Inside the mind of a grant-maker:

Useful stuff on how grant-making works

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Elin Lindström and Joe Saxton
joe.saxton@nfpsynergy.net

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On behalf of the Institute of Fundraising

Institute of Fundraising
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Contents

Section 1

Introduction

This is the second of our reports on the relationship between grant-makers and charities. The first report focused on the grant-maker and charity relationship from charities' points of view. This report focuses on the relationship from grant-makers' perspectives.

For this report, we interviewed 21 grant-makers. These range in size from grant-makers awarding less than £1 million a year to the largest who hand out hundreds of millions and from the specialists to the generalists. It is however fair to say that the grant-makers interviewed were predominantly those with wholly or partly open or reactive application processes, as opposed to those who exclusively ask organisations to apply for a grant. In our interviews, we saw both a number of common themes and some areas where grant-makers differed, and we decided to try and set out some of the thinking processes that go on inside grant-makers.

To many of those who have worked on either side of the charity/grant-maker axis for some time, much of what we say may be familiar, even mundane. Much of what we say will feel like common sense. The difficulty is that common sense is often quite a rare commodity and there are clearly many charities that are doing themselves no favours in their approach to securing grants.

In contrast to our previous report which was rich with charts and data, this one is rich with quotes direct from the grant-makers themselves. What better way to get inside the mind of a grant-maker than to hear what they have to say?

We finish off this report with our advice, based on the two studies, to both grant-makers and charities, as well as our suggestions for how the overall relationship could be developed.

The structure of the report

The report digs into the well of research findings from our interviews with grant-makers. Its sections are full of quotes, giving charities and grant-makers alike the chance to understand the reasoning behind different approaches to grant-making.

Section 2 looks at the **trends in grant-making** in light of the economic crisis and public sector cuts.

Section 3 pulls together **five characteristics of a great application** based on the central themes from our interviews.

Section 4 looks at the **application process** from different grant-makers' perspectives and how some have managed to reduce the number of ineligible applications and shorten the amount of time applicants wait for a decision.

Section 5 examines the rationale behind **grant-makers' different approaches to relationships** with applicants and grantees.

Section 6 looks at the experiences grant-makers have of **giving feedback on applications** and how some grant-makers have made feedback work.

Section 7 goes through the myriad of different **types of funding** to try to understand why a grant-maker chooses, for example, a responsive or proactive approach to funding.

If you only have time to read a couple of sections of this report, this is where to look. These sections take a step back from the details of the research to look at the strategic variables facing grant-makers and the way forward.

Section 8 pulls together the findings of the report and examines **the strategic variables grant-makers** choose between, including the range of ways of finding and making decisions on applications and the types of grants.

Section 9 makes **recommendations** for charities and grant-makers on **how to develop** the grant-making process.

Section 2 – Grant-making during a recession

No increase in application numbers for most grant-making trusts

With the economic downturn and public sector spending cuts, grant-making trusts were expecting to see an increase in the number of applications. The actual picture has often been the opposite. All but one of the grant-makers we interviewed experienced a drop in the number of applications they receive as the recession hit in 2008-2009. For some small, specialist grant-makers, the effect was particularly dramatic:

> *"When it all started to go terribly wrong, everybody was in freeze mode. We didn't get any applications at all."*

After those initial years of economic turmoil, a more diverse picture has emerged. The number of applications is starting to recover to pre-recession levels for many grant-making trusts. A few even receive more applications now than before, especially those with small and easily accessible funding streams and those funding the arts sector. Many also reported seeing changes in the types of applications they receive as organisations struggle to replace public sector funding:

> "*I think the numbers of applications have plateaued. I think the types of applications that are coming through are probably broader and less focused and I think that's probably to do with those that have been recipients of public sector funding, so people asking for money that has either been cut or reduced.*"

Still, considering the very difficult funding situation many charities find themselves in, there does not seem to be the large increase in applications that we might expect. Grant-making trusts have been talking to each other trying to understand why and these are some of the main theories:

- In tough times, some charities cannot afford to spend as much time on fundraising
- Some smaller charities might have gone under already, so there could now be fewer potential applicants
- Charities might also be holding off ambitious new projects, especially if they involve large investments, such as buildings
- Charities could be making assumptions about how the recession affects grant-makers, thinking there won't be funds there to apply for
- Some grant-making trusts have made their criteria and guidelines clearer

and more accessible, leading to lower numbers of ineligible applications

Grant-making trusts' responses to the economic climate

In addition to thinking about why application numbers are low, many grant-making trusts are considering whether they need to change what they fund and how they do it. A strong theme coming out of the interviews was that grant-making trusts are still, at least in principle, very reluctant to replace public sources of funding. One grant-maker explained why:

> "*One is politically, we feel we cannot and will not pick up public sector cuts because that's an issue for government and local authorities, and two, logistically we just can't really, and three, I guess we have to remain independent*."

Most grant-making trusts are too small to be able to replace public sector funds. If they tried to, they feel they would lose their particular role in the charity sector of pursuing their independent goals.

Still, many grant-making trusts were very concerned that charities they work with were struggling to stay in business and some have changed what they fund as a result. One grant-making trust mentioned giving out more money than ever before in response to the recession. A few even said that, in practice, they sometimes have to compromise the principle of not stepping in for public sector cuts in order to help a particular charity survive:

> "*We tend to want to look for organisations who are trying to continue to trade through a difficult time and have a good plan for it and if our money can help them do that then we're happy to do that. We still say we won't replace statutory funding, we don't want to subsidise statutory activity but I think we've changed our approach on a case by case basis rather than by having a different policy*."

There are no hard and fast rules on how different types of grant-makers adapt to public funding cuts. Still, the grant-makers we talked to who were willing to adapt tended to be of the more generalist, responsive or reactive kind (for more on types of funders, see section 7 below). For some, this could be explained by their general philosophy of listening and adapting to charities' changing needs.

Another way of adapting to a changing funding climate was to change the form that grants take and the demands made on charities. Reflecting the diversity of grant-making trusts, these adaptations took very different forms. One grant-maker said they are trying to give out fewer but larger grants, hoping that their grants will have more impact. Another grant-maker has taken the opposite approach, giving less money to a larger number of charities.

Similarly, some grant-making trusts said they try to minimise risk by having higher demands on charities' finances being in order, whereas others said they have become more flexible and understanding of charities having low reserves. One grant-making trust manages risk while being more flexible by paying out grants in smaller, quarterly instalments rather than annual payments. This grant-maker said that some charities, particularly smaller ones, have started doing projects in stages to minimise risk:

> "*Some of the smaller charities take a sort of bite size approach and they'll phase their work and just do one step at a time. That's become quite common, whereas maybe eight years ago they would've taken a different approach and done things all in one go, and that way you save – there's an economies of scale in things like your professional fees from architects. But with the challenges of getting funding together that's the approach that a lot are taking*."

While charities and grant-makers are doing what they can to reduce risk, the quote above shows how dividing projects into stages might also increase costs.

Section 3 – What makes for a great application?

In our research, we generally found a great diversity in approaches and opinions of different grant-making trusts. One question stands out as the exception to this diversity: what makes for a great application? There was a near consensus on this. In this section we discuss only what charities can do to improve their applications. You can read about grant-makers' role in shaping the application process in Section 4.

Hallmarks of a great application – main themes from the interviews

- A good understanding of the grant-making trust and an application that is tailored to reflect it
- A strong idea: what to do, why and how to do it
- People who are able to deliver
- Clear and succinct communication of that idea
- Finances of the organisation in order, or with a plan for getting them in order

Hallmark 1: Understanding the particular grant-making trust and tailoring applications

A strong theme coming out of our research is that charities need to show they understand and value the potential contribution of a particular grant-making trust.

At the most fundamental level, this means reading the guidelines and criteria carefully to make sure the application is something the grant-making trust would fund. This may be an obvious point, but every grant-making trust we talked to said they sift out a large proportion – anything from a quarter to three quarters of applications – at the first stage simply because they do not fit the criteria. This is often in very obvious ways, like an application for a local project to a grant-making trust that only works nationally.

Tailoring applications takes more time, but there is also a considerable amount of time to be saved on both sides by reducing the high number of ineligible applications. One of the key messages coming out of our research with charities and grant-making trusts is that fewer, but more targeted applications would benefit both parties.

