



From Essential to Savvy: *Key Practices for Effective Grantmaking*

The options for effective grantmaking are more varied today than ever. What used to involve simply making financial gifts to qualified nonprofits now has grown to include public-private partnerships, social impact investing, program-related investing, crowdfunding, and many more avenues for achieving a foundation's mission. Whether your foundation is just getting off the ground or has a venerated history that's about to enter a new phase, you'll have many choices to consider as you plan your way forward.

However, there are some basic core practices of grantmaking that should never go out of style, regardless of a foundation's grantmaking process, capacity, culture or history. While not every foundation will use every element in the list below, each can add value to the philanthropic process and increase overall effectiveness. Therefore, each should merit close consideration.

The 11 core practices for effective grantmaking are:

1. Understand Your Mission and Vision

It's hard to make effective grants if you're unclear about what you're trying to accomplish. Your foundation's mission and vision should leave no doubt about that. Mission is your foundation's core purpose – it's why you exist and targets the need you are addressing. Vision is the future you desire – it paints a picture of how the community or the world will be different if you succeed in achieving your mission.

How do you develop a mission and vision? It can be driven by the passion, interest or value of those who established the foundation, but should also take into account the actual needs within the community the foundation serves and how those needs might be prioritized. For example, your founder may have a passion for women's health, but in the community the biggest needs for women's health may be around domestic violence or unplanned pregnancies rather than clinical issues.

To identify and prioritize needs, you might call on a number of resources — from your own past experiences with grantmaking, to the services of experts who can conduct an objective scan of needs, to community input and engagement.

2. Assess Your Capacity to Accomplish Your Mission

Take a look at the people, knowledge and expertise you currently have within your foundation. What are your intellectual assets and where are the gaps you'll need to close? Ask yourself these questions:

- **People** – Who are the people involved in your foundation and what roles do they want to play – as board members or as staff. Who are your trusted advisors?
- **Knowledge** – What do you collectively know about the issues you care about? Do you know where to get additional information or do you need help finding or creating it?
- **Expertise** – Does anyone involved in your foundation have experience in grantmaking and in the issues that you care about?

Given what you are trying to accomplish, you may need to increase your board and staff, increase your administrative capacity so that the board and staff you do have can become more effective, or scale back on your mission to stay within your capacity to create change.



3. Determine Your Funding Focus

What will you fund, and what will you not fund? Depending on your mission and capacity, your focus could include broad program areas such as health or education. Or, it might be concentrated in specific areas like increasing access to high quality early childhood education.

In general, there are three potential levels of change you can effect, based on your capacity: people, organizations or fields. So, for example, if your interest is substance abuse treatment, you could fund programs that provide treatment (people), OR you recognize that the organizations that provide substance abuse treatment are operating on a shoestring and need help with staff training, strategic planning or board development so you provide funding to improve their operations (organization), OR you realize that the stigma of substance abuse prevents people from getting help so you fund a national communications campaign to reduce the stigma (field).

What you want to fund may also inform where you'll place your funding focus – locally, statewide, nationally or globally – and vice versa. If you want to create change for individuals in the substance abuse example above, you may decide to start in a single community. If you're bound by geography but want to participate in a national effort, then you may need to support participation of local organizations in national networks. The key is to find the most appropriate (or creative) nexus of what and where to serve your mission.

4. Determine How You'll Find the Organizations to Fund

Once you know the kind of work you wish to support, how will you find the organizations in which you might invest? Typically, funders take the road of accepting solicited or unsolicited proposals. Solicited proposals are those invited by the funder from organizations they've proactively identified as effective in their work, aligned with the funder's mission and potentially good partners. Unsolicited proposals are gathered through an open proposal submission process in which any organization is free to apply for funding, based on your advertised criteria.

There are pros and cons to unsolicited and solicited proposal strategies, and many foundations incorporate both in their grantmaking, depending on what they wish to fund and where. For example, foundations that wish to focus on a specific, evidence-based intervention to address a community need may use a solicited strategy to reach out to a few select organizations that have demonstrated their prowess in deploying that intervention. On the other hand, a foundation that genuinely wants to engage community at the grassroots level to strengthen that community's capacity may invite any organization to apply for funding in hopes of catching a number of small but promising community-based organizations as new partners.

5. Create Grant Strategies

What kind of funding will you provide (or not provide) to your grantees? Grant strategies can be as varied as the issues you address, but options typically include:

- Program support
- Core operating support
- Organizational capacity building
- Capital gifts
- Research
- Multi-year grants

The type of strategy or strategies you select will be defined in part by your area(s) of focus and the needs and capacity of your potential grantee pool. For example, if you wish to address a relatively rare medical condition or want to prove that a specific kind of classroom intervention works best for children with dyslexia, you may want to use research funding as a primary strategy. If you know that domestic violence shelters throughout your state are struggling with



daily operations and are unable to collaborate or think strategically, your best bet may be to fund organizational capacity or core support. And if you are passionate about feeding the hungry, then support for the programs that deliver services in your community may be the best bet for you.

