

Streamlining Across the Divide

Illinois Grantmakers and Grantseekers Tackle Streamlining Together

"To be able to have the space – the focused space – to meet and have a conversation with somebody I would never have gotten to know, was so valuable. I learned so much about what her concerns and constraints were."

- Funder participant

"This was one of the most meaningful experiences I've had with Donors Forum because grantmakers and grantseekers were together with a common goal. This was, for me – professionally and personally – incredible. I felt heard and shared my experience and frustration."

- Nonprofit participant

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Report Snapshot

Grantmakers and grantseekers in Illinois came together for an intensive Community of Practice on Streamlining the Grant Process, convened by Donors Forum. Over the course of a year, participants focused on the impact of application and reporting practices on both funders and nonprofits, and explored ways to minimize the burden while maximizing the effectiveness of grantmaking. Through candid conversation and exploration in a safe space, they gained insight into the challenges faced by colleagues on both sides of the funding equation.

The results of the community of practice are documented in this report.

- Illinois grantmakers have embraced the idea of streamlining and have made many changes to simplify their processes, including moving to online grantmaking systems.
- However, seeking grants remains a time-consuming and frustrating process for nonprofits. Inefficient online systems and complicated budget templates often take time away from mission-based work.
- Grantmakers often lack systems to get honest feedback from applicants and grantees. Grantmakers and grantseekers rarely know the cost (in time and resources) it takes to apply for grants or make grants.
- The Streamlining Community of Practice developed [cost audit tools](#) for grantmakers and grantseekers. These simple tools map the specific cost centers associated with grantmaking and grantseeking, and help both types of organizations work toward greater efficiency and good decisions.
- Most importantly, this group of professionals demonstrated that honest and constructive conversations between funders and nonprofits are possible and essential for breaking down long-standing misunderstandings and promoting productive relationships.

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It's rare for the grantmakers and grantseekers to sit down for lengthy and honest discussion about grantmaking practices and their impact. When the two groups mingle at conferences or receptions, grantmakers can feel like they have what one called "a target on my forehead" and grantseekers can feel intense pressure to make a good impression on potential funders. To minimize this discomfort, we often maintain an invisible wall between funders and the nonprofits they serve.

So what would happen if grantmakers and grantseekers came together for a whole year's worth of constructive and honest conversation on the potentially touchy topic of grant application and reporting practices and the impact on both types of organizations? That's exactly what Donors Forum, based in Chicago, invited a group of them to do when it formed the Community of Practice on Streamlining the Grant Process. More than 30 grantmaking and nonprofit organizations signed up for this unprecedented opportunity to focus on the idea of streamlining application and reporting practices, gain deep insight into their differences, and explore shared goals.

Donors Forum intentionally selected the participants of the learning community to represent a diversity of perspectives in the sector, size and types of organizations, and geographic areas of service among their members in Illinois. Over the course of seven meetings in 2012, participants worked together to understand the real burden of application and reporting on both sides. And they didn't just talk about it; the group also took action to make streamlining easier in Illinois and across the country. They created a set of cost audits that shine light on the true costs of grantmaking processes for both sides of the table.

This is the story of that Streamlining Community – what they learned and why it matters to Illinois nonprofits and funders, and to others across the country. The group made progress on two central issues in the nonprofit/philanthropic sector. They examined the costs of grantmaking and took steps to help others understand and minimize those costs. Perhaps even more important, they used intentional conversation to bridge the gap between nonprofits and their funders.

About This Report

Donors Forum commissioned this report for two primary reasons. First, it homes in on streamlining in Illinois, specifically, with a set of recommendations and new tools that are useful to grantmakers and grantseekers in Illinois and elsewhere. Second, it tells the important story of Donors Forum's successful effort to convene grantmakers and grantseekers under conditions that allowed meaningful and honest relationships to develop – to everyone's benefit.

