

## INTRODUCTION

The commercial ran some years ago, so this description may be a bit fuzzy, though the gist is clear. It showed people of various ages and stages using familiar products—a washing machine, a stereo, tires. The voice-over would then remark, “At BASF, we don’t make the stereo you listen to. We make the stereo you listen to sound better. We don’t make the washing machine you use. We make the washing machine you use clean better.” This formula was repeated about the other products, until the end of the commercial. Then the punchline: “At BASF, we don’t make a lot of the products you use. We make a lot of the products you use, better.”

The unofficial name of Hudson Institute’s Intermediaries Study was “the BASF project.” This is because the organizations we studied so perfectly fit the tagline of the commercial, since essentially, *intermediaries help frontline service providers do what they do better*. Given their strategic role, our project sought to illuminate and explain the work of intermediaries, in order to increase policymakers’ and philanthropists’ understanding. Specifically, we sought—through surveys, roundtable discussions, and on-site case studies—to examine more closely just what intermediaries do and how they do it, as well as to provide some concrete documentation of their contributions. This report summarizes our findings. We uncovered significant evidence suggesting that, because of intermediaries’ help, frontline faith-based organizations across the nation are serving more people, more effectively.

Hudson’s Faith in Communities initiative has been investigating the role of faith-based organizations (FBOs) in the provision of social services from several angles over the last few years. These studies have convinced us of at least three things: first, that the scope of FBOs serving publicly useful purposes surpasses conventional understanding; second, that to strengthen and expand their contributions, many FBOs need technical assistance and other capacity-building aids; and third, for fruitful government-faith collaboration to flourish, grassroots ministries need administrative help from trusted organizations that can bridge their interface with the public sector. In short, what is needed are “mediating institutions” that can fulfill these functions. We have labeled groups that do so “intermediary” organizations, though there is no widely agreed upon, standardized definition of “intermediary.”

Given the strategic importance of intermediary organizations, the Faith in Communities initiative launched a yearlong study to identify representative intermediaries in the faith community and learn more of what they do, why it matters, and how it could be improved. Much of our task was to document—with specificity and “thick description”—the “value-added” intermediaries bring to the arena of faith-based social action. To accomplish this, we followed a three-part strategy. We conducted an in-depth mail survey of twenty-two intermediary organizations chosen on the basis of their geo-

graphic diversity and organizational variety. We convened leaders of the intermediary organizations for two, day-long roundtable discussions. And we examined on-site the wide-ranging work of five of the intermediaries: Houston's Center for Renewal, Fort Worth's Cornerstone Assistance Network, the Los Angeles United Methodist Urban Foundation, the Pittsburgh Leadership Foundation, and One by One Leadership in Fresno. Each case study provides background information on the intermediary organization and its constituent frontline ministries as well as a thorough analysis of the ways the intermediary has served these constituents, to the ultimate benefit of low-income citizens. Our research team conducted in-depth interviews with the staff and leadership of the intermediary organizations and their constituent ministries. We wish to express our appreciation to these hardworking practitioners for granting us their time and insights.

During the course of our yearlong project, we were gratified to see intermediaries become a hot topic of discussion among Washington, D.C. policymakers. On April 17, 2002, for example, the Department of Labor announced a "Solicitation for Grant Applications" from states, intermediary organizations, and small faith-based and community-based nonprofits that could help the Department achieve its objective of increasing collaboration between One Stop Centers and the faith community. The Department will be awarding \$5 million dollars to intermediary organizations "with connections to grassroots faith-based and community organizations with the ability to connect those organizations to the nation's workforce development system." In addition, the 2002 "Charity Aid, Recovery, and Empowerment Act" (CARE), co-sponsored by Senators Lieberman and Santorum, includes a section specifically permitting government contracting via "intermediate grantors" who would then be authorized to award contracts or subgrants with nongovernmental agencies to provide social services. This legislation is currently pending. On June 7, 2002, one of President Bush's original desires for the faith-based initiative found expression in the *Federal Register*. A \$30 million dollar "Compassion Capital Fund" was outlined, to be supervised by the Administration for Children and Families (ACF) at the U.S. Department of Health and Human Services. Nearly \$25 million will be earmarked for "intermediary organizations to provide technical assistance and make sub-awards to help the faith-based and community-based organizations that they assist to replicate or expand best practices and model programs in targeted areas."

Clearly, federal policymakers active in the social service arena are giving serious attention to the unique and important role of intermediary organizations—particularly faith-based intermediaries. Nonetheless, they currently possess an incomplete understanding regarding the specific nature of such groups, and our hope is that this study will begin to expand public comprehension and appreciation of intermediaries. As public officials and taxpayers consider the reauthorization of the federal welfare

reforms of 1996 and the great challenges of helping low-income families to climb out of poverty and distressed neighborhoods to achieve new levels of health, many will be looking to FBOs and congregations to do even more community-serving work. The findings from this, the first in-depth examination of faith-based intermediaries, can contribute to the important discussion on increasing the capacity and quality of FBOs on the front lines.

*Empowering Compassion: The Strategic Role of Intermediary Organizations in Building Capacity Among and Enhancing the Impact of Community Transformers* can be read on-line at: [www.hudsonfaithincommunities.org](http://www.hudsonfaithincommunities.org). The report is also available for purchase at \$20 from Hudson Institute.

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## **PART ONE: REPORT ON THE SURVEY OF FAITH-BASED INTERMEDIARIES**

Over the period November 2001-April 2002, we conducted an in-depth mail survey of the intermediary organizations in our sample (see Appendix A for a listing of the groups). Typically the executive directors or their designated staff completed the survey questionnaire, which was extensive. (See Appendix B for a copy of the survey instrument.) The survey was divided into five sections: organizational characteristics of the intermediary; mission (the principles, scope, and method of the intermediary's work); descriptive information on the constituent ministries served by the intermediary; a section on the intermediaries' partnership dynamics (sectors the group worked with, ways the intermediary connected practitioners with resources and new partners); and a section probing aspects of the groups' work as financial intermediaries. The response rate for returned surveys was 82 percent.

