

Guides

Three principles for effective grantmaking: part 1

Maximising the impact of your
corporate giving.

This guide introduces three key principles for effective grantmaking and outlines best practices to improve the process for corporate philanthropy. The first in a two-part series, this guide focuses on the pre-award stage and does not cover the award or post-award process.

Key takeaways

- A sponsorship is a donation of cash or in-kind goods and services and is a quick way to deploy resources. Recipients can use the donation with a high degree of freedom.
- A grant is a more involved vehicle that is employed when an organisation wants to exercise influence over where, how, and to whom its resources are directed. Grants are usually governed by a budget, scope of work, or other defined parameters.
- Three principles to improve pre-award grantmaking process are: clarify and stick to your goals; do not confuse grant making with contract tendering; and approach applicants as co-investors, not as vendors.
- Social returns and the means to achieve them differ vastly from shareholder earnings.
- Reducing the application requirements for organisations responding to your call will yield plentiful and strong proposals.
- Partnering for success means structuring your relationship in a way that does not distract from delivering results and instead nurtures growth.



Introduction

Corporate giving among Fortune 500 firms exceeds \$20bn a year. While these budgets for 'doing good' seem large, they are dwarfed by the size of global development needs. The United Nations estimates that to achieve the Sustainable Development Goals (SDGs) by 2030, it will require additional annual spending of up to \$7trn. While much of that will come from governments in developed nations, a significant shortfall remains.

The private sector and corporate philanthropy can play an important role in plugging the development funding gap. In order to stretch budgets further, corporate givers must also ensure that the ways in which funds are deployed maximises impact.

Corporate philanthropy is typically carried out through two vehicles: sponsorship and grantmaking. Sponsorship is commonly a donation of cash, in-kind goods, or services and is a quick method of deploying resources. Grantmaking, however, is a more involved vehicle employed when an organisation wants to exercise influence over where, how, and for whom its resources are used. The key defining characteristic of sponsorship is that it is generally 'no strings attached' and the recipient can use the resources with a high degree of freedom. Grants, on the other hand, are usually governed by a budget, scope of work, or other parameters. Both vehicles can support impactful giving but as sponsorships are less complicated, this guide will focus on the key elements needed to support effective grantmaking.

Sponsorship versus grantmaking

There are key differences between these two models of corporate philanthropy.

Sponsorship

Examples

- Naming a building
- Funding a sports team
- Endowing a professorship

Grantmaking

Examples

- Employment training programme
- School counselling programme for at-risk youth
- Subsidised housing for low-income families

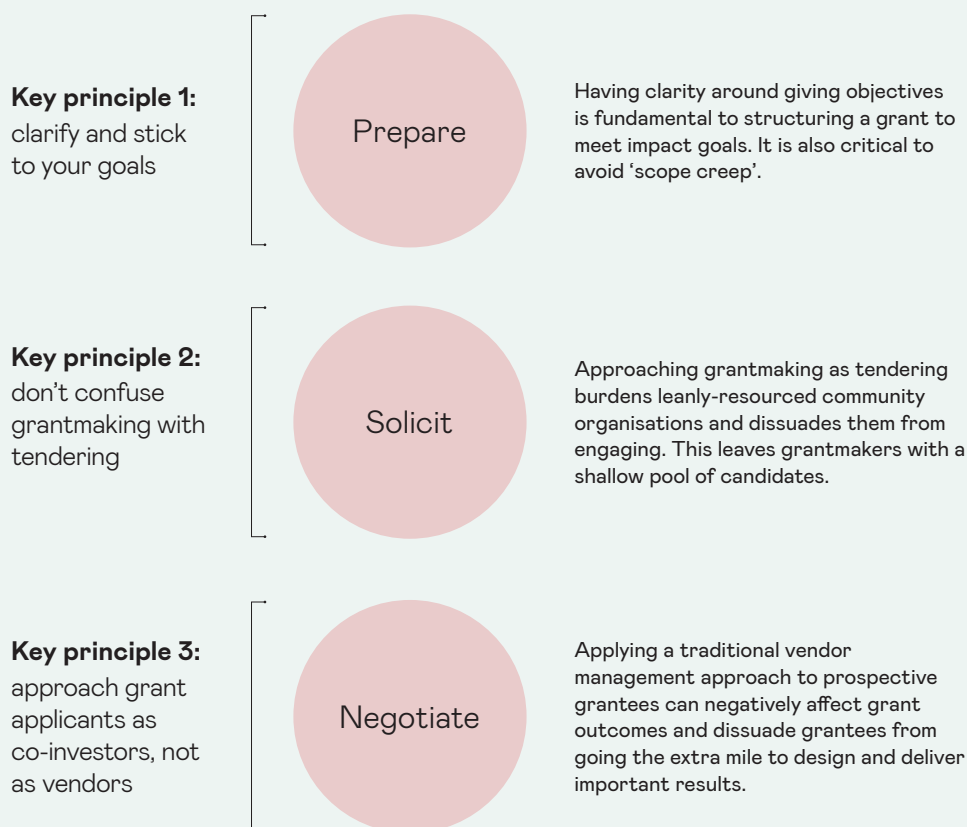
Fundamentals

Upholding the following three key principles can improve each stage of the basic pre-award grantmaking process:

- Clarify and stick to your goals
- Do not confuse grantmaking with tendering
- Approach applicants as co-investors, not as vendors.

Pre-award grantmaking: improving the process

Support effective grantmaking by following these three key principles.



* Stages can occur simultaneously, rather than chronologically.



