

Community Development Organizations' Capacity to Respond to COVID-19: The Strategic Use of Social Capital

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The old cliché “It takes a village” is often used to refer to the rearing of children. However, it can also be used to describe the leveraging of networks to improve an organization’s capacity. As North Carolina begins the long recovery process from the pandemic, the resiliency of the state’s community development organizations (CDOs) is critical.

How CDOs access and mobilize *social capital* is foundational to both their short- and long-term sustainability. Social capital refers to the deceptively simple concept that there is inherent value in individual and organizational relationships because of their capacity to provide reciprocity, resources, and knowledge.¹ For many decades, CDOs have routinely drawn upon social capital to manage their organizational capacity constraints. The pandemic has highlighted how important social capital is in periods of social and economic calamity, and many are looking to this concept to help drive recovery in communities. The saliency of this issue has been highlighted as local government entities have increasingly utilized nonprofit organizations as pathways for COVID-19 relief aid and recovery.²

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1. J. S. Coleman, “Social Capital in the Creation of Human Capital,” *American Journal of Sociology* 94 (1988): S95–S120, <https://doi.org/10.1086/228943>.

2. A. R. Brown-Graham et al., “NC Local Government Early Responses to the Coronavirus Pandemic,” *ncIMPACT Initiative*, 2020, <https://ncimpact.sog.unc.edu/2020/08/nc-local-government-early-responses-to-the-coronavirus-pandemic/>.

We think the use of social capital by North Carolina's CDOs is a replicable model for other nonprofits that focus on capacity building. In 2019, the School of Government conducted

"You're leveraging your social capital and trying to get [funders] to respond to a critical need . . . [T]he more you can demonstrate your alignment with the needs of that neighborhood, that community, or that group of individuals[,] . . . it's a win for everybody."

twenty-five semi-structured interviews to assess the use of social capital by the state's leading CDOs. The data reflect conversations with leaders from twelve community development corporations (CDCs), two community development financial institutions (CDFIs), three community development funders, and eight other organizations that directly support CDOs. Select quotes from these interviews are featured throughout this bulletin. Though this research occurred before the pandemic, we think the findings are perhaps more important now than ever before. The data give great insight into organizational social capital strategies that could be leveraged in recovery efforts. Our findings help give context to existing research showing how CDOs both (1) use social capital to build capacity for their communities and (2) leverage it to fulfill their missions.³

The interviews we conducted suggested that CDOs use social capital to generate four types of capacity pertinent to their survival: (1) organizational, (2) political, (3) programmatic, and (4) adaptive. Tactically developing and leveraging social capital increases an organization's ability to operate effectively, even during difficult periods like pandemics. Though these four types of capacity reinforce each other,⁴ they are often disproportionately prioritized in certain ways. For example, some CDOs are more likely to leverage social capital to build political capacity (e.g., creating and/or maintaining key stakeholder relationships) rather than organizational capacity (e.g., collaborating with other CDOs to improve staff technical expertise in key areas).

3. M. Berner et al., "Five Insights into How Community Development Corporations in North Carolina View Social Capital Bonds, Bridges and Links" (produced for the Federal Reserve System Community Development Research Conference, Renewing the Promise of the Middle Class, Washington, DC, May 2019), <https://ncimpact.sog.unc.edu/wp-content/uploads/sites/1111/2020/10/Five-Insights-into-How-Community-Development-Corporations-in-North-Carolina-View-Social-Capital-Bonds-Bridges-and-Links.pdf>.

4. N. J. Glickman and L. J. Servon, "By the Numbers: Measuring Community Development Corporations' Capacity," *Journal of Planning Education and Research* 22(3) (2003): 240–56, <https://doi.org/10.1177/0739456X02250314>; N. Lin, "Building a Network Theory of Social Capital," in *Social Capital*, eds. N. Lin, K. Cook, and R. Burt (Boca Raton, FL: Routledge, 2001), 3–28, <https://doi.org/10.4324/9781315129457-1>.

