



## **Executive Summary**

# Grantee Capacity-Building Practice

Review and Recommendations for Accelerating Impact

Prepared for

**Walton Family Foundation**

September 2023

## Introduction

As part of the Walton Family Foundation's 2025 Strategy, the intentional building of grantee partners' capacity emerged as a common practice across all the foundation's programs and departments. With the recognition of this shared interest in and commitment to building grantee capacity, this was identified as part of the foundation's shared goals and adopted as a component of the foundation's organization-wide framework for communicating about and learning from our grantmaking.

As grantmaking from the 2025 Strategy has grown and matured—including the foundation's grants to build its grantee partners' capacity—recognition has increased that the foundation's shared goals provide a North Star towards where we're headed and could provide additional value by illuminating the varied paths, options and obstacles along the way. To begin testing this concept, the Walton Family Foundation engaged TCC Group to examine current grantee capacity-building practices, chronicling efforts to date (2021-early 2023) and providing recommendations for enhancing the foundation's approach to supporting grantee capacity-building. Since grantee capacity building is highly contextual and varied, TCC Group's work was intended not to limit choices, but rather to provide information, learning and reflection that enables the foundation's associates to iterate faster, access the experience and insights of others, accelerate grantee capacity building and build an organizational knowledge base.

Information for this report was generated by reviewing Walton Family Foundation documents and conducting focus groups with 21 foundation staff, 13 grantee capacity-building recipients, and nine capacity-building partners (including intermediaries). Findings in this executive summary include perspectives from all Walton Family Foundation programs and departments, plus best practices across the capacity-building field.

# Key Findings

## 1. All Walton Family Foundation programs and departments engage in grantee capacity building, but a shared organizational viewpoint or set of practices has not yet emerged; approaches vary across and within programs and departments.

While purposes and approaches to the foundation’s grantee capacity building were varied, the most common goals foundation staff cited for grantee capacity building efforts were **building financial sustainability** (i.e., an organization’s ability to raise necessary revenue over the long-term) and **taking organizations from “good to great.”** While building financial sustainability may be the end goal, other types of capacity were referenced by nonprofit capacity-building recipients and partners as necessary precursors to achieving it (e.g., **staffing sufficiency, programmatic effectiveness, and healthy leadership**). Foundation staff noted that **increasing the ability of grantees to accomplish their grant-funded objectives within the grant timeframe** often constitutes a shorter-term rationale for capacity building, alongside the commonly held aim of long-term organizational strengthening.

### How We’re Responding

- It’s important to clearly articulate a “why” for grantee capacity building. As a starting point, we’ve developed an initial “version 1.0” theory of change that we’ll continue to iterate on as we learn more (see Table 1 below).
- Measuring capacity-building efforts supports learning about what is or isn’t working and how we can continue to adjust (see the appendix for sample outputs and outcomes).

**Table 1: Walton Family Foundation Capacity Building Theory of Change, version 1.0**

If we engage in these **activities**:

- Program officers and grantees identify capacity-building priorities of mutual interest
- Grantees participate in capacity building that is contextual, customized, current, concrete, and continuous with capacity-building support provided by the foundation

Then we will anticipate **short-term outcomes** for grantees such as:

- Healthy leadership (including Board)
- Healthy culture, values, and vision and mission alignment
- Sufficient, qualified program staff
- Deeper engagement with community
- Sufficient resources (including financial)

We anticipate **intermediate outcomes** such as:

- Stronger grantee organizations that can leverage opportunities, adapt readily to internal and external shifts, coordinate with others across the sector and ecosystem, diversify revenue streams, and implement quality programming
- Increased grantee organizational financial sustainability

Then we hope to see **long-term outcomes** that grantees are more likely to accomplish grant and organization goals, are more resilient and a social sector that is better able to drive change.