This short report draws from research conducted for the national Project Streamline initiative, a project led by the Grants Managers Network. That research included a survey of 460 grantmakers and 305 grantseekers, interviews with ten funders and ten nonprofit leaders and two funder focus groups. To develop this more specific look into streamlining among Illinois grantmakers and the Streamlining Community of Practice, we conducted additional interviews with seven community of practice participants as well as with staff from the Donors Forum. We reviewed survey data specific to Illinois funders and nonprofits from the national survey; a total of 42 grantmakers (9 percent of the national total) and 208 grantseekers (68 percent of the national total) were from Illinois.

About Donors Forum

Donors Forum is a nonprofit membership association that promotes philanthropy and a strong nonprofit sector in Illinois. The sector, which includes nonprofit service providers as well as grantmakers, directly serves four out of every five Illinois residents. Indirectly, these organizations touch the lives of everyone in Illinois. Donors Forum offers a number of programs and resources to nonprofits and grantmakers. These include publications, workshops and training sessions, an informative website (www.donorsforum.org), and the Donors Forum Library. To learn more about Donors Forum and the resources and services it offers to strengthen grantmakers and nonprofits, visit www.donorsforum.org or call 312-578-0090 (toll-free 888-578-0090).

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Members of Donors Forum's Community of Practice for Streamlining the Grantmaking Process are listed at www.donorsforum.org/COPStreamlining

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Understanding Streamlining – In Illinois and Nationally

Streamlining minimizes the burden that grantmakers' application and reporting practices place on nonprofit organizations, while still enabling grantmakers to get the information they need to make good decisions. Because each foundation is different, streamlining can take many forms, but follows four core principles for application and reporting requirements:

- 1) Take a fresh look at information requirements: request only what is used in decision-making.
- 2) Right-size requirements: align application and reporting to the size and type of grant.
- 3) Reduce the burden on grantseekers: reduce unnecessary and onerous practices.
- 4) Straightforward and clear communication with grantseekers.

The streamlining principles and practices have been a long-standing priority of Donors Forum, ever since the publication of the first report from the Grants Managers Network-led effort, Project Streamline, [Drowning in Paperwork, Distracted from Purpose](#) in 2008. Donors Forum and Project Streamline co-hosted educational workshops for funders that attracted both grants managers and program officers. Donors Forum grantmaker members then formed a Peer Network with the explicit mission to “bring grantmakers... together to address challenges, answer questions, take action, and support each other in reducing the burden of paperwork on their grantees, thereby resulting in more time implementing their mission.” In 2012, Donors Forum created the Community of Practice on Streamlining the Grant Process so its members – grantmakers and nonprofits – could:

- Learn from national experts and peers
- Connect with each other to build a community of leaders grounded in trust and respect
- Discuss issues that are both fundamental and critical to strengthening both organizations and the sector overall
- Take action on the issue in their own organizations
- Provide leadership to the sector at large recommending best practices that will be published and disseminated across the U.S.

At the same time, the national Project Streamline conducted a second round of national research, surveying both grantmakers and grantseekers to produce a second report, [Practices that Matter](#), which explored streamlining trends, barriers, and the practices that make the biggest difference to nonprofits. Donors Forum members were among the most enthusiastic respondents. Of the 460 grantmakers and 305 grantseekers who responded to the national survey, 42 grantmakers (9 percent of the national total) and 208 grantseekers (or 68 percent of the national total) were from Illinois¹.

¹ Illinois grantseekers who responded seek funding from a wide range of state and national funders and reported on their grant application experiences with funders who may not have responded to the survey.