On a less tangible level, charities can also impress grant-making trusts by showing that the charity understands it. The charity not only needs to read up on the grant-maker, but also to demonstrate in the application that they have done so. A great application shows that the charity's work is in line not just with the criteria, but also with the wider mission and philosophy of a grant-making trust. One grant-maker explained what makes a charity stand out from the crowd:

> "*It's very clear when an applicant has tailored their application to us, we can just tell from the language and from the story that's made throughout the application. We know that they've drawn the links between their interests and our interests. They've read our guidance … very clearly and drawn a link with their own organisation and mission.*"

In addition to understanding a specific grant-making trust, charities can also make an impression by showing they value and need a particular grant. Grant-making trusts, especially smaller ones, are aware that they often make up quite a small part of a charity's total income. Still, they want to make sure that they put their funds where they have the biggest possible impact and not where the grant will be dwarfed by larger funding sources. If the application demonstrates how a particular, often small, grant will make a difference, it is in a very strong position.

Hallmark 2: A strong idea

Another vital ingredient of a great application from the grant-makers' viewpoint is a strong idea. Considering the diversity of grant-making trusts, the form of a strong idea will of course vary greatly, ranging from a tried and tested delivery of a service to an innovative arts project. There are, however, some characteristics of a strong idea that apply across this diverse sector.

Most fundamentally, the application needs to show why the work is needed, what the charity wants to achieve and that they have a robust idea of how to get there. One grant-maker said:

"*Are they clear about what the project is and what it's trying to do and how they're going to measure it and manage it?*

Depending on the particular grant-making trust, they might want a charity to have the answers to these questions before making the first contact, or they might be happy to be part of the process of working out a strong proposal. Either way, by the time the application reaches the board of trustees, it needs to answer the questions of why, what and how.

A second characteristic of a strong idea is that it takes into account the wider context, showing that the charity is aware of what is going on around it. One grant-maker said a charity can have a great idea, but if there are already nine similar projects running in the area they are very unlikely to fund it. This is not only because they might think the project is unnecessary, but also because it does not inspire confidence in a charity if it is unaware of what is happening around it. In the tough funding context, making sure charities cooperate to deliver the best results with limited resources has become all the more important to grant-making trusts. We can see this in the quote below which describes what a great applicant looks like:

> "*I think it's those that have a sense of where they are placed and who they are, not only in relation to our aims, but also within their locality and their sector or their community groups. Ones that are more outward looking. They don't see themselves as just the only provider and they just exist for their members. It's those that actually take into context what other groups are out there; what work they can do jointly; where are the links where they can get the skills and resources needed to deliver? So for us it's those that very clearly have demonstrated they've got those links within the borough or within those localities or within a particular sector*."

Hallmark 3: Competent people

Closely connected to a strong idea are people who come across as knowledgeable about the work and with the competence to put it into practice. In our research, grant-making trusts said they want to have a single point of contact and they want that person to know the suggested work inside out.

While the idea of what makes for "good people" is highly subjective, there are things that charities can do to make sure they come across in the best light. The most important of these is to do some research into the particular grant-making trust and find out what matters to them. For grant-makers who are open to contact with applicants, asking for their preferences might be a good option.

This is often a matter of understanding the particular type of grant-making trust. For example, do they want contact with someone working on the ground, or do they prefer to talk to a director or trustee? One grant-making trust that tends to fund charities over a long-term period said it was important for them to be in touch with a reasonably senior person. They believe this enables a continuity of contact with a person who is likely to stay for many years and who can speak with authority on behalf of the charity. Other types of grant-makers were more interested in talking to someone working at ground level.

Another factor to keep in mind is the form of grant a particular grant-making trust offers. If it is an unrestricted form of funding, for example for core costs, several grant-makers that we spoke to said that makes it more important for them to trust the people involved. In contrast, if the grant-making trust has very clear objectives and tends to provide restricted funding, the quality of the idea might be more important.

Hallmark 4: Clear and succinct language

No matter how great the idea or the people involved, grant-making trusts are unlikely to know about either unless an application is communicated in a clear and succinct way. One grant-maker said a great application contains:

> "*A strong idea. A project that is vital and at a crucial point of that individual or that organisation's development so it's going to make a real difference to them and we're looking for both those things to be clearly communicated, to not waffle or [include] countless pages. I think the best ideas are very succinctly expressed and they come through strongest when someone can do that.*"

There was some disagreement between grant-making trusts on who writes the best applications. Many said that it is very obvious when a professional fundraiser has written the application and that they tend to associate these applications with a heavy use of jargon, box-ticking and a lack of knowledge and passion about the work. These grant-makers often said that smaller charities tend to have a better understanding of the work they want to do, which comes through both in the written application and in follow-up questions and visits.

A less tangible quality is that the application needs to not only provide information, but also communicate the soul of the charity. One interviewee said that grant-making is:

> "*… an act of imagination as well as judgement. You want something that stirs the imagination – something that actually gives you some sense of the needs they're meeting and the realities they're working with.*"

The grant-maker continued to explain this, saying that a great application helps bring the beneficiaries' reality to life:

> "*The challenge of grant-making is you are a long way from the realities that you're trying to change and the beneficiaries you're trying to help. So, anything that grantees can do to help you imagine and understand those realities before you have a chance to see them, and especially to help you understand changing realities, I think is really helpful.*"

In contrast to this, other grant-makers said they prefer the more skilled applications written by professional fundraisers. We know from our previous research with charities that large organisations who can afford professional fundraisers tend to have much higher success rates with their applications to grant-making trusts than smaller charities do.[1] So, while some grant-making trusts say they prefer applications from smaller charities, the overall picture

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[1] *Taking nothing for granted: A research report into what charities think a model grant-maker looks like,* nfpSynergy, June 2012

seems to be that professional fundraisers pay off given their higher success rates. In fact, several of the grant-makers we talked to were concerned that smaller charities often struggle to communicate the great work they do. For some, this means they adjust their expectations to accommodate smaller charities' skills. However, others said that sadly they go through hundreds of applications and those that do not grab them straight away are quickly sifted out.

Hallmark 5: Finances in order

The finances and budget included in an application need to add up and they need to sound feasible. This might sound like an obvious point, but most of the grant-making trusts we talked to said they find simple calculation mistakes in the budgets of a large proportion of applications. This obviously does not speak well for the competence and planning skills of the charity.

In addition to adding up, the scope of the project and its budget need to be something that the charity can realistically manage, as shown in the quote below:

> "*Is the size of the project appropriate for the scale of the organisation? There's no point in an organisation with a turnover of £50,000 suddenly trying to manage a five-million pound capital project with no more resources, for example.*"

Some grant-making trusts said they are happy for charities to contact them before the details of the budget are set. These ones often assist charities in working out the budget, as long as it all adds up by the time the application reaches the board of trustees. However, far from all grant-making trusts have the time or resources for this, so charities need to research the grant-making trust in advance in order to make a tailored application.

Section 4 – The application process

What is the reasoning behind the different choices grant-making trusts make in terms of the application process? Understanding this can help a charity make more targeted applications to the grant-making trust that is most appropriate for them. Many grant-making trusts are already reviewing the way that they work, and understanding the reasons behind and experiences of different approaches can help this process.

In our research with grant-making trusts and charities, one of the main areas of improvement seems to be to reduce the vast amounts of time spent on applications that stand little or no chance of success. In the previous section, we saw what charities can do to their target applications more effectively. In this section, we look at grant-makers' responsibilities.

Reducing the number of ineligible applications

The extent to which grant-making trusts can reduce the number of ineligible applications depends on the type of trust and the level of criteria and restrictions placed on grants.

For some generalist funders, it is important to keep criteria broad so they do not preclude an application for an excellent type of project that they hadn't thought about funding yet. We know from our research with charities that some of the generalist, flexible funders are highly thought of, partly because they will often fund areas that others will not, like core costs for example. High numbers of applications and low success rates might be a price these grant-making trusts are willing to pay for flexibility.

