INTRODUCTION

Forty-one persons representing 38 organizations in the United States and Canada registered for this topical conference call. Included in the call were representatives from community foundations of a variety of sizes, united ways, private foundations, and technical assistance providers.

Bill Somerville brings 48 years of experience working in grassroots philanthropy, including being the founder and executive director of the Peninsula Community Foundation. Bill also founded the Philanthropic Ventures Foundation and is the executive director, as well as a consultant for many community foundations. Author of periodicals and books, Bill discussed his latest book *Grassroots Philanthropy: Field Notes of a Maverick Grantmaker*.

THE MODEL: IMMEDIATE RESPONSE GRANTMAKING AND WHY

Bill described the responsive grantmaking program at the Philanthropic Ventures Foundation in which all grants are given out or denied within 48 hours. Why is this non-traditional approach an important way to make grants?

- The Packard Foundation has funded Bill to consult with community foundations and he has found that foundations are paralyzed by bureaucracies of their own making.
- We have to see if we can answer to higher expectations of ourselves, because now we are an 8 cylinder engine working on 4.
- The Council on Foundations recently issued a report coming to similar conclusion called *Drowning in Paper*.
- One example is the San Francisco Foundation where the board meetings every six weeks. The foundation has a large staff; the staff recommendations actions on grant applications to the board of directors which 80-90% of the time agrees with the staff. The question is why don't they allow the staff to make the grants instead of rubber stamping?
- Schedules are what we set them to be and delays in funding cripples non-profits.

Bill is using the Philanthropic Ventures Foundation as a demonstration foundation to test the effectiveness and legality of immediate response grantmaking. It appears to be working well and has had no legal challenges.

- Bill signs checks and processes grants daily. There are no deadlines.
With each check he includes a simple letter that restates what the funds are to be used for and asks the grantee to co-sign the letter.

The reduction of paperwork gives foundation staff more time to be out in the community finding outstanding people to fund.

To illustrate why this approach is important, Bill crafted the **Five Faults of Philanthropy**:

1. **It is too passive.** We wait for the mail too much. We are behind the computer most of the time. He urges you to get out of the office and look for opportunities to fund.

2. **It has poor timing.** Foundations give on their schedule rather than when funding is needed. The Philanthropic Ventures Foundation is the only foundation that gives within 48 hours. They haven't experienced any of the negatives that you would expect.

3. **It funds paper rather than people.** The best grant writer in the world can write a marvelous request that has nothing to do with the people who will make it work or fail.

4. **There is a fear of failure.** There is nothing wrong with failure. Failure is a learning experience and you are a better professional for it.

5. **It is problem oriented.** Foundations fund needs assessments for needs you already understand. Then they want to prioritize needs, as if we have the luxury of doing that. Try to get people to think in different frameworks. For example, his foundation took the initiative to meet with an outstanding community person and asked him to work with low income girls. Now he has worked with nearly 10,000 challenging kids with much success.

What are the factors of excellence in the industry of grantmaking? Am I running a responsive and creative foundation? These are questions you need to ask everyday.

**QUESTIONS AND ANSWERS: HOW DOES THIS WORK IN YOUR FOUNDATIONS?**

What is getting in the way of more foundations working in this manner? Responses included:

I can think of political things that might make us stumble. We live in a conservative community and are trying to build philanthropy in the region. We have had some harsh experiences in terms of accountability with major non-profits who we had prior relationships with. How do we respond to a conservative community environment?

Your credibility is tied to outcomes. There are things you can do, like sending a one-time-use camera with your grant asking them to post photographs of grant activities with their progress reports. In a sense, what more do you need? It isn't a fair question to ask, for example, what happens to the kids after the funded program. We are expecting great things, but how much can we ask of the grantees? The key word is impact, something
positive happening for a community. If we can show this, that is what we are after and should be satisfied. Steve Meyor wrote a paper on outcomes and he says we can’t expect the same things as in the profit world. In philanthropy, we should be more open to failure.

I am concerned, as a staff member making grants, that when you deny funding the community will view that decision as your personal denial of the idea, not a board response?

All foundations have that risk. You are always open to accusations. That isn’t the issue. You must be transparent, fair, and be venturous. We hate failure, so we don’t venture much. If you have no failures you haven’t been venturing.

Do you have any guidelines for funding that you work from or is it purely based on your relationships in the community?

There is a book out by Malcolm Gladwell called Blink. It is all about intuition. We are intuitive and need to use that. We don’t have guidelines because we are open to all ideas in our funding area. Remember the Drowning in Paper report. In a way, what you probably want to be is more transparent. When you come across creative people they will come up with things that don’t fit your guidelines. Look for outstanding people because good people do good work. We all get tons of mail. So why spend a whole bunch of time on the 85% that your turn down. Spend your time on the outstanding people.

What do you look for in outstanding people?

I wrote criteria. Often these types of people don’t go to foundations. For example, the priest who isn’t affiliated with a 501(c)(3). Of course you can fund non 501s. To only fund 501(c)(3)s, that is an in house rule. There is no legal rule that says you can’t. You are looking for dedication, sincerity, and a track record of what they have done on their own—not people who present themselves as an ambulance case that say they can’t do it without your money.

Talk about the pension protection act and other things coming down the line that increases accountability for foundations and donor advised funds?