The small sample size (18 organizations) obviously limits the extent to which we can generalize from the findings. Nonetheless, the extensive questionnaire probed deeply into the work of these faith-based intermediaries. The information gathered provides what is probably the most comprehensive examination currently available of what these groups do, how they do it, under what philosophy they operate, with whom they work, and what their contributions have been among faith-based poverty fighters. Many of the organizations in our sample are those that policymakers now have in mind to use for enhancing social service delivery across the nation. Faith-based intermediaries are positioned to play a major role in the President's faith-based initiative, so this examination of who these agencies are and what they have already been doing to build the capacity of grassroots community healers is extremely timely.

### **Overview of Findings\***

- (1) **Intermediary organizations currently make enormous contributions to the scope, scale, and effectiveness of grassroots, faith-based social service agencies, and often do so at low cost.** Collectively, the intermediaries surveyed provide assistance to an estimated total of 8,706 constituent ministries (approximately 7,443 organizations and 1,263 individual faith-based leaders/clergy) around the nation. Our study uncovered substantial, measurable evidence of the "value-added" provided by intermediaries to these frontline groups. Intermediary organizations have assisted grassroots FBOs in obtaining millions of dollars of funding they most likely otherwise would not have secured. Intermediaries have connected frontlines groups to new sources of volunteers and in-kind donations. Intermediaries have provided grassroots leaders with relevant, accessible training and technical assistance they otherwise would not have gained. Intermediaries have increased the public exposure of grassroots groups' work, winning them pub-

\*from the surveys and the case studies

lic recognition, endorsements, and media coverage. Intermediaries have coached and mentored the directors of small FBOs; helped congregations to launch new community serving initiatives; incubated new faith-based nonprofits; and served as fiscal agents for administratively immature FBOs.

- (2) **Much of the most important work being done by intermediaries is intangible, relating to the mentoring and encouragement they provide to grassroots leaders.** Frequently, frontline ministry staff reported that *the* most important assistance they had received from an intermediary was coaching, advice, or “moral support.” Though unable to put a dollar figure on this form of aid, many related anecdotes specifying how an intermediary leader’s advice or intervention solved a key problem, led to a “visioning breakthrough,” saved the grassroots group from making a critical error, or decisively influenced the design of a program or service.
- (3) **Faith-based intermediaries are making a *unique* contribution to capacity-building among grassroots FBOs.** Although some of the specific services offered by intermediaries are also provided by secular agencies (such as basic training in how to establish a 501c3 nonprofit agency or how to design a strategic plan), grassroots leaders reported that they often did not know how to obtain the secular groups’ training or that they could not afford the fees charged. Moreover, the leaders emphasized that the intermediaries’ workshops were more relevant to them as *faith-based* agencies. They also reported that they found the faith-based intermediary leaders accessible. They felt comfortable telephoning or “dropping in” on these leaders in a way that they did not with secular training/ TA organizations.
- (4) **Relatedly, the intermediaries we examined are intensively engaged with their constituent ministries, often working with them on a weekly basis for over a year.** The technical assistance many of the intermediaries provide goes far beyond the occasional seminar or workshop. Rather, most of the intermediaries are involved in on-going, strong relationships with their constituent ministries. Intermediary leaders meet regularly with constituents, help to design programs and services, often provide financial management, and sometimes serve on the boards of directors of the frontline ministries they assist. Some intermediaries not only taught grant-writing skills but composed actual grant applications on behalf of their constituents. Others facilitated board retreats and strategic planning meetings for their constituents and/or participated “hands on” in program evaluations.
- (5) **The intermediaries we studied are making a highly significant contribution among frontline ministries that are relatively small, young, or administratively immature. They are adding less value to constituent organizations that are larger and more experienced.** Much of the training and technical assistance pro-

vided by the intermediaries was of the “basic ABCs” type—grant-writing, board development, mission definition. Leaders from fledging grassroots ministries reported that intermediary staff provided them with much “hand-holding” and practical guidance on a wide range of issues and concerns. For leaders of ministries that were more than two years old, the intermediaries’ contributions were more narrow—for example, a particularly helpful workshop or assistance in obtaining a key introduction to a funder that resulted in a successful grant application.

- (6) **The charismatic personalities and zeal of the individual leaders of the intermediary organizations are key factors in the level of impact the intermediaries are making.** In sports terminology, some of the intermediaries examined lack a “bench” beyond the founder or leader. This person was highly successful in building the network of personal relationships and credibility that made the intermediary such a valuable repository of information and connections. In the absence of this individual, it is unclear whether the intermediary as an institution would have “staying power” and continued influence.
- (7) **Many of the intermediaries have experience in re-granting to or subcontracting with grassroots FBOs, and very many (89%) are willing to play the role of a publicly funded financial intermediary.** Nearly two-thirds of the groups we studied were currently serving as financial intermediaries or had had experience doing so in the past. About a third of these reported facing some challenges in playing this role—stemming sometimes from the original granting foundation and sometimes from the sub-grantee. Most had re-granted private foundation dollars, though a few had served as fiscal agents in publicly funded grants or contracts.
- (8) **Intermediaries navigate multiple sectors, connecting groups within the faith community and connecting FBOs to secular nonprofits, government social welfare agencies, and the world of philanthropy.** Faith-based intermediaries often possess a dual mission—serving FBOs and serving the public interest. Many of the intermediaries studied are active as bridge builders, convening cross-sector meetings and facilitating cross-sector partnerships. Some of the intermediaries viewed this bridge building as their most important function, seeing it as vital to accomplishing *citywide* victories for the poor.
- (9) **The two sectors the intermediaries desire even more interaction with are government and the business community.** These two sectors were the ones mentioned most often in response to the question, “Which sectors would you like to partner with but do not?”

- (10) **The top challenge intermediaries reported facing was that foundations are biased against them and/or do not recognize the legitimacy of what they do.** Some also noted that turf wars often impeded them in accomplishing their mission and several complained of government bias against them.

## **SECTION ONE: ORGANIZATIONAL CHARACTERISTICS OF THE INTERMEDIARIES**

Our study was not intended to be a comprehensive examination of all types of intermediary organizations. It was mandated with a much more narrow focus: to select a reasonable number of intermediary organizations primarily serving the Christian faith community through either capacity-building efforts among frontline groups and/or through service as financial intermediaries, bridging the relationship between such groups and large public or private funders. Within these parameters, we chose organizations with an eye toward ensuring as much diversity as possible. Thus, we selected groups from a variety of states that exhibited varying functions, primary audiences, and levels of religiosity. (Our sample emphasized local intermediaries over national ones, though we included representatives of national faith-based intermediaries in our roundtable discussions.)