Findings: What We've Learned

Streamlining Matters

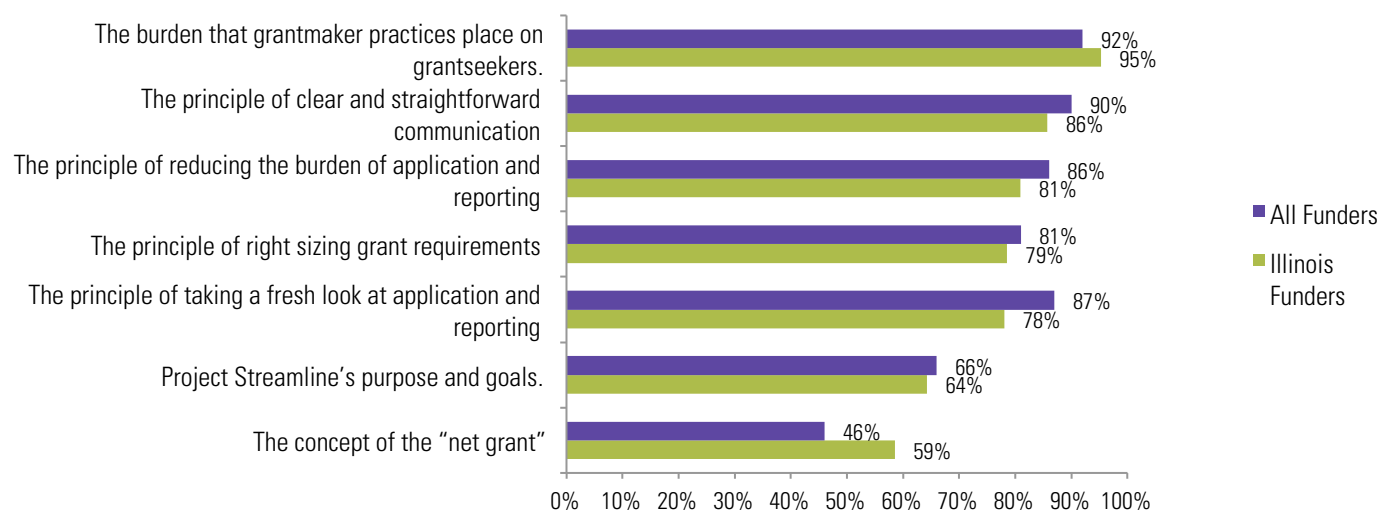
Most funders have a deep commitment to improving conditions and contributing to vibrant communities, and to supporting the nonprofits on the ground doing this important work. Unfortunately, burdensome application and reporting practices undermine these values by causing grantees to spend time and energy jumping through unnecessary hoops and – in many cases – by requiring large expenditures of resources by organizations that will not be funded at all. When funders streamline their grantmaking processes, they often align their practices with their values. By restructuring their application and reporting requirements to minimize the administrative burden, they ensure that both they and their nonprofit partners have more time and energy to spend on the mission-focused work that matters most.

Lots of Streamliners in Illinois

Illinois grantmakers know that their grantmaking imposes a burden on nonprofits. As in the national survey, nearly all Illinois respondents, 95 percent, reported being quite aware of the burden of grantmaker practices on grantseekers. Six in ten (59 percent) were also very familiar with the concept of the “net grant” – the funding that remains after taking into consideration the time and resources that grantseekers invested in applying for and reporting on the grant. Nearly half of all grantmakers in the national survey were aware of the net grant.

It's not surprising, given Donors Forum activities in recent years, that Illinois grantmakers also participated in many activities related to streamlining. Nearly all, 90 percent, reported conversations with colleagues on the topic, and 74 percent reported having conversations with grantees about their application process. A third of those surveyed had participated in a Project Streamline peer-learning group. Perhaps as a result, nearly three quarters (72 percent) of Illinois grantmakers said that they felt more compelled to streamline their application and reporting processes, in contrast to 66 percent of grantmakers overall. A large percentage of Illinois grantmakers also reported taking steps to streamline their application processes within the past four years (80 percent).

Grantmakers are Moderately or Highly Aware of...

