

# Jim Joseph Foundation

## Capacity Building Grantmaking Best Practices

Research Summary  
January 19, 2023



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## Overview

The Jim Joseph Foundation (JJF) is committed to fostering compelling, effective Jewish learning experiences for young Jews, their families, and their friends. To enhance this work, JJF developed Build Grants to invest in the capacity of Jewish education organizations to dramatically scale their programming to reach larger and more diverse audiences.

JJF's Build Grants include two targeted capacity building strategies. The first, Capacity Build Grants, provides short-term resources to stand-out Jewish organizations for specific interventions that enhance their ability to grow over time. Resources provided can be used for business and strategic planning, infrastructure and operational support, or measurement and program evaluation. The second area of support, Scaling Build Grants, is focused explicitly on organizational growth, providing larger one-time, multi-year investments meant to expand the organization's reach, increase their effectiveness, and strengthen their ability to generate revenue and sustain an expanded budget. JJF is interested in deepening its understanding of fieldwide capacity building best practices to further iterate on the Build Grants structure and strategies. In order to glean insights, the subsequent questions guided the research:

- What are the best practices in capacity building grantmaking?
- What are the best practices in evaluating capacity building grantmaking strategies?

The following memo outlines major themes from research on best practices in capacity building grantmaking and evaluation.

## Methodology

To answer these questions, Third Plateau conducted both primary and secondary research, facilitating interviews with four members of its team and six external field experts, as well as reviewing 35 publications. These reports included:

- Meta-analysis of capacity building efforts and tools;
- Foundations' capacity building strategies and evaluation findings; and,
- Articles from nonprofit leaders about capacity building.

Third Plateau coded and analyzed the multitude of definitions of capacity-building and best practices in grantmaking and evaluation, looking for commonalities and frequency of strategic recommendations.

Third Plateau has synthesized these research findings, highlighting how the field is discussing “capacity-building,” determining readiness to scale, and the benefits and challenges of best practices in grantmaking and evaluation strategies.

*Please see Appendix B for the detailed methodology.*

## Key Findings

Throughout the research, Third Plateau found deep connections between best practices in the field and Jim Joseph Foundation's strategies and practices for Build Grants. Key findings from the research, the overlap with JJF's existing practices, and considerations for future work are shared below.

**Capacity building is loosely-defined, and language is evolving.** There is no standard definition or set of strategies that funders consistently use for capacity building. However, both nonprofits and foundations generally agree that any investment that supports the long-term sustainability of an organization can be considered capacity building. The term itself is being discussed and debated as organizations focused on creating more equity in philanthropy have adopted and championed “building resilience” as an asset-based alternative.

**There are five major best practices associated with successful capacity building grantmaking.** Across existing research and interviews with field experts, five elements routinely were identified as effective strategies for capacity building: supplementing grants with non-monetary support, developing trusting relationships with grantees, offering multi-year, flexible funding grants, taking an ecosystem-wide approach, and utilizing a DEI framework.

**JJF is implementing many strategies that are considered best practices through its Capacity Build Grants.** JJF staff are a significant resource to Capacity Build Grant recipients, developing trusting relationships, carrying an open dialogue, and helping them identify areas for learning, growth and potential interventions. JJF's Scaling Build Grants provide multi-year flexible funding to support grantee growth capital, and they have specific giving areas and strategies where investments in the capacity of multiple organizations might support overall growth in the field.

**There are strategies, tactics, and adaptations of current practices that JJF can explore, as well as other ways to consider investing additional resources.** JJF could further support the organizations through wrap-around services, such as building peer networks for organizations receiving Build Grants or providing external coaching support for leaders navigating growth and change processes at their organizations. They could utilize a DEI framework to improve grantee experiences and enhance the overall impact of the grant. JJF could offer an anonymized evaluation process to gather more information on grantee perceptions of Build Grant support, which could enhance JJF's understanding of additional needs.

**JJF's efforts to shore up organizational capacities in advance of providing Scaling Build Grants is aligned with the field's recommendations.** Assessing readiness for scaling is complicated, and there is no one assessment tool or set of metrics that support an understanding of an organization's readiness to scale its programming. Several sources indicated that scaling is most effective in organizations with solid infrastructure, particularly those with talented staff and strong financial resources.

**Organizations should define scaling success metrics.** Many question if increasing organizational reach (participant numbers) should be the primary way to evaluate successful scaling efforts. JJF has an opportunity to define success in partnership with grantees, ensuring the goals of the Foundation and its organizational partners are met.

**A nimble approach to a mixed methods evaluation is key to evaluating capacity building grantmaking strategies.** The use of causal design, equitable and culturally-responsive, or rapid cycle-change methodologies can help foundations understand the complexities of capacity building work and its effectiveness. JJF can learn from the field by examining lessons learned from developmental, formative, and summative evaluations of capacity building initiatives.

## The Language of Capacity Building

Capacity "is an abstract term that describes a wide range of capabilities, skills, practices, knowledge, and resources that individuals and organizations need to achieve results. *Capacity building* describes investments in individuals and/or organizations to develop and grow specific capacities."<sup>1</sup> Capacity building in philanthropic giving is also often referred to as organizational effectiveness, development, resilience, and technical or institutional strengthening.

