



# Smart Grantmaking for Small Foundations



Mary Berryman Agard



## Smart Grantmaking for Small Foundations

### What and How

In my neighborhood, a rash of home invasions led to a neighborhood association meeting with the local police, who asked for neighbors' help in "hardening homes against invasion." One of the recommended steps was keeping front and back porch lights lit all night; I came home from the meeting prepared to change our family protocol. That very day, I added turning on the back porch light at sunset to the sunset routine. Oddly, over the course of each evening, I would find that light switched off again several times.

After a few days of growing frustration, my husband and I realized he was turning off the light in an effort to conserve energy, while I was turning the light on to cooperate with the neighborhood safety initiative. Saving energy is good; promoting neighborhood safety is good. Not having agreement on what the household is trying to do is silly. Our solution was one quick conversation about *what* we were trying to do and *how* we were going to do away. In the end, one inexpensive, energy saving porch light fixture was all it took.

Similarly, among foundations the questions of *what* the foundation is trying to do and *how* the foundation will accomplish its hopes are critical. Most foundations have a mission statement that broadly outlines these basics. But in order to do an effective job in grantmaking, foundations need tools that connect the big picture (the *what*) with the investment of resources via grant awards (the *how*).

In many mid-sized and large foundations, comprehensive program policies frame any number of granting categories. In smaller foundations with simpler giving programs, the same clarity can be accomplished by taking steps to develop a thoughtful set of funding guidelines including a statement of purpose, rules of eligibility, and funding criteria.

### Who's On First?

There is an old joke that goes like this: An ordinary man is asked by his boss to name the most important invention of the 20<sup>th</sup> century. The man immediately chooses the Thermos bottle. "Why the Thermos?" asks the very surprised boss. "Because," says the ordinary man, "the Thermos keeps cold things cold and hot things hot." His boss remains befuddled and asks, "But what's so special about that?" "What's so special about that?" the man replies incredulously. "Here's what: *how do it know?*"

There are two reasons people have laughed at this joke for years. The first is the naïve personification of the Thermos as a sentient being; the second, more subtle reason is that the boss and the ordinary man have evaluated the concept "most important invention of the 20<sup>th</sup> Century" differently. As listeners, we share the boss' assumption that importance has to do with broad societal impact. We are amused to learn that our assumption is erroneous. To the ordinary man, importance has to do with wonder.

This joke is a reminder that bringing different people with different experiences together to make thoughtful decisions is something of an art. Anyone who has ever sat on a board or committee charged with deciding how to allocate grant dollars understands this challenge.

If your foundation's grant making process evokes feelings of frustration at decision time (for example, if you hear a lot about apples and oranges), you

might want to take a second look at your funding guidelines and materials and how you are using them.

A good set of funding guidelines is like a wheel that rolls the grant making process along from beginning to end. Taken together, their job is to

- Ground the foundation's trustees in its basic purpose for giving;
- Define the universe of those welcome to apply;
- Clarify the basis for decision-making among both applicants and trustees;
- Determine the design of the grant application;
- Create order and clarity in the discussion of grants under consideration; and
- Provide a basis for evaluation.

### Preserving Flexibility

Small foundations can be very agile, especially when compared to larger foundations; guarding their flexibility is certainly worthwhile. Sometimes, there is an urge to resist rules of eligibility and funding criteria as a way of preserving flexibility. That's misguided; it allows the flexibility a foundation needs very occasionally to confound the more regular need for clarity.

The simplest solution to this dilemma is to precede rules of eligibility with the magic words "In general ...." followed by language that suggests how exceptions are made. That way, when an important, outside-the-box application comes around, or an unforeseen local opportunity or crisis arises, your foundation has the flexibility it may require.

To preserve flexibility, rules of eligibility and criteria can be framed with language like this:

**In general, applicants must meet the following rules of eligibility and criteria. Under extraordinary circumstances, non-conforming applications may be considered at the discretion of the foundation. Non-conforming applicants should submit a letter requesting permission to apply.**

## Articulating Purpose

Let's say The Doe Foundation has been making operating grants (grants to support on-going costs of operation) to area neighborhood centers for some time. Now, as the community grows, word of the foundation's supports for neighborhood centers is out, and many more centers are coming forward. Because its resources are limited, the Doe Foundation needs a way to choose among these applicants wisely.