Key principle 1: clarify and stick to your goals

Why this is important. Having clarity around your giving objectives is key to structuring your grant to meet impact goals. It is also critical to avoid scope creep. This is the frequent adjustment of the deliverables covered by a grant, often due to lack of clarity and focus around objectives. Another common trigger is the desire among applicants to please the grantmaker by bending to every request during the application process.

Scope creep is disruptive in the pre-award phase because it creates a 'moving target' that can be difficult for applicants to meet. It causes a distraction, reducing the likelihood that proposals will be delivered on time, in budget, or at all. While it is noble to augment your scope, doing so as part of an existing grant process can detract from your original goals and even jeopardise the quality of your programme.

Best practice. It is perfectly acceptable - and even encouraged - to re-evaluate and alter your giving objectives over time. It is not recommended to make these changes during open grant negotiations. It also may be tempting to work with an existing applicant pool to service your evolving needs, but that group may not always be best placed to do so. If your scope does evolve beyond the core capabilities of your pool, encouraging applicants to partner with other well-suited organisations can be a good way to ensure proposals remain robust.

From the field: room for improvement

Your corporate philanthropy is focused on alleviating overcrowding in urban areas. You prepare a grant process to offer subsidised housing to low-income families in one part of the city, but while evaluating proposals you learn that many of the young members of those households are also struggling in school. In response, you ask your grant applicants to resubmit their proposals to also offer tutoring programmes to supplement student learning. None of the applicants have expertise in this area, but in an effort to win your funding, they agree to the expanded scope, despite the risks to quality.

Key principle 2: do not confuse grantmaking with tendering

Why this is important. Approaching grantmaking as you would a contract tender risks unduly burdening leanly-resourced community organisations, many of which may be unable to meet the demands of the application process. This can dissuade them from applying, leaving grantmakers with a shallow pool of candidates to choose from.

Best practice. Reduce or eliminate hurdles in the application process to encourage engagement from a wide pool of organisations. Request only the content and documents that are needed to evaluate the proposal, or consider subsidising the proposal process if the requirements are particularly onerous.

From the field: room for improvement

Your corporate philanthropy wants to make a grant to encourage healthy eating habits in a particular community. Several community organisations are involved in this kind of work and you are confident they will be interested in applying. Your procurement department manages the grant process.

As the deadline arrives, only a handful of responses are received, most of which are from well-funded international organisations that submit generic marketing materials instead of tailored proposals. As you reach out for feedback from the organisations that did not respond, you learn that many felt your application favoured large NGOs. Your procurement department requested many documents, of questionable relevance, that were too time-consuming for these applicants to organise. You learn that the instructions indicated that only printed, colour, couriered proposals would be accepted, and that most organisations could not bear the cost for expedited international shipping from their rural office. Several organisations reported having submitted questions that went unanswered. The procurement department as a policy did not respond to during the initial rounds of tendering, leaving organisations without enough information to present well-crafted applications.

Key principle 3: approach grant applicants as co-investors, not vendors

Why this is important. You may be tempted to employ vendor-related policies to govern a grantor-grantee contract, and there is no doubt that a grant is a contract by which both parties will be bound. However, applying the same approach designed to extract maximum financial value from grantees will likely negatively affect your outcomes and dissuade grantees from going the extra mile to deliver important results.

Best practice. Achieving your goals requires a strong relationship with the delivery organisation that will ultimately drive impact. Approaching the grantee relationship as a partnership will better position your joint endeavour for success. Partnering for success means structuring your relationship in a way that does not distract from delivering results and instead nurtures growth. Here are some ways you can support your grantees:

- **Consider multi-year funding.** Grantors should be realistic when setting the duration of a grant. Offering single-year funding for complex programmes is inefficient for both you and the grantee, who is kept in a constant cycle of fundraising that both exhausts resources and distracts from the mission. Multi-year grants also support longer-term planning.
- **Consider flexible funding.** There is a temptation to fund only programme-related costs and restrict allocations to overheads. However, flexible funding that can be used across an organisation for indirect costs is more likely to support innovation and build capacity that can, in turn, lead to better results.
- **Non-financial support.** Your organisation likely has more to offer than money. You can support your delivery partner by offering pro-bono services and training, as well as in-kind goods, software licenses, board-level advisory, and volunteer hours. This kind of support may encourage more organisations to apply for your grant. ●

From the field: room for improvement

Your corporate philanthropy commits to improving the maths and science attainment for students in local schools. You measured the baseline of test scores and set a goal for 10 percent improvement across all students in this academic year. You draft a call for grant applications and specify that the award is for a single year and must only be spent on new textbooks and teaching aids. After you award your grant, you are shocked to find that eight months have passed, and test scores have not improved. You call a meeting with your grantee, who is aware of the problem, but admits that staff are busy preparing the extensive application needed to secure a second year of funding. They have very little time to dedicate to the existing operations, or to ensure they are meeting programme goals.

Three tips for being a supportive grantmaker

Best practices for creating an inclusive and effective application process.

1. Eliminate hurdles

Minimise or remove barriers in the application process to encourage engagement from small or lean organisations.

- Request only the content and documents required to evaluate each proposal.
- Consider subsidising the process if submissions need be particularly innovative.

2. Create a level playing field

Creating a level playing field allows responders to efficiently focus efforts and encourages applications from lean organisations that cannot develop professionally designed or broad proposals, but that excel in delivering strong content.

- Communicate expectations by offering insight into the evaluation rubric.
- Encourage and answer questions throughout the application process.

3. Rethink the funding model

Flexible funding models are often better aligned with the demands of implementing a programme. Allow room for adjustment and innovation.

- Consider providing multi-year grants.
- Consider allowing funding to be used across indirect programme costs.
- Consider offering non-financial support such as pro-bono services, volunteering hours, training and goods.

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