Foundations across the field are interested in building organizational capacity by supporting the development of strategic plans, operations and infrastructure, and quality leadership and governance. Some foundations have become increasingly focused on building a healthy nonprofit culture and use a Diversity, Equity, and Inclusion (DEI) framework when discussing capacity building. According to Jennifer Wei, Organizational Effectiveness Officer at the Hewlett Foundation, the term "capacity building" itself is being questioned and debated, oftentimes considered a deficit framing."<sup>2</sup> Organizations focused on creating more equity in philanthropy have adopted and championed the term "building resilience" as an asset-based alternative. Kathleen Badejo, a Program Associate in the Effective Philanthropy Department

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<sup>1</sup> Community Wealth Partners, "[4 Emerging Practices to Build a Strong Capacity-Building Program Ecosystem](#)," February 18, 2020, "[What Foundations are Learning About Supporting Nonprofit Leaders' DEI Capacity](#)," February 26, 2020

<sup>2</sup> Interview, Jennifer Wei, Organizational Effectiveness Officer, Hewlett Foundation, December 20, 2022

at the Hewlett Foundation, defined capacity building in asset-based language as “an investment in an organization so that it not only survives but can thrive in a changing world.”<sup>3</sup>

In the Hewlett Foundation 2022 Field Scan, authors use timelines to differentiate between capacity building and organizational development. They name “capacity building” as short-term infusions of investment and “organizational development” as long-term holistic investment that increases sustainability.<sup>4</sup> Most other grantmakers do not differentiate terms based on the length of the capacity building grant. The general field consensus when defining capacity building is that it can be any investment that works to set the foundation for “a continuous improvement strategy toward the creation of a sustainable organization.”<sup>5</sup> Capacity building can be done through a series of modalities, either through targeted investments or long-term and flexible funding, as each organization's needs will look different.

It is important to highlight that the field considers capacity building and scaling as two very different strategies, which are sometimes connected, but often, not explicitly. Capacity strategies are focused on increasing quality and effectiveness, while scaling strategies focus on increasing program and population reach. After discussing scaling with interviewees and analyzing lessons learned from similarly-structured grant evaluations, the topic of scaling in capacity building grantmaking most directly connects to assessing readiness.

## Determining Readiness to Scale

Readiness to grow can look different for each nonprofit, making it difficult to agree upon standard definitions or assessments. The consensus among literature and field experts is that there is no perfect assessment tool. Most funders have tried a variety of approaches, from having program officers lead an informal matching process to using a standard organizational health assessment. Across the varied tools, the most common three areas of assessment are learning, evaluation, and accountability; finances; and, fundraising.

Grantmakers face multiple challenges when using assessment tools. There are critiques that the tools themselves are biased and inequitable. Funders also shared that it can be hard to get honest assessments since many organizations are concerned that they risk losing funding if they are fully transparent. The Hewlett Foundation eliminated their grantee self-assessment tool for that very reason.<sup>6</sup>

The Ford Foundation piloted the Organizational Mapping Tool (OMT) as a participatory approach where grantees worked with a trained, external facilitator to discuss and determine “institutional strengthening” priorities. Those with smaller annual budgets found the process useful, while larger organizations reported that it felt repetitive to their existing strategic work.<sup>7</sup> There are a variety of pros and cons to each tool shared<sup>8</sup> and the only consensus is that grantmakers are still experimenting with different methods, looking for something better than what is currently available, and that will hopefully bring about increased

<sup>3</sup> Interview, Kathleen Badejo, Program Associate, Hewlett Foundation, December 20, 2022

<sup>4</sup> Patricia Scheid, Kris Helé, “[How Funders are Strengthening Nonprofit Capacity: Findings from a Field Scan](#),” William and Flora Hewlett Foundation, March 2022

<sup>5</sup> Jennifer Chandler, Kristen Scott Kennedy. “[A Networked Approach to Capacity Building](#),” National Council of Nonprofits, 2015

<sup>6</sup> Interview, Jennifer Wei, Organizational Effectiveness Officer, Hewlett Foundation, December 20, 2022

<sup>7</sup> Raphaëlle Bisiaux, Ron Dwyer-Voss, Maggie Bangser, Susana Morales, Anthony Boateng, Florian Poli, “[Final Report: BUILD Developmental Evaluation](#),” Niras, March 2022.

<sup>8</sup> See appendices B for all recommended tools

equity into the readiness and assessment process. Kathleen Badejo, of the Hewlett Foundation, , shared that “in an ideal world, organizations are able to self-determine the areas most important to their work.”<sup>9</sup>

While scaling did not show up often in the literature in relation to capacity building, field experts and Third Plateau staff offered insights into past experiences with organizational growth and scaling. Almost all interviewees agreed that many factors must be in place before investments in scaling can be effective. In the end, people and finances are the bedrock of that growth potential.