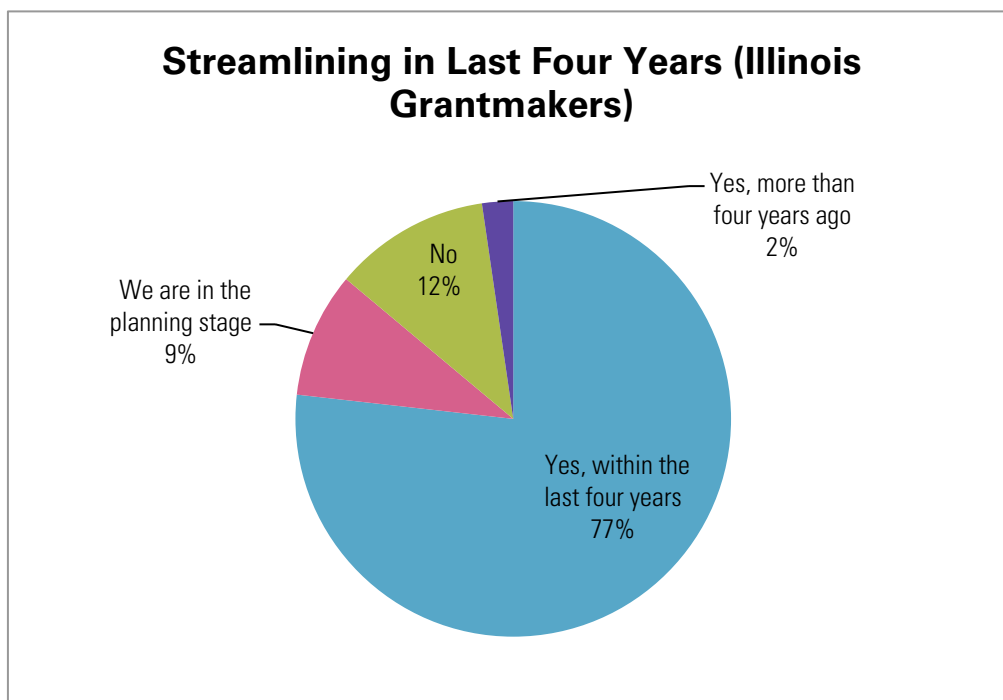


Illinois Grantmakers Motivated by Supporting Grantees and Increasing Efficiency

“When we introduced ourselves (at the first Community of Practice meeting) we had to share a random fact. I shared the number of funders and number of reports that we had in one fiscal year, and people almost fell off their chairs.” - Grantseeker

All grantmakers decide to streamline for a host of reasons, both practical and altruistic, and Illinois grantmakers also had a wide range of motivations. Those responding to the survey from Illinois were more motivated by a desire to help grantseekers than were grantmakers in general. They reported that their leading motivation was to reduce the burden on grantees followed by a desire to improve internal work flows and reduce administrative burden of processing the applications.

Illinois Grantmakers Streamline... Selectively



But what does streamlining really mean to Illinois grantmakers? Like funders across the country, Illinois grantmakers told us that they have undertaken streamlining activities over the last four years.

Not surprisingly, grantmakers in Illinois selected streamlining activities that made

sense to them and aligned with available technology. For example, as online systems became more available and effective, grantmakers across the country adopted them in droves – and Illinois grantmakers were no exception.

Like others nationally, Illinois grantmakers also focused energy on grant application and reporting communications, striving to make them clearer. Large numbers (93 percent of those surveyed) reported revising application and reporting requirements so that they requested only what they needed for decision-making. Fewer indicated making other changes, such as streamlining small grants or decreasing the frequency of reports.

