



# WHAT YOU NEED TO KNOW

## Comparing Grantmaking Strategies

July 2008



COUNCIL *on* FOUNDATIONS



## Comparing Grantmaking Strategies

**M**ost community foundations operate a competitive grantmaking program that is responsive to their community—meaning foundations make grants in response to requests received from those seeking grants. At times, however, you may ask: Is this approach the most effective use of our philanthropic dollars?

Some community foundations believe the answer is no. They spend time debating where and how their grant dollars can make the most difference, and if you asked 10 different community foundations this question, you would get 10 different answers on which approach works best.

There are many different strategies when it comes to grantmaking, and it's difficult to know which one will be the most effective.

It helps to think of grantmaking strategies along a continuum and to choose different approaches at different times, depending on the results you want to achieve. This resource will present some of the most common grantmaking strategies—what they are, how they are used, and what questions you and your colleagues want answered.

### Grantmaking Strategies

When it comes to grantmaking strategies, there are five common models. A number of community foundations employ these strategies—some simultaneously—to achieve multiple goals. The models listed below are not mutually exclusive but offer grantmakers a continuum of choices:

#### MODEL 1

Responsive grantmaking involves providing grants to accommodate requests from nonprofits for programs that fall within a community foundation's mission and guidelines; responsive grantmaking means reacting to the needs of

the local community. A responsive foundation is primarily concerned with today's needs and the different ways it can support and meet those needs. The foundation waits for proposals and is less likely to initiate new programs, instead preferring to be completely receptive to nonprofits that contact the foundation.

Example: Many community foundations offer nonprofit organizations an opportunity to submit a funding request through a community-wide process. Applications may cover a broad spectrum of issues and are reviewed on a competitive basis.

#### MODEL 2

Strategic grantmaking is a broad umbrella term for a foundation that directs grants to address specific community needs with a defined impact in mind. A strategic foundation isn't limited to one grantmaking model. In fact, it may engage in many approaches—proactive, initiative, collaborative, and even responsive grantmaking can be considered strategic—as long as these approaches work toward creating a planned result. The community foundation's board shapes the grantmaking program around the change or benefit the board hopes to accomplish, rather than make grants randomly.

Example: A community foundation takes a look at the most pressing needs in its community and discusses how its grantmaking can bring about positive change. The board and staff plan and establish goals for the foundation's funding programs, the types of grants they will make, and the outcomes they seek.

### MODEL 3

Proactive grantmaking involves identifying organizations or programs that target specific issues that foundations are interested in and want to fund over a three-to-five-year time period. To solicit organizations, foundations will either issue a request for proposal (RFP) or contact the organization directly. Grantmakers who follow this model are usually interested in systems change, policy, and/or policy development work.

Example: A community foundation learns that adult literacy rates in its region have fallen below the national average. It targets three organizations in the community that work in this area and awards them grants with specific outcomes in mind.

### MODEL 4

Initiative grantmaking involves launching a specific grantmaking or community leadership effort—a call for foundations to assume a leadership role with a focus on new ideas or what “could be.” Initiative grantmaking goes one step beyond proactive grantmaking. This approach may involve convening or collaborating with additional funders, community partners, and/or key stakeholders—investing significant money and time, including staff and volunteer resources, to address a specific issue. The emphasis is usually on problem solving and establishing achievable outcomes to demonstrate a clear return on investment for donors and the community.

Example: A community foundation wants to decrease the homeless rates in its region. It brings together organizations working in this area—experts on homelessness—and other funders to discuss the need and possible ways to help. Based on a productive meeting, the foundation initiates a collaborative funding effort with specific outcomes.

### MODEL 5

Collaborative grantmaking involves working with other funders on specific areas of interest that all agree to mutually support. This method may involve either making grants from a fund established at the community foundation to which a variety of funders contribute or bringing together a group of funders on a project or issue. It could also involve other funders supplementing the awards made by the community foundation.

Example: A group of funders finds it has a similar interest in combating HIV/AIDS. The funders draft an RFP and then jointly review the grant proposals, make recommendations, and fund those organizations that they agree on.

The grantmaking models listed here are just that—models. Some community foundations choose a middle ground, while others take a variety of approaches for different circumstances. As you consider what your foundation is doing today and what it hopes to do in the future, remember this: There is not a right or wrong answer.