The Way a CDO Uses Social Capital to Build Capacity Matters

It has long been noted that community development organizations use social capital to build capacity for the constituencies they serve. Less recognized, however, is the ability of these organizations to leverage social capital to improve *their own* capacities. Our research shows that CDOs that use social capital in this way are more likely to be resilient. How do they do it? The leaders we spoke with identified strategies related to expanding their networks, clearly articulating/reciprocating benefits, and pinpointing opportunities to improve competencies.

But the leaders also noted that focusing on one type of capacity—e.g., serving on community committees or building local networks—can detract from utilizing social capital for other purposes. Problems can arise when a CDO's social capital networks are not being leveraged concurrently to improve both financial and managerial competencies. This kind of singular focus can lead to consequences that include having limited funds to produce programs, defaulting on financial obligations, or, in severe cases, the CDO ceasing to exist.

How Can Social Capital Improve Organizational Capacity?

Organizational capacity encompasses the operations, structures, and systems of an organization that produce effectiveness and stability.⁵ It specifically includes the organization's personnel and

“[In] the absence of capacity . . . small CDOs [tend] to explore hideaway networks . . . [to] reach out to organizations that perhaps have resources that will help [them] meet [their] objectives.”

the management style of its leadership.⁶ More broadly, this type of capacity reflects the technical expertise, professionalism, and values of those executing the organization's mission.⁷ Organizational capacity is foundational to resiliency because it directly influences the ability of a CDO to effectively fulfill its mission.⁸ Throughout our conversations, the leaders we spoke with consistently described needing a baseline level of organizational capacity before they could prioritize social capital exchanges with other organizations.

Social capital networks offer opportunities for establishing formal and informal partnerships to share resources, information, and knowledge. CDOs often benefit from alliances formed across sectors, especially those created with public entities.

5. M. Taylor, "Communities in the Lead: Organisational Capacity and Social Capital," *Urban Studies* 37(5–6) (2000): 1019–35, <https://doi.org/10.1080/00420980050011217>.

6. P. Eisinger, "Organizational Capacity and Organizational Effectiveness among Street-Level Food Assistance Programs," *Nonprofit and Voluntary Sector Quarterly* 31(1) (2002): 115–30, <https://doi.org/10.1177/0899764002311005>.

7. K. Germann and D. Wilson, "Organizational Capacity for Community Development in Regional Health Authorities: A Conceptual Model," *Health Promotion International* 19(3) (2004): 289–98, <https://doi.org/10.1093/heapro/dah303>; S. Paynter and M. Berner, "Organizational Capacity of Nonprofit Social Service Agencies," *Journal of Health and Human Services Administration* 37(1) (2014): 111–45.

8. N. J. Glickman and L. J. Servon, "More Than Bricks and Sticks: Five Components of Community Development Corporation Capacity," *Housing Policy Debate* 9(3) (1998): 497–539, <https://doi.org/10.1080/10511482.1998.9521306>.

One example of this is the Carolina Small Business Development Fund (CSBDF), a statewide community development financial institution (CDFI) headquartered in Raleigh. In the wake of COVID-19, CSBDF established partnerships with the State of North Carolina and multiple local governments to deploy affordable loans and cash-grant aid to small businesses. These partnerships helped to improve CSBDF's organizational capacity because they provided stabilizing financial resources. In exchange, CSBDF's government partners were able to deploy targeted assistance at a speed and manner that would not otherwise have been possible.

Social capital interactions to improve organizational capacity are often associated with the ability to share benefits. For example, many CDO leaders in the state's rural areas reported sharing administrative costs for staff training and meeting spaces with other local CDOs. Without social capital networks, it can be difficult for a CDO to access the external expertise needed to make connections between its organizational actions and outcomes. (See Figure 1.)

Figure 1. Lessons from CDO Leaders on the Strategic Use of Social Capital to Build Organizational Capacity

IDENTIFY OPPORTUNITIES TO EXPAND THE NETWORK

- Seek out new collaborations with other organizations.
- Understand that legitimacy is often conveyed via formal associations.
- Identify networks that have the resources you need.