**Ultimately, there is an increased ability for grantees and WFF to achieve mission-driven social and environmental goals.**

**2. Staff interviews surfaced an array of implicit mental models on which program officers rely when thinking about capacity-building approaches; these models are most commonly based on either the organization lifecycle model or a “gap-filling”/deficiency model.**

The organization lifecycle model encourages analysis of a nonprofit’s placement in its organizational development – from early stages (i.e., ideation/mission and service or program delivery/start-up) through growth and maturity stages to potential stagnation and decline or turnaround (which may cycle the nonprofit back around to reconsideration of its purpose and relevance, or alternatively to the terminal stage of shutting down).<sup>1</sup> While these models can be helpful in considering a grantee organization’s capacity needs by understanding its maturity level or where capacity gaps may exist, they are currently less helpful as diagnostic tools to inform capacity-building priorities. **Grantee insights about key components of a strong nonprofit along with grantee and staff insights about capacity-building readiness provide a steppingstone from which to develop a more useful model to inform the foundation’s capacity-building priorities.** Table 2 shares insights related to an organization’s leadership, staffing, mission/programs, vision/culture, and finances.

**Table 2: Elements of a Strong Nonprofit and Capacity Building Readiness**

	Grantee insights about...	
	...Key components of a strong nonprofit	...Capacity building readiness
<b>Leadership</b>	<ul style="list-style-type: none"> <li>• Healthy leadership (including board)</li> </ul>	<ul style="list-style-type: none"> <li>• Strong leadership, especially the executive director</li> <li>• Leadership support for the capacity-building effort</li> </ul>
<b>Staffing</b>	<ul style="list-style-type: none"> <li>• Sufficient qualified staff to implement programming</li> </ul>	<ul style="list-style-type: none"> <li>• Personnel stability</li> <li>• Sufficient capacity for someone to take on dedicated responsibility for capacity building</li> </ul>
<b>Mission, Strategy &amp; Programs</b>	<ul style="list-style-type: none"> <li>• Effective programs that are achieving their goals</li> <li>• Grounded in community need and relationship</li> </ul>	<ul style="list-style-type: none"> <li>• Clear strategic organization niche/positioning</li> <li>• Programs delivering value</li> </ul>
<b>Vision &amp; Culture</b>	<ul style="list-style-type: none"> <li>• Healthy culture, values, and alignment on vision</li> </ul>	<ul style="list-style-type: none"> <li>• Growth and improvement mindset</li> </ul>
<b>Finances</b>	<ul style="list-style-type: none"> <li>• Sufficient resources (potentially including reserves)</li> </ul>	

**How We’re Responding**

- The process of identifying capacity-building priorities can be challenging. We’re considering how to support program officers and grantees in discussing capacity-building priorities.

<sup>1</sup> The Nonprofit Lifecycle Model was developed by Susan Kenny Stevens at the <https://nonprofitlifecycles.com/>. For a quick read: [The Nonprofit Lifecycle: A Model for Making Smart Decisions.](#)

### 3. Capacity building is more successful when it follows the 5 Cs.

Walton Family Foundation staff and grantees identified these elements, nicknamed the Five Cs, in discussing what worked and didn't work in their capacity-building experiences. These experiences are also supported by broader field practice.<sup>2</sup> Capacity building is *more* likely to be successful when it is:

<b>1. Contextual</b> Addresses the <b>unique positioning</b> of each grantee within its <b>field or ecosystem</b> .	<b>2. Current</b> Addresses an <b>immediate</b> and <b>relevant</b> need.	
<b>3. Continuous</b> An ongoing and <b>sustained effort</b> to develop and strengthen a grantee's skills, knowledge and resources over time (make it "sticky") rather than a one-time event, training or project.	<b>4. Concrete</b> Results in a <b>tangible deliverable</b> (e.g., plan, checklist, visual, project synopsis) that can hold an organization accountable for its capacity-building commitment, which can serve as institutional memory during staff transitions.	<b>5. Customized</b> Capacity-building supports should be <b>tailored to meet</b> each grantee's specific <b>needs</b> . The provision of capacity building must also account for a grantee's readiness to engage.

Capacity building is *less* likely to be successful when:

- It relies exclusively on a **technical capacity lens** (e.g., fundraising/comms skills, technology, etc.) without attending to adjacent or underlying capacity needs;
- It does not account for the possibility of **future staff transitions**;
- There is a **mismatch between capacity building recipient and provider**; or
- It takes on **too much all at once** (particularly for smaller organizations).

### How We're Responding

- We're exploring ways to apply these guidelines in capacity-building grantmaking.

