

Small Effective Grants
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There is a book, The Tipping Point, in which the case is made that small things done over and over can have a major impact. It gives the example of taking the graffiti out of the New York subway. Graffiti decreased, crime went down and ridership went up. Small acts can have a collective positive impact. I submit that the same holds true on small grantmaking and its impact on the community.

We should make no apologies, for making small grants, to those who accuse us of "band-aid funding." But at the same time, we should be careful to make such grants thoughtfully. I believe that, "The smaller the grant, the more thoughtfully it should be given, because all grants should have significance. That is, they should have impact, and, for a small grant to have impact, you have got to be on the ball.

For example, I have found that the smaller the grant, the quicker it should be made. It makes no sense for someone to wait three to six months to get a decision on a small grant because the momentum is lost and the opportunity for impact is minimized. Small grants tend more to be for immediate needs.

For the sake of discussion, let us agree that small grant means between \$500 and \$5,000.

The theme of my talk today is that ideally, in foundation work, there is trust between the executive director and the Board wherein the executive can authorize grants, particularly small grants. No further approval, although there is confirmation of such grants at the next Board meeting. If it turns out that there is a disagreement by a Board member regarding a small grant, the executive can take note of this and adjust his/her actions next time.

What we have here is a new genre of grantmaking ñ it is the immediate response grant which can and should be made in 48 hours. I have been doing this for 15 years.

Let's look at how the system works now at most foundations. A request comes in. It is processed by a program officer who usually makes a recommendation to the Grants Committee. The Grants Committee goes along with the recommendation and passes its report to the Board for approval. The Board virtually rubber stamps the report. The whole process can take between one to three months. I know of a community foundation where the process takes nine months.

Question: If staff recommendations are virtually approved through the entire process, why not let the staff make the grants with a confirmation process by the Grants Committee and Board? This could include small grants and maybe more.

At one community foundation, a doctor on the Board said in response to this idea, "What are we here for?" I imagined that at the hospital where he practiced the doctors would have a fit if the Board wanted approval power over hospital operations. There isn't a corporation in America where the Board runs the business.

In this talk, I am addressing myself to small grants but the process I illustrated could work with any size grants, as it does at the foundation I manage. Then the Grants Committee and Board's job is to develop operational planning so the foundation can take initiatives and cause things to happen, can come up with ideas about areas of concern that need attention such as teen violence.

With such discretionary giving authority by the executive director, does this put undue pressure on this person as many foundation Board members seem to visualize? Is an applicant prone to say, "Come on, you know me; go ahead and make the grant."

The answer is that the executive is a professional and knows how to respond to such pressure by saying, "We don't give grants based on who knows who. We give them based on the quality of the idea."

Over and over people say to me, "But you don't understand. This is a small community and this approach would not work here."

I have come to specialize in “small town America” in my foundation consulting to 300 community foundations, and I disagree that this approach won’t work.

The real issue here is integrity and people everywhere honor this concept. This means that the foundation executive can be candid and frank with applicants. The worry about pressure on, or too much authority by, the executive director now diminishes as one comes to understand professional philanthropy. In other words, there is always pressure on foundation personnel to “give us a grant.” We deal with this everyday – big city or small town. It is the foundation person’s job to be able to say “no” and to be able to have truthful conversations. It is interesting to note that we say “no” in foundation work far more often than we say “yes.”

The basic ingredient in grantmaking is trust, which is a wonderful lubricant in social interaction. With trust you don’t worry about ulterior motives, or cheaters, or scams. The goal in foundation work is to have trust between the grantee and you, between the Board and you, between the staff and you. Be aware, trust does not imply being naïve or wishy-washy.

Let’s go one step further. Why not let the foundation staff make donor advised grants that the donor has recommended? The donor makes a recommendation, the foundation executive determines that it is charitable and then goes ahead and makes the grant – regardless of the amount involved.

Donors love this expedited system. Question: Why keep the donor waiting for a decision that can be made now? With new legislation coming from Congress regarding Donor Advised Funds, there is going to be more activity in such funds because there will be a required payout. This expedited system minimizes paperwork and allows you to have time for other activities. A listing of donor advised grants is given to the Board at its next meeting for confirmation.

I know from experience that many of you are thinking, "This is too radical for me. My Board would never approve such discretionary authority."

I also know from experience in visiting community foundations that you are inundated with paperwork. We need to do better. We need more trust, more efficiency. The ideas I am presenting save time. With more time you can be out of the office looking for outstanding people who are doing good work. This is what makes for good philanthropy.