Many of the interviewees discussed high-quality and talented people as a marker of a solid infrastructure. Neesha B. Modi, the Director of Program and Social Investment Operations at the Kresge Foundation emphasized that we must center the people, “that is my angle on everything. To see the world through people and acknowledge that our collective work is powered by those same people.” She went on to describe that solid infrastructure is needed to scale, which is dependent upon the investment in talent, including their wellbeing.<sup>10</sup> Rebecca Altman, Vice President and Executive Coach at Third Plateau, believes that indicators of stable leadership are key to determining if an organization is ready to scale. Using the Leadership Circle Profile model, she looks for a combination of strong relational skills, task-based skills, and a systems perspective.<sup>11</sup> Barry Finestone, President and CEO of the Jim Joseph Foundation, shared “I’m very much attracted to leaders who have a vision and are able to articulate it and lay it out, and then surround themselves with the very best people. You often see one or the other. But the real magic happens when both are combined.”<sup>12</sup> Daniel Kaufman, Co-founder of Third Plateau, agrees and believes readiness is “mostly about staff. It’s a question of who you have to do the work and whether they are resourced effectively to be able to do the work.” Another essential piece for scaling is a clear evidence-based model.<sup>13</sup>

Alisa Rubin Kurshan, an independent consultant who serves as the Education Director of Project Accelerate, emphasized the importance of having strong program content and vision before considering scale.<sup>14</sup> Jen Wei, of the Hewlett Foundation, believes scalability readiness is not only found in leadership and the program model but “also good finances, good data processes, strong fundraising practices, board governance - these are some key parts of what it means to be a strong organization that are a part of effectively scaling.”<sup>15</sup>

Interviewees warned that being too focused on reach (numbers served) could lead a nonprofit to attempt to expand before they are ready. Jen Wei shared that in her current role, most grant applications that she looks at are about filling the gaps, rather than expansion. She encourages funders to think about the indirect funds needed in order to hire more staff members for operations, accounting, and programs. She also emphasized the importance of a strong organizational culture when expanding, sharing that “you need a strong foundation with clear values in place if you want to grow and replicate what is working.”<sup>16</sup>

An anonymous foundation program director shared that “more organizations are questioning if scale is the right measure of effectiveness” or if there are other indicators of success that the organization needs

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<sup>9</sup> Interview, Kathleen Badejo, Program Associate, Effective Philanthropy Group, Hewlett Foundation, December 20, 2022

<sup>10</sup> Interview, Neesha B. Modi, Director of Program and Social Investment Operations, Kresge Foundation, December 14, 2022.

<sup>11</sup> Interview, Rebecca Altman, Vice President and Executive Coach, Third Plateau, November 15, 2022

<sup>12</sup> Interview, Barry Finestone, President and CEO, Jim Joseph Foundation, October 6, 2022

<sup>13</sup> Interview, Daniel Kaufman, Co-founder and Principal, Third Plateau, November 1, 2022

<sup>14</sup> Interview, Alisa Rubin Kurshan, Independent Consultant and Education Director, Project Accelerate, December 6, 2022.

<sup>15</sup> Interview, Jennifer Wei, Organizational Effectiveness Officer, Hewlett Foundation, December 20, 2022.

<sup>16</sup> Ibid.

to prioritize.<sup>17</sup> David Rittberg, Senior Director of US Jewish Grantmaking at Schusterman Family Philanthropies, added that there needs to be a demand for the services an organization is looking to grow.<sup>18</sup> If they do decide to scale, then they need money and the capacity to sustain that income through fundraising.<sup>19</sup> Alisa Rubin Kurshan, of Project Accelerate, recommends the fundraising challenge grant, where every dollar raised is matched by the grant. Her experience with these grants has been highly successful as she has observed growth in organizational financial capacity.

## **Best Practices: Capacity Building Grantmaking Strategies**

While foundations approach and structure capacity building grants in a variety of ways, there are emerging best practices in this growing field. The following strategies for capacity building grantmaking were the most commonly discussed and frequently cited in both fieldwide literature and interviews with Third Plateau staff members and experts working in grantmaking capacity building.

**Supplement grants with non-monetary support services.** The most common best practice across the literature - from foundations, nonprofit leaders, and consultants - is the recommendation to provide support services alongside financial grants for capacity building. Capacity building programs tend to include one or more types of interventions (beyond the financial grants) in order to provide layered, holistic support to grantees that increase the potential of impact.

**Convene a peer-learning cohort model.** Cohorts or other forms of peer learning models help build nonprofits' capacity. Third Plateau co-founder Mike Berkowitz notes that "most nonprofit leaders face the same set of questions: how to build, manage, and lead an organization."<sup>20</sup> The cohort model leverages existing knowledge and encourages creative collaboration across a field of nonprofit organizations that often see each other as competition instead of potential partners. The Packard Foundation similarly advocates for this model and has found through its evaluation process that there are lasting impacts from this approach.<sup>21</sup> Alisa Rubin Kurshan, of Project Accelerate, shared that they would never consider any other model outside the cohort because of their goals to strengthen and grow the field as a whole. Kurshan noted that the organizations in Project Accelerate have grown the size of their budgets and staff by at least 30% and up to 70%. The organizations that applied to the project but were not accepted, have not grown their budgets by more than 20%.<sup>22</sup>

At the same time, there are challenges to running cohorts. One interviewee called cohorts the "Cadillac model" of capacity building because they are effective but also expensive and time intensive.<sup>23</sup> To be successful, cohorts have to navigate staff turnover, the potential for competition between nonprofits, and the performance pressure organizations may feel due to the perception that grant funding may depend on the quality of their participation. Foundations also need sufficient internal capacity (e.g., staff time, relationships, and expertise) for cohort work to be

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<sup>17</sup> Interview, Anonymous, Foundation Program Director, November 28, 2022

<sup>18</sup> Interview, David Rittberg, Senior Director of US Jewish Grantmaking, Schusterman Philanthropies, December 14, 2022.