### Case Study: Learning about capacity building with the Support Center

Recognizing the absence of a foundation-wide model for nonprofit capacity, one program area engaged the Support Center, an organization dedicated to empowering nonprofits to transform their leadership and management as they accelerate a vision for social change.

The foundation supported Environment Program officers to first learn about the nonprofit capacity lifecycle model. This training guided program officers through an examination of organization development and capacities, enabling them to think systematically about capacity-building priorities and sequencing. With the aid of insights gleaned from the training, foundation staff worked with the Support Center to identify the organizations that would benefit most from participating in the multi-year capacity-building effort which provides customized support. This advanced preparation by program officers enabled them to have tailored conversations with grantees to determine the specific organizational capacity changes they were hoping would occur.



<sup>2</sup> This thinking aligns with and builds on previous work by many others. A particularly good example is "[Strengthening Nonprofit Capacity](#)" by Grantmakers for Effective Organizations, September 15, 2016.

#### 4. Most grantee capacity-building recipients and capacity-building partners find their capacity-building conversations with the Walton Family Foundation to be collaborative and valued deliberate and explicit capacity conversations.

Recognizing these conversations can be delicate, they should be collaborative with a focus on how capacity-building support can advance both the Walton Family Foundation and its grantees' goals. This includes discussing a grantee's strategic positioning relative to other organizations and within the foundation's grantmaking and strategy. **Relatedly, language used within the foundation to talk about capacity building is imprecise and can get in the way of clarity. This can make it challenging to discuss the capacity-building work with colleagues or other teams.** Agreement on common terms would allow more staff to have a better understanding of the foundation's capacity-building work and provide a level playing field for staff to share and discuss their capacity-building grantmaking. Based on interviews and insights from the field, the five terms most important to align on and begin to use with more precision are capacity, capacity building, effectiveness, sustainability, and resilience (see Table 3).

#### How We're Responding

- Consistent and clear communication makes it easier for grantees and program officers to discuss and set capacity-building priorities. We're thinking through tools and practices that can better support these conversations to be clear, productive, and collaborative.

#### Case Study: What is Capacity Building?

The importance of **specificity and common language** when considering capacity building is reflected by a funder/grantee conversation with a promising Walton Family Foundation grantee. The organization was delivering recognized value in the community, for which the foundation provided initial support. The grantee's director shared appreciation for the helpful and respectful interactions they enjoyed with their program officer at every step of their relationship. One day, the director was invited to the foundation for a conversation with staff: "I met with the team, and they enthusiastically talked to me about capacity building. Immediately following the meeting, I rushed home, sat at my computer, and googled "What is capacity building?"

The program officer's clear intention was to strengthen this grantee organization. Yet, a gap in understanding had clearly occurred in the conversation. Fortunately, a course correction was possible and the organization is thriving thanks to a joint identification of a specific set of capacity-building needs supported by the foundation. The program officer continues to "send me information and connect me to capacity building along with program support. I don't need to google 'capacity building' anymore."

**Table 3: Five Key Capacity-Building Terms**

**Capacity:** The resources, skills and infrastructure required for the organization to carry out its programs and initiatives.

**Capacity building:** The process of *developing* internal systems and capabilities necessary for an organization to effectively and efficiently carry out its mission and achieve goals.

**Effectiveness, AKA Ability to Deliver Results**

The extent to which the organization successfully implements its programs, initiatives and interventions to address the social or environmental issues it aims to tackle in an efficient manner (maximizing results relative to resources used).

**Resilience, AKA Ability to Weather the Storm**

An organization’s ability to adapt, recover, and thrive in the face of challenges, disruptions, and adversity. It encompasses the organization's capacity to withstand and effectively respond to internal and external pressures, changes, and crises. While sustainability and resilience are sometimes used interchangeably, resilience is best understood in the context of a changing environment, whereas sustainability simply assumes continuance.

**Sustainability, AKA Ability to Be a Long-Term Contributor**

The ability of an organization to continue to maintain its operations, programs, and impact over the long term. Sustainability includes financial and human resources.

3 Facets of Capacity



## 5. Grantees appreciate dedicated funding specifically designated to support the organization’s capacity-building efforts.