Still, many grant-makers recognise their responsibility in keeping application numbers at a manageable level, as shown in the quote below:

> "*You've only got so much money to give away. If you don't give any guidance you are going to get thousands and thousands of applications. Because people will think … 'well, I don't know whether it's going to be any good but it's only going to take me a couple of hours to top and tail it and get it in the post, I might as well do it.' You have got to give guidance about the sort of things you are likely to support and that is going to cut down the number of applications you are going to get. And if you cut down the number of applications you are going to get, there is no reason then why you can't give people decent feedback*"

As the quote shows, all grant-making trusts can take some steps to reduce the number of ineligible applications. From our research, it is clear that the trusts who have put thought and effort into their own processes have improved their success rate for applications. One grant-making trust has seen a large drop in ineligible applications and improved their success rate from 30% to 60%:

> "*We've really intensively reviewed the outward facing side of the foundation. We've revised our website, we've changed all of our terms and conditions, we've changed our grant letters. We haven't particularly changed what we do and how we do it but we've changed the way we interact with grantees. The upshot of that has been that we're much, much clearer about what we do want to fund and what we don't want to fund. I think the bigger reason for the drop [in applications] has been that people are not applying who are ineligible or organisations who are ineligible are not applying as often as they were. And that's borne out in our figures because the biggest drop has been in applications that just don't fit within what we do at all.*"

Grant-making trusts' steps towards reducing the number of applications

These suggestions come from interviews with grant-makers and from our previous research with charities

- Doing an honest review of what you do and do not fund
- Working hard to write criteria and guidelines that reflect this
- Making those criteria honest, clear and easily accessible in all forms of contact with potential applicants, especially on your website
- Keeping the criteria and guidelines up to date – charities need to know if a funding stream has run out for the year!
- Having an eligibility test online that needs to be completed before accessing the application form seems to work for many grant-making trusts
- Being open to contact during the application process – a quick and honest telephone call can often give charities a much better idea of whether they should apply than written guidelines

We know that many grant-making trusts are concerned about the time and costs involved in some of the steps towards improving success rates. Undoubtedly, answering charities' questions in telephone calls takes time. However, the grant-making trusts that have worked on reducing the number of ineligible applications often experienced time savings in other ways. The most obvious example is that lower application numbers means spending less time receiving, sifting through and cataloguing applications, and less time spent informing charities that their application was unsuccessful. Also, in the interviews with these grant-making trusts, a picture emerged of a positive cycle of clearer and more accessible criteria, meaning charities have fewer questions and make fewer telephone calls. This frees up time for grant-making trusts to answer the more relevant questions.

Waiting for a decision

One area where there is a large gap between what charities want and what grant-makers tend to do is the time applicants need to wait for a decision. In our previous research with charities, we asked what the ideal waiting time was. The vast majority, 99%, wanted to wait no more than three months and the average ideal waiting time was slightly lower at 2.2 months.[2] Charities thought that shorter waiting times made it much easier for them to plan their work, particularly if it involved multiple sources of funding.

Still, not many grant-making trusts are able to stick within that ideal limit of 2.2 months for all applications. Why is this? One serious concern was wanting to put the applications through due process so that all applicants feel they have been given a fair chance. Also, if a grant-maker is investing in a charity, it wants to do everything it can to make sure it is the best use of the money. This often requires a considerable amount of effort. For applications which fit the criteria, it involves studying the application closely, researching the charity and its suggested work, chasing any missing information, and, for some, even visiting the charity. One grant-maker explained this:

> "*So the biggest barrier is that we have four sets of meetings each year … and the gaps between those meetings are quite short. There isn't enough time, with the number of applications we receive, to get all of the information from all of the grant applicants about their accounts and their fundraising and the extra information we need to have any more meetings. We just wouldn't be able to get the information in time.*"

Another barrier alluded to in the quote above is that most grant-makers need to wait for trustees to meet and make the decisions. Often, as in the quote above, trustees only meet every three or four months. If an application comes in just before a meeting, there will not be time to process it beforehand and the applicant might have to wait up to six months for a decision. This is aggravated by having high numbers of applications, particularly for small grant-making trusts with few employees who go through hundreds of applications each year.

There are some things grant-makers can do to improve charities' experiences of waiting on a decision. At the most basic level, grant-makers can make more time for each application if they reduce the overall number of ineligible applications. Also, if nothing else, grant-makers can help charities plan by making it clear from the start when a decision will be made and when the charity will know about it.

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[2] *Taking nothing for granted,* nfpSynergy, June 2012, p. 17

One grant-maker, who makes decisions within four months, said they are happy with this waiting time because they make it clear from the outset:

> "*I think it's about right. I think the most important thing is that it gives someone a start. It gives the applicant a clear idea of when they're likely to hear, to have a decision so they can build that into their planning so that they know if they want to start something, for example, in September, they know they have to give us an application by May time*."

Some grant-makers have worked hard to reduce waiting times. One common method was to let those applicants who are easily sifted out know immediately. For example, some tell ineligible applicants they were unsuccessful within a few weeks. Others have a two-stage application process which allows them to let those not reaching the second stage know within four to six weeks. Some grant-makers have created smaller committees of trustees who make decisions on a particular funding stream. Having smaller committees can speed up the process as there are fewer people to coordinate in meetings and as trustees build up expertise on a specific issue.

When it comes to decision times, it is also important to keep proportionality in mind. Is the waiting time and the process appropriate for the size and type of grant? Some grant-makers have thought about this and created different processes for different funding streams. A few grant-makers mentioned having a fast track, with only a two week turnaround for easy decisions, small grants, continuation funding or emergency grants. Others have shorter waiting times and easier processes for small grants, but put more work and time into the larger grants.

Section 5 – Relationships and contact

Good working relationships and openness to contact can help most other aspects of the grant-making process. Charities appreciate grant-makers who are open to questions and contact and many of them want to build long-term relationships. From the grant-makers' point of view, it is very important to have an honest relationship where charities let them know if the work that is being funded runs into problems.

But what is the role of charities and grant-makers in creating good working relationships?

Contact during the application process

From a charity's perspective, grant-makers' openness to contact is a high priority. When we asked charities what makes a grant-maker stand out as a role model, six out of the ten most common themes had to do with contact.[3] Charities appreciated grant-makers that they thought were approachable, helpful and easy to contact and communicate with. For example, charities said that the application process is made easier if they can contact the grant-making trust and get a sense of what it is looking for in an applicant. That way they can judge whether it is worth applying.

In general, openness to contact with applicants was seen as desirable by grant-makers as well. That said, quite a few told us that they just do not have the time and resources for it. This was often related to receiving high numbers of applications.

So how do grant-makers who are in contact with applicants make time for it? One way was to tighten criteria and guidelines to receive fewer, more appropriate applications. Another way was to actually strongly encourage contact before an application is made to reduce the number of ineligible applications. By investing this time, they feel they are freeing up time that would have been spent processing larger numbers of applications. One grant-maker, who had the very low proportion of ineligible applications of around one in ten, explained this in the following quote:

> "*We like what we are happy to call a light-touch application process and we like to talk to people. So, before anybody bursts into print, and it quite*

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[3] *Taking nothing for granted*, nfpSynergy, June 2012, p. 16

literally says in our guidelines no more than two pages, please, we like them to ring up and say, look, I'm doing this. What about… You know? And we talk it through. And of course, right from the outset, immediately we sift out the ones that aren't going to fit, so you never see them in writing."

One grant-maker stood out as the exception to this and disapproved of applicants contacting them. This was because they valued due process highly and wanted charities to follow the official channels of the application process through their website. They had put considerable time and effort into providing clear information, criteria and guidance online and did not have additional information or time to give, as shown in the quote below:

"*One thing I really find annoying, because we're small, is fundraisers decide they want to have a relationship with you. It's deeply irritating because we don't really want the relationship with them until we've actually made the commitment… Otherwise it's actually just taking up our time… Basically they're imposing their thinking on you, you have to do their thinking for them and you feel like saying well look, you need to decide what you want to do and then come to us and talk to us about it in an outline, two pages is not that much and we can put it through a process. We set the time aside to think about it and let you know, but just talking us through it before you write it is a little bit annoying*."

For this grant-maker, there simply was not enough time or even the need for contact with applicants, as long as the information applicants require is easily available online. However, this view was the exception to the rule of grant-makers tending to value contact with applicants, even though not all feel they are able to do it.

The relationship after a grant is made

Grant-makers want honesty from charities

What do grant-makers want from relationships with grantees? In our interviews, the message was clear. When we asked grant-makers what the most important ingredient of a successful relationship with grantees is, almost all of them answered honesty.

The language of honesty might irk charities who feel they are only trying hard to adapt their reports to a grant-makers' wishes. We recognise that the language of honesty could be seen as implying some charities are dishonest. Nevertheless, honesty was the word grant-makers used to describe the best grantees. What is important is for grant-makers to ask themselves what they can do to encourage an honest working relationship.

Grant-makers particularly want honesty from charities on how the project is going, along with early notice of any problems. Without exception, grant-makers said this kind of honesty means they can help charities, as shown in the quote below:

> *"I would say that as much as [charities] think we could be a load more transparent, we could share the intelligence on which we make programme and grant decisions better, I think what we'd like to see from charities is equally more transparency. So more truthfulness, more honesty and I realise that often the grant-maker gets in the way there. People think they can't be honest, that they will be penalised. But I think they should challenge back to us and on the whole we find that charities who are truthful, who confess when there's a problem, we can usually work with them. It is not really in our interests to pull the plug on funding, it is much better to work together and try and resolve things so honesty and communications and truthfulness on their part is a thing that we welcome."*

The important point for charities to take away from this quote, which was repeated by most grant-makers, was that trusts really do not want their grants to fail. Therefore, being honest about any problems will not normally mean losing the grant, but rather that the grant-maker will help and adjust the grant in any way possible to make it work. Several grant-makers also said they could help the charity by paying for a consultant to work with them or by putting them in touch with other grant-makers. The earlier the grant-maker is told about a problem, the higher the chance of finding a solution.