After some discussion, the Doe Foundation's imaginary trustees find that they share a pretty clear sense of purpose for this grant program. They develop a simple written statement. It reads

### **The Doe Foundation Neighborhood Centers Program**

#### **Statement of Purpose**

**The Doe Foundation builds community by using its resources to help sustain exemplary neighborhood centers.**

## Who is Invited?

As with the ordinary man and his boss, at the Doe Foundation, further discussion reveals different trustees have different ideas about what “exemplary” means in this context.

One trustee prefers to support the centers serving the highest percentages of impoverished families. Another prefers to support centers that can document academic advances among afterschool program participants. A third trustee thinks supporting those centers with the largest numbers of local volunteers makes the best sense. The fourth thinks supporting those with reserve funds makes no sense when other applicants are running deficits. The final trustee thinks that reserve funds are marks of organizational sustainability and should be rewarded.

There is nothing entirely wrong with any of these notions, but in order to avoid switching the porch light on and off forever, The Doe Foundation needs clarity.

Well-designed funding guidelines help shelter decision-makers from being overwhelmed by the scale of need in relationship to the resources at their disposal. Fine-tuning or creating rules and criteria allows a shared view to emerge. Rules and criteria can be simple, but they must be concrete enough to be helpful.

For example, we might imagine the Doe Foundation writes new rules of eligibility for its neighborhood center funding program that, based on the aggregate opinions of its trustees, look something like this:

### **The Doe Foundation Neighborhood Centers Program**

#### **Rules of Eligibility**

- ✓ **The applicant is a neighborhood center providing high quality programs in a culturally relevant and competent manner.**
- ✓ **The applicant or its programs serve populations in Kracken County.**
- ✓ **The applicant is a not-for-profit corporation registered in the State of Glucoria.**
- ✓ **At least 25% of the directors of the corporation are consumers of the services offered.**

Rules of eligibility define who or what entities may apply for funding. In this model, the Doe Foundation has established a set of standards to set a benchmark for quality, define a geographic funding area, require a particular corporate status, and establish a minimum level of consumer participation in governance.

Rules of eligibility are equally important to the foundation and its applicants. From the foundation perspective, clear rules help reduce the burden of responding to applicants whose work is not consistent with the foundation's purpose. That improves efficiency at the foundation.

From the applicant's perspective, being able to distinguish wisely between funding opportunities is critical. For them, the constant burden of fund seeking is an on-going drain, consuming organizational resources and often fraying nerves. Clear rules of eligibility help potential applicants by allowing them to determine whether or not they fit into the foundation's pool of contenders. It allows them to focus their grant writing efforts where the prospects of funding are best.

## What Does it Take to Win?

Having and publishing funding criteria carry these gains a step further. Potential applicants that meet rules of eligibility can go on to review funding criteria, to see if their eligible organization is likely to be a competitive contender.

The trustees at the Doe Foundation have agreed on a statement of purpose and rules of eligibility. Now, they refine their thinking a step further, settling on funding criteria that reflect a blend of the trustees' individual views.

### **The Doe Foundation Neighborhood Centers Program**

#### **Funding Criteria**

- ✓ **The applicant serves impoverished residents with greater frequency than their presence in their general target area population. (10 points)**
- ✓ **The applicant offers afterschool programs with a documented ability to advance academic achievement among participants. (10 points)**
- ✓ **The applicant demonstrates strong local support. (10 points)**
- ✓ **If the applicant is currently operating at a deficit, its written plan for resolving the deficit is feasible and aggressive. (10 points)**
- ✓ **If the applicant has a reserve fund, it is not greater than the cost of three months' operation. The applicant provides a sound written policy regarding the fund's purpose and management. (10 points)**
- ✓ **The applicant is without either a deficit or a reserve fund, but has operated within a balanced budget for the past three years. (10 points)**

When considering proposed criteria, it is helpful to think about the kind of evidence that could support an applicant's claim. For example, in considering the

criterion above that states “The applicant demonstrates strong local support,” also think about what substantiating evidence could be provided. Do local matching funds alone meet this burden? Are written letters of general support sufficient, or is your foundation only interested in formal agreements for partnership? Are local volunteer hours and in-kind contributions good evidence of local support? Considering the question of evidence helps keep thinking and wordsmithing concrete.