ARTICULATE BENEFITS AND RECIPROCATE

- Share information.
- Seek out innovative ideas.
- Share financial resources, costs, and services.
- Gain access to improved technology.

PINPOINT OPPORTUNITIES TO IMPROVE COMPETENCIES

- Obtain legal services or technical support.
- Develop resources to retain competent staff.
- Refine strategic focus to match community needs.
- Offer professional development for managers.

How Can Social Capital Improve *Political* Capacity?

Political capacity refers to the ability to create and maintain key stakeholder relationships both inside and outside of a given community.⁹ This type of capacity is useful for encouraging civic engagement, empowering citizens, promoting social inclusion, and managing conflict.¹⁰

“A fundamental critique of CDOs and why they haven’t led to the bigger kind of change that they have promised . . . is that they are apolitical. . . [B]y and large they are transactional organizations[,] . . . except . . . they need to be political to get their deals done [Y]ou might need to collectively lobby the local government or the planning board or whatever. But you’re not fundamentally political.”

When CDOs connect with diverse populations to ensure that their programs fit community needs, they are building political capital.

In our interviews, CDO leaders reported that the communities they serve are often in a state of flux. This pattern is often exacerbated during times of economic uncertainty. Large inflows or outflows of a CDO’s targeted constituency makes it difficult to identify changing community needs. Our respondents gave multiple examples of using social capital to help meet this challenge. In one case, a CDO that serves Latinx populations was able to network with other organizations serving the same constituency. This resulted in a collaboration which enabled the CDO to better meet the needs of new Latinx residents. Reflecting on this issue, the CDO’s leader stated that these partnerships allowed the CDO to “really . . . hone in [on] things that we might need improvement on or things that . . . may or may not work.” (See Figure 2.)

Figure 2. Lessons from CDO Leaders on the Strategic Use of Social Capital to Build Political Capacity

IDENTIFY **OPPORTUNITIES** TO EXPAND THE NETWORK

- Connect with organizations that help similar populations.
- Strengthen existing local networks.
- Serve on boards and committees of other organizations.

ARTICULATE **BENEFITS** AND RECIPROCATE

- Identify changing community needs.
- Take collective action to raise financial and nonfinancial resources.
- Use shared space for community activities.

PINPOINT OPPORTUNITIES TO IMPROVE **COMPETENCIES**

- Engage in joint political advocacy efforts.
- Improve legitimacy in the community and beyond.
- Use networks to promote conflict resolution.
- Identify cultural competency training opportunities.

9. M. Brown, “Enhancing and Measuring Organizational Capacity: Assessing the Results of the U.S. Department of Justice Rural Pilot Program Evaluation,” *Public Administration Review* 72(4) (2012): 506–15, <https://doi.org/10.1111/j.1540-6210.2011.02528.x>.

10. M. K. Shrestha, “Internal versus External Social Capital and the Success of Community Initiatives: A Case of Self-Organizing Collaborative Governance in Nepal,” *Public Administration Review* 73(1) (2013): 154–64, <https://doi.org/10.1111/j.1540-6210.2012.02622.x>.

How Can Social Capital Improve Programmatic Capacity?

Programmatic capacity refers to an organization's ability to manage its primary charitable and public benefit activities. This type of capacity enables an organization to build more external legitimacy for itself through the creation of social value within the community. Some practitioners describe *program* capacity as being distinctly different from *resource* capacity (i.e., the ability to manage, raise, and deploy funds). However, in the context of leveraging social capital for resiliency, resource capacity is really a subset of both organizational and programmatic capacity.

The ability to use social capital to generate programmatic resources is one of the more obvious benefits of networks. Social capital can be used to identify unique funding sources

"[W]e do the counseling for the [other CDO's] clients that are selected to be homeowners [The other CDO's tasks] are a lot more labor-intensive[—] getting the volunteers together, having the homeowners do sweat equity[—]whereas we contract with a for-profit contractor who builds our homes."

for programs as well as provide support for managing financial responsibilities related to services fulfillment. For example, a few CDO leaders we interviewed discussed leveraging existing social capital to raise financial resources for specific programs. Though respondents often referred to these actions in the context of organizational and/or resource capacity, their intended goal was related to programmatic capacity.