## Frequently Asked Questions

### How do we solve how to focus our grantmaking?

There are a number of methods that can be used to determine the needs in a community and how to prioritize among them. This involves scanning the community to gain a greater understanding of the community’s needs, opportunities, and resources. Below are some of the most common methods:

**Community needs assessment** is a strategic scan of the community to identify the gaps in services and resources, and prioritize those needs. This approach may involve conducting site visits, meetings, surveys, and research. Some community foundations hire outside surveyors to do the needs assessment, as it can require a lot of staff time and resources. Others rely on community assessments that have been conducted by other organizations.

## ON FOCUSING GRANTS

“We are preparing to do a community needs assessment based on focus groups and interviews with community leaders. The needs uncovered will in part determine how a percentage of our grants will be directed.”

— Denise K. Spencer, President and CEO,  
Community Foundation of the Lowcountry

- **Community report card** identifies specific indicators of community need, tracks changes in those indicators over time, and highlights trends that are positive as well as areas of concern. See *A Summary of The Boston’s Indicator Report 2004–2006* [pdf] and the *2006 Jackson Community Report Card* [pdf].
- **Focus groups and listening sessions** occur when a community foundation invites a group of people to a session to glean information and get their perceptions about a specific issue. Rather than define one area of discussion, foundations can also hold listening sessions for community members to speak openly. Focus groups and listening sessions can be held separately or as part of a larger needs-assessment process.
- **Commission research** by working with local college or university research departments or by hiring outside experts to conduct research on a specific community need or opportunity.
- **Attend meetings** and look to existing collaborative organizations, advisory committees, or working groups to learn about different views on community needs. A lot of information can be learned just by being involved with your community—whether in a professional capacity or a personal capacity.

- **Read the newspaper** to learn about recurring issues. Survey the local papers and identify potential roles in which a community foundation might help. This is a simple and cost-effective way to continually scan the community.
- **Talk with other funders** and ask your colleagues about the gaps they see in funding and if there are potential areas where you might work together.

**Idea:** Once you determine the foundation’s major areas of focus, prioritize them to decide what percentage of your total grantmaking dollars will be allotted to each area.

## What selection criteria should we consider for long-term proactive grants?

The selection criteria will vary depending on a community foundation’s mission and goals, as well as the specific proactive initiative. However, for long-term proactive grants, some community foundations look for organizations or programs that:

- are not already being addressed or addressed satisfactorily
- are appropriate in scale and scope, and can be accomplished in a realistic, finite time frame
- can make a huge difference
- will result in a visible and measurable impact

## ON INITIATIVE GRANTMAKING

“We try our best to bring the ‘experts’ together to promote statewide collaborative community initiatives. We do this by hosting multiple conferences and workshops across the state. These public forums usually revolve around a topic that has already been identified through a community assessment or by local nonprofits.”

— Samin Dadelahi, Senior Program Officer,  
Wyoming Community Foundation

## What should we think about when deciding to become more proactive?

Realizing that it's a long-term commitment. Before engaging in proactive or initiative grantmaking, be sure you have:

- the organizational capacity to see it through
- the commitment of your board and staff
- the know-how to measure success

As any proactive grantmaker will tell you—if you want to see results, you must be willing to stick with your strategy for a minimum of three to five years.

There's something else to consider when choosing to become proactive—cost. Ask yourself the following questions:

- How much of our unrestricted dollars will go toward proactive grantmaking?
- Are we prepared to go three to five years on the same project?
- What kind of costs will we incur to train the community foundation staff?"
- Finally, consider how proactive grantmaking affects the nonprofit community. If your foundation has been practicing responsive grantmaking for years, will a shift to proactive grantmaking leave any other organizations you fund in the lurch? And if you *do* fund a grantee long term, what is your exit strategy for gradually removing them from the grant later?