Let me give some examples of small grants and their genesis:

I met a juvenile court judge and asked him if he ever had kids in his court who needed eyeglasses, psychotherapy, dental work. He said, yes, and he said I could not give him a grant because he is an elected official. I said if a kid needs glasses, have the optometrist send me the bill. We were willing to walk the extra

mile and we set aside \$10,000 for him to call on. It is now over 15 years and \$180,000 later.

We have funded every imaginable thing you can think of: bicycles, starting savings accounts, scholarships, tutoring, graduation expenses, college application fees, bus passes, science camp, and on and on. Now we have expanded the program to all juvenile judges in the San Francisco Bay Area. This is the first time such discretionary money has been available to these judges. The point to be made is that this is small grantmaking. It doesn't take big money to make this work because it can stay any size you want it to be.

The Packard Foundation gave us \$100,000 and just said, "Spend it on education." We sent a one-page notice to 47,000 public school teachers and said if they wanted a \$500 grant for a field trip or science materials or art supplies, just fax us their requests on school letterhead co-signed by the principal. In response, we sent a check in 48 hours and created our "Immediate Response Grants." It turns out we fund about 97% of the requests we get, but again, this program can be as big or small as you want it to be.

I went on television to announce the grants. This was the first time ever for such an announcement. We had 400 calls the first day, and another 400 that week.

We handled it fine with a staff of three and have now given out over \$3 million in teacher grants.

Teachers have come to call this program the "Fax Grant Program."

We now have library fax grants wherein we notified all public libraries that we would give \$1,000 for ideas that would get teenagers into libraries.

We have social worker fax grants for abused and neglected children. If the social worker thinks the child needs a jacket, a ticket to a ball game, psychotherapy, they just fax us their request and a check goes out immediately.

Mind you, we check the requests for their thoughtfulness, relevance, and appropriateness, but this doesn't take long. On various occasions, we have sent out questionnaires to evaluate the effectiveness of the giving. In all cases, we ask to hear back from the teacher, librarian, social worker about the grant. This is a short narrative we want keeping our request for evaluation in proportion to the amount of the grant.

A word of advice: Try to not be stopped by saying "What if?" when setting up a new program. What if we run out of money? What if we are swamped with requests? What if some teachers cheat with the money? Don't let this kind of thinking overwhelm you as it can paralyze you and kill your initiative.

A donor said to me she felt low-income women deserved "a day off." I took this statement as my marching orders. But how do you do it? We set-up a system

asking for nominations of low-income women from employers, social workers, priests, agencies serving the poor. We set a limit of \$200 for a woman to have a day off from household chores and have a babysitter or to have her hair done, go to a day spa, a retreat, the beach. We made the checks payable to the nominator, whose job was to be sure the money was spent as agreed. From one recipient we got a letter back saying, "Thank you. This is the first time anyone has given me anything."

With people you only have three things – body, mind, spirit. We were dealing with the spirit because, as one social worker said, "Without spirit, you can't do anything."

One of our Board Member's wives had Alzheimer's disease, and he was her full-time caregiver. He once mentioned it would have been nice to have a Saturday morning off to go to the hardware store. Listen carefully to such comments because they can be the basis for creative grantmaking.

We created Respite for Unpaid Caregivers grants and offered \$200 to be able to pay another caregiver up to \$20/hour to allow the family member to take time off.

This was a high-trust grant in that people could write-in and request this money. Cheaters? To the contrary. Many times our check was returned by the care giver because the person had died.

These small grant programs are some of the most exciting and maybe significant grantmaking one can do. They also call on your creative thinking skills. They don't take a large staff. They don't take tons of money. They have a significant impact on the morale of teachers, judges, and social workers. They are a good example of customizing giving for a donor and of taking the initiative in grantmaking. Listen to your donor and use your skills to implement an idea. This is something smaller foundations can offer to do for big foundations because big foundations simply do not tend to take on such efforts. Such grant programs are very newsworthy and can bring publicity to your foundation.

The point is to listen to people for possible ideas and then to craft a grant program that is simple and workable. Exciting? You bet.

I would like to revisit the concept of trust ñ trust between you and the applicant/grantee, between you and your staff, between the staff and the Board. It is a very special concept and should be nurtured as much as possible.

You need to be confident to be able to trust, because foundation procedures focus on accountability and due diligence. Some foundation personnel have come

to equate carefulness with process wherein the applicant is required to submit prodigious paperwork. The presumption is that this paperwork takes the place of having to trust someone.

In a sense, the trust concept is an existential way of approaching foundation work. To a degree, trust is making oneself vulnerable as the price for honoring relationships. It is a very mature act to trust. It is also one of the building blocks in our civilization.

I propose to you that longer applications do not fulfill due diligence, do not take the place of trust, do not represent efficiency in any way. And yet, in my work with foundations in America, I am finding paperwork overload that astounds.