Given the limited number of intermediaries in our study sample (twenty two), we were not positioned to construct a “master typology” of intermediaries. We can, however, take an initial step in placing our groups within the landscape of organizations that build capacity and/or engage in re-granting activity that affords small, grassroots agencies access to funding they would otherwise miss. As we conducted our research on the selected intermediaries, we “bumped up” against other groups that were serving, or could serve, as intermediaries. These included:

- (1) Secular nonprofit resource centers—these provide generic organizational and management advice and training and not are particularly focused on social service agencies or on FBOs;
- (2) Large, experienced, administratively sophisticated, faith-friendly social service nonprofits (e.g., Catholic Charities, Lutheran Social Services) that, in addition to service delivery, are at least theoretically positioned to serve as intermediaries for the faith community. To get a glimpse of what such organizations may already be doing, we contacted national leaders at a handful of them—the Salvation Army, Episcopal Community Services, Catholic Charities USA, Lutheran Social Services, Lutheran Immigration and Refugee Services, Goodwill Industries, and the YMCA. None of these agencies has defined an official policy regarding intermediary activities. Some (Salvation Army and Episcopal Community Services) have been more active in providing intermediary services than others, but none have made capacity-building among smaller agencies a significant focus. They appear to play the role of fiscal agent ad hoc, when specific opportunities or partnerships present themselves;

- (3) Community foundations—depending on their particular mission and charter, some of these may serve as fiscal agents for agencies that are in the process of securing their 501c3 nonprofit status. They may also provide workshops for nonprofit leaders looking to sharpen their grant-writing or organizational management skills;
- (4) National secular nonprofits with some history of working with community-based organizations—the National Crime Prevention Council and the Points of Light Foundation come to mind as two entities that have positioned themselves as financial intermediaries for FBOs;
- (5) Denominations—It was beyond the scope of this research project to investigate the extent to which denominational agencies are currently acting as intermediaries for their own congregations or faith-based nonprofits; and
- (6) Nonprofit management programs offered at various academic institutions (primarily, community colleges and public universities).

We conducted a cursory examination of secular intermediaries in four of the cities where we completed case studies—Fresno, Fort Worth, Houston, and Pittsburgh—to assess what capacity building resources were available to FBOs beyond the services provided by the faith-based intermediaries we knew of in those four cities (see sidebar on pages 10-11). Generally, we found that FBOs could turn to other institutions besides the faith-based intermediaries for some training and assistance, but that the faith-based intermediaries’ services were unique nonetheless. Unlike most of the secular intermediaries, the faith-based intermediaries offered services at no charge, often specifically targeted small, grassroots organizations, and worked on an on-going basis with the frontline groups.

The four-city comparative glimpse into secular versus faith-based intermediaries is illuminating, but only in a preliminary way. Far more research is needed to sketch “the lay of the land” as regards the extent and types of intermediary activities underway nationally that influence the capacity of the “social sector” (that complex of organizations working to solve social problems and deliver social services).

### **Intermediary Types in the Sample**

Our set of intermediaries is perhaps best categorized in terms of their primary mission focus:

- ❖ Some seek *city-wide change*, and are active in convening cross-sector dialogues, building collaborations, or working to provide comprehensive social services coordination across a community;
- ❖ Some are *issue-focused*, building coalitions of agencies, secular and faith-based, that share a common passion (e.g., for at-risk youth or employment);

## **SECULAR INTERMEDIARIES IN FOUR CITIES**

The intermediary organizations we examined through the survey and case studies are making important contributions to the health and reach of front line FBOs. But how unique are those contributions? Are there other institutions to which small FBOs can turn for training and consulting? As a preliminary exploration into this topic, our researchers attempted to identify secular organizations in four cities where we conducted case studies that offer services similar to those of the faith-based intermediaries examined. Generally, it appears that FBOs can receive “generic” training from these secular institutions, but that help is usually more expensive and short-term than that offered by the faith-based intermediaries.

### **FRESNO**

Leaders from FBOs and community-based organizations in Fresno can turn to the Nonprofit Advancement Center, the Fresno Adult School, and the Fresno Regional Foundation for classes and workshops in fundraising, grant writing, and establishing a nonprofit. At the Nonprofit Advancement Center, these workshops can cost anywhere from \$20 to \$75 each. This organization also offers a certificate program in nonprofit management costing \$900 and reports that about 25 percent of the enrollees are from the faith community. Fresno’s United Way provides some funding to help nonprofits access capacity building training, but has no targeted focus on FBOs and does not engage in sub-granting.

### **FORT WORTH**

FBOs in Ft. Worth can avail themselves of at least two training resources in the secular community, the Funding Information Center of Fort Worth and the Nonprofit Service Center of Tarrant County. The Information Center provides a free, self-service library containing research materials on grants, fundraising, and nonprofit management. It also offers workshops and produces the *Directory of Foundations in Tarrant County*. There are fees for nonmembers to attend workshops; members go for free (an organizational membership costs \$125). The Nonprofit Service Center offers consulting services for nonprofits and some workshops; they charge fees for these but some scholarships are available. The Center does not specifically target FBOs or have special programs for FBOs. The Community Foundation of North Texas offers competitive granting programs for grants at a scale small, grassroots ministries can absorb (typically \$5000 or less).

**HOUSTON.** FBOs in Houston can compete with secular social service nonprofits for funding from the Greater Houston Community Foundation, but these grants are not accompanied by consulting/training assistance. The Center for Organizational Research and Effectiveness (CORE) at the University of Houston provides organizational consulting and assessment for nonprofits. It also sponsors a variety of seminars for nonprofit leaders. Fees are charged for consulting services, though at a rate much lower than commercially available. Services are normally for approximately a six-month period or less. The Executive Service Corps of Houston is a group of retired corporate executives and professionals who volunteer as consultants to help nonprofit groups build sound planning, management, and service delivery programs. All services are free, but they are not on-going. FBOs can also participate in workshops sponsored by the United Way's Management Assistance Program and can pay for technical assistance and grant-writing aid from a firm called Non-Profit Consulting Services.