Illinois Nonprofits Are Not Yet Experiencing Widespread Streamlining

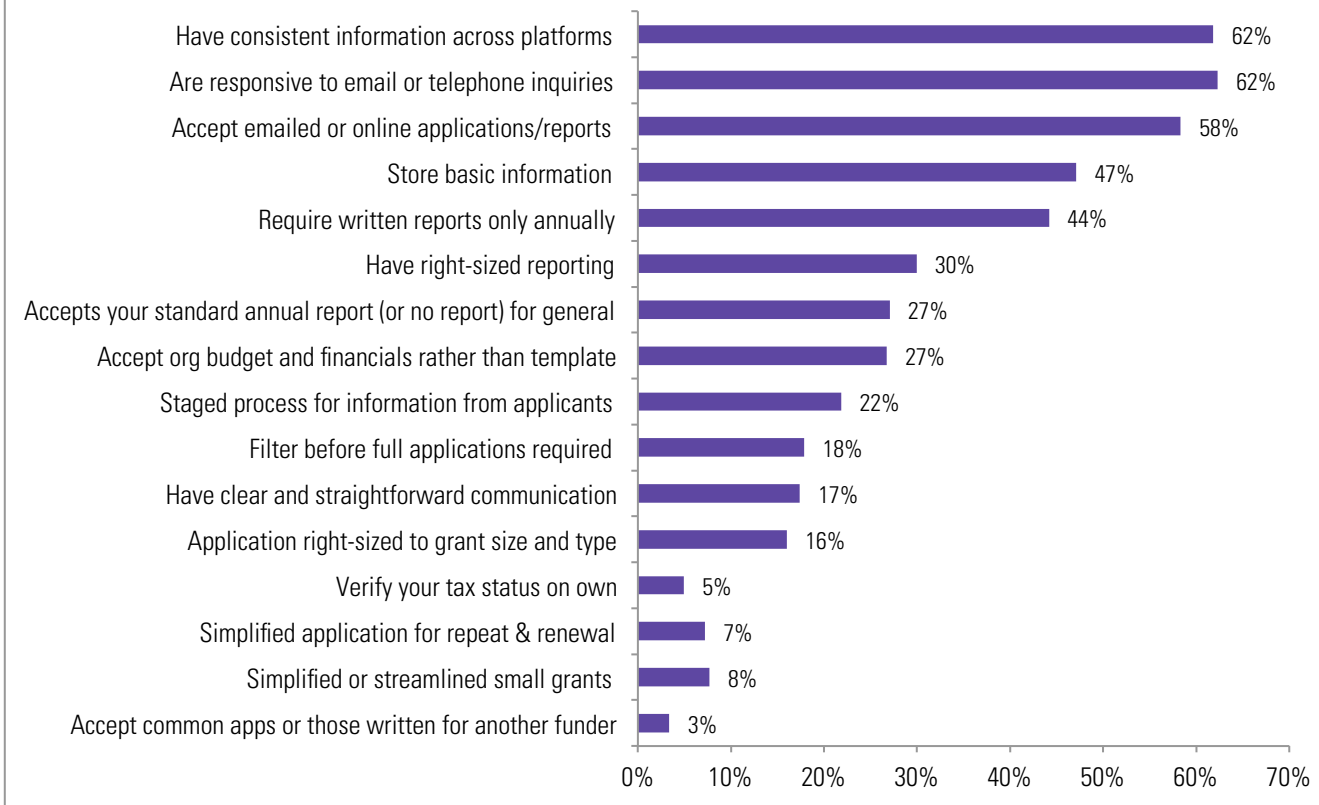
Illinois nonprofits surveyed agreed that many of their grantmakers communicated more consistently and were available to them by email or telephone. They also affirmed that more than half of their grantmakers had moved processes online.

However, Illinois grantseekers still encounter many funders who haven't yet started to streamline their practices. For example, only 27 percent of Illinois grantseekers reported that most or all funders accepted their own budget and financial information, and only 8 percent felt that requirements for small grants were usually proportionate or "right sized." Almost none reported regularly working with funders who verified tax status themselves without requiring the IRS Letter of Determination.

In short, grantseekers said that their funders streamlined inconsistently or not at all, and that some practices that sought to streamline actually made things harder. For example, while online systems can make the process of submitting an application easier, many nonprofits commented that online systems weren't user-friendly and were hampered by glitches or poor functionality. Applicants found themselves wrestling with: systems that would not allow them to scan through application questions; character restrictions on text boxes; no cut and paste functionality in text boxes; and the inability to save work and return to the application.