Grant-makers' role in promoting honesty

All grant-makers that we talked to wanted honesty from charities, but what is their responsibility in creating a relationship where charities feel confident to speak up?

The most fundamental point grant-makers need to reflect on is their power over charities – the ability to grant, refuse or withdraw funds that can sometimes make or break a charity. We know from our interviews that this power difference, and especially how to deal with it, is a sensitive issue in the grant-making community. A few of the grant-makers said they would like to see grant-makers recognising the unequal foundations of the relationship with charities and perhaps be more humble towards them.

From our previous research, we know that charities are often wary of honestly sharing their experiences with grant-makers for fear of losing the funding. A few of the grant-makers we talked to were aware of this problem and recognised that it is rooted in the power difference. Not reflecting on the power difference might be related to approaches to grant-making that can discourage charities from speaking up. For example, if a grant-making trust has a very particular vision and set of demands, does that set up for less honesty as charities try to make it look as if they fit the criteria? One grant-maker saw it as a vicious cycle, where strict criteria from the grant-maker discourage honesty from charities at the application stage, which means they feel less able to communicate openly after they are awarded a grant.

In contrast, other grant-making trusts have worked hard to encourage trust and honest communication with grantees. Many emphasised how important it is to set up an honest, open tone from the start. Showing both an interest in a charity and a respect for its work was one way of doing this, like being open to contact and taking the time to visit applicants for example. However, the form of contact and the grant-maker's attitude also mattered. In the quote below, one interviewee said the ideal grant-maker inspires trust by listening and trying to really understand charities:

> "*I think it's someone who's not quick to judge, who's willing to listen and someone who understands the challenges that charities are facing both in the external world and also the challenges of running a small organisation, because a lot of charities are relatively small… I think one of the things that does make a good relationship is when the funder is respectful of the grantee and what they're doing*."

The grant-maker in the quote above is generalist and on the more responsive or reactive side, but there are also things that proactive grant-makers can do. In the interviews, we heard over and over again how important it is that grant-makers and charities reflect on what their different roles are. A couple of grant-makers put this in strong terms, saying they avoid having close relationships with grantees because they are worried that as the funder, their word will have an undue influence on a charity's work. More commonly, grant-makers emphasised how important it is to recognise where they are the expert and where the charity is. Several grant-makers explained it is a matter of knowing when to talk and when to listen.

Section 6 – Feedback on applications

One of the main things that charities would like to improve in grant-making is the feedback process.[4] In our previous research with charities, one in five mentioned receiving more, better, or any feedback as the main area where they would like grant-making trusts to improve. This made it the second highest priority after clearer guidelines and criteria. Some charities said that it would be a great improvement just knowing that your application has been received, when to expect a decision and to be informed of the decision in a reasonable time.

Best practice from the interviews on giving meaningful feedback

- Many grant-making trusts reported that charities respond better to telephone rather than email feedback, avoiding drawn out discussions
- Cutting down on ineligible applications, by having clearer criteria and guidelines, allows more time to respond to the applications you still receive
- Having a standard rejection letter with codes for why applications commonly fail is a fast way of providing at least some feedback
- Is there any constructive advice you can give to the charity – is there any other grant-making trust that you can point it towards?
- Finally, if you cannot give feedback on all applications:
    - Consider having a two-stage process and give feedback on second-stage applications
    - Do not provide feedback automatically, but let charities know they can find out why they were rejected by getting in touch
    - Are there any general themes of why applications fail? Put together a standard list of reasons and include rejection letters

[4] *Taking nothing for granted*, nfpSynergy, June 2012, p. 29

In our interviews with grant-makers, it became clear that there is a very wide range of attitudes to feedback, from the extremes of grant-making trusts that simply cannot find the time for feedback to those who give reasons for failure to all applicants. Some questioned whether it is meaningful at all to give feedback on the first of a two-stage application when there is very little information to go on. When they do take the time, some grant-making trusts said they find themselves drawn into discussions with charities who disagree with the feedback. The quote below shows how one grant-making trust wants to give feedback, but feels unable to do it in a good way with some charities:

> "*We want to give feedback and we give feedback in every case where we feasibly can. There are quite often cases though where we can't give feedback and the reason for that is because the charities want to argue with us about it. Actually, we don't mind arguing about it, telling them why, we just don't have the resources because there's only a few of us. We have to decide where our money is best spent and our money is best spent on paying our staff to make grants not to argue with people who have been turned down. So we don't give feedback in cases where it could be debatable from the charity's perspective*."

In between the extremes, we found grant-making trusts with ways of giving at least some feedback to some charities. One of these compromises is having a two-stage process and only giving feedback at the second stage. As there are fewer charities at this stage, some grant-making trusts feel they can give considered feedback to a few rather than more general feedback to many. Others do not give feedback automatically, but make it clear in the rejection letter that charities can approach them for it. One grant-making trust, which rejects about 300 applications a year, said this approach works well for them. While a few charities do get in touch, it is not a major burden.

One way of reducing the risk of getting into drawn-out discussions seems to be to give feedback over the telephone rather than in writing. Several grant-making trusts said they avoid emailing feedback as it tends to invite debate. This is shown in the quote below:

> "*The feedback is always verbal. It's never in writing because otherwise you just end up with a constant stream of he said, she said in emails. We just don't have the time for that, we'd much rather talk to an organisation. You can then point them in the direction of perhaps other funders or just have a bit more of a proper relationship with them on the phone than you could do by email*."

While many grant-making trusts find the feedback process thorny and time-consuming, we interviewed a few who see it in a much more positive light. Three that we talked to said they give feedback to all applicants. The responses charities receive are proportionate to the information in the application, ranging from a short letter to telephone calls or even access to the notes of the meeting of trustees that rejected the application. None of these grant-making trusts said that they tend to get drawn into conflicts with rejected applicants. Instead, one said that not receiving any response at all seems to anger charities the most.

While these grant-makers admitted that the feedback process does take some time, they all said it was time well spent for them. Some reasons given were common courtesy, laying the groundwork of a good relationship with a charity they might want to work with in the future and a genuine wish to help charities improve their applications.

The notion that time spent on feedback is time well spent is reflected in our previous research with charities. Putting work into feedback could be part of a long-term process of improving the quality of applications and reducing the number of ineligible applications. If charities know why they fail, they are more likely to make better applications in the future. In addition, honest feedback will also tell a charity whether it is worth re-applying to that particular grant-making trust or whether they simply fall outside what is funded.

Section 7 – The types of funders

The great diversity of grant-making trusts is particularly clear when it comes to the form of funding they provide. This diversity is positive in many ways, as charities can benefit from a range of forms of funding. It is a very important question for grant-makers, as decisions on which form grants take go to the core of a grant-making trust's identity and what it wants to achieve.

The form grants take is also of crucial importance to charities, particularly to the smaller ones for whom these grants make up a large proportion of their total income.[5]

"Co-transformer" or enabler

Does a grant-making trust want an active role as what some would call a co-transformer, or does it want to take a step back and enable charities to do the work they think is most important?

The most fundamental point here is that grant-makers will choose the form of funding that they believe allows their grants to have the highest possible impact. The form of funding will reflect the particular goals and identity of a grant-maker (and sometimes historical legacies that are perhaps less strategic). Still, there are no hard and fast rules as to what kind of funding different types of trusts offer. We could not see any patterns based on the size of the trust or the areas funded.

As we'll see in this section though, there were some links between whether a grant-maker sees itself as a co-transformer or an enabler, its attitudes to funding core costs, and responsive or proactive funding.

What should charities take away from this? Applicants can make an impression by showing that they understand what the grant-maker wants to achieve and how the charity's work aligns with it. Or, if it is very difficult to align these, this can help charities to know which grants not to apply for.

Responsive or proactive funding

One of the ways to differentiate grant-making trusts which see themselves as co-transformers from those who take on more of an enabling role is to look at whether they fund responsively or proactively. By proactively we mean, do the grant-makers actively seek out grantees, tap them on the shoulder and ask for an application?

