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9 Smart Practices of Savvy Grantmakers

So, you've been around your foundation for a while. You've mastered the basics — the essentials you need to create a solid grantmaking strategy and process. How do you take your work and your effectiveness to the next level?

It's one thing to be competent; it's another to go beyond the basics and really hone your craft. Here are nine smart grantmaking practices that will help you do just that:

Practice #1: Organize your work around your values.
It used to be that when I heard people talk about organizational values I would roll my eyes. "Organizational values" seemed like words on a plaque or a website that were so universal they meant nothing. Then I learned that if a foundation is very clear about its values, and works to operationalize them, it can have a huge impact.

For example, one foundation regularly surveyed its grantees to assess their perceptions of the foundation. One year it was surprised to find that grantees rated their relationship with the foundation much lower than in previous years. The foundation asked me to help them find out why. I spoke with other foundations whose grantees said their relationships were overwhelmingly positive and the answer became obvious: all of those funders had a core value of building strong relationships with grantees. They made this part of everything they did: how staff allocated their time, staff performance reviews, application and reporting processes that were not burdensome, etc. When making decisions they asked themselves, "Are we doing this because it would be easier on grantees or easier on us?" If the latter, they wouldn't do it.

Another client was the new CEO of a health foundation. When she started she was delighted to see that words like "evaluation," "learning," "transparency" and "results" were written everywhere in the foundation: in its values and guiding principals, in strategic planning documents and logic models. So she was surprised to discover that a learning culture did not exist in the foundation. There was no internal system, process or capacity to assess progress. The foundation was not living its values of openly learning and evaluating to improve results.

What sets some foundations apart is that they live and breathe the values they claim, and put systems and processes in place so that everyone is very aware of them. When that happens, values become part of how you do business.

Practice #2: Recognize that grantmaking is about relationships.
You can have a very transactional relationship with your grantees – send out funding announcements, proposals come in, you email them that they've been awarded the grant and you send a check. It's true that you're making grants, and probably making a difference, but a purely transactional process is not very meaningful to you or your grantees, is hard to learn from, and makes it virtually impossible to identify new needs, opportunities or ways to leverage your funding for greater impact.

To change that dynamic and get a better understanding of the needs, assets and opportunities in the community you serve, you need to build stronger and deeper relationships with your grantees. Ideally you want grantees to trust you enough to be completely honest with you about what's working and what's not working, so that you can help them and they can accomplish more. In the best case scenario, grantees feel comfortable to come to you with a problem – they need to increase their capacity, an executive transition is rocky, your grant is not going as expected but they have a plan to make course corrections. You have the ability to help them by identifying other sources of support or connecting them to people who can help, and in doing so you build bonds of trust.

Be conscious that, as a funder, you always have more power than nonprofits. Seek to mitigate that power differential by listening, learning, being self-aware of the impact of your requirements and demands, and being realistic with your expectations.

It's also important to build relationships with other funders, in addition to learning more about who is funding what. Other funders can also help you perform due diligence with grantees, identify other partners who might want to co-fund an initiative with you, and can share the wisdom they've earned from their own experiences.

Likewise, other partners like researchers or evaluators, experts in your interest area, or city or county officials will also become valuable allies in your work if you invest in building relationships with them.

Of course, building relationships takes time and requires an intentional effort on your part. Participating in membership or professional organizations can provide opportunities to meet and create relationships with other funders, experts or partners. Check out national funding networks, your regional association of grantmakers, local association of nonprofits, or other funder convenings around your areas of interest. Once you've identified people with whom you want to cultivate a relationship, take them to coffee or lunch to get to know them on a more personal level.

Regardless of the relationship you're building, always act with integrity. Listen to their needs, be humble, ask for advice and follow up on commitments. It's these "little things" that will allow you to build trust more quickly and reap the mutual rewards of the relationships you build.

Practice #3: Identify and leverage ALL your assets.

As a funder, you have much more to offer than money. Take some time to catalogue your full array of assets and consider how to employ those assets to fulfill your mission. Consider the different roles you can play, such as catalyst, broker, convenor or ambassador. For example:

- Connections – Who are the people you know, and how could you could make introductions or referrals for your grantees? Do you know other funders or donors who might be interested in supporting them? Are the accountants and attorneys in your address book a good fit to provide professional services? What about consultants who can help enhance capacity or guide a grantee in the creation of a new strategic plan?
- Knowledge and intellectual capital – What do you know about your community, about local politics, about other funders, about the issues? How and when can you share that information in ways that can support your grantees?
- Experience – Chances are, you have specific experience in certain areas that can translate to advice and guidance for grantees. For example, maybe you've led a scale up of a nonprofit to reach new markets. Or perhaps you're a closet policy wonk who can help inform a grantee's advocacy strategy. Offer your experience with humility and never force it on a grantee. When they're ready, you'll be there to share.

- Reputation – As a funder, your reputation, both personal and professional, individual and organizational, can help open doors for grantees.
- Physical space – Your board room, country club, even your house can provide valuable meeting space with just the right feel to bring together a grantee's staff retreat, or host an event or a quiet conversation between diverse community stakeholders to solve shared challenges.
- Investments – The choices you make about what you invest in can have a huge impact on grantees. Practices like mission investing and impact investing can boost the capacity and confidence of individual organizations or even entire fields.
- Convening power – The role of convenor is often overlooked by funders, but you have an unmatched ability to bring together either disagreeing factions or would-be partners in a safe, neutral and controlled environment. You can also provide facilitators or mediators to help move their conversations forward and enhance their outcomes.
- Ability to take risks – Foundations are often hesitant to try new ideas and learn from them, because they seem to operate under the assumption that failure will somehow discredit them. But as one of my favorite foundation CEOs says, "If this doesn't work, are people going to stop coming to us for money?" You have broad latitude in which to take risks. Use it.