Let us look at the venture capitalist. This is a person who hunts for outstanding ideas, who takes a risk by investing in those ideas, and who looks for a good return for the money. Isn't that what foundation work should be about? Looking for outstanding ideas, taking risks in giving support, and looking for a return in terms of impact on the community.

The risk part is what venture philanthropy is about. You are not sure it will work, but in your professional opinion, you feel it is worth the risk. You are trusting your intuition.

This is not gambling wherein you throw the dice and let fate decide. This is the quintessential example of trust, trusting yourself.

Other examples of small grants are to give \$5,000 discretionary grants to programs serving the poor. The money is to meet the emergency needs of the poor. A case-in-point is the woman who says, "My husband is in jail. I can get a waitress job but I don't have \$75 for the uniform." The agency can give her the money on the spot and. Small critical funding, given quickly, at the right time, can have a big impact on a person's life.

Discretionary money means the agency can spend it as it sees fit. The money is given without filing an application. You pick out strong programs and offer them the grants. They keep a log of how they use the money and report back to you. This is high-trust giving and it is deeply appreciated as well as being effective.

Why not a set-aside fund of \$5,000 and if an agency has an emergency such as a fire or a theft, you are ready, in two hours, to get them back in business. No insurance policy can act this fast but when the insurance pays, the agency can pay back your money.

Why not an interest-free loan program for small performing groups to have upfront money to fund a production and they pay back the loan after the production is over and they have income from the performances?

Let's explore the realm of philanthropic giving. Why not paperless giving? Especially with small grants. You know the applicant and respect their work. The applicant explains an idea to you. It makes sense to you. You both agree on how much money is needed. You go back to your office and write a letter of transmittal with a paragraph spelling out what you both agreed on and you send the check. At the bottom of the letter you have a place for the grantee signature receiving the check and agreeing with the descriptive paragraph. This is paperless giving. I do it all the time. Why not?

Remember, the smaller the grant the quicker it should be made.

Why not small grants for cultural enrichment of the community. Any visual artist could apply for a grant under \$500 if that person was willing to share their art form with the community. What is more, we would ask that the artist choose unusual venues for display such as coffee houses, a bank lobby, a corporate entrance hall. The money would pay for easels, or framing of photos, or painting supplies.

Every high school student is required to take English, and every English class requires essays. Here is the opportunity to hear first-hand from young people what they think. Offer English class \$25 awards for the most thoughtful essays and create the topics yourself such as: "What would you do different if you were a parent?" "How do you say no when the pressure is on to do something you

shouldn't be doing it. Describe a program to serve teenagers that you would like.

We need to make more effort to understand young people and this is one avenue to consider.

Let me discuss some types of small grants to stay away from. I do not believe in contribution grants. Someone needs \$250,000 and asks a small foundation for \$5,000. This is a contribution grant; often given for PR purposes but having very little impact.

Sometimes a funding source will give \$5,000 just to get the applicant off their back. I call this the put off grant. Again, with little impact.

There is a whole industry for seeking small grants. It is mail solicitations. This kind of request depends on making the cause sound good. In fact, it is designed for the individual donor, not for professional philanthropy. And yet, foundation personnel receive hundreds of mail solicitation requests for money. I argue that such requests are misplaced in the professional philanthropy field. We don't give because it sounds good. We give because in our professional opinion, it is worthy of support.

Often small foundations are attracted to funding things versus program grants. Things are easier to judge and represent safe grants. I have found that as a foundation matures, it tends to move away from things in favor of program grants.

My definition of a safe grant is if you don't fund it, someone else will. And they do.

Here we have talked of giving immediate grants as if it was something innovative. Not so. Many, if not most, staffed foundations allow for discretionary giving by the executive director. In other words, immediate grantmaking. The trouble is, a lot of executive directors don't use it or they create a system that is tantamount to applying for a regular grant. Some Boards put a limit on such giving, either by size of grant or total amount available. The point here is that executive director grants could fulfill the concept of giving grants when the money is needed most.

Let me conclude by telling a story. I recently met with a man who was the county director of social services. This is a big job covering welfare and other programs serving the population. We were discussing the concept of trust and how it relates to our work.

He said when you build a system based on the premise that people are lazy, they lie, steal, and cheat, then you need to have all sorts of audits, reviews, and evaluations of everything that goes on. He said this is the way it is in county government social services and he went on to say that all this process of response to the original premise costs 50 cents on the dollar, because there is no trust.

This man now is in foundation work and he is amazed at the bureaucracy he sees which is an effort to make things go right without having to trust.

Interestingly, he points out that government bureaucracy is imposed while foundation bureaucracy is created from within ñ all in an effort not to rely on trust.

My friends, we need to do better in professional philanthropy.

Thank you.