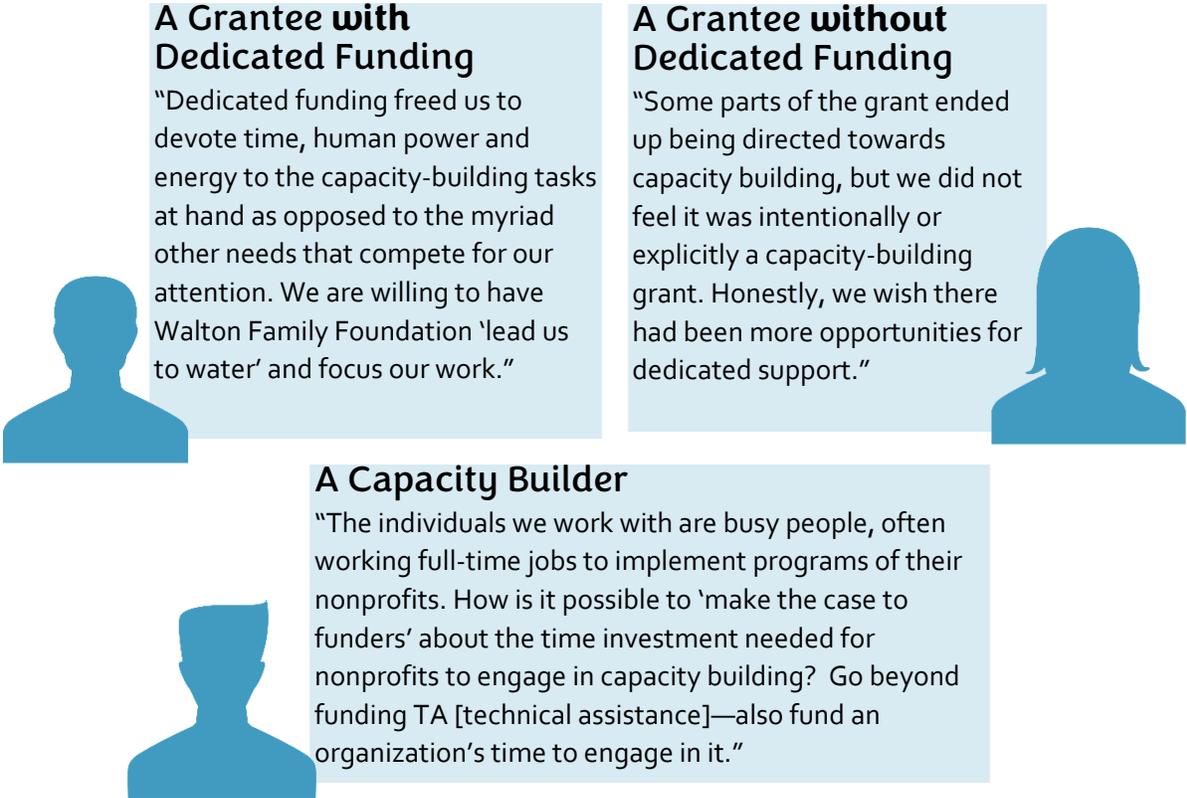
Walton Family Foundation grantees emphasized that dedicated capacity-building support forced them to explicitly consider ways to strengthen their organizational capacity in ways programmatic or general support funding could not. A similar finding emerged in previous philanthropic research<sup>3</sup> and may indicate that dedicated capacity-building funding provides “authorization” to nonprofit leaders to invest in the development of their organization or their own leadership. While these funds may be embedded within a larger program or project grant, they should be specifically designated for capacity-building activities or results. **Grantees also appreciate continued funder engagement throughout the capacity-building work, even when capacity-building is provided by a third party.**

### How We’re Responding

- When developing capacity-building supports, we’ll be listening and learning about the right grant structure and best role for WFF staff to play in supporting grantees.

### Case Studies: Why Grantees Want Dedicated Capacity Support

These three grantees each received different types of support from the foundation. They explain the benefits of receiving funding explicitly tied to capacity building, and the ways this has become surprisingly liberating for organizations seeking to improve their capacity.



**A Grantee with Dedicated Funding**  
“Dedicated funding freed us to devote time, human power and energy to the capacity-building tasks at hand as opposed to the myriad other needs that compete for our attention. We are willing to have Walton Family Foundation ‘lead us to water’ and focus our work.”