Most of the grant-makers that we talked to saw themselves as working mainly in

[5] *Taking nothing for granted*, nfpSynergy, June 2012, p. 7

a reactive or responsive way at the moment. There is of course a spectrum ranging from reactive to proactive. Reactive grant-makers don't sit around and do nothing. Some have a set of 'programmes' or areas they focus on in which they encourage organisations to apply without actually approaching any one applicant. Some grant-makers have a limited number of grantees they approach directly, while the vast majority are responsive.

A few grant-makers said they were trying to become more focused and strategic across their programmes. Often, this push towards focused grant-making is related to a more general wish to play an active part in the voluntary sector, as some put it, to be a co-transformer. This line of reasoning is clear in the quote below, where one grant-maker explains their move towards proactive grant-making:

> "*I think that the thinking behind this is that we want to be more ingrained in the actual work that we're funding and we want to be more ingrained at the forefront of the things we're trying to change in the world. So part of that is about saying we don't always have to be really, really bureaucratic, we could become more – what's the word? Proactive I suppose. Proactive is the word.*"

Other grant-making trusts saw their role very differently and did not necessarily want to drive change in the not-for-profit sector. Often, the ones who wanted to remain on the responsive side of grant-making saw themselves as enablers or investors in charities rather than co-transformers, as shown in the quote below:

> "*I think if you look at a number of other trusts and foundations they have very specific guidelines that they want to achieve. So if they're interested in young people, they'll choose very specific subjects or a particular set of outcomes… We haven't gone down that route, we've gone down the route of supporting civil society organisations because we think they're a good thing.*"

In this approach, finding people that seem competent and trustworthy, who have ideas for work that is needed and can be implemented, is often the most important starting point. This is clear in the quote from a responsive/reactive grant-maker below:

> "*The principles are around good organisations, managed well, delivering effective products, services, work – whatever it is they do. And that's a very deliberate strategy: that we are responsive and, therefore, flexible. So we don't have a campaigning angle to us: we're not trying to persuade the world of anything in particular. But, what we are trying to do is ensure that good organisations get solid support for doing their good work.*"

While these factors are also important for more proactive funders, an additional priority for the more proactive is that the charity closely aligns with the grant-makers' goals and approaches. For responsive funders, this close alignment is often less important. Instead, the charity and its expertise in certain areas of work is more commonly at the centre of responsive forms of funding and the grant-maker is more of an investor enabling the charity to do what it does best.

Funding core costs

Closely related to grant-making trusts' attitudes to responsive or proactive funding is their willingness to provide unrestricted funding, especially for core costs. In our previous research with charities, we found that many charities struggle to find core and unrestricted funding.[6] Still, many charities think this form of funding allows them to make grants work the hardest. Keeping this in mind, why are so many grant-making trusts reluctant to provide funding for core costs and how come other grant-makers stand out from the rest and do so

Finding grants for core costs, overheads or full cost recovery

- Research a grant-maker's guidelines and criteria to find out whether or not a grant-maker will fund core costs, overheads and full cost recovery
- When applying for these types of less restricted funds, it is perhaps more important than ever to make sure the grant-maker feels confident you will spend the money wisely. Finances need to add up and the salaries, office or IT costs all need to seem thought-through and reasonable
- Several voluntary sector organisations express a commitment to full cost recovery and provide resources to help grant-makers and charities:
    - ACEVO's Full Cost Recovery website provides a Full Cost Recovery Toolkit for charities and a list of some grant-making trusts' approaches to this form of funding (http://www.fullcostrecovery.org.uk/main/)
    - NCVO explains why funders should offer full cost recovery and has resources charities can use to understand and calculate the full cost of their work on its website (http://www.ncvo-vol.org.uk/advice-support/funding-finance/financial-management/full-cost-recovery)

With some exceptions, grant-makers who strongly defended restricted funding saw themselves more along the lines of co-transformers rather than enablers. They were often more positive towards proactive grant-making, while most of those who provide core funding saw themselves as reactive or responsive grant-makers.

Those organisations that choose not to fund core costs often see restrictions and project funding as the very stuff of grant-making. In this line of thinking, grant-

6 *Taking nothing for granted*, nfpSynergy, June 2012, pp. 8-12

makers who cannot lay down restrictions lose their ability to set up goals, measure them and effect change, as explained in the quote below:

> "*I suppose the thing about restricted funding is that if grant-makers couldn't give restricted funding then they wouldn't really be grant-makers. Because grant making is about assessing and it's about criteria and it's about trying to achieve something. You can't really make direct links if you fund unrestricted … Unrestricted funding I think is contrary to the principles of grant-making ...*"

Other grant-makers had a very different and more critical view of the reluctance of others to fund core costs. Rather than seeing restrictions as a step for grant-makers towards reaching a specific goal, some see it as a lack of trust in charities. In the quote below, one grant-maker explains how they view those who do not want to fund core costs:

> "*I think it's another part of the control thing, the power balance: if we did it specifically for this, we can definitely be sure that everything is okay and we can say 'did you do it'. I think there is more nervousness about trusting charities to do the whole job of delivering their services effectively with your bit of money as part of it. But I think we feel probably now that our research processes are good enough. I mean nobody is immune to making a mistake with a grant, but we hope that on the whole, we know enough about organisations to know that they are going to spend the money wisely, even if you don't tie them up in knots over what it is for.*"

In the quote above, the grant-maker is managing the risk of funding core costs through good research processes that evaluate applicants, building the grant-maker's trust in grantees. Grant-makers who thought along the lines of trusting charities to spend the money wisely were often in the more responsive or reactive camp and tended to see themselves as investors in charities' expertise. Rather than having very fixed goals and an idea of what charities should do to reach them, they often spoke about listening to the charity sector and adapting what they fund to existing needs. This line of thinking is clear in the quote below:

> "*We see ourselves as a foundation who are not the experts on any particular issue. So part of [our work] is listening to the sector and finding, making judgement for those organisations that we think are well run and doing a good job and then making a contribution to their core which they can use flexibly.*"

One grant-maker also said that they choose a more responsive or reactive form of funding, as they see charities as more attuned to changing needs and approaches:

> "*I also think that there is a culture in the philanthropic sector, which is about strategic good, responsive bad... Now a lot of people call it reactive funding, but actually, if you're thinking about who knows the needs best and who identifies the trends earliest, is it going to be a funder sitting in London or is it going to be somebody in a housing estate running a group?*"

These differences in attitudes to funding core costs really bring out the great range of approaches to grant-making. For more on this, see section 8 below.

Section 8: Understanding the strategic variables of grant-making

This section cuts the cake rather differently from the previous sections. Rather than digging into the details of the research findings, it takes a step back to look at the strategic variables that make grant-makers different from one another. Our aim in this section is to help charities to see grant-makers not as a homogeneous mass, but as a diverse ecosystem that is as varied, complex and different as charities themselves.

When looking at the range of practices, we are perhaps focusing particularly on the extreme ends of a continuum. In reality, grant-makers are spread across the range. In some cases, a single grant-maker can operate at both ends of the continuum at the same time, for example by having one responsive and one proactive funding stream. Keeping this in mind, what are the variables that separate grant-makers?

Finding grantees

Variable 1: Responding to applications or proactively looking for grantees

Our first variable is that of how a grant-maker finds grantees in the first place. Do they go out and look for them, or do they wait for the applicants to beat a path to their door? The spectrum of grant-makers goes all the way from those who go and look for all the organisations they want to work with and have no open application process right to the Tudor Trust, who have very broad guidelines and wait for applications to come to them.

Between these two extremes is a spectrum of almost infinite variables. These are grant-makers like some of the Sainsbury Family Charitable Trusts, who do not accept unsolicited applications and the Big Lottery Fund, for whom the vast majority of applications are reactive with just a small percentage being proactively approached.

With each of these approaches comes a number of challenges. Any trust which is going to approach organisations needs to know enough about potential applicants to be sure it is approaching the best in the market place. Conversely, any organisation that waits for the applicants to come to them needs to be sure that its processes and profile make it easy to apply and that it is well known enough to get a decent volume of high quality applicants.

Types of grant

It would be tempting to say "a grant is a grant is a grant." Nothing could be further from the truth. The way in which grant-makers supply their funds has a host of variables.

Variable 2a: One-off cash sum or multi-year support

One of the simplest decisions that a grant-maker has to make is whether their support is one-off for a current project and for a single year, or whether it is over a number of years (perhaps because the project lasts for a number of years). Almost any charity will tell you that it would prefer multi-year support – but they would say that, wouldn't they? Multi-year grants could potentially reduce the time grant-makers spend evaluating applications. The difficulty for grant-makers is that multi-year support dramatically reduces the amount of funding that is available in future years and reduces the number of grants that are made. It also increases the degree of monitoring and evaluation that is needed to make sure that a project stays on track for the entirety of its lifetime.