## **PITTSBURGH**

FBOs in Pittsburgh have several secular agencies to turn to for help. The Bayer Center for Nonprofit Management helps nonprofits complete a self-assessment and design a strategic plan. The Nonprofit Leadership Institute offers assistance to the Boards of nonprofits, helping them think through mission, vision, Board/CEO relations, board structure and evaluation, and legal issues. A wealth of written information is available at the Carnegie Library of Pittsburgh Foundation Center. For a nominal fee, FBOs can engage the services of the Executive Service Corps of Western Pennsylvania, getting help with accounting, marketing and public relations, strategic planning, human resources, and facility planning and management, among other subjects. Pittsburgh Social Venture Partners (PSVP) links business professionals to volunteer service opportunities at nonprofits focused on serving youth. PSVP also gives grants of up to \$50,000 to nonprofits and then works one-on-one with grant recipients for three to seven years. PSVP, though, selects only one to three agencies annually for this help. Finally, the Community Technical Assistance Center (CTAC) provides help in running, financing, and managing nonprofits through one-on-one consulting and a series of workshops. Most of the training sessions are free, and CTAC deliberately targets small, grassroots community based organizations.

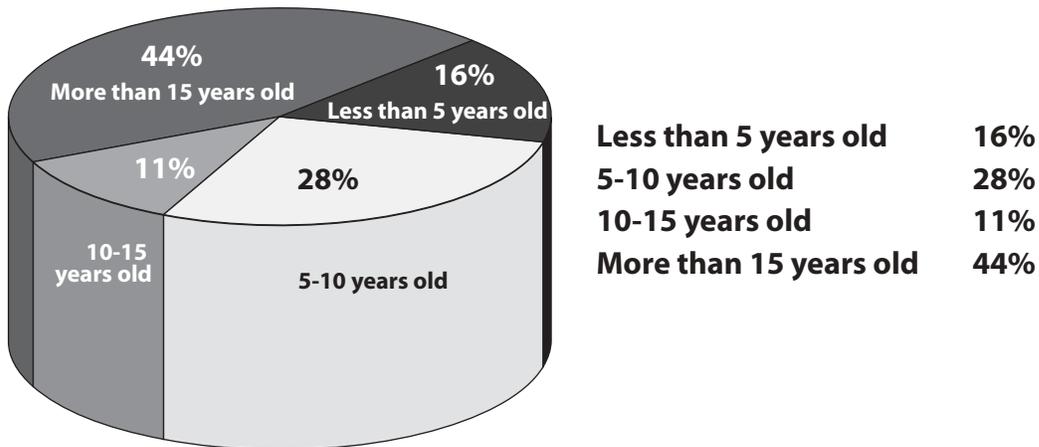
- ❖ Some invest primarily or exclusively in *building the capacity of the faith community* to provide effective social services; among these, some focus on training future faith leaders and others on strengthening congregations and/or faith-based nonprofits; and
- ❖ Some seek to *serve a specific ethnic community*, both in terms of meeting immediate needs and establishing ethnic-owned and operated agencies that build the assets of the community.

### Age of Intermediary Organization

The agencies in our database were diverse in terms of age (see Figure I-1). Most (over half) had at least ten years' experience in serving frontlines' ministries. The youngest group was founded in 2000; the oldest, in 1969.

Figure I-1

#### AGE OF INTERMEDIARY ORGANIZATION



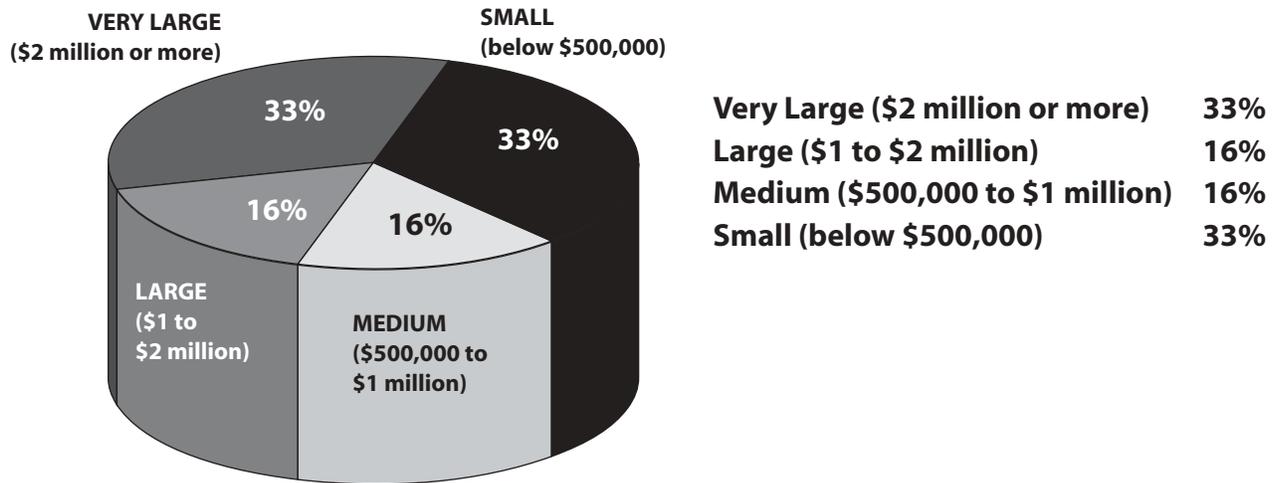
Source: Hudson Institute Strategic Intermediaries Survey, 2002

### Budgets

The intermediaries were also diverse in terms of their size (see Figure I-2). A third were very large, with annual budgets of over \$2 million dollars and many staff members. A third listed themselves as small, with annual budgets below \$500,000. The average (mean) number of staff employed by the intermediaries was 23 (but the median was 9).

Figure I-2

**BUDGET SIZE OF INTERMEDIARY ORGANIZATION**



Source: Hudson Institute Strategic Intermediaries Survey, 2002

**Reach and Services**

Based on the information provided, we estimate that the intermediaries we surveyed provide services to some 7,443 organizations (and over 1,200 individuals). Most of these are frontline FBOs and churches, but the number also includes some secular nonprofits and government social welfare agencies. Some of the intermediaries are focused exclusively on building capacity of frontlines’ agencies; others do this while also providing direct services among the poor themselves. (See Figure I-3.)

Figure I-3

**INTERMEDIARY TYPE: PURE OR BLENDED?**

“Some intermediaries, in addition to serving as “ministers to ministries” (i.e., providing technical assistance to frontline ministries), also provide direct services themselves to families and individuals in need. Others do not. Which of the following statements best describes your organization’s scope of work?”