**A Grantee without Dedicated Funding**  
“Some parts of the grant ended up being directed towards capacity building, but we did not feel it was intentionally or explicitly a capacity-building grant. Honestly, we wish there had been more opportunities for dedicated support.”

**A Capacity Builder**  
“The individuals we work with are busy people, often working full-time jobs to implement programs of their nonprofits. How is it possible to ‘make the case to funders’ about the time investment needed for nonprofits to engage in capacity building? Go beyond funding TA [technical assistance]—also fund an organization’s time to engage in it.”

<sup>3</sup> “It Takes Dedicated Funding to Do Leadership Development Right” by Linda Wood, March 6, 2013.

---

## **About TCC Group and the Project:**

This research and report was prepared by TCC Group, a consulting firm dedicated to helping organizations achieve social impact. TCC has deep experience designing, implementing, and evaluating capacity-building programs for foundations and nonprofits. This project was conceived with WFF staff to document, analyze and make recommendations for enhancing WFF's approach to supporting grantee capacity building. We have benefited from a collaborative process with the WFF team, discussing approach and insights over the course of the project. We appreciate and thank WFF staff and grantees for candidly sharing their perspectives which made this project possible.

# APPENDIX: Outputs and Outcomes for Grants that Support Grantee Capacity Building

---

These output and outcome metrics are aligned with the Short-term Outcomes in the new draft Walton Family Foundation Capacity Building Theory of Change. They are meant to be a starting place or inspiration for grants which provide capacity-building support. If you are working with a capacity-building provider or intermediary, you can draw from the relevant outcome area(s) and adapt the metrics to reflect the expected outputs.

To use these metrics, simply add “By [Date]” to the beginning of the statement and “as measured by [what]” to the end of the statement. For example: *By [Date], [Grantee] will establish bylaws for board responsibilities and procedures including decision making, as measured by [what].*

Orange text = outputs    Blue text = outcomes

## HEALTHY LEADERSHIP

### *Improved Governance*

- [Grantee] will establish bylaws for board responsibilities and procedures including decision-making.
- [Grantee's] board of directors will adopt a new governance model and onboard [XX] new members.
- [Grantee's] board of directors will onboard [XX] new members.
- [XX%] of grantee's board members will meet their fundraising targets.
- [Grantee's] board of directors will identify X potential new donors.

### *Enhanced Leadership Skills*

- [XX] [Grantee] [staff and/or board members] will complete a leadership training program.
- [Grantee] executive director will receive a positive performance review by the board.

## SUFFICIENT QUALIFIED PROGRAM STAFF

### *Improved Staff Skills*

- [XX%] of staff will participate in a needs assessment to identify training priorities.
- At least [XX] staff at [grantee organization] will be trained in [describe new skill/methodology].
- At least [XX] staff members at [grantee organization] will [receive a certificate/complete a course] in [skill/methodology].
- [XX%] of [participants or organizations] will report increased [knowledge and/or skills] in [description of training contents].
- [XX%] of [participants or organizations] will report applying new [knowledge and/or skills] of [description of training contents] in their work.

### *Improved Program Delivery*

- [Grantee] will host a convening with at least [XX] attendees from [target audience].
- [XX%] improvement in program output metrics [(e.g., number of beneficiaries served, services provided, stakeholders engaged)].
- [Grantee] will develop an engagement strategy to improve reach/diversity of clients served.
- [XX%] improvement in program outcomes metrics [(e.g., academic achievement, health outcomes, environmental policy)].
- [XX%] increase in the program's cost-effectiveness [e.g., cost per beneficiary or cost per outcome achieved].

### *Improved Client Self-assessment*

- [Grantee] will ask [XX%] of clients about their assessment of program impact in [the past 30 days].
- [Grantee] clients will report [XX%] improvement in program [quality, results, or impact] in feedback surveys.

## **HEALTHY CULTURE, VALUES, VISION AND MISSION ALIGNMENT**

### *Strengthened Organization Culture*

- [XX%] of staff will report positive scores on employee engagement surveys.
- [XX%] of [staff and/or volunteers] will report positive scores regarding organizational culture.
- [XX%] of [staff and/or volunteers] will report positive sense of [belonging/inclusion/diversity] at the organization.