"The proliferation of online applications has not streamlined the process. Now, every group has a completely unique online template with sometimes bizarre character limits. Even though these proposals don't require a lot of text, they are very time consuming because you can't cut and paste from a template." – Illinois Grantseeker

Illinois Grantseekers Report that Most or All Grantmakers...



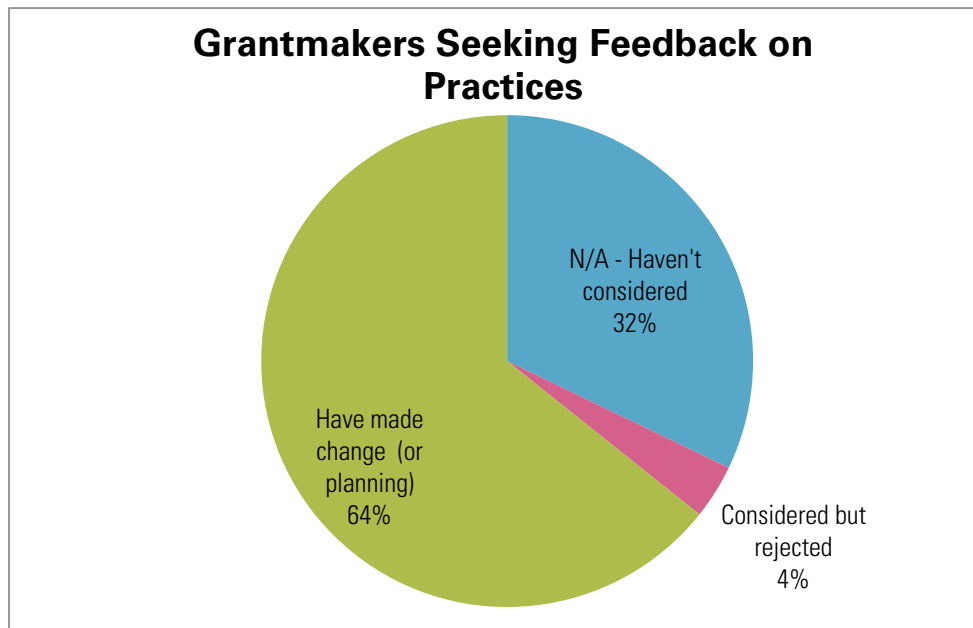
A Lack of Feedback

The differences in the grantmaker and grantseeker experiences in Illinois are consistent with the discordant experiences of grantmakers and grantseekers in Project Streamline's national survey. Like grantmakers across the country, Illinois grantmakers are starting to think about the burden that their requirements place on nonprofit grantseekers and grantees. Awareness is high, especially among grantmakers who were connected and engaged enough to complete the streamlining survey. Many have also taken action to streamline. Yet Illinois grantseekers continue to experience the burdensome practices of many funders.

Part of the issue may be a lack of information about the impact of practices. More than a third (36 percent) of Illinois nonprofits reported that none of their funders had ever requested feedback on how their process worked. Grantseekers who had offered feedback noted that their comfort and candor depended on the relationship with the funder and the anonymity of the survey.

"We participated in an online survey. It was supposedly anonymous, but I did not feel confident in that. My answers were therefore tempered in order to avoid losing funding." - Grantseeker

"We have not had any funders request feedback but, even if they had, I think a lot of organizations feel they cannot provide honest feedback because they feel critically needed funding could be jeopardized." - Grantseeker



Without good feedback, data, and knowledge about the impact of application and reporting practices, Illinois grantmakers haven't been equipped to translate their awareness into widespread streamlining that makes a difference for those seeking grants.

The Community of Practice presented an opportunity to dive into these questions, and to find out if real relationships – beyond facts and figures – could motivate grantmakers and grantseekers to reconsider their practices and create tools to convince others to do the same.