<sup>19</sup> Interview, Anonymous, Foundation Program Director, November 28, 2022

<sup>20</sup> Interview, Mike Berkowitz, Co-founder and Principal, Third Plateau, November 1, 2022

<sup>21</sup> CRS Impact, "[Building Capacity Through Cohorts: What the Packard Foundation is Learning](#)," March 2018

<sup>22</sup> Interview, Alisa Rubin Kurshan, Independent Consultant and Education Director, Project Accelerate, December 6, 2022

<sup>23</sup> Interview, Anonymous, Foundation Program Director, November 28, 2022

effective. However, foundations that have invested in cohort models have found it to be productive.

**Offer individual, customized coaching to grantees.** Foundations also often employ individualized coaching to build grantee capacity. The Hewlett Field Scan found that foundations commonly use external consultants as coaches.<sup>24</sup> During the evaluation of its capacity building work, the Jewish Community Foundation of Los Angeles learned that grantees value having an external thought partner.<sup>25</sup> Coaches provide a different perspective and a sounding board for leaders to explore new ideas. In addition, coaches can be more adaptive to the needs of grantees rather than providing a one-size-fits-all approach.<sup>26</sup>

When seeking the best selection process for a coach or consultant, most recommend providing a vetted list of providers to grantees. This approach allows organizations to benefit from the foundation's and other nonprofits' experience without tying them to a specific person or agency.

**Provide technical assistance in combination with ongoing grant support.** Technical assistance to nonprofits is a key element of capacity building. Assistance could include helping an organization build a CRM for donor management, providing direct training for staff, or supporting a strategic planning process. Capacity building grantees have argued that these interventions are necessary in some cases, but are not enough to build long-term capacity on their own. Some nonprofits have pushed back against a perceived overemphasis on technical assistance at the expense of more flexible grants.<sup>27</sup>

**Build deep relationships with grantees.** Fostering deep relationships is not only a best practice but also a unique benefit of the capacity building framework. The Ford Foundation noted that its multi-year Building Institutions and Networks Initiative (BUILD) grants strategy allowed its program officers the opportunity to have more honest conversations with grantees about their strengths and areas for improvement. They centered the idea of “co-creation” to ensure a collaborative and transparent process in determining the size of its grants. Capacity building can create a space that enables and necessitates frank and transparent dialogue between funders and grantees.<sup>28</sup>

**Invest time in fostering mutual, trusting relationships with grantees.** This recommendation becomes even more important when examined through the lens of equity. GEO calls for funders to “nurture trust-based relationships” to shift away from the historically transactional nature of grantor/grantee dynamic.<sup>29</sup> Proponents of transformational capacity building argue that “trusting relationships are essential to creating a foundation where an organization's strengths and vulnerabilities can be discussed openly.” They believe that only with deep trust can grantors and grantees “cultivate the ability to tackle complex issues together.”<sup>30</sup>

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<sup>24</sup> Patricia Scheid, Kris Helé, “How Funders are Strengthening Nonprofit Capacity: Findings from a Field Scan,” March 2022

<sup>25</sup> Engage R+D, “[Helping Los Angeles Nonprofits Thrive: Key Learnings from the Next Stage Capacity Building Pilot](#),” June 2019

<sup>26</sup> Interview, Rebecca Altman, Vice President and Executive Coach, Third Plateau, November 15, 2022

<sup>27</sup> Adene Sacks, Heather McLeod Grant, and Kate Wilkinson, “[The New Normal: Capacity Building During a Time of Disruption](#),” Open Impact, 2018

<sup>28</sup> R. Bisiaux, R. Dwyer-Voss, M. Bangser, S. Morales, A. Boateng, “Final Report: BUILD Developmental Evaluation,” March 2022.

<sup>29</sup> GEO Funders, “[Reimagining Capacity Building: Navigating Culture, Systems & Power](#),” October 2021.

<sup>30</sup> April Nishimura, Roshni Sampath, Vu Le, Anbar Mahar Sheikh, Ananda Valenzuela, “Transformational Capacity Building,” Stanford Social Innovation Review, Fall 2020: Volume 18



At the same time, the Hewlett Foundation’s 2022 Field Scan revealed that some program officers find “high-touch” relational work challenging to sustain and scale over time, especially for funders with leaner dedicated staff.”<sup>31</sup> This was reiterated during interviews with foundation staff in the field. Moreover, building trusting relationships requires that third parties recommended by grantors have specific skill sets. Hewlett notes that “when consultants or coaches are deployed, it is important that they are able to build relationships of respectful and meaningful accompaniment, grounded in cultural competency.”<sup>32</sup>

**Align Roles, responsibilities, and right-size outcome expectations.** Clarifying the process and intended outcome of capacity building efforts helps build trust with grantees. The Hewlett Foundation recommends that grantees and foundations align roles and responsibilities through a transparent planning process. Community Wealth Partners’ review of DEI capacity building projects also discussed the importance of “right-sizing” outcomes expectations, both on the part of the foundation and on the part of the grantee.<sup>33</sup> Aligning roles and outcomes provides a broader framework for a trusting relationship between funders and grantees.