<b>Exclusively a minister to ministries</b>	<b>28%</b>
<b>Primarily provide assistance to ministries</b>	<b>28%</b>
<b>50% - 50% in each role</b>	<b>28%</b>
<b>Primarily direct services</b>	<b>16%</b>

Source: Hudson Institute Strategic Intermediaries Survey, 2002

Sixty-one percent of the organizations we surveyed are now, or recently have been, financial intermediaries. That is, they secure funding that they pass through to their constituent ministries in the form of grants or subcontracts (see Figure I-4). Most of these were providing this service with private foundation dollars; a few were engaged in re-granting government funds. A large percentage (89 percent) of the groups expressed willingness to serve as publicly funded intermediaries (see Figure I-5). Approximately a third of those intermediaries that engage in re-granting reported challenges in doing so. Sometimes this was a problem posed by the original funder, such as inadequate formulas by government for cost recovery for the intermediary organizations. Other times, the challenge was with the sub-grantee. Fiscal and compliance responsibility stops at the desk of the intermediaries, and sub-awardees with deficiencies in these areas can cause headaches for them.

Figure I-4

**INTERMEDIARY TYPE: FINANCIAL OR NON-FINANCIAL?**

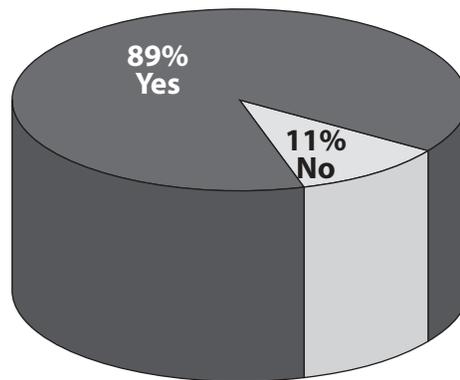
“Are you a financial intermediary, i.e., do you receive funding that you pass through to your constituents for services they provide?”

<b>Yes</b>	<b>61%</b>
<b>No</b>	<b>39%</b>

*Source: Hudson Institute Strategic Intermediaries Survey, 2002*

Figure I-5

**WILLINGNESS TO SERVE AS PUBLICLY FUNDED INTERMEDIARY**



*Source: Hudson Institute Strategic Intermediaries Survey, 2002*

## Genesis and Motivations

The intermediaries in the study are engaged in intermediary work for different reasons. All view the work as a calling, but while some launched their agencies specifically to build capacity among frontline groups, others “grew into” the role of intermediary by necessity. They were engaged in direct services but saw the need for enhanced training and technical assistance among grassroots groups, and gradually took upon themselves those functions. Some were born in the context of the need for advocacy: some institution needed to wave a banner on a particular issue of interest to the frontline ministries or to showcase the good work of groups “under the radar screen.” Others emerged when it became clear that a catalyst was needed to connect multiple sectors to solve thorny problems beyond the capacity of a single institution to manage.

## Religiosity

Most often, the intermediaries examined ranked themselves as “moderate” in religiosity, noting that some of their programs incorporated religious instruction or other inherently religious activities while others did not. Twenty-eight percent categorized themselves as high in religious practices; 22 percent as low (see Figure I-6).

Figure I-6

### RELIGIOSITY OF INTERMEDIARY

“Describe the centrality of religious practices to your organization.”

<b>HIGH</b> (incorporate worship, scriptural teaching, and/or evangelism to programs)	<b>28%</b>
<b>MODERATE</b> (some programs incorporate religious instruction, others do not)	<b>44%</b>
<b>LOW</b> (we are a faith-friendly organization but our programs incorporate no religious instruction)	<b>22%</b>

Source: Hudson Institute Strategic Intermediaries Survey, 2002

## Challenges

The intermediaries reported that the number one obstacle they face in accomplishing their mission is that foundations do not recognize the legitimacy of their work. They sense a “foundation bias” against them. In our second roundtable discussion, the intermediaries hypothesized a number of reasons for this:

- ❖ Many foundations are wary, in general, of re-granting;
- ❖ Some foundations mistakenly believe that the First Amendment, dealing with the separation of church and state, precludes them from partnering with faith-based organizations;
- ❖ Some foundations are reluctant to fund FBOs, worrying that if they make grants to one religious persuasion, they will be criticized by other faith groups;
- ❖ Turf wars or lack of collaboration among FBOs and congregations can discourage private philanthropy from investing in the faith community; and
- ❖ Some foundations have a bias against funding “middlemen.”

A few of the intermediary representatives, however, offered a “minority opinion” on this topic, reporting that in their local context, private funders were interested in re-granting and eager to work with them as intermediaries. Donors, these individuals explained, looked to them as scouts who could screen FBOs, pointing foundation resources to credible, effective groups.

In addition to the issue of foundation bias, the intermediaries identified several other challenges facing them (see next page). These included, among others, the difficulty of navigating distrust in the faith community; a possible tension between delivering their own programs and building capacity in others; and the challenge of being misperceived by some as “gatekeepers.”

## **COMMON CHALLENGES FACING INTERMEDIARIES**

- ❖ Difficulty finding funding sources for pure intermediary work
- ❖ Hard to have engagement in projects without ownership
- ❖ Problem identifying own contribution, and taking appropriate credit for their part in collaborative projects without alienating other partners
- ❖ Problem being perceived by other FBOs as a “gatekeeper”
- ❖ Territorial turf battles; attitude of competition among FBOs and churches
- ❖ Difficulties navigating denominational boundaries and mistrust
- ❖ Lack of solid research on the “value added” of intermediaries
- ❖ Mindset of foundations and churches to only fund programs rather than capacity building of institutions
- ❖ Tendency of funders to give short-term grants, rather than embark on a longer-term commitment
- ❖ Tension between delivering own programs and building capacity in others
- ❖ Lack of awareness on the part of FBOs that they need capacity building
- ❖ Culture clash of purely spiritual mission-driven organizations with management culture; misunderstandings sometimes pushed into racial-cultural categories of conflict
- ❖ Attitude that professional competence, strategic planning, fund development are “unspiritual”
- ❖ Mistrust between government and faith community
- ❖ Difficulties building bridges between urban and suburban cultures
- ❖ Difficulty finding ways to effectively work from the inside out in communities, rather than from the outside in

compiled by Barbara Elliott

## SECTION TWO: NATURE OF SERVICES PROVIDED

### Direct Services

As noted, 72 percent of the intermediaries in our sample were engaged in providing at least some direct social services among the poor (and for three of the agencies, this was actually a stronger emphasis than providing intermediary services). Of those that provided direct services, more than half were active in emergency assistance, training, mentoring, life skills, and housing programs (see Figure II-1).

