120)	(0.169)	(0.260)	(0.173)	(0.085)	(0.230)
F-statistic	0.598	0.957	1.236	1.393	1.232	1.194	2.793*	1.917	1.903	5.197***	2.385*	0.917	3.315**	1.672	1.811	5.161***	2.289*	1.058
R	0.164	0.206	0.233	0.247	0.233	0.229	0.439	0.375	0.374	0.554	0.411	0.269	0.499	0.378	0.392	0.583	0.432	0.309
R^2	0.027	0.043	0.054	0.061	0.054	0.053	0.193	0.141	0.140	0.307	0.169	0.073	0.249	0.143	0.153	0.340	0.186	0.096
$\triangle R^2$							0.166	0.098	0.086	0.246	0.115	0.020	0.056	0.002	0.013	0.033	0.017	0.023

We find more limited support for two other hypotheses. Older organizations are more likely to have financial resource capacities, suggesting that it takes time for organizations to develop this type of capacities. Age is not related to any of the remaining five types of capacities. Similarly, revenue diversity is positively related to only operations and governance capacities, but not to other types of capacities.

Overall, Model 2 is significant for three of the six types of capacities. The equation explains 19 percent of the variance in operations and governance capacities, 31 percent of the variance in financial resource capacities, and 16 percent of the variance in information technology capacities. Adding the three independent variables thus boosts the percent of variance explained by respectively 17, 25 and 11 percent. Although size is positively related to capacities in human resources and planning and programs, the overall prediction equations are not significant.

Model 3 adds participation in formal collaborations. We find no major changes in the coefficients for the control and other independent variables included in Model 2 and collaboration itself is only related to operations and governance capacities. Adding collaboration to the prediction equation for operations and governance increases the total variance explained by 6 percentage points from 19 to 25 percent. Collaboration has a negligible impact on the other five types of capacities and increases the total variance explained by no more than three percentage points. Overall, we find only limited support for our fourth and final hypothesis that collaboration is positively associated with greater organizational capacities.

Conclusion

In this study, we have sought to explain variations in six types of organizational capacities: operations and governance, human resources, planning and programs,

financial resources, information technology, and volunteer management. We hypothesized that the age, size, revenue diversity, and participation in formal collaborations should all be positively related to organizational capacity.

To test these hypotheses, we use data from a web-based survey of 91 larger charities in Indiana completed in the spring of 2007. We use multivariate analyses to explore three models. In Model 1 we consider only organizational mission in order to account for other organizational characteristics not captured by our key independent variables. We find no evidence that organizational capacities vary by nonprofit mission or primary purpose.

In Model 2, we add organizational age, size and funding diversity to mission and in Model 3 we add also involvement in formal collaborations. We find that size (measured as FTE staff) is the most important and consistently significant predictor of organizational capacities. Size is positively related to capacities in operations and governance, human resources, programs and planning, financial resources, and information technology, thus supporting our second hypothesis. Only volunteer management capacities are not related to size (and indeed, have no significant relationship with any of the variables included in our analysis).

We find more limited support for our three other hypotheses. Organizational age, revenue diversity, and involvement in collaborations are positively related to only one type of capacity each. Older organizations are more likely to have financial resource capacities, while those with diverse revenue sources or involvement in formal collaborations have greater operations and governance capacities. Overall, however, only three of the six prediction equations are significant: Operations and governance (25 percent of the variance explained), financial resources (34 percent) and information

technology (19 percent).

Although our analysis indicates that certain types of organizational features are associated with greater organizational capacities, it is less clear what the causal relationships might be or how organizations may use these features to improve their capacities, other than simply try to increase their size and survive to an older age. For example, does revenue diversity encourage nonprofits to develop greater operations and governance capacities (as we think might be the case) or do nonprofits with greater overall capacity in this area find it easier to diversity their revenue sources. A similar question holds for involvement in formal collaborations . Do nonprofits that participate in such collaborations learn more effective operations and governance practices from their partners or do those with greater operations and governance capacity make more attractive collaboration partners?

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Appendix 1 – Factor Analysis of Capacity Dimensions

		Component				
	α	1	2	3	4	5
Organization currently has - Computers available for key staff/volunteers	0.93	.838	.161	-.032	.129	.105
Organization currently has - Email address		.806	.294	.057	.171	.068
Organization currently has - Anti-virus/anti-spyware/anti-spam programs		.767	.331	.059	.129	.114
Organization currently has - Web site		.759	.289	.018	.160	.082
Organization currently has - Internal computer network		.748	.236	.132	.040	.019
Organization currently has - Computerized financial records		.730	.270	.191	.088	.042
Organization currently has - Routine backups of your data		.723	.209	.293	.003	.262
Organization currently has - Computerized client/member/program records		.710	-.039	.262	.340	.072
Organization currently has - Broadband internet access		.674	.193	.177	.142	.070
Organization currently has - Written governance policies or by-laws	0.89	.654	.419	.014	.279	-.018
Organization currently has - Annual report produced within the last year		.395	.394	.121	.352	-.130
Organization currently has - Written conflict of interest policy		.278	.824	.067	.229	.110
Organization currently has - Written personnel policies		.374	.706	.195	.052	.180
Organization currently has - Recent audited financial statement		.486	.675	.152	.126	.031
Organization currently has - Written code of ethics		.124	.627	.116	.408	.270
Organization currently has - Written job descriptions		.555	.559	.228	.059	.158
Organization currently has - Staff/board orientation process		.457	.504	.113	.122	.093
Organization currently has - Written strategic plan		.343	.379	.213	.296	.097
Organization currently has - Reserves dedicated to capital improvement	0.80	.138	.091	.910	.122	.105
Organization currently has - Reserves dedicated to maintenance/equipment		.066	.105	.869	.277	.072
Organization currently has - Evaluation or assessment of program outcomes/impact within the past 2 years		.308	.391	.572	-.199	.027
Organization currently has - Written board manual		.196	.149	.043	.774	.172
Organization currently has - Written fundraising plan	0.69	.241	.251	.252	.554	.333
Organization currently has - Endowment		.221	.296	.413	.491	-.005
Organization currently has - Formal volunteer training program	0.85	.167	.080	.040	.081	.915
Organization currently has - Formal volunteer recruitment program		.067	.189	.113	.186	.854