**Offer multi-year, flexible funding grants.** Foundations, nonprofits, and experts in the field all agree that the most successful type of financial support for capacity building work is multi-year, responsive funding. Field experts and foundations have found that “flexible and continuous” support gives nonprofits the bandwidth to focus on the most immediate needs while building the infrastructure needed for long-term planning. The number of years recommended varied by institution and interviewee, suggesting the right time frame is anywhere from five<sup>34</sup> to ten years.<sup>35</sup> The most common recommendation was a three to five-year investments. The final evaluation of the Ford Foundation’s BUILD Grants revealed that being able to plan for sustainability past the life of the five-year grant timeline was a major challenge for organizations, despite all of the support provided by the grantmaker. While there is no perfect timeline, the field generally agrees that being responsive to specific organizational needs has a more effective impact.

**Be as adaptive as you want your grantees to be.** In an ever-changing environment, nonprofits must adapt quickly to serve their constituents. David Rittberg at the Schusterman Philanthropies emphasized that we can’t predict what an organization might need a few years down the road, “we should be giving continuous long-term support, not just giving dollars, but being flexible because what we provide today might not be what we need to focus on in four years. A lot will change in that time period and we need to have our fingers on the pulse.”<sup>36</sup> The concept of transformational capacity building reiterates the call for flexible funding and increased infrastructure investments.<sup>37</sup> The Ford Foundation found that “the long-term and flexible aspect of this [type of] grantmaking requires a change in perspective, one that normalizes disruption and

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<sup>31</sup> Patricia Scheid, Kris Helé, “How Funders are Strengthening Nonprofit Capacity: Findings from a Field Scan,” March 2022.

<sup>32</sup> Ibid.

<sup>33</sup> CWP, “What Foundations are Learning About Supporting Nonprofit Leaders’ DEI Capacity,” February 26, 2020.

<sup>34</sup> Victoria Dunning, “[Letting grantees lead: What we’re learning from the BUILD evaluation](#),” Ford Foundation

<sup>35</sup> Interview, Anonymous, Foundation Program Director, November 28, 2022

<sup>36</sup> Interview, David Rittberg, Senior Director of US Jewish Grantmaking, Schusterman Philanthropies, December 14, 2022

<sup>37</sup> A. Nishimura, R. Sampath, Vu Le, A. Mahar Sheikh, A. Valenzuela, “Transformational Capacity Building,” Fall 2020

allows for response, learning, and adaptation. In most cases, it requires a mindset of steady accompaniment rather than abrupt reaction.”<sup>38</sup>

**Remove constraints while offering structure.** Some organizations appreciate the structure, focus, and accountability of a capacity-building grant, as long as it still provides flexibility to prioritize the organization’s needs. In the evaluation of the Ford Foundation’s BUILD grant, grantees reported that three components had the largest influence on their organization: flexibility, multi-year funding commitments, and specifically, dedicated funds for institutional strengthening. One grantee shared that this mixture of grant qualities “forces us to explore what is really important organizationally to achieve higher program impact. [It] increases accountability in spending on organizational development.”<sup>39</sup>

**Consider the full costs.** Transformational capacity-building encourages the sector to get beyond the “overhead myth and cover the full cost of social change.” It encourages a funding structure similar to how the private sector funds businesses and makes the case that the more freedom organizations have, the more they plan for the long-term and the larger impact they can have within their respective communities.<sup>40</sup> Alisa Rubin Kurshan, of Project Accelerate, suggested that overhead should be renamed as capacity building so that organizations can better meet their missions.<sup>41</sup>

A few interviewees, and multiple recent studies, argue that unrestricted general operating funding should be recognized as capacity building. In particular, the ability to hire essential staff was often named as one of the greatest capacity infrastructure needs.<sup>42</sup> In 2018, Open Impact published a study on capacity building grantmaking that took into consideration the political and economic state of the country and found a nonprofit need for multi-year, unrestricted general operating support as a form of capacity building. One grantmaker in the report shared, “Locking people into a particular set of deliverables right now is not helpful—things are changing too quickly.” Another large nonprofit leader echoed this sentiment: “Unrestricted funding is desperately needed and hard to get.” And a grassroots leader concurred, “Nonprofits are struggling, and they aren’t getting the funding they need. The lack of multiyear general operating support prevents flexibility and greater impact.”<sup>43</sup> The need for flexibility has only increased since the start of the pandemic, when entire infrastructures had to shift to better serve communities.

**Invest in building ecosystem capacity.** Viewing the target of capacity building as an ecosystem rather than an organization or an individual increases its efficacy. Investing in an ecosystem helps organizations develop their capacities and enables them to partner with each other. One funder reflected on the potential impact of such an approach, “what does it look like to invest in leadership development programs and fieldwide network-building programs that can support much larger numbers of leaders and organizations in not only investing in their own capacities, but also in investing in the relationships that

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<sup>38</sup> Victoria Dunning, “Letting grantees lead: What we’re learning from the BUILD evaluation,” Ford Foundation

<sup>39</sup> R. Bisiaux, R. Dwyer-Voss, M. Bangser, S. Morales, A. Boateng, F. Poli, “Final Report: BUILD Developmental Evaluation,” March 2022

<sup>40</sup> A. Nishimura, R. Sampath, Vu Le, A. Mahar Sheikh, A. Valenzuela, “Transformational Capacity Building,” Fall 2020

<sup>41</sup> Interview, Alisa Rubin Kurshan, Independent Consultant and Education Director, Project Accelerate, December 6, 2022

<sup>42</sup> A. Nishimura, R. Sampath, Vu Le, A. Mahar Sheikh, A. Valenzuela, “Transformational Capacity Building,” Fall 2020

<sup>43</sup> A. Sacks, H. McLeod Grant, and K. Wilkinson, “The New Normal: Capacity Building During a Time of Disruption,” 2018

they need to get their work done.”<sup>44</sup> Third Plateau co-founder Mike Berkowitz, echoed this sentiment, saying “There are funders that take a fieldwide view as a methodology for creating social impact as leaders move around - it’s a very good strategy.” No single organization can address large, systemic issues. Investing in the capacity of an ecosystem of organizations and leaders, however, can lead to significant impact.