Figure II-1

### LIST OF DIRECT SERVICES PROVIDED

TYPE	Percent
Mentoring	69%
Housing Programs	61%
Life Skills	54%
Community Organizing	46%
Job Training	46%
After-School Programming	38%
Health Services	23%
Child Care	7%
Other (e.g., ESL, GED, rent assistance, food, clothing, transportation)	69%

*Source: Hudson Institute Strategic Intermediaries Survey, 2002*  
*(Note: Percentages are calculated only on the total number of those intermediaries that provide some direct services, not on all the intermediaries in the study.)*

### Intermediary Services

All the organizations in our sample were involved in efforts to provide grassroots FBOs with exposure to funding opportunities. These activities ranged from networking (introducing ministry leaders to potential funders), to workshops training leaders in fundraising skills (grant writing, hosting special events), to collaboration on funding

proposals. Eighty-three percent of the intermediaries reported that they were involved in connecting grassroots FBOs to community partners (businesses, government agencies, philanthropists) in order to expand their networks and give these groups a more visible profile in the public square. Over three-quarters were active in providing training and technical assistance, and 72 percent help local ministries to design new programs. The intermediaries we examined also help grassroots groups to access a broader volunteer base and many connect grassroots ministries with advocacy campaigns (see Figure II-2).

Figure II-2

### LIST OF INTERMEDIARY SERVICES PROVIDED

TYPE	Percent
<b>Exposure to funding opportunities</b>	<b>100%</b>
<b>Exposure to community partners</b>	<b>83%</b>
<b>Training/Technical Assistance</b>	<b>78%</b>
<b>Help with service/program design</b>	<b>72%</b>
<b>Access to Volunteers</b>	<b>61%</b>
<b>Advocacy or exposure to advocates</b>	<b>56%</b>

*Source: Hudson Institute Strategic Intermediaries Survey, 2002*

### Intensity of Engagement

One of the most significant findings of the study concerned the intensity with which the intermediary organizations serve their constituent ministries (see Figure II-3 on next page). Remarkably, over 50 percent of the intermediaries reported that they typically worked with constituent ministries for two or more years at a time. Seventy two percent get together with grassroots leaders at least monthly (and almost half have weekly interactions). This level of engagement permits intermediary leaders to build deep and genuine friendships with the grassroots practitioners, and contrasts with the transactional nature of the work of many secular intermediaries. This relational model enhances the training and technical assistance the faith-based intermediary provides, because the intermediary really *knows* the ministry. Trainers are adept in “scratching where the ministry is itching,” because they are familiar with the ministry’s particular weaknesses and challenges. The relationship also makes it more likely that the practical skills and tools frontline staff acquire through the intermediary’s training are actually put to use. (As most workshop leaders know, audience participants may be excited about new material during a half-day training session, but return to the office and

Figure II-3

### INTENSITY OF ENGAGEMENT WITH CONSTITUENTS

<b>“Typically, how long do you work with your constituents (i.e., the ministries you assist?)”</b>	
<b>Long Term (two or more years)</b>	<b>50%</b>
<b>Both mid term (one to two years) and long term</b>	<b>33%</b>
<b>Short term (less than a year)</b>	<b>16%</b>
<b>“On average, how frequently do you meet with, get together with, provide services to, etc., your constituents?”</b>	
<b>Weekly</b>	<b>44%</b>
<b>Monthly</b>	<b>28%</b>
<b>Weekly with some; monthly with others</b>	<b>11%</b>

*Source: Hudson Institute Strategic Intermediaries Survey, 2002*

“shelve” the new information when they are inundated by the day-to-day pressures of running the ministry.) Intermediary staff can follow-up with practitioners, helping them think through how to apply, practically, the lessons and skills they have learned.

The deep involvement over time is a great boon for visionaries launching new ministries, as it helps them to lay a solid foundation for their work. Staff from the intermediary organization can walk novice practitioners through the process of defining mission, creating a healthy board of directors, establishing strong financial and record-keeping systems, and designing a workable “launch” plan. This process is sometimes formalized by intermediaries who actually “incubate” new faith-based nonprofits, providing seed funding, office space, administrative help (such as overseeing payroll) and the like.

The on-going relationship grassroots leaders develop with intermediaries also means that they have consulting advice available throughout long periods of time when they may be re-evaluating a program, tackling a crisis, or developing a new initiative or capital campaign or significant ministry expansion. Indeed, the strong relationships intermediaries form with grassroots leaders provide a level of emotional support, cheerleading, and hand-holding whose value should not be underestimated. As one leader we interviewed in California noted, start-up ministries are much like start-up businesses—and everyone knows that new small businesses fail at very high rates. This woman asserted that the personal and emotional support she felt from intermediary leaders would be the key factor in assisting her young ministry to survive.

The intensity of the intermediary's relationship with its constituents should also serve donors. Foundations looking to intermediaries for wisdom in assessing which FBOs most deserve support can know with confidence that the intermediaries are well-informed, having invested substantial time "kicking the tires" and "test-driving" the various grassroots groups. As indicated in the case studies later in this report, intermediaries often provide grassroots groups with a kind of "Good Housekeeping seal of approval." Grassroots leaders gain credibility through their association with intermediaries. Public officials, directors of secular nonprofits, business leaders, and foundation executives trust intermediary leader's opinions of grassroots groups because of the intermediaries' deep, long-standing relationships with these practitioners.

## SECTION THREE: CHARACTERISTICS OF CONSTITUENT MINISTRIES

### Size

The intermediaries examined serve a rich array of FBOs. As one reported:

*The smallest has a budget of \$70,000, the largest, \$5.5 million. Most are between \$150,000-\$500,000, with 3-5 five employees. Some serve as few as 15 people in intensive residential programs while another serves 5,000 families.*

Sixty-one percent of the intermediaries emphasized that they served a wide range of FBOs and congregations, though overall, the constituent pool is dominated by smaller-scale organizations. Roughly 40 percent of the intermediaries serve small ministries (budgets under \$100,000); some do so purposefully and almost exclusively, as their mission is focused particularly on such groups. Most the intermediaries serve both congregations and faith-based nonprofits; a few (Good Samaritan Ministries, P/PV) focus especially on assisting churches. Comments from some of the intermediary leaders indicated that there are unique challenges in serving congregations versus faith-based nonprofits, but more research is needed to understand what these issues are.