Variable 2b: Core funding or project funding

Charities, particularly smaller ones, would like to receive core and unrestricted funding, preferably for a number of years. Most grant-makers like to fund projects. It is easier to evaluate an application for project funding. Its size and scope can be established and its chances of success evaluated. In contrast, core funding goes towards expenditure like salaries for example and it is often unrestricted, meaning it can be used for any costs. In effect, the grant-maker has to evaluate the whole organisation. Despite all the difficulties, there are grant-makers who specialise in core funding, such as John Ellerman Foundation, the Tudor Trust and Esmée Fairbairn Foundation. There are other funders who appear to make core funding or multi-year grants very rarely, preferring to fund projects.

Variable 2c: Capital funding, revenue funding or loan funding

The next choice for grant-makers is capital, revenue or loan funding. The vast majority of grant-makers fund revenue, i.e. income for this year or the next few years. Capital grant-makers (such as the Wolfson Foundation) are typically funding buildings or major infrastructure projects, while loan funders (such as the Social Investment Business) provide money to fund the creation of a revenue-creating enterprise from which the loan can be repaid. These three types of funding often require different skills and assessment processes in order to be awarded. The kind of organisation that can handle a revenue grant is not necessarily the kind of organisation that can handle a capital grant or loan funding.

Variable 2d: Funding the new or funding the tried and tested

The final area of the type of grant is whether a grant is for tried and tested work or for an innovative project. Charities often complain that grant-makers would like to have their cake and eat it; they want to fund innovative new projects while at the same time not wanting the risk of failure that comes with them. One of the consequences of grant-makers' desire to fund new projects when charities often want to go on funding what works is that charities may try to dress up existing work as new and exciting.

Where to focus and how to make decisions

Variable 3a: Where does the passion come from?

Even with all the best application processes in the world, there is still a high degree of subjectivity in making a decision to award a grant. There are simply too many choices of how to spend grant money to pretend that applications can all be given equal treatment.

The way that a grant-maker subjectively makes its decisions is sometimes obvious because the criteria for a grant are clear and specific. At other times, it is less obvious as the criteria remain general charitable purposes. Most charities dislike the latter and prefer the former as it saves them writing an application that was never going to be successful. As one charity put it in our previous research:

> "*Be clear about what you will and won't fund - don't say 'everyone is welcome to apply' when in practice you only fund cricket clubs in Devon*."

How a grant-maker chooses to spend their money is usually derived from the passions and preferences of the founders, the family of the founder, the staff or the trustees. It remains the case that many grant-makers still have active involvement from their founders or the family of their founders (Garfield Weston Foundation, Wolfson Foundation), those where there is no longer any family are probably in the minority (John Ellerman Foundation, Sylvia Adams Charitable Trust). Understanding how and from whom the passions or focus of a grant-maker are manifested is a key element of making a successful application.

Variable 3b: Trustee involvement or staff delegation

The next stage in the application process once the criteria for making a decision are set out is who actually makes the decisions. These kinds of decisions are on a spectrum, ranging from those where all decisions are made by trustees or the founder to those where they are all made by staff with the broad strategy being set by trustees.

Our research for this project and our previous report indicates that in most grant-making trusts, trustees are intimately involved in making decisions on individual applications. In some grant-making trusts, every application is seen by a trustee and in others every second stage organisation is visited by one. Indeed, with the exception of some of the Big Lottery Fund's grant programmes, we haven't come across any grant-makers where trustees only get involved with strategy and stay out of individual grant decisions altogether.

This involvement of trustees in the everyday decisions of grant-makers marks them out as very different from the average charity trustee board, where trustees are meant to set policy and overall strategy and stay clear of day to day decision-making.

Managing demand

Variable 4: Reducing demand through sector focus or application quality

Almost all the grant-makers we talked to with an open application process received many more applications than they could fund. Typically, the ratio would be 3 or 4 applications for every grant awarded. However, we are aware of grant-makers who get around 10 applications for every grant. The question for grant-makers is how they keep their applications down to a manageable level, so that each eligible application can be given the time and attention it deserves.

One way to keep applications to a manageable level is to make the criteria sufficiently restrictive so numbers are kept down. Another is to have applications by 'invitation only'. The least favoured way from the charity point of view is to keep the application criteria very broad and then judge applications on their merits. The difficulty in this approach is that it requires substantial resources on the part of the grant-maker to assess applications. We suspect this is the reason that charities are convinced that knowing somebody (a trustee, a member of staff) in the grant-making trust makes a difference. In the absence of clear and restrictive criteria, personal contacts are often seen as very important. However, none of the grant-makers we talked to said that they were.

Restrictive criteria are not the only way that grant-makers can restrict the number of applications. Grant-makers like the Goldsmith's Company have an eligibility test online that charities need to pass in order to access the application form. A number of other ways include:

- Enforcing a moratorium on applications for a set period after a successful or unsuccessful application
- Providing an upper limit on the turnover of the organisation applying
- Making applicants be registered charities
- Making applicants apply in collaboration with others
- Making applicants subject to match funding requirements

Most of the charities we have spoken to have little sympathy with grant-makers who say they are swamped with applications. They would always prefer clear criteria which reduce the number of potential applications.

Type of relationship

Variable 5a: Ongoing relationship or grant processing

Perhaps one of the single biggest variables in grant-making is the type of relationship that a grant-maker has with charities during the application process and once a grant is made. There are those, like the European Union, where there is no face to face contact with people at any stage in the process and all correspondence is by email.

In contrast, many of our interviewees told us of the regular telephone, email and face to face contact they had with applicants. One interviewee told us how every second stage applicant got a call from the director once a decision had been made. Another told us that every second stage application would get a visit from a trustee.

For a few grant-makers, this intensity of relationship continues after the grant decision with regular contact between grantee and grant-maker. Contact at this stage of the relationship was less common than contact during the application process. Still, some organisations manage to make time for contact with grantees and in the best organisations it is useful and productive. This is particularly true where a grants officer is knowledgeable about both the grantee charity and the sector in which they work. Every grant-maker told us how they want honesty and openness from their grantees and the basis of this will be a strong working relationship in most cases.

Variable 5b: Funder plus or grant only

Another side of the working relationship between grant-maker and grantee is where the relationship goes beyond money. In some circles, this is called 'funder plus', though this term has negative connotations for some charities as they perceive it to mean a relationship where grant-makers have another way to keep an eye on a grantee.

Our research shows that a few grant-makers have made an effort to go beyond the financial relationship, but we believe that many grant-makers could make more use of their wealth of knowledge and experience from the grants they have made to tell charities what does and does not work. We are aware of a few grant-makers who hold seminars for their grantees. Some funders have a commitment to disseminate the findings of their work and share the learning they have garnered from their work in the sector. Funders that are tightly focused on particular areas of work, such as Friends Provident Foundation that works on money issues or particular geographical areas such as Trust for London, put some resources into events and newsletters for grantees and other stakeholders. Our wish is that more grant-makers use their knowledge assets to help grantees and non-grantees and that they continue developing helpful and accessible ways of doing so.

Deciding if the money is well spent

Variable 6: Evaluation lovers or evaluation sceptics

At the end of the grant period, many grant-makers want a report. Some even want some kind of independent evaluation or even an impact assessment. Our sense is that some grant-makers take more notice than others when it comes to these kinds of end-of-term reports. For some, future grant applications from that charity may depend on a good report. For others, it is the ongoing relationship which will give the grant-maker feedback on whether a grant is well spent.

The difficulty of course is that a poor evaluation at the end of a grant can be dangerously close to shutting the stable door once the horse has bolted. At its most fundamental point, some grant-makers want to try and rigorously establish the impact of their grant. Others are happy to use their ongoing reports, grant-making wisdom and relationship with grantees to evaluate whether their money has been well spent.

Section 9: What happens next? Recommendations for charities and grant-makers

Our advice to charities

Quality wins over quantity

Every piece of evidence we have gathered suggests that spending more time on fewer applications makes sense. Too many charities believe that making grant applications is simply a numbers game; do enough and the law of averages means that sooner or later you will strike lucky. We'd disagree. Fewer applications, more carefully tailored and thought through is our unambiguous advice. We know that many very small grants can add up to an important source of income for charities, but only ever use mail merge applications for these.

Know your grant-maker

Grant-makers told us again and again that an application which shows that a charity understands them makes a big difference. Who else do they fund? What do their criteria say? What kind of grants do they make? A typical grant-maker may find that somewhere between a quarter and half of all applications are ineligible. The more you know your grant-maker, the more likely it is that your application will be given due consideration.