## When should our foundation take on a leadership initiative?

Before stepping into a leadership role, be clear on what it will mean for your foundation. Take the time to:

- determine whether the work is consistent with your mission
- research the issue at hand
- assess what kinds of roles the community foundation might play

- determine the level of commitment from board and staff
- determine if there is another organization already doing similar work
- explore potential partnerships
- determine the risks of doing the work vs. not doing the work
- determine how much it will cost
- consider how doing the work will affect the community foundation's image

## How do we decide when to take risks in grantmaking?

The best advice: Look before you leap; but don't limit yourself. First, determine what risk means to your foundation. It could be considered risky if:

- funds are not used as intended
- the impact you expect will not be achieved
- the activity causes more harm than good
- the grant or program brings negative PR

To make your decision (or help board members make theirs), weigh the risks against the potential benefits. Ask yourself: What would happen if we *didn't* fund this organization/program? Is it more risky to invest in this project or *not* to invest in the project?

Before awarding a grant to a new or unproven program, you might consider the following:

- Has the applicant identified a target population?
- Is the need legitimate?
- Are there other organizations in the community carrying out the same or a similar project?
- Is there research that shows the proposed project has been successful in other places?
- Are there adequate and trained personnel to carry out the project?

- Does the organization demonstrate the ability to raise enough money to complete and sustain the project?
- Does the organization have the capacity to undertake the project?
- Does the community foundation feel confident in the organization?
- Keep in mind that risky grants may require more mentoring and monitoring from community foundation staff. Be prepared to make changes along the way. Also, make sure you have an exit strategy—it's your way out if things go bad.

**Idea:** Ask your board members to estimate the percentage of discretionary funds they would be willing to apply to risky grants. You may be surprised by their response.

### ON TAKING RISKS

"We always tell our grants committee: We need to make some high-risk grants all of the time, or we aren't doing our job—especially if the potential impact is great or if there isn't much work being done in that area. Because they are high risk and could have a higher failure rate, we don't want to overcommit to these projects either. If the grantee asks for high dollars and the risk is high, we might suggest the grantee bite off a smaller chunk so that we can get to know them and they can build capacity in a little safer way."

— Ann Van Tassel, Vice President, Finance,  
Community Foundation Muskegon County

### How can we involve donors in grantmaking?

There are many ways to involve both current and potential donors in grantmaking, no matter the approach. Below are some ideas:

- Brief donors on areas of community need, both in person and in printed materials (newsletters, bulletins, fund statements, and your website).
- Invite donors to serve on foundation advisory committees or a special grantmaking project.
- Invite donors to foundation and/or community meetings, site visits, and grantee presentations.
- Give donors the opportunity to learn about and become involved in community issues.
- Know your donors—determine and track their interests over time so that you can bring a specific opportunity to a donor who may be interested.

### Ask Yourself:

- What decisions have we already made in our grantmaking approach?
- What is the rationale for those decisions?
- What new choices should we consider?
- How often should the board revisit the foundation's grantmaking approaches to determine whether they continue to serve the organization's mission and goals?
- How are we going to determine the opportunities for the greatest grantmaking impact?
- What expectations and outcomes will we attach to our funding?
- Do our grantmaking outcomes meet our goals as a foundation?
- How can we determine the impact of our grantmaking strategies?

## Resources

**“Community Catalyst: How Community Foundations Are Acting as Agents for Local Change.”** This paper [pdf] presents the experiences, successes, failures, and lessons from the work of several community foundations. The James Irvine Foundation, January 2003.

***Eyes Wide Open: Deciding When to Launch a Community Initiative.*** This guide gives community foundations helpful information on what due diligence should come before launching a community initiative. The third in a series, the paper comes from the experience and evaluation of the James Irvine Foundation’s Community Foundations Initiative. The James Irvine Foundation, July 2003.

**“Making a Difference: A community impact series.”** This free online series offer workbook exercises and resources to increase the impact of community leadership and grantmaking. The six sessions include tools on assessing community needs and opportunities, creating and executing strategies, and communicating the results of your work. Center for Community Foundation Excellence, Council on Foundations.

***Scanning the Landscape: Finding Out What’s Going On In Your Field.*** Download the guide to learn how to get started with a scan, explore benefits and methods of using a scan, understand how to ensure diverse input into the scan, and discover ways a scan can contribute to the field and inform people of your objectives. Grantcraft.

For further information email  
[community@cof.org](mailto:community@cof.org) or call 703-879-0600.



**COUNCIL *on* FOUNDATIONS**

2121 Crystal Drive, Suite 700  
Arlington, VA 22202

[www.cof.org](http://www.cof.org)