6. Develop Grant Guidelines

Being able to clearly define how, to whom and for what purpose you will award grants does more than just provide applicants with a clear set of expectations; it also helps your staff stay focused and on point with the mission. In fact, a good set of grant guidelines clearly puts into writing all of the key decisions you've made to date: about your mission, focus of your funding, program areas, solicited vs. unsolicited outreach, and chosen grant strategies.

Remember, clarity is key for your guidelines. Being crystal clear means that nonprofit organizations can read your guidelines and know immediately if they are a good fit, which saves time and frustration for them. It also means that everyone involved in your funding decisions – whether inside staff or outside consultants or advisors – are in agreement about what you will or won't fund.

Remember, length is the enemy of clarity. The more concise and direct you can be in writing your grant guidelines, the clearer they will be for everyone.

7. Get the Word Out

Once you know your focus, your targets, your strategy and your guidelines, it's time to get the word out to potential grantees. How will you find them – especially if you want to use unsolicited grant invitations to a select few? Your board and staff will have some connections, but you'll most likely need to cast your net more broadly.

Basic forms of communication, such as a website, are helpful, but this is also a great time to leverage the connections of your grantmaking colleagues at other foundations. Take some time to explain your interests to them and describe the kind(s) of grantees you're looking for. Ask them to help point you to likely candidates for your solicited proposals or to networks or communities in which to promote your unsolicited application opportunity.

8. Design a Process for Proposal Review

Once the proposals start pouring in, who will review them and how? Proposal review processes can be as simple as a thorough read-through and vetting by program staff. Or, depending on the nature and size of the grantmaking strategy, might also include a pre-screening process with staff or community advisors, site visits to potential grantee locations and/or a group discussion process to discuss the merits of each.

Whether simple or complex, every proposal review process must include due diligence. This can mean simply verifying that the applying organization is indeed a 501(c)(3) nonprofit, or it can mean reviewing audit information, confirming that staff and/or board members of the applicant have significant background checks on file or asking for copies of operating agreements between co-applicant partners.

Keep in mind that every step of the proposal review process will add to the burden for both your staff and your applicants. Site visits in particular require a deeper level of planning and preparedness to ensure that both you and your grantseeker make the most of your time together. So before you add a step to your process, consider its value and purpose in helping you choose your grantee partners.

9. Create a Process for Board Review & Decisionmaking

What information will your board need to make a responsible decision about your grant recommendations, and how will you supply that information?



There are many horror stories from program staff about the time and reams of paper that go into preparing a board docket. We all know those thick dockets don't get read, and all the time spent assembling them could have been better spent on other tasks. Work with your board to determine how much information they want and need to do their duty, and resolve to give them not one scrap of paper or one extra email more. Allow board members to decide whether they want to receive their board meeting materials in paper form or electronically.

When your board convenes to make its decisions about grants, how will you make sure their discussion is efficient and effective? What kind of information will you share with them during the meeting – a complete set of information or a summary? Who should facilitate their discussions? Will the final decision be made by vote or will it require consensus? The answers to these questions can vary, but it's important to make sure they are based on clear decision criteria that reflect your grant guidelines.

10. Award Grants

Once your grant decisions are made, consider how you'll notify grantees. Will it be an email or a phone call, or is a formal letter more your style? Once you've shared the good news, be sure to have a grant agreement letter or contract that both you and the grantee sign before money is disbursed. This agreement should specify the amount awarded, the purpose, the payment terms, reporting requirements and any other "non-negotiable" aspects of your work together as funder and grantee. The grant agreement is a legally binding document, so be sure to have your attorney review it carefully before use.

11. Create Grant Reporting Requirements

Once you've gone through the process of choosing grantees and have invested in their success, you'll want to learn what they've accomplished. Grant reports help you assess their progress, understand the reality of the work in which grantees are engaged, and help you generate lessons learned that can help you, your grantees, and others in the field to hone expectations and improve impact.

Writing and reviewing grant reports add an extra burden for you and your grantees, so be sure that you keep them as simple as possible. Focus on what is actually useful to know and leave the sidebars and extraneous details behind. Reports can be as simple as a single page or a series of short answers to specific questions. If you find your requirements too long, it may be that you're not sure what to ask – revisit your mission and focus to clarify and streamline.

Also, remember that grant reports don't have to be written. Consider conducting a formal post-grant interview, record a video debrief, or just take notes during an informal conversation over coffee. The important thing is to document what counts, in whatever way makes the most sense for you and your grantee.

Customize Core Practices for Effectiveness

Now that you know the core practices, it's time to adjust them to your foundation reality. Use them as a guide to create a process that is meaningful to you and fits your needs. It's okay to learn along the way — in fact, it's a sign that you're increasing effectiveness. For example, you might think site visits are a great idea at first, but then learn they are too time consuming and board members really can't commit to them. If that's the case, change your approach. Don't like the information you're getting from grant applicants? Change your guidelines. For any of the 11 core practices, the key is to consider how they benefit your foundation and make them yours!



9 Smart Practices of Savvy Grantmakers

Maybe you've been around your foundation for a while and 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.

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.

A portion of the content in this white paper is adapted from a training developed by Exponent Philanthropy, which the author presented in 2015. To learn more about other trainings offered by Exponent Philanthropy, visit their website.

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