Getting in the Same Room and On the Same Page

Sometimes it takes risking exposure to uncomfortable information to illuminate a truth. The grantmakers and grantseekers who elected to participate in the Donors Forum Community of Practice (CoP) were inspired by a common desire. They wanted to better understand conditions on the other side of "the table," as one grantseeker put it, and they weren't afraid to challenge their own comfortable assumptions in the process. The experience didn't disappoint. Over the course of seven meetings and additional relationship building work that happened offline, participants challenged each other and their own assumptions, built relationships, and experienced real – and occasionally uncomfortable – candor.

Participants shared four big takeaways from their time together – changes to the way that they thought about their work and relationships.

1. There's Nothing to Fear

The Community of Practice was set up to feel like a safe space for honest conversation – with expectations set by Donors Forum for confidentiality. From the start, Donors Forum staff encouraged participants to maintain a spirit of camaraderie in the room. For Donors Forum, the Community of Practice encouraged honesty by creating conditions to develop personal relationships and empathy, and build respect.

And it worked. "It felt like a space where people could be very open and honest," said one participant. Another noted "I could sense some reluctance at first, but as we built relationships, people opened up and expressed things they'd been feeling for a long time."

As a consequence of these relationships, grantmakers gained empathy for the challenges faced by nonprofits. Grantseekers started to feel differently about their funders – even those not in the room.

"I don't fear picking up the phone and calling a funder anymore. If I have a client who needs something, I pick up the phone and ask. All those years of feeling that I couldn't call... that grantmakers didn't want to hear from me... that feeling is gone. I want this new feeling of confidence for my colleagues. They don't believe me." - Grantseeker

2. Don't Forget Why We're All Here

Participating in the Community of Practice reminded grantmakers and grantseekers that their missions are two sides of the same coin. Grantmakers who had once worked for nonprofits or other grantseeking agencies realized that they had forgotten the frustrations of that experience once they became grantmakers and were caught up in new concerns and cultures. Participants in the Community of Practice agreed that its structure gave them an extended opportunity to learn from each other. Identifying and working together on a set of tools to improve grantmaking caused them to dig deeply into the nitty gritty of what it takes to give – or get – a grant.

"I thought it was a great idea to bring people who are on different sides of the table together to figure things out. Sometimes we get over here on this side and forget what it was like!" - Grantmaker

3. Take Responsibility for Your Part

Participants agreed that the onus for change lies with both grantmakers and grantseekers. While grantmakers need to understand and minimize the burden of their practices, grantseekers need to do their part too, doing their own due diligence before applying, being honest about things that don't work well, and being transparent in conversations with grantmakers about what they can and can't achieve with the funding provided.

"I heard from funders about the shocking number of phone calls they receive from nonprofits that haven't actually read their guidelines. We talked about rolling out a set of expectations for transparency and responsibility on both sides." - Grantseeker

"All the struggles they talked about were issues that I knew about from my end. For example, I know that [as a nonprofit] you often set goals that are unrealistic, because you feel you have to. It was a good reminder – I have a responsibility to try to make things better." - Grantmaker

4. Know the Costs

Members of the Community of Practice concluded that most grantmakers and grantseekers lack a full understanding of grantmaking's true costs. Grantmakers often have no idea how much time their application and reporting requirements take to fulfill. They may not realize that the administrative requirements of their processes have a cost, which eats into the net grant that successful grantees receive. Even more problematic is that an unexamined process might cause a large number of organizations to put in many hours of work, even when most won't see any financial return.

Grantmakers may also not have considered what it costs them internally to make a grant, and may have internal processes that are redundant or that – upon analysis – are not necessary. Similarly, grantseekers can find themselves applying for whatever is available to them, without an analysis of whether the cost to apply for a grant will be worth the potential payoff.

Cost Audit Tools Illustrate Real Costs of Grantmaking

CoP participants saw this big gap in knowledge as a problem to be solved – and set about creating tools that would help untangle the costs of grantmaking. The result? [The Donors Forum Cost Audit Tools](#) – one for grantmakers and one for grantseekers.