**Invest in multiple organizations to strengthen the ecosystem.** One funder who was interviewed for Open Impact’s *The New Normal* report emphasized that the field must recognize “that capacity has as much to do with the system as with the organizations themselves. It’s not enough to strengthen individual organizations if we aren’t strengthening the links between organizations.” The funder went on to emphasize the increased level of impact when organizations work together.<sup>45</sup> Cohort models are one type of key strategy that enables capacity building to support networks of organizations. Alisa Rubin Kurshan, of Project Accelerate, described an exercise in which every organization in a cohort drew a picture of their landscape, allies, and competitors. They then had everyone walk around, look at the drawings, and note if they had anything to offer or say to each other. They “wanted to leverage everyone’s knowledge, experiences, creativity, and client bases.”<sup>46</sup> A staff member at the Kresge Foundation described a grant that brought together a cohort of 21 organizations that, over time, grew comfortable and aligned, leading them to send joint letters to the city government.<sup>47</sup> The cohort helped create systemic change by incentivizing nonprofits to grow their individual capacities and to come to the table as partners in each other’s work.

**Invest in leaders to build the field.** Investing in leaders can support individual organizations and the broader field to which they belong. When asked about the most important area for capacity building, an interviewee responded, “leadership, leadership, leadership. And that’s the board as well as staff.”<sup>48</sup> Rebecca Altman, who leads the Leadership Development work at Third Plateau, similarly noted that leadership is a crucial part of any organizational capacity project: “a good leader helps the whole organization to run smoothly while also seeing the whole context of the functioning organization. They know how their team is skilled and can advance the organization as a whole.”<sup>49</sup>

Investing in leaders also addresses one of the core challenges of building the capacity of individual organizations: staff turnover. As funders train staff and develop leaders, people leave their specific organizations. This dynamic can lead to a loss of capacity at the organizational level. However, viewing capacity building as a fieldwide effort, shows that investments continue to pay off if leaders are still within the same organizational ecosystem.

**Partner with other foundations.** Looking at change at the ecosystem level highlights another key recommendation: foundations can collaborate to support the field. Alisa Rubin Kurshan, of Project Accelerate, shared their hope for mutual partnership: “when foundations start talking to each other and start realizing how they can jigsaw one another’s strategies to build a collective

<sup>44</sup> GEO Funders, “Reimagining Capacity Building: Navigating Culture, Systems & Power,” October 2021.

<sup>45</sup> A. Sacks, H. McLeod Grant, and K. Wilkinson, “The New Normal: Capacity Building During a Time of Disruption,” 2018

<sup>46</sup> Interview, Alisa Rubin Kurshan, Independent Consultant and Education Director, Project Accelerate, December 6, 2022.

<sup>47</sup> Interview, Neesha B. Modi, Director of Program and Social Investment Operations, Kresge Foundation, December 14, 2022

<sup>48</sup> Interview, Anonymous, Foundation Program Director, November 28, 2022

<sup>49</sup> Interview, Rebecca Altman, Vice President and Executive Coach, Third Plateau, November 15, 2022

future, that's when we're at our best...[When foundations partner effectively] it won't be about individual organizations but about the American Jewish community of the future.”<sup>50</sup> David Rittberg from Schusterman Philanthropies noted that no institution can solve a social challenge alone and that learning from each other is both challenging and a core pathway to success.<sup>51</sup> Partnerships enable foundations to have a broader collective impact on an ecosystem's capacity than they might working alone.

**Utilize a Diversity, Equity, and Inclusion (DEI) framework.** Employing a DEI lens when grantmaking puts foundation and organizational values at the center of the work. It can improve both the grantee capacity building experience and the impact of the grant itself. A DEI approach will only reinforce and strengthen all of the best practices discussed above, such as building trusting relationships with grantees.

**Define your internal DEI vision and communicate it with your grantees.** One best practice is to determine what equity means, not only for a foundation, but for its grantee portfolio. As more organizations grapple with advancing their own culture of equity, foundations can build trust by demonstrating that they are working alongside them on a similar journey. As Community for Wealth reported in 2020, “a stated commitment to equity and active engagement from leadership are helpful indicators that the foundation will stick with this work for the long-term and devote resources to it. Many foundations have publicly available equity statements that define what equity means for their organization.”<sup>52</sup> Many interviewees defined “equity” broadly for the purposes at the foundation level but got more granular depending on the portfolio they were discussing.

