11 Essential 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 be 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.

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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.

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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!

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.

The above article 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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