People and ideas win grants

Looking at all the factors that grant-makers said make a great application, the most important are the quality of the people and of the ideas. So, pity the trust fundraiser who has poor quality projects with key senior staff who are not involved in talking to and meeting interested trusts. For those organisations not doing new projects, the quality of the people becomes even more important.

Honesty beyond necessity

Again and again, grant-makers told us that they wanted their grantees and applicants to be honest. To flag up problems earlier rather than later. To explain and discuss when a project is going wrong. Grants officers often have a wealth of knowledge and charities shouldn't be afraid to use it. Only speaking up when a project is beyond salvation is a recipe for a failed project and an irritated grant-maker. They want their grant to work as much as you do.

Make sure grants are only part of your income mix

There is a danger of some charities becoming overly dependent on grant-makers, or caught in the grants trap. Getting a new grant is always easier than getting 1000 new donors or starting a fundraising event. However, charities somehow need to make sure they have a broad portfolio of income sources[7] and wean themselves off complete over-dependency on grant-makers

Our advice to grant-makers

It's a power relationship

Grant-makers have power over charities. The decision of a grant-maker to fund or not to fund can make or break a charity with precarious finances. Charities want and need those grants. So don't expect charities to be proactively honest with you about your grants and processes. They have too much to lose and too little to gain.

Every application costs everybody time and money

It should take huge amounts of time and energy to do a decent grant application. It should take considerable amounts of time and energy to assess a decent application. Every one that is written but not funded wastes charities' and grant-makers' time and energy. Reducing that wasted time and energy should be a win/win for charities and grant-makers. So, reducing both ineligible applications and unsuccessful grants should be good for all parties. What we know for sure is that clear, up to date criteria, clear guidelines and proportionate processes, such as two stage applications, are critical to achieving this.

There are also ways that grant-makers can reduce costs for everybody: using emails and the internet instead of post, making multi-year not single year awards and using their own website to reflect when their budgets are committed for a financial year. Another constant refrain from charities is for honesty and transparency in the type of beneficiary that grant-makers support in order to reduce wasted applications. For example, it is deeply frustrating for applicants if a grant-maker says they support 'general charitable purposes' if in reality they only support a specific type of grantee.

All charities love feedback

Charities love feedback from grant-makers, but too many charities feel it is poor or non-existent. We think that every second stage application should get individual feedback and that grant-makers should look at aggregated feedback to highlight the most common reasons that applications fail. Today's great feedback is tomorrow's great success.

Small charities love core funding

Along with feedback and up to date guidelines, core funding is one of the things charities want most of all. For small charities, we think that more grant-makers

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[7] See our free report '*Gimme, Gimme, Gimme!' - A Guide to fundraising for small organisations,* March 2011, for an overview of income sources

should be prepared to decide whether they love a whole charity, rather than just a particular project. The toughest task that any small charity has in the current financial climate is funding its day to day running costs.

Grant-makers have more than financial assets

Grant-makers are usually wanted by charities for their grants. No surprise there. Our belief is that many grant-makers have additional assets in the form of knowledge based on all the hundreds of projects that they have funded. They have seen what works and what doesn't. While some grant-makers have started using this information, we would like more grant-makers to use these knowledge assets more widely.

Similarly, we believe that grant-makers could do more to build the capacity of their grantees to fundraise more effectively and broaden their income mix beyond grants. Charities need great ideas on income generation in the current climate as much as they need grant-makers' money. In their respective roles the Institute of Fundraising and the Association of Charitable Foundations are well placed to explore how this might be facilitated effectively.

How can charities and grant-makers work together better?

Grant-makers and charities need to appreciate how they are stronger together

Grant-makers and charities need each other. Charities are a key route through which grant-makers deliver to the beneficiaries they exist to serve. We would like to see the two sectors focus more on what they have in common than on what separates them. By working together, both grant-makers and charities can be stronger.

Grant-makers and charities need a forum to discuss issues

There is no well-used forum where charities and grant-makers currently meet and discuss issues. Grant-makers meet together through the Association of Charitable Foundations (ACF) and discuss issues through the Intelligent Funding Forum. However, only grant-makers (or partially grant-makers) are members of the former and no grantee charities are members of the latter to the best of our knowledge.

Charities discuss trust fundraising, for example in the Institute of Fundraising's Trusts and Statutory Fundraising Special Interest Group, but it does not seem like grant-makers are very active in the group. Even at individual grant-maker level, 'user panels' where charities get to have a voice are rare. A forum where grant-makers and charities can meet, discuss issues and move the overall relationship forward is needed. We believe that ACF and the Institute of Fundraising need to develop one.

Grant-makers and charities need a code of best practice

We think that a code of best practice for both grant-makers and charities would be a good idea. In reality, what we probably mean is a code of worst practice that should be avoided by both parties. Individual grant-makers need to avoid the things that charities hate them doing the most and vice versa. There is already a section on Trusts in the Institute of Fundraising's code of practice.

This could be developed and then mirrored in an equivalent code for Association of Charitable Foundations members.

Grant-makers and charities should develop a set of awards to praise and develop best practice

There are many grant-makers that charities praise for their excellent grant-making practice. Some are tiny and others very large. We think it would be good to wheedle our way into somebody else's award programme with some ways of recognising those grant-makers who are doing great things. However, it wouldn't be disproportionate to have an entire set of awards to acknowledge the profound contribution that grant-makers make to social good in the UK

Equally, we know that many charities would like to name and shame grant-makers whose behaviour is still in the 19th century. This could be done quietly behind the scenes, while the praising remains much more public.

A final word

There is plenty to be optimistic about from our two reports on grant-making. There are dozens of grant-makers who are providing vital funds to help charities carry out life-changing or life-saving work. There are many partnerships between charities and grant-makers that show all the hallmarks of the best collaboration and joint-working.

There are also a host of ways in which charities and grant-makers can work together better. If the relationships are this dynamic and this diverse in a situation which has developed organically, then a few small nudges in the right direction could, we believe, produce substantial benefits for both parties.

Executive Summary

This is our second look at the world of grants fundraising. We first spoke to fundraisers to understand charities' perspectives, then for this follow up report we interviewed people involved in grant making. Our aim is to give an idea of the challenges that grant-makers and fundraisers face in doing their jobs, whether it's raising money for their cause or identifying and funding the best applications. We want to reflect people's experiences on both sides and consider what the solutions might be. We also want to illuminate and potentially help improve the process of grant-making for all parties concerned.

The impact of the recession

With the recession hitting charities hard, grant-making trusts expected to see an increase in the number of applications. However, all but one that we spoke to had experienced a drop in applications, though often only temporary. The cut in statutory funding has had an impact for many grant-makers who have received applications to replace government funding. Grant-makers have been traditionally loath to step in and replace public funding, but some are being flexible and supporting charities with specific financial challenges.

Hallmarks of a great application

While speaking to grant makers, a number of common themes emerged about the grant-making process. One of the areas we looked at was a common source of critical importance for fundraisers - what makes for a successful application? According to the grant-makers, the hallmarks of a great application are:

- Understanding the grant-making trust and tailoring applications
- A strong idea
- Competent people
- Clear and succinct language
- Showing finances are in order

Some of those may sound straightforward, but our research with grant-makers shows that many applications lacked one or more of those key elements.

The application process

Understanding how grant-making trusts make their decisions can help a charity make more successful applications. However, for many grant-makers the number of ineligible applications, those that don't meet their published criteria, is depressingly high. For many fundraisers, the length of time grant-makers take to make a decision is a source of friction.

Relationships and contact

Both during the application process and once a grant has been secured, charities and grant-makers are clear that honest and open communication is helpful. Grant-makers find that many charities delay delivering bad news to them or fail to inform them of substantive changes to a project. Similarly, during a project, grant-makers sometimes have considerable experience they could pass on to a charity, but often they are not asked.