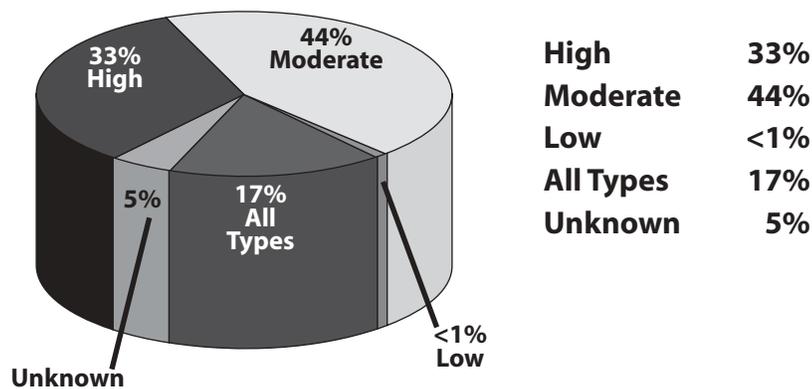
### Religiosity

Generally, the constituents served by the intermediaries in our study are intentional in incorporating at least some religious practices in their social services. We asked intermediaries to characterize the level of religiosity of the groups they served. A third said they worked primarily with ministries ranked “high” (defined as groups that “incorporate worship, scriptural teaching, and/or evangelism” in their programs). Forty-four percent ranked their constituents as “moderate” in religiosity. None reported working

Figure III-1

### RELIGIOSITY OF FRONT LINE CONSTITUENT MINISTRY

“How central is religious practice to the organizations you serve?”



Source: Hudson Institute Strategic Intermediaries Survey, 2002

exclusively with ministries ranked “low,” though 17 percent said they worked with diverse groups fitting all three labels (see Figure III-1).

## Philosophy/Approach

The survey asked intermediary directors to characterize the philosophy or method of fighting poverty employed by their constituent ministries. As shown in Figure III-2, the grassroots groups attack social problems through a variety of approaches. The most common kinds of programs they offer are focused on individual development: training or education (life skills, job training) and character building, spiritual growth, and personal empowerment. Sixty-one percent, though, are active in community development work and a third engage in advocacy efforts (community organizing, lobbying). Over half were characterized as performing supportive services—assisting low-income families with child care, health care, transportation, and cash assistance. Just over a quarter are involved in efforts to help poor people to connect to public and private services for which they are eligible.

Figure III-2

### STRATEGIES OF CONSTITUENT MINISTRIES IN FIGHTING POVERTY “How would you characterize the philosophy or method of fighting poverty employed by the organizations you serve?”

PHILOSOPHY	%
<b>Training, education</b> <i>(they provide necessary skills, knowledge, and practices to help individuals with employment and access to opportunity)</i>	<b>78%</b>
<b>Character, spiritual growth, personal empowerment</b> <i>(they empower/disciple individuals to overcome personal barriers, harmful habits)</i>	<b>78%</b>
<b>Community Development</b> <i>(they engage in economic development such as affordable housing, business incubation and development, neighborhood revitalization, and so on)</i>	<b>61%</b>
<b>Supportive services</b> <i>(they provide services such as child care, health care, transportation, utilities assistance)</i>	<b>61%</b>
<b>Advocacy</b> <i>(they organize, lobby, and effect change through elected officials and the design of public initiatives)</i>	<b>33%</b>
<b>Accessing public, private services</b> <i>(they connect people to services for which they are eligible)</i>	<b>28%</b>

Source: Hudson Institute Strategic Intermediaries Survey, 2002

## SECTION FOUR: CONTRIBUTIONS MADE BY THE INTERMEDIARIES

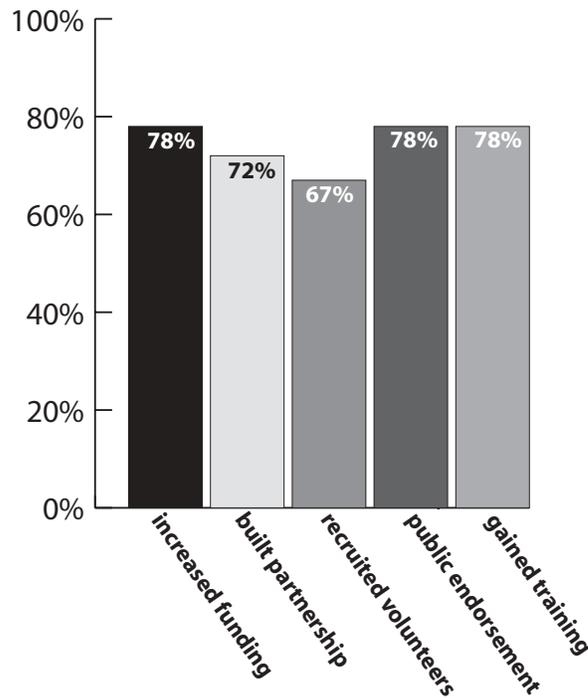
Discovering and documenting the contributions intermediaries are making to the scale and effectiveness of faith-based social service was the heart of our study. The survey questionnaire offered intermediaries an opportunity to report on the impact they had made upon their constituents. The case studies allowed us to capture the voices of the constituent ministries themselves and hear from their perspective what was most valuable about their interaction with the intermediaries serving them.

As displayed in Figure IV-1, intermediaries reported that numerous benefits had accrued to the frontline FBOs they serve. Seventy-eight percent reported that they had assisted ministries in obtaining funding the grassroots groups would not have otherwise received. The same number said that constituents had gained access to training, technical assistance and tools they would have not gotten on their own. Constituents also benefited from receiving a public endorsement or recognition that they may not have otherwise secured. Sixty-seven percent of the intermediaries helped grassroots groups to recruit additional volunteers and nearly three-quarters helped ministries connect to new, beneficial partnerships (through which frontline organizations co-sponsored events, gained access to another's facility, shared in program development, etc.)