Respondents gave examples like CDOs sharing costs to pay for workers' compensation insurance and combining efforts to create joint grant proposals. One innovative strategy discussed was two or more CDOs combining efforts and jointly providing services based on each CDO's area of expertise. For example, one leader described partnering with a local government to upgrade a community center where the

CDO was already providing programming. As noted previously with the CSBDF example, such partnerships have been especially important during the pandemic. In the past year, many CDOs have experienced an overwhelming demand for services without any concurrent increase in revenues. (See Figure 3.)

Figure 3. Lessons from CDO Leaders on the Strategic Use of Social Capital to Build Programmatic Capacity

IDENTIFY OPPORTUNITIES TO EXPAND THE NETWORK

- Take part in joint service provision with other organizations.
- Refer clients to programs at other organizations.
- Advertise programs via social media.

ARTICULATE BENEFITS AND RECIPROCATE

- Identify unique funding sources.
- Apply for grants as a collaborative.
- Share approaches for measuring and advertising short-term and long-term outcomes.

PINPOINT OPPORTUNITIES TO IMPROVE COMPETENCIES

- Increase legitimacy with funders.
- Bolster professional expertise (e.g., in financial management and policy areas).
- Develop internship programs for high-school, college, or university students to increase staff support for programs.

How Can Social Capital Improve Adaptive Capacity?

Adaptive capacity is an organization's ability to respond to changing circumstances in a way that ensures continued organizational effectiveness.¹¹ For CDOs, the need to be adaptive comes up

"[W]e always want to remain relevant. And in order to do that we have to be able to listen and adapt to change and what is important. And so we have to continue to listen. And I think that what [has] made us successful is that, you know, we continue to listen to the people that we want to serve and that . . . give us the opportunity to serve them."

frequently, particularly when the organization must proactively anticipate a demand in services with limited funding. The CDO leaders we spoke with described needing to sharpen the strategic focus of their organizations in response to changing community needs. Organizations with high levels of adaptive capacity are more likely to survive periods of economic uncertainty because they can adjust strategic plans and be more aware of shifting community needs.

As is true of any nonprofit, CDOs do not exist in a vacuum. These types of organizations can use social capital to engage other organizations with similar or different characteristics. Those connections will help CDOs to remain knowledgeable about their environment and identify opportunities to innovate.¹² During times of increased demand for services, the CDO leaders we interviewed noted the importance of responding as a group. This sentiment was

articulated by one of the participants with the following statement: "[O]ne [CDO] in a community can't affect all the change. . . . [It] can't do it all I think success is nuanced . . . and looks like actions that create sustainability." (See Figure 4.)

Figure 4. Lessons from CDO Leaders on the Strategic Use of Social Capital to Build Adaptive Capacity

IDENTIFY OPPORTUNITIES TO EXPAND THE NETWORK

- Maintain reciprocal organizational connections.
- Recruit representatives and board members who identify changing community needs.
- Form partnerships with local governments and similar complementary organizations.

ARTICULATE BENEFITS AND RECIPROCATE

- Offer revenue-generating services that enhance sustainability.
- Seek funding opportunities based on the offering of joint services.
- Solicit external knowledge about the environment.

PINPOINT OPPORTUNITIES TO IMPROVE COMPETENCIES

- Develop staff professional expertise in deficient areas.
- Identify external expertise needed to respond to the changing environment.
- Engage in strategic planning that plans for change.

11. C. Sussman, "Making Change: How to Build Adaptive Capacity," *Nonprofit Quarterly* 10(4) (2003): 19–24, <https://nonprofitquarterly.org/making-change-how-to-build-adaptive-capacity/>.

12. C. Letts, W. P. Ryan, A. Grossman, *High Performance Nonprofit Organizations: Managing Upstream for Greater Impact* (New York: Wiley, 1999).