### *Vision and Mission Alignment*

- [Grantee] will develop a comprehensive strategic plan, to include governance, finance, operations, communications, fundraising and sustainability, along with an approach to measure organizational growth, performance and impact.
- [Grantee] will have finalized [strategic/programmatic plan] that contains the design, development, administration, management and cost analysis for [system] to be adopted by [target stakeholders] and presented to [decision-making bodies] in [target geographic region] for future expansion.
- [Grantee] [board and/or staff] will report at least a [XX%] satisfaction rate with the new [values, vision/mission statement and/or strategic plan].

## ENGAGEMENT WITH COMMUNITY

### *Stakeholder Engagement*

- [Grantee] will host [XX] [type of events] for [target audience] to learn about [issue/policy areas].
- At least [XX] [target stakeholders] will attend [type of events] to learn about [issue/policy areas].
- [XX%] of [target stakeholders] attending [type of stakeholder meetings/engagement activities] will request additional information and/or assistance.
- The number of [target stakeholders] in [geographic region] who opt-in to receive updates from [Grantee] will increase by [XX%], from [X,XXX] to [X,XXX].

### *Increased Volunteer Engagement*

- [Grantee] will develop a new volunteer recruitment plan.
- [XX] new individuals sign up to be volunteers.
- [XX] average volunteer hours contributed per [month or year].
- [XX%] retention rate of volunteers [over X months/years; specify time period].

### *Increased or Retained Membership*

- [Grantee] will conduct [XX] membership drive(s) intended to reach potential new members.
- [XX] [target stakeholders] will join the newsletter mailing list.
- [Grantee] membership will increase by [XX%] over years [X-X] through [list of methods].
- At least [XX] [target stakeholders] will become formal members of [name of workgroup or committee] in [geographic regions].

### *Enhanced Collaboration and Partnerships*

- At least [XX] new [joint projects/partnerships] established with [name targeted individuals/organizations or types of partners, e.g., corporate].
- At least [\$XX] secured in joint resources for [joint projects/partnerships].
- At least [XX] [MOUs/ partnership agreements] signed with [targeted organizations].
- At least [XX] [joint projects/partnerships] meeting outcome targets.

## SUFFICIENT RESOURCES

### *Strengthened Financial Management*

- [Grantee] will revise their financial model and engage with [target stakeholders, experts, or participants] to inform the revision.
- [Grantee's] auditor will report a [XX%] reduction in financial errors and discrepancies.
- [Grantee's] actual expenses and liabilities will be within [XX%] of expected expenses and liabilities.
- [Grantee's] actual revenue will be within [XX%] of expected revenue.
- [Grantee's] [liquidity or debt-to-income ratio] will be [XX].

### *Increased Fundraising Capacity*

- At least [XX] new potential donors reached with fundraising campaigns or events.
- [Grantee] will develop a revenue plan to [diversify and/or increase revenue] in support of [e.g., growing programming, supporting a new effort, increasing sustainability]
- At least [XX%] increase in funds raised [date – date] compared to [previous date – date].
- At least [XX] new funding sources acquired.
- At least [XX%] increase in [other sources of revenue such as individual donor contributions, ticket sales, etc.].
- [Grantee] will secure at least [\$XX] from non-philanthropic sources.
- [Grantee] will develop an operating reserve, from non-WFF Program funding, of at least [\$XX,XXX].

## **OTHER ORGANIZATIONAL CAPACITY**

### *Increased Organizational Capacity*

- [Grantee] will be a formally established [501c3] organization.

### *Increased Data and Measurement Capacity*

- [Grantee] will establish an organizational dashboard of key performance indicators (KPIs) demonstrating the contribution of organization programming to mission achievement.
- [Grantee] will publish their key performance indicator data and ensure it is publicly available.
- [Grantee] will demonstrate improved use of key performance indicator data to support decision-making.
- [Grantee's] performance data will be used by [scientists/stakeholders/government] to support decision-making.

### *Increased Communications Capacity*

- [Grantee] will develop a strategic communications plan for the [organization, program, campaign, etc.].
- [Grantee] will have aired [media type, such as article, digital banner/animated video advertisements] reaching [XXX] [target audience] in [name of region].
- [Grantee] will generate at least [XX] earned media or opinion pieces in [geographic region] regional mainstream publications (print, broadcast, or online news sources).