## Connecting the Dots

Once a foundation decides on its statement of purpose, rules of eligibility, and funding criteria it is important to make that information easy to gather and use. First, organize your application form or outline to capture information about each rule of eligibility and each criterion separately. Even foundations using common grant applications can specify questions to parallel their rules and criteria.

The Doe Foundation, we have imagined, has created this rule: “The applicant is a neighborhood center providing high quality programs in a culturally relevant and competent manner.” As a result, its application form or outline should direct the applicant to

**Describe your neighborhood center and the quality of its programs, addressing the issue of cultural relevance and competence.**

Similarly, the Doe Foundation has created this criterion “The applicant serves impoverished residents with greater frequency than their presence in their general target area population.” So, the application form or outline needs to direct the applicant to

- A) Specify the proportion of the population within your service area living below the federal poverty level; and**
- B) Specify the proportion of those individuals served by your center living below the poverty level.**

It is critical to think about the balance of sufficiency and efficiency in gathering information. Generally speaking, it's a good idea to gather no more information than needed, to make an informed decision *consistent with the scale of the investment being considered*. Gathering too much information and gathering the wrong information are the most frequent design errors in grantmaking systems. Keep this rule in mind:

**More paper ≠ more accountability.**

Next, organize scoring or note sheets for trustees the same way. A simple sheet listing the rules of eligibility (with a yes/no option) and each criteria (with a spot for points awarded if you choose to use points) can help keep discussion on track and clarify the basis for decisions. Points can be used as either a guide to discussion (in which case trustees should score applications *before* discussion) or as a rating system on the basis of which awards are made (in which case trustees should score applications *after* discussion).

In many small foundations that employ staff or retain consultants, those workers are empowered to disqualify any applications deemed ineligible, saving the trustees time and energy. In any case, applications found to be ineligible require no further review.

The Doe Foundation rating sheet looks like this:

<b>Trustee Name:</b>		
<b>Applicant:</b>	<b>Date:</b>	
<b>Eligibility</b>	<b>Yes</b>	<b>No</b>
The applicant is a neighborhood center providing high quality programs in a culturally relevant and competent manner.		
The applicant or its programs serve populations in Kracken County.		
The applicant is a not-for-profit corporation registered in the State of Glucoria.		
At least 25% of the directors of the corporation are consumers of the services offered.		
<b>Funding Criteria</b>	<b>Score</b>	
The applicant serves impoverished residents with greater frequency than their presence in their general target area population. (10 points)		
The applicant offers afterschool programs with a documented ability to advance academic achievement among participants. (10 points)		
The applicant demonstrates strong local support. (10 points)		
If the applicant is currently operating at a deficit, its written plan for amelioration of the deficit is feasible and aggressive. (10 points)		
If the applicant has a reserve fund, it is not greater than the cost of three months' operation. The applicant provides a sound written policy regarding the fund's purpose and management. (10 points)		
The applicant is without either a deficit or a reserve fund, but has operated within a balanced budget for the past three years. (10 points)		
<b>TOTAL POINTS</b>		

Trustees should agree to discuss applications *within the boundaries established by the rules of eligibility and criteria*. This proves to be easier for some trustees than others.

Years ago, I staffed a very heated application review session in which one trustee vehemently and tenaciously opposed awarding a fellowship to an artist employed by a university. Her argument was “Professors have a job; they don’t need money.” Others present were equally adamant, saying “We don’t know anything about this person’s needs. Perhaps he is supporting dependent parents, a sick spouse, or many children. Perhaps he needs to take unpaid leave to finish his book. We don’t ask any questions about need *because it is not one of our criteria*.” The dispute was quieted only when all trustees present agreed to explore whether or not “need” would become a criterion for *future* fellowships.

From time to time an application triggers the realization that a criterion in place may be too narrow, or an additional criterion is needed. It is important to record these ideas for *later* consideration in a policy discussion. It is equally important to preserve the fairness of the process by *using the published rules and criteria for judging applications already submitted*. As any sandlot kid can tell you, you don’t change the rules when the game is in the final inning.

When an application is designed correctly, it guides applicants to make their best case for meeting each rule and criterion. Similarly, it allows trustees to make direct connections between the applicant’s responses and the foundation’s guidelines. Providing a rating or discussion sheet for each trustee helps establish boundaries during award decision discussions, keeping the peace and insuring consistent thinking and fair review.