Feedback on applications

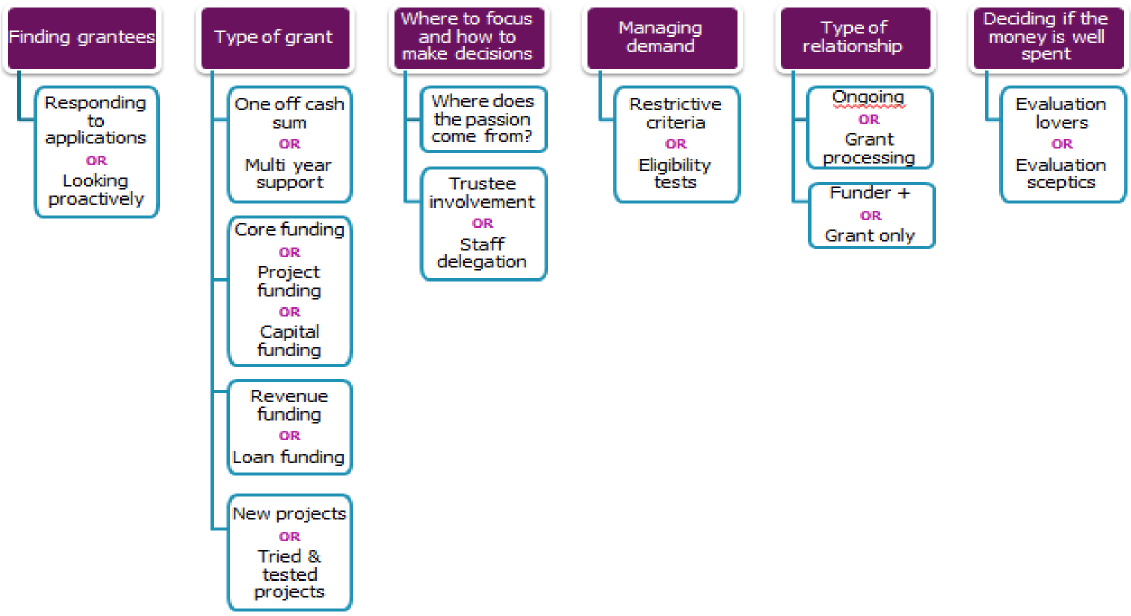
This can be a huge time drain for grant-makers who can therefore be hesitant to provide it. However, charities are always keen on feedback and in the long run it helps both charities and grant-makers. A compromise could be to only give full feedback at the second stage of the application process, with some standardised feedback at the first stage.

The types of funders

There is no single type of grant-maker. The diversity of trusts is particularly clear when it comes to the form of funding they provide and the philosophy behind it. Grant-makers choose the form of funding that they believe allows their grants to have the highest possible impact. Applicants can make an impression by showing that they understand what the grant-maker wants to achieve and how the charity's work aligns with it.

Understanding strategic variables of grant-making

As part of the research, we identified that rather than being a homogenous group, grant-making trusts could be very different and operate within a number of variables. These are listed in the purple boxes, with the various options that grant-makers choose between shown in the blue boxes.



Recommendations for charities and grant-makers

Based on the many conversations we had over the course of the two reports, we have been able to compile a list of suggestions for both charities and grant-makers to make the process easier and more productive for both sides. These are explained in Section 9 of the main report, but they are displayed in a nutshell below.

Our advice to charities is

- Quality wins over quantity. Take the time to get fewer applications right, rather than sending many in the hope that one may get noticed.
- Know your grant-maker. Also known as 'do your homework'. If you know what the grant maker is looking for, you're more likely to get their attention.
- People and ideas win grants. Ultimately, the strength of your application comes from the strength of the idea and the people behind it.
- Honesty beyond necessity. Don't be afraid to consider and talk about what could go wrong and is going wrong.
- Make sure grants are only part of your income mix. Also known as 'don't put all your eggs in basket'. Relying too heavily on any one source of funding[8] is an easy and common mistake to make.

And our advice to grant-makers

- It's a power relationship. Charities can't afford to be as honest as you both would like them to be. Grant makers have the funds that charities need.
- Every application costs everybody time and money. Reducing wasted time and energy should be a win/win for charities and grant-makers. Clear, up-to-date criteria, clear guidelines and proportionate processes, such as two stage applications, are critical to achieving this.
- All charities love feedback. It helps charities improve their future chances of success and makes it more likely that grant makers receive better, more relevant applications. Another win-win.
- Small charities love core funding. It's their life-blood, so if the project is worth funding, consider whether the whole cause and charity is.
- Grant-makers have more than financial assets. In addition to the money, grant makers can support causes and projects through ideas, advice and guidance based on their own experience.

[8] See our free report '*Gimme, Gimme, Gimme!' - A Guide to fundraising for small organisations,* March 2011, for an overview of income sources

How can charities and grant-makers work together better?

Section 9 also discusses some of the solutions that could facilitate a better working relationship between grant-makers and charities. These are summarised here.

- A forum to discuss issues. There is no well-used forum where charities and grant-makers currently meet and discuss issues. We believe that ACF and the Institute of Fundraising need to develop one.
- A code of best practice. Or, more usefully, a code of worst practice that should be avoided by both parties.
- Awards to praise and develop best practice. These would recognise the essential role that grant makers play in supporting excellent projects in the UK.

The relationship between charities and grant makers is an important one to get right as both parties need each other to support the beneficiaries they exist to serve. We would like to see the two sectors focus more their common aim and common ground rather than what separates them.

Acknowledgements

This report could not have been written without the contributions of a range of people involved in different aspects of grant-making and fundraising.

We are grateful to the Institute of Fundraising. Without their support, we wouldn't have had the foresight or the initiative to conduct this research.

Thank you also to all the grant-makers who took time out of their busy schedules to share their thoughts and experiences with us. Their input was invaluable and taught us a great deal about the world of grant-making.

We also benefitted greatly from the very helpful comments and suggestions from a few reviewers who read drafts of the report. Thank you to Katie McQuade, Louise Magill and Dr Ruth Jeffcoate.

Methodology

The research for this report was conducted through interviews with grant-makers over the telephone and in person. We talked to grant-makers involved in most aspects of the grant-making process, from grants officers to directors. The grant-makers were selected to cover a range of different sizes, from trusts giving out less than £1 million per year to those handling grants of hundreds of millions. They also represented a range of sectors, from specialists or regionally limited funders to generalists and those funding national and international work.

This report uses quotes from the interviews with grant-makers. These have sometimes been carefully edited to ensure anonymity and improve flow. We have, for example, corrected grammar and removed some spoken language quirks in places. However, we have taken great care not to change the sentiment of any quote.

List of interviewees

We interviewed grant-makers from a variety of different grant-making trusts. A couple of interviewees have left their organisations since we talked to them and we have chosen not to name any of the interviewees for the sake of simplicity. The interviewees came from the following organisations:

- BBC Children in Need
- The Big Lottery Fund
- The City Bridge Trust
- The Clothworkers' Foundation
- Friends Provident Foundation
- Garfield Weston Foundation
- The Goldsmiths' Company
- Jack Petchey Foundation
- Jerwood Charitable Foundation
- John Ellerman Foundation
- John Lyon's Charity
- Letchworth Garden City Heritage Foundation
- The Pilgrim Trust
- Sainsbury Family Charitable Trusts
- The Sylvia Adams Charitable Trust
- The Wolfson Foundation
- Trust for London
- Tudor Trust

About nfpSynergy

nfpSynergy is a research consultancy dedicated to the not-for-profit sector. Our aim is to provide the ideas, the insights and the information to help non-profits thrive. We run syndicated tracking surveys and carry out bespoke projects. We are widely recognised as one of the leaders in non-profit market research.

Our tracking surveys monitor the attitudes and opinions of key stakeholder groups relating to the not-for-profit sector. The research is carried out on behalf of a syndicate of participating charities who share costs and data. The aim of our tracking studies is to provide lower cost, more frequent and more detailed research than any organisation could achieve by acting alone. We survey a range of audiences, including the general public, journalists, MPs and Lords, young people and regional audiences in the UK and Ireland.

Each year we also deliver around 50 projects for non-profit clients. We carry out focus groups, conduct face-to-face and telephone depth interviews, run workshops and perform small and large-scale desk research projects.

Social investment is important to us and our major contribution is the range of free research reports and briefings we produce each year to benefit non-profit organisations, which can be downloaded from our website. We use evidence from our research to campaign on behalf of charities on key issues. We also support small non-profits by providing free places at our seminars, giving talks to groups all over the UK and through pro bono research assistance. For more information, please visit www.nfpsynergy.net

About the Institute of Fundraising

The Institute of Fundraising is the professional membership organisation for fundraisers and fundraising. It is the largest individual representative body in the voluntary sector, with 5,300 Individual members and over 350 Organisational members.

They aim to support these members and the wider fundraising community by:
- Creating a better environment for fundraisers to raise money
- Increasing understanding of fundraising
- Enabling fundraisers to be the best they can be

They improve the environment for fundraisers through policy and support. They increase understanding by being a knowledge centre for fundraisers and the general public and through setting fundraising standards. They enable fundraisers to be the best they can be by providing resources, skills development and qualifications.

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nfpSynergy
helping non-profits thrive

2-6 Tenter Ground. London E1 7NH
t: 020 7426 8888 e: insight@nfpsynergy.net

www.nfpsynergy.net
www.twitter.com/nfpsynergy
www.linkedin.com/company/nfpsynergy