It is just as critical to communicate transparently about these goals and the complexity of this internal work as it is to do it. The literature emphasizes the importance of transparency, humility, and vulnerability on the part of foundations.<sup>53</sup> GEO argues that “to the extent that funders can be transparent about the messiness of their racial equity journey, it can create opportunities to build more trusting, authentic and transformational relationships with grantee partners.”<sup>54</sup>

**Reflect on historical inequities to inform strategy decisions.** In order to build a bright future, reflection on past harmful structures is essential. In pursuit of equity, leaders working in DEI spaces ask the field of philanthropy to “wrestle with its complacency in the systemic accumulation and concentration of wealth.”<sup>55</sup> Some funders in the field are already doing this work internally, “reflecting on their [internal] history and practices, as well as who receives funding and who does not.”<sup>56</sup> This has led some organizations to pursue multiple strategies. The Kresge Foundation decided to put more money into community-led Black Indigenous and People of Color (BIPOC) organizations while continuing to invest in larger, white-led organizations. Recently, Kresge has focused on racial equity capacity building for those historically white, well-funded organizations.<sup>57</sup>

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<sup>50</sup> Interview, Alisa Rubin Kurshan, Independent Consultant and Education Director, Project Accelerate, December 6, 2022

<sup>51</sup> Interview, David Rittberg, Senior Director of US Jewish Grantmaking, Schusterman Philanthropies, December 14, 2022

<sup>52</sup> CWP, “What Foundations are Learning About Supporting Nonprofit Leaders’ DEI Capacity,” February 26, 2020.

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<sup>54</sup> GEO Funders, “Reimagining Capacity Building: Navigating Culture, Systems & Power,” October 2021.

<sup>55</sup> Rodney Foxworth, “[How Liberatory Philanthropy and Restorative Investing Can Remake the Economy](#),” Nonprofit Quarterly, July 20, 2020

<sup>56</sup> CWP, “What Foundations are Learning About Supporting Nonprofit Leaders’ DEI Capacity,” February 26, 2020

<sup>57</sup> Ibid.

Some foundations have found that giving capacity grants that focus specifically on an organization's DEI efforts can give nonprofits the “permission they need to do the work.”<sup>58</sup>

**Center grantee needs and decision-making power.** To shift traditional power dynamics between grantor and grantee, philanthropy is increasingly looking for ways to boost nonprofit autonomy and agency. The Hewlett Foundation Field Scan in 2022 revealed that centering the needs and motivations of the grantee organizations is more likely to bring long-term sustainability, as this approach creates buy-in from organizational leadership.<sup>59</sup> Jennifer Wei, of the Hewlett Foundation, shared that they are “trying to move to a more grantee self-determination” approach.

Similarly, Community Wealth Partners’ report on a convening of DEI funders found that one common recommendation from funders was to “trust that grantees know best what support they need and what difference it is making.”<sup>60</sup> In Kresge’s leadership capacity building program, FUEL, the first round of funding didn’t focus on equity specifically but when they surveyed their grantees, asking them to share their current top challenges, racial equity rose to the top. FUEL then invested in racial equity in the second and third round of their grant and found them to be the most effective, impactful investments.<sup>61</sup> Centering the needs and motivations of nonprofits not only disrupts historical power imbalances, but it also increases the effectiveness of grants.

## **Best Practices: Evaluation of Capacity Building Grantmaking Strategies**

The field of nonprofit capacity building is in need of a more rigorous evaluation approach. While many funders invest in various capacity-strengthening interventions, it has been a challenge across the field to document progress on aggregate, common outcomes. For example, in 2018, when the Hewlett Foundation launched its Organization Effectiveness grants, the key assumption had been that targeted short-term investments would lead to long-term impact. While qualitative interviews demonstrated that the grantees agreed with this theory, evaluators were unable to determine that causation.<sup>62</sup>

Nonprofits themselves typically want to collect data to be able to have clear evidence that can demonstrate progress, success, and impact. This type of evaluation can be a challenge when a grantmaker, multiple steps removed, wants to evaluate the effectiveness of the grant impact without first building grantee buy-in, power sharing, or trust-building.<sup>63</sup>

Based on the literature and interviews, below are best practices to consider when evaluating the effectiveness of capacity-strengthening grants.

**Develop a clear theory of change or logic model.** Developing a detailed theory of change or logic model enables alignment on defining and measuring success. Inviting the grantees into this process could help build even greater alignment and impact measurements. The nonprofits and

<sup>58</sup> Interview, Jennifer Wei, Organizational Effectiveness Officer, Hewlett Foundation, December 20, 2022

<sup>59</sup> Patricia Scheid, Kris Helé, “How Funders are Strengthening Nonprofit Capacity: Findings from a Field Scan,” March 2022

<sup>60</sup> CWP, “What Foundations are Learning About Supporting Nonprofit Leaders’ DEI Capacity,” February 26, 2020.

<sup>61</sup> Interview, Neesha B. Modi, Director of Program and Social Investment Operations, Kresge Foundation, December 14, 2022

<sup>62</sup> “[Organizational Effectiveness Program](#),” William and Flora Hewlett Foundation, May 2018

<sup>63</sup> Lucy Nigel Sinister, Morris and Rick James, Alison Napier, “[M&E of Capacity Strengthening Portfolios](#).” INTRAC.

the respective funders must have the same definition of success.<sup>64</sup> This enables evaluations to focus on testing, learning, adapting, and revising theories of change.

**Hire an outside evaluation consultant.** Bringing in a formal, independent consultant to design a structured, external evaluation from the start allows programs to document outcomes rather than merely track outputs. While it can be costly and time-consuming, many evaluators are increasingly utilizing participatory approaches as a best practice to ensure that external evaluations are not only funder driven but center the voices of those most impacted by the grants. These types of evaluations have the potential to lead to more robust impact outcomes.<sup>65</sup>

**Consider robust evaluation frameworks and methodologies to inform learning, reflection, and adaptation.** While conducting impact evaluation studies in a real-world setting is complex, there are tested methods that consider the enabling contexts and system drivers responsible for change.