Practice #4: Adopt an abundance mentality rather than a poverty mentality.

A poverty mentality stems from a misguided belief that maintaining a Spartan operation equates to delivering value for grantees and communities. An abundance mentality is a belief that internal investment is important, and the more you put into your operation, the more you get out of it. It's based on the belief that the more you put into life, the more you get out of it. An abundance mentality doesn't have much to do with money – but rather with outlook and attitude. If you think small, you will act small, and your results will be small.

Examples of the poverty mentality abound in philanthropy. For example, I once spoke with the head of a women donors organization. They wanted to triple the number of women donor members, and dramatically influence hundreds of millions of dollars in annual giving of these women so that their philanthropic gifts focused on the issues this organization cared about. They had no idea what percent of their current donors' philanthropy was already supporting these issues, nor how much influence they had on these donors' decisions, nor what were the most effective ways to influence them to give more. They needed this baseline information to meet organizational goals, but balked at the idea of spending $50,000 or $75,000 to find it out. Their response was, "We are just a small organization so we can't afford it." They lost out on raising hundreds of millions because they felt too poor to invest in themselves.

Foundations with an abundance mentality ask questions designed to move their work forward:
Who are the TOP experts in the country or world who can advise us? How much more impact could we have if we invested additional staffing capacity to our initiative? Who are the best people we can get and what is the most strategic use of their time? If our program was to become a national model, what would that look like? What can we put in place now?

Adopt an abundance mentality and invest in your staff and staff skills, your office, technology and communications so you can learn more about your field, empower your team, and make grants more effectively.

Practice #5: Streamline your philanthropy.
Identify ways to streamline your application and reporting processes, your board meetings and other practices to reduce the burden on nonprofits and yourself. Think about what is the easiest, most simple, most streamlined way of going about everything – especially if you've been doing it the same way for years.

I recently saw the proposal guidelines of a large foundation in California Bay Area. They were 14 pages long. The proposal only needed to be 8 pages but it took 14 pages to explain it. And all that for a $50,000 grant. Another client gave its board a 300-page binder of information for each board meeting. After realizing they were needlessly overburdening both their program staff and their board members, they figured out a way to reduce it to a mere 30 pages. Another foundation realized it wasn't doing anything with final reports from grantees, so it decided to curb its reporting requirements rather than waste its grantees' time.

To streamline your processes, ask: What do we really need, and what is the most efficient and useful way to get it? Then, check in with yourself every few years, and ask grantees for feedback as well.

Practice #6: Test, learn, improve, repeat.
Learning from your grantmaking is important, but it isn't that helpful if it's only happening inside your head or the heads of your internal team. Learning should be intentional and shared. Based on what you learn, you should make specific improvements or modifications, or even drastic changes.

To be intentional, you need to make room for reflection. Create some systems, processes, plans or timelines that will allow you and your colleagues to reflect on what you are learning, discuss it, document it and make decisions. For example, once you've come up with your new funding guidelines and process for how your board will review proposals and make decisions, commit to a conference call after the first few rounds to find out how the process went and what can be improved. Or, suppose you heard about a new best practice in providing mental health service for returning veterans and you want to replicate it. Convene your grantees after one year to find out what's working, what's not, what can be improved.

Learning from grantmaking isn't rocket science and you don't have to hire an evaluator to tell you what you've learned. Just be intentional, plan to learn and be willing to share what you learn with your entire staff and board — or better yet, your philanthropic peers.

Practice #7: Become knowledgeable about your issue.
It's a pretty safe bet that, whatever your focus or issue, someone has already been playing in that sandbox. Before you make grants, scan the landscape of your chosen issue or community to find out what's worked so far, what hasn't worked, what the gaps and opportunities for impact are, and who else is working on the issue.

9 Smart Practices of Savvy Grantmakers, continued

Nothing alienates a community or potential partners like a funder who comes into the room with all the answers. You'll make far greater strides and align more valuable allies if you lead with questions and a genuine desire to learn.

You'll also be seen as a valuable ally if you bring further knowledge into the mix. Can you access or underwrite national or regional research that can help inform everyone? Can you bring in speakers or consultants who can add to everyone's knowledge about the issue?

Practice #8: Provide general operating support.

Even if you are focusing on a particular issue, consider providing core operating support rather than project support. General operating support allows the organizations that are on the front lines to adapt to shifts in need, respond to crises, take advantage of unforeseen opportunities, invest in their own capacity building, and further their own staff and leadership development.

Operating support isn't sexy, and the direct results of your giving can be hard to quantify, but it also can be the funding that allows an organization the breathing room it needs to develop the next highly effective solution to a community problem. It may be helpful to think of operating funds as investments in overall success.

Practice #9: Trust your instinct—and follow it!

If you feel doubt about the skills or integrity of the executive director of a nonprofit, or you admire the positive culture of a particular group even though it may seem less sophisticated than others, pay attention to those hunches. At its most basic level, grantmaking is about human relationships. Your gut reactions to people and situations can be a valuable tool for determining what feels "right" for achieving your foundation's mission.

There are many ways to become a more savvy grantmaker. This list is just a start, but don't let these nine points overwhelm you. Start with one, or three, and grow your abilities from there. Need help or more ideas? I'm always just a phone call or email away! Feel free to contact me any time at kris@putnam-consulting.com or 800.598.2102.

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