Figure IV-1

### IMPACT OF INTERMEDIARY SERVICES

Benefits to Constituents Arising from Intermediary Organizations' Assistance



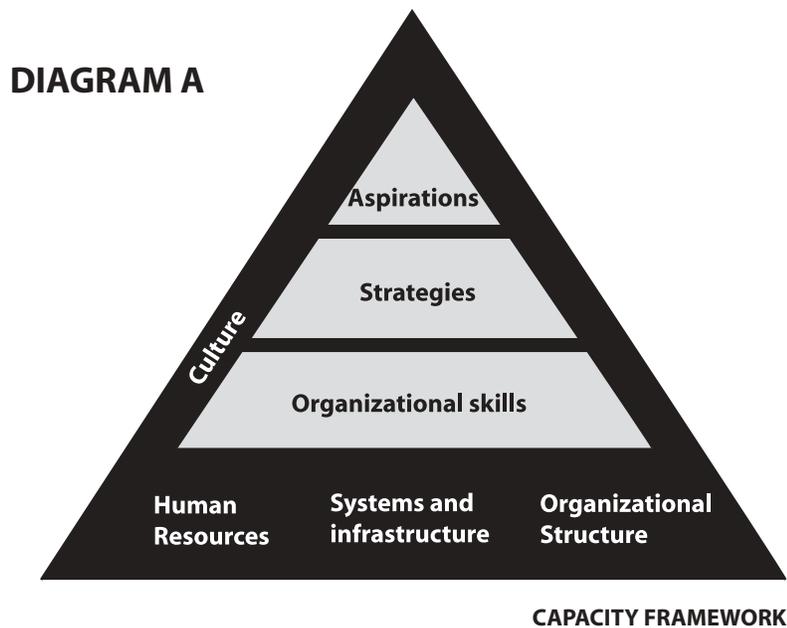
Source: Hudson Institute Strategic Intermediaries Survey, 2002

## Bridge Builders

The intermediaries in our study often acted as bridge builders between sectors. As such, they speak the language of the community and the language of government, foundations, and businesses and thus enable understanding, cooperation, and coordination that is otherwise impossible or very difficult to generate. In addition, intermediaries transfer innovation and knowledge from one sector to another. Intermediaries also sometimes enable practitioners from within different denominations to understand each other, form alliances around common passions and visions, and create a larger scale culture of compassion than would otherwise be possible. They can serve as conveners and neutral brokers who can find the indigenous community partners and bring them together in order to amplify the strengths of all involved.

## Strategic Capacity Building

Based on current thinking in secular circles regarding nonprofit capacity building, many of the intermediaries in our sample are addressing the “highest order” priorities most influencing an agency’s effectiveness. Venture Philanthropy Partners is a Washington, D.C.-based organization that seeks to build capacity among nonprofit organizations serving children. It commissioned a study by McKinsey & Co. of capacity building that included in-depth case studies of 13 nonprofits. In its 2001 report, *Effective Capacity Building for Nonprofit Organizations*, a “capacity framework” was outlined that seeks to define nonprofit capacity in a pyramid of seven essential elements: aspirations, strategy, organizational skills, systems and infrastructure, human resources, organizational structure, and culture (See Diagram A).



Source: *Effective Capacity Building for Nonprofit Organizations*, Venture Philanthropy Partners, 2001

*Aspirations* refer to the organization's mission, vision and overarching goals. *Strategy* is the coherent set of action and programs aimed at fulfilling the organization's overarching goals. *Organizational skills* refer to the sum of the organization's capabilities, including such things as performance measurement, planning, resource management, and external relationship building. *Human resources* are the collective capabilities, experiences, potential, and commitment of the organization's board, management team, staff and volunteers. *Systems and infrastructure* refers to the organization's planning, decision-making, knowledge management, and administrative systems. *Organizational structure* is the combination of governance, organizational design, and individual job descriptions that shapes the organization's legal and management structure. Finally, *culture* refers to the connective tissue that binds together the organizations; this includes shared values and practices, behavior norms, and the organization's orientation toward performance. [Adapted from *Effective Capacity Building for Nonprofit Organizations*, pp. 33-34.]

The McKinsey study found that

*many nonprofits tend to think capacity building is limited to “technical assistance” or improving the effectiveness of functions at the bottom of the pyramid—human resources or organizational structure, for example. In fact...the greatest gains in social impact came when organizations engaged in capacity building efforts that were aligned within the pyramid...the organization's systems were most effective when integrated both with other lower-level capacity elements such as structure and human resources and with the higher-level elements of aspirations, strategies, and skills. [Effective Capacity Building for Nonprofit Organizations, p. 33]*

Considering the findings of the McKinsey study, at least some of the intermediaries we examined earn high marks since their capacity building efforts do go beyond the “lower levels” of the pyramid. Intermediaries have not only built the individual skills of staff but have assisted frontline groups in setting up organizational systems to track their own performance, and have provided much input to their constituents as regards mission and vision. Moreover, the McKinsey researchers, having defined capacity so robustly, admit candidly that having patience is one of the top three factors determining successful capacity building efforts. It takes much time and effort, in short, to address all the different levels of the pyramid. This reality makes all the more important the fact that the intermediaries we studied engage intensively and over the long-haul with their constituents.

## CONCLUSION

As the McKinsey researchers acknowledge, it is difficult to establish a *direct* linkage between capacity building and increased social impact. When an organization clarifies its mission, increases its resource base, improves the skills of its employees, or broadens its network of relationships, it is reasonable to assume that its impact will be enhanced, that the “BASF” effect will indeed transpire. But if better results do follow, they could be attributed to other factors besides these examples of increased capacity. Nonetheless, as the report stated:

*Make no mistake, although the link between increased capacity and increased impact may be hard to quantify, one does lead to the other... For the nonprofit sector as a whole to achieve a greater social impact, more organizations must address their gaps in organizational capacity. Having honed their model or their program, they need to invest the necessary time and effort in building their organizational capacity to deliver that program more effectively and efficiently or to replicate their success in other locations. Unless they do, they will never be capable of fulfilling their promise. [Effective Capacity Building for Nonprofit Organizations, p. 29]*

The results of our survey of intermediaries do not definitively prove that these organizations have increased the volume and quality of social services provided to struggling Americans. Such a claim is not a far leap, however, given the multiple, measurable forms of assistance the intermediaries have provided to grassroots ministries and the stories these constituents have to share about the impact of that assistance. It is to those stories we now turn.