**Mixed-methods evaluation** provides a more robust picture as it is designed for collecting, analyzing, and mixing both quantitative and qualitative data in a single study or series of studies to answer evaluation questions. Typically, these methods provide a deeper understanding of context for why or how outcomes were achieved or not. David Rittberg of Shusterman Philanthropies shared, “we use the Grantee Perception survey from the Center for Effective philanthropy. It’s qualitative and quantitative. What’s our impact on the organization and the field? We ask questions about the capacity building support we provide. We want to know if it makes a noticeable difference.”<sup>66</sup>

**Causal design evaluation** strategies consider not only the funder’s model and assumptions but also the beliefs grantees and others hold about how and why change occurs. Some examples of studying complex change through causal design include:

- Theory-based approaches and participatory approaches such as the Most Significant Change Method (i.e., structured impact storytelling) and Outcomes Harvesting (i.e., verifying, interpreting, analyzing outcomes);
- Case-based approaches such as Within-Case (i.e., identification of significant statements or findings within a single case), Across-Case (i.e., categories that are common across multiple cases);
- Systems-based approaches such as Contribution Analysis which builds conceptual models of causal relationships and verification with empirical data. This allows researchers to conduct in-depth analysis of causal processes or mechanisms in context.<sup>67</sup>

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<sup>64</sup> Ibid.

<sup>65</sup> NIRAS, “[Initial Trend Analysis Report BUILD Developmental Evaluation](#),” July, 2019

<sup>66</sup> Interview, David Rittberg, Senior Director of US Jewish Grantmaking, Schusterman Philanthropies, December 14, 2022

<sup>67</sup> Lynn, J., Stachowiak, S., & Coffman, J. (2021). Lost Causal. Debunking Myths About Causal Analysis in Philanthropy. *The Foundation Review*. 13(3).

**Rapid cycle change evaluation models or developmental evaluation** approaches provide real-time, actionable feedback that may work best for small-scale nonprofits. This might include:

- Plan-do-study-act cycles where action learning cycles are guided by a learning question, embedded in context, and used to build and test hypotheses.
- Longitudinal evaluations are recommended for complex systems-change initiatives. This focus tracks change over multiple years and includes collecting baseline data.

**Equitable and culturally-responsive evaluation** strategies make the process increasingly relevant for funders, nonprofits, and the people they serve. This work includes acknowledging power differentials and establishing relational trust through participatory approaches that focus on storytelling. Jen Wei, of the Hewlett Foundation, recommends a Culturally Responsive Evaluation (CRE) which they recently employed for a grantmaking evaluation. She also recommended engaging with the Equitable Evaluation Initiative, a collaborative focused on seeding new equity-centered evaluation frameworks, which she has found to be an effective and impactful collaboration.<sup>68</sup>

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<sup>68</sup> Interview, Jennifer Wei, Organizational Effectiveness Officer, Hewlett Foundation, December 20, 2022.

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## Appendix A - Assessment and Evaluation Tools and Resources

- [Grantee Perception Survey from the Center for Effective Philanthropy.](#)
- [TCC Group's Core Capacity Assessment Tool \(CCAT\)](#)
- [Additional CCAT Capacity Building Resources](#)
- [Organizational Health Assessment](#)
- [A Guide to Organizational Capacity Assessment Tools \(2017\)](#)
- [Arbor Rising Development Rubric](#)
- [Organizational Mapping Tool \(Ford Foundation\)](#)
- [Equitable Evaluation Initiative](#)
- [Culturally Responsive Evaluation](#)

## Appendix B - Detailed Methodology

Third Plateau conducted both primary and secondary research, pursuing two routes of inquiry. Third Plateau interviewed four members of its own team and six external field experts. The interviewees were selected based on access, and their knowledge, experience, and leadership within the field of nonprofit capacity building. The team also reviewed 35 publications. These reports, included:

- Meta-analysis of capacity building efforts and tools;
- Evaluating foundations' capacity building strategies and evaluation findings; and,
- Articles from nonprofit leaders about capacity building, and meta-analysis of capacity building efforts and tools.

Before reviewing these articles, the team employed selection criteria designed to provide the most up-to-date and relevant information possible, predominantly focused on articles after 2018 from leading organizations in the field, such as Grantmakers for Effective Organization (GEO), and asked expert interviewees for recommendations. Finally, Third Plateau reviewed the works cited in each of these publications to find additional resources.

Two researchers coded and analyzed the definitions of capacity-building, best practices, and common areas of investment, looking for commonalities and frequency of strategic recommendations. First, capacity building best practices that each article highlighted were recorded. Over time, the team grouped similar recommendations together. After grouping these recommendations together, Third Plateau then counted the number of individual articles and the total number of foundations that supported a particular best practice. Finally, the team compared this list to the recommendations of the expert interviewees. In so doing, Third Plateau created a list of the best practices with the widest support in the field. The team used similar techniques to determine areas of assessment and best practices in evaluation.

Finally, to define "capacity building," Third Plateau collected the definitions of "capacity building" and related terms offered throughout the literature reviewed and from the interviewees. The team then compared the ways in which these different sources spoke about the purpose of capacity building, what areas of organizational development they believed it targeted, and whether they viewed capacity building as a short or a long-term project.