## Are We There Yet? How Evaluation Works

Too often, small foundations think in terms of evaluating grantees' performance and forget to evaluate their own. Keep in mind that a foundation's investments via grants have a purpose. Periodically, it is important for the Doe Foundation to ask the question "Has the Doe Foundation built community by using its resources to help sustain exemplary neighborhood centers?" That is, has the current approach to grantmaking delivered stronger communities?

There are many ways to evaluate programs, ranging from simple trustee driven inquiries and observations to the hiring of independent, professional evaluators. Hosting a group of grantees to talk with trustees about the strengths and weaknesses of their partnerships with the foundation can be extremely helpful. Inviting members of communities your foundation aims to serve to help think about the effectiveness of the foundation's work can be revelatory. Conversations with other local leaders with a stake in the foundation's areas of interest are often rich and constructive. A foundation's choices will be shaped by their interest, their resources, and the expertise shared among their trustees.

At the Doe Foundation, after two years of employing the statement of purpose, rules of eligibility, and criteria imagined above, the foundation invested in consulting services to design, mount, and analyze an on-line survey testing neighborhood, human service, education, and civic leaders' satisfaction with their funding choices. They learned that most area leaders felt fairly comfortable with the foundation's choices, but also felt that some centers with strengths in serving elderly and disabled residents had been undervalued and, therefore, underfunded. That work led the foundation to expand its criteria, recognizing senior services and services for persons with disabilities as priorities in addition to afterschool programming.

Efforts to evaluate individual grantees should be grounded in a clear purpose. For example, is the foundation trying to capture;

- A simple sense of whether or not the grantee did what they promised to do;
- A clearer portrait of individuals served and the impact of services on them;
- A set of lessons from the field which might help advance practice; or
- A specific understanding of the impact of the foundation's dollars on the grantee's ability to accomplish its mission.

In choosing the kind of information you require for evaluation, remember that if the information is of value to the grantee (for example, lessons from the field or a clearer portrait of individuals served, above) the quality of the information submitted will be higher. If the information has value only to your foundation, you should expect less precise information from grantees.

*Foundations should not collect evaluation information they do not use.* It's an extremely common mistake and one that extracts valuable resources from the field. It can be useful to look at final reports from three or four past grants. If you've never seen them before, or they don't tell you anything that matters, it's a sign that you are collecting useless, or at least unused, information. Here's a reminder:

### **More paper ≠ more accountability**

*What a foundation asks of a grantee in terms of evaluative reporting should also be in scale with the grant award.* A grantee with a \$124,000 annual budget to whom a foundation gives \$46,000 can reasonably be expected to provide considerable evaluative detail. That same organization, if granted \$2000, should not be expected to provide extensive evaluative detail. Remember, in partnering with your foundation to accomplish shared goals, wise applicants consider the opportunity cost of any application, including reporting requirements.

Simple methods of evaluating grantees can include site visits by trustees, review of final written reports, careful reading and review of annual reports, and end of funding period appearances by grantees before the board for frank discussion.

Grantees and foundations are partners. *The most important thing a foundation can learn from evaluating itself and its grantees is how and why the foundation/grantee partnership is advancing or failing to advance a shared purpose.*

### Sticking Together

I once listened to a trustee who was contemplating making a grant worth less than half a percent of an organization's annual budget make demands on the applicant for a complete redesign of the organization's promotional plans. The trustee was not particularly well qualified regarding promotion. Still he lectured on and on. Sometimes holding the purse strings has a way of breeding pridefulness.

When all is said and done, foundations and their grantees must stick together. There are partnerships of resources, wisdom, and effort. Grantmaking foundations, whether large or small, can only accomplish as much as their grantees dare to undertake.

Although the trustees of small foundations are often very skilled people, they are less often experts in delivering the very programs and services that hold the promise of accomplishing the foundation's mission. More commonly, it is the leadership of grantee organizations that are good at defining the *how* of it all.

A bit of humility in this regard can help small foundations develop funding relationships with exemplary organizations. Asking and listening are great tools in maintaining strong partnerships and meaningful funding policies.

Where foundation/grantee relationships are strong, mutual respect is palpable. The people engaged in these relationships grow in knowledge. Camaraderie creates energy to go on about the work with joy. And where there is joy, hope, the shared business of all foundations, thrives.