

Building

Community

Bulletin # 4, November 1992

Foundations

Grantmaking Consulting Program

Sponsored by the Philanthropic Ventures Foundation

Bill Somerville, President

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This Bulletin is part of a series offering commentary on grantmaking by community foundations. The commentary is based on findings from in-depth consulting to over fifty-two community foundations, twenty-seven of which have been visited in the past year with stays up to five days.

Bulletin #1 listed the findings from visits during the past year. Bulletin #2 focused on the application process and grant application forms. Bulletin #3 discussed taking the initiative in grantmaking and efficiency in foundation operations.

Risk Taking & Grantmaking Do They Go Together?

The story goes that William Hewlett of the William & Flora Hewlett Foundation told his staff that if they didn't have some failures in their work, they weren't doing their job right. Yet one of the main concerns with foundation trustees and staff is fear of failure in grantmaking.

A venture capital investor does work similar to a foundation executive. The venture person looks for people of accomplishment who have good ideas in which to invest. The foundation executive does likewise. The venture person invests money carefully and thoughtfully. The foundation executive usually refers to "giving money away" but really is an investor in good ideas.

The venture person wants a "return" for the investment, usually measured in percentages. The foundation executive wants a return, usually measured in impact for a better community.

The point to be made by this story is that "venture" means risk, and often the greater the risk the greater the return. Risk is differentiated from gamble in that the former is made possible by professional experience which tells one that the risk is worth taking; gambling is to throw the dice, and let fate decide for you.

Venture means there is no guarantee of success, but the risk is worth it. Thus we have the concept of "Venture Philanthropy."



In consulting with community foundations, trustees often ask for a scale for risk taking, i.e. how much risk is enough? If one refers back to Bulletin #3, the appeal was for foundation

executives to get out into the community, to get to know people and programs. Thus, the executive develops a 'sense' of what ideas are worth trying and the 'risk' involved is minimized. In other works, risk is greater if one is less familiar.

Foundation personnel are not expected to be experts in child care, homelessness, community arts, AIDS, teen pregnancy, etc., but they are expected to be able to get into the network of these issues in short order. Foundation program personnel are required to be able to find out about something, to get into the bloodstream of an issue, to find and talk to related experts.

There are two ways to do this. First the foundation Guidelines for Application can ask for the names of professionals familiar with a given program which is requesting funding. Most foundations do not do this. Second, because the foundation staff person is dedicated to knowing the community, that person can call on people for their candid assessment and reactions to various ideas. The foundation executive is an intelligence gatherer.



High Risk Grant

One foundation gives discretionary grants, i.e. the money can be spent at the discretion of the recipient. "Discretionary" in this instance means the grant is justified after it is spent; there is no application.

This community foundation is finding outstanding professionals (in the private and public sectors). They include the new county director of mental health, a high school principal, a new school district superintendent. They are given grants up to \$10,000 to spend as they see fit in doing their job. In most cases, these people are on line item budgets, and they have no money to try new things.

Risky? Few foundations do this kind of high trust giving.

Medium Risk Grant

An agency requests money to use to meet the emergency needs of the public it serves. It wants \$2,000 every six months. This is called secondary giving, i.e. the recipient turns around and gives out the money it received.

The money goes to established agencies. An example: an agency working with the families of persons in jail has a client who states her husband is in jail; she can get a waitress job but she doesn't have seventy dollars for the uniform. The agency gives her the money, and she gets the job.

The agency reports back the date, amount, description of the client, and what the money was for. The foundation has a very clear picture of poverty in its area and the needs people have.

Low Risk Grant

Funding for agencies to have FAX machines, computers, copiers, and other office fixtures. This is called a safe grant, and one of the definitions of a safe grant is, if you don't fund it someone else will.

Risk Taking - A Case Study Appleton, Wisconsin

His name is Cisco. He is probably in his 50's. He has a pony tail and says he is a 'biker.' He has a motorcycle about the size of a dining room table which he parks in the building where he works. He runs the Sanctuary, a program serving youth.

Over the last two years, Cisco, who came from San Diego where he rode with a motorcycle gang, has arranged for the purchase of an old bank building on the main street of Appleton. He has turned the basement into his office and a place for counseling, AA, and NA meetings.

The first floor has pool tables, video games, a canteen, and a dance floor with light shows. Cisco tries to serve the kids no one else touches, and funders in town agree he does attract such youth.

No fighting allowed, no drugs or alcohol (Cisco is a recovered alcoholic), but Cisco and his cohorts will go 'down the street' and go 'head to head' with a gang to tell them to not settle here. "I'm getting too old for this stuff," Cisco admits.

On the Board is a police detective who in the past had arrested some of the youth in the program. He comes in during the day to talk to Cisco and is active in the program.

Cisco has a bulletin board in his office with pictures of infants. "These are the kids of the kids that come in here." He is proud of his program that tries to keep the girls from getting pregnant a second time.

Young people come in, mingle, hang out, talk, dance, eat, play games, argue, posture, yell. Everyone is welcome, but they can't wear gang 'colors.'

Would you fund it? By the way, Cisco says he has an A.B. in engineering from San Diego State University. He doesn't; a funder checked into his background. Funders in Appleton are having a hard time deciding what to do, and they consider this a risky and controversial program.

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It's best to treat controversy like driving in fog. It's a good reason to slow down, but not a reason to go back. One drives carefully in fog, but one still moves forward.

On the positive side, Cisco is unique in his ability to attract youth. He even thinks highly of education in that he wishes he had a degree. He states, "None of my kids quit school; they all get some sort of training."

Here is an adult who has developed a program that serves youth, who has raised considerable funds, who presents himself in an off beat fashion, and who, if one looks carefully, is himself maturing. The cuss words are gone, and now his definition of success is getting an education and a job.

It is interesting to note that many of the funders in the area had not met Cisco; they had only heard of him, and with each passing on of information, his program became more and more controversial.

What People Say about Grantmaking Consulting

"We enjoyed your stimulating presentation at the Board workshop; ideas from that session came up for discussion at the last Board meeting and at the meeting of the Endowment Committee. Your pearls of wisdom are still rolling around."

Ed Rydman, Ph.d., Board Member, The Santa Fe Community Foundation, 11/11/92

"I have just read with great interest your Bulletin #3 of October 1992 on 'Getting Out into the Community - What's Worth Funding?' The report reinforces new strategies that we are working to adopt; we found the recommendations refreshing and affirming."

Bonita W. Hindman, Director of Grants and Programs, The Rochester Area Foundation

Grantmaking Consulting Continues

Foundations #28, 29, 30:

Muskegon County Community Foundation, Michigan

Community Foundation of the Elmira-Corning Area, New York

Ann Arbor Area Community Foundation, Michigan

Notes

Bill Somerville was a member of the Council on Foundations Committee that established the On-Site Consulting Program funded by the Mott Foundation. He subsequently was an on-site consultant for eight years. He directed the Peninsula Community Foundation for seventeen years while assets grew from \$400,000 to \$45 million.

Mr. Somerville has been a member of the Council on Foundations Committee on Community Foundations. He was the first chairman of the Council Committee on Grantmaking which has become the Committee on Leadership. He has been in non profit and foundation work for over thirty-two years.

This Bulletin is the fourth
in a series dealing with
effective grantmaking

Philanthropic Ventures Foundation
3000 Sand Hill Road #2-165
Menlo Park, CA
(415) 854-2164
FAX (415) 854-8059

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