The cost audits calculate the basic costs of a grantmaking process. Funders enter into a template all the costs that go into a grant cycle from start to finish, including from the creation of a request for proposals (RFP) to monitoring and review of the grants awarded. By completing the tool, a funder can learn how much the organization is spending to complete a grant cycle and compare it to the total amount of grants awarded. A funder can then use the tool to identify components of its grantmaking process that may be ripe for streamlining.

The nonprofit cost audit tracks all the costs that go into applying for a grant from start to finish, from submitting a letter of inquiry to reporting on the grant received. Nonprofits can learn how much they spend to complete an application process for an individual grant and compare this amount to the total grant awarded. They can identify time-consuming points in the application process and determine if their costs are proportionate to the final grant (and any other intangible benefits that may be included with the grant).

“One of the things I said right off the bat that got a bit of reaction was that “we don’t apply for anything under \$5000, and even then we take a hard look at what we apply for. As nonprofits, we need to understand our costs, too – and we need to make smarter decisions.” – Grantseeker

A “To-Do List” For the Field

After a year’s worth of conversations and introspection, members of the Community of Practice came up with a set of recommendations for their colleagues. These recommendations support and enhance the recommendations of Project Streamline’s recent report, *Practices That Matter*. They also represent evolving best practice in the field, and are reflected in Donors Forum’s resource: *Illinois Nonprofit Principles and Best Practices*.

- 1. Know the costs.** All funders and nonprofits in Illinois should know the cost of their grantmaking – and make decisions based on that data. The Cost Audit Tools, which can be found at www.donorsforum.org/costaudittools, walk you through a detailed assessment of costs, whether you’re making or seeking grants. With this information in hand, a grantmaker can consider ways to make internal processes more efficient, and can decide whether the time that its process takes is acceptable to them. Grantseekers, meanwhile, can consider opportunities in light of what the cost (in staff time and other resources) is likely to be.
- 2. Make changes to reduce the burden** based on what you learn from the cost audit. Two specific changes make a big difference to grantseekers.
 - a. Right-size small grant requirements. Once a grantmaker understands the cost to grantseekers – and to her own organization – of making a grant, small grants of under \$5,000 will be especially ripe for streamlining. Often grants can also be right-sized by creating a staged process where only very promising grantseekers complete a full proposal.
 - b. Eliminate burdensome budget forms and templates. Because entering financial data into new and different forms and templates is an especially time consuming chore for nonprofits, accepting budget and financial information in grantee formats is an easy way to save grantee partners significant time and money.

“Here’s something that became clear during the meetings. There’s a human cost to bad funder practices. If the person who is ordinarily serving clients is sitting in site visits and putting their budget into a template, then real people aren’t being served.” - Grantmaker

- 3. Increase transparency, authenticity, and responsibility.** The Streamlining community had an experience that was valuable and – for many – outside their prior experience. One grantmaker said: “It was really meaningful to hear from nonprofits about their experiences in meeting the individualistic requirements of foundations... it opened my

eyes up. It's not often that you get in a room with a bunch of nonprofits that aren't afraid to speak their minds." They advise colleagues who make grants and those who seek funding to make a point to be more transparent and communicative about the grantmaking and grantseeking process.

4. Seek feedback to improve communications, relationships, and processes.

Grantmakers often have excellent relationships with their grantees, but they still may not get completely honest and specific feedback about the burdens of application and reporting. Only a deliberate request for anonymous feedback will garner that candor (and even then, grantmakers need to be persistent). Grantmakers can use anonymous surveys or surveys and interviews by third-parties to find out how their practices can be improved.

The Donors Forum Community of Practice set out to explore streamlining and ended up prototyping a process for bringing grantmakers and grantseekers closer together. In the end, they uncovered and made progress on two central issues in the nonprofit/philanthropic sector. One was – of course – that grantmaker practices have a cost and that cost needs to be understood and minimized. The other was that the gap between nonprofits and their funders is detrimental to both sides and can be bridged through intentional conversation. As one grantseeker put it:

"If I could have one thing... it would be to have an open conversation a few times a year. The relationship can feel so adversarial. It's easy to forget that we're all working for the same thing."