We have continued our operation as normally as we can. We justify and have paper trails on every grant. But it is paperwork we designed, but that covers all the issues that are necessary. The government says we can fund anything charitable and that is what we do. We have complete consistency in our practices. We have satisfied our auditors and the attorney general. There have been no inquiries from the IRS. The paperwork designed meets the expenditure responsibility.
It is important to ask the grantors to determine the outcomes. I would rather allow the grantor to describe what they will do. I have seen forms that would choke a horse, but what it does is choke the staff.

What is your relationship with your board?

They confirm grants after the grants are given. There is enormous trust amongst the board, staff, and grantees. Trust is what we have to deal in because it is a lubricant. The trust must be mature because the project might not work; it is a professional risk. But we are too timid.

The board sets the foundation position and can correct the course. The board is very excited about what is happening. Many other boards have asked what their function is if the staff makes the grants. The board is there to hire and fire the executive director and give her the back up she needs. The board should set the vision for the foundation and seek funds for the growth of foundation. The board should allow you to be versatile, to go where angels fear to tread.

What is the most important thing to do to ensure the trust is maintained?

You have to be consistent and sincere. You are calling on life experience and your professional background. After a while timidness has to drop off and you need to show leadership, which means stepping out front and trying new things. It is called initiative philanthropy—creating things yourself. Convene experts and ask how the private dollars can be more effective in working on an issue. Community members are very appreciative to be brought together. Use your prestige to convene people and then be quiet and let them brainstorm and develop new ideas.

As a private foundation, we are pushing the envelope on funding advocacy. As a result, we are more diligent on the approval process. How do you work with that?

We are looking to see if we have enough to satisfy a prudent person. Do we have enough through the agreement letter (as a contract) to satisfy? We expect them to live up to that agreement and to hear back from them. Someone once said, if you don't trust people you have them fill out paper. So throughout philanthropy in America we have much paperwork. People's success is our job and we are investing in their success by helping them do the good work they do. It is symbiosis. We need to speed up the process.
What is the first thing you advise foundations to do when they are drowning in paper?

I tell them there is an alternative. Dive off the board because it is ok. Since people are scared to dive off, it will take a process to understand that the paper work isn't required or applicable. Taking the initiative is labor intensive. You have to make more time to take the initiative by cutting the unnecessary. As the law is written right now, there are no inhibitions placed on us for doing spectacular grantmaking or any sanctions for mediocre work. No one else can say that their work is without standard. Therefore, we have more leeway than anyone else in society to be creative.

When we do reimbursement grantmaking, we require the paperwork. What kind of options are there to reduce that.

Stay away from reimbursement grantmaking because you are not funding the project but something new that will be God knows what? But, if you do that you need trust. If you don’t trust you need the paperwork. You need staff time to go through all that paperwork. Give them some slack by making a site visit and then writing a memo to the file about what you saw. Then you have the report, memo to the file, photographs-plenty of evidence that they spent the money for what they asked for. If I have trouble getting the report back, I make it clear that we aren’t funding on blind faith and expect to hear back or the likelihood of repeat funding goes down.

Do you require quarterly reports or reports when project is complete?

That depends on the size and term of grant and if you give it in installments. If it is a year long grant given in installments, ask for a report prior to making the next installment. But, let them determine that because they have to determine when they want the next payment. The grantee sets the standard of excellence. Help the grantee understand that. The grantee is the expert, so you should hear from them about why they feel good about the work they are doing.

A common denominator for this audience is funding of non 501(c)(3) organizations. There are requirements put on these grassroots organizations that are designed to deal with the discomfort of the granting foundations. What is your response to that situation?

Find out if there is a leader. If there is no leader, don’t fund it. There has to be someone responsible, but someone that includes others in the process. We designate in writing that one person has the say so on how the money is spent. If you give that to the group there becomes the problem of people fighting over funds.
You may ask them to get some substance, if that will make the foundation feel more secure, by asking them to work with a 501(c)(3) or some other group with a track record. That is the hardest funding you can do, basic community organizing. It needs a lot of prior trust. We have got to figure out some measure of accountability when we fund neighborhood groups. One way is to fund a person, instead of the group. Have that person work with the group to build credibility.

We fund systems change and controversial issues such as health care coverage or community organizing. Discuss why you think this is important.

This comes under the heading of policy funding. Controversy is a fog—a good reason to slow down, but no reason to stop. Controversy just means that some people differ and that is the name of the game in America. It, again, counts on the quality of the people you work with. I do not do rescue funding, as I have found it is funding without momentum. They usually need rescuing again soon. Fund people who are creditable.

In philanthropy we can control the degree of controversy. We have more latitude to bring common sense to the issues because it can be a less public process. Convene people in small groups (8 people) and then bring the issue back to the board to set the vision. It is more intimate relationship building.

Do you think grassroots grantmakers should fund more systems change?

No, not for the little guy. Some of the bigger foundations can tackle it more and bring large gatherings of people with more clout to bring people together. The little guy can do it in miniature ways with specific programs in their communities.

When you take the initiative to get into causative philanthropy it is thrilling. Most of us don't have that experience very often. What can we do with the philanthropic dollar? Bring people together who don't usually come together because of politics. Are there people out there doing good work that don't know about your funding? Invite them to apply. Tough issues like gang warfare takes the best thinking we can come up with and the philanthropic dollar has the best chance to support that.

When doing responsive grantmaking, do you run out of dollars in the middle of your funding year? We see many more good projects than we can fund.

Not typically—as an example, someone gave us $100,000 to spend on education. We sent out a notice to teachers to apply for small grants by faxing in requests. The first day we had 400 requests. As the fund was
getting used up the requests stopped coming. We didn’t start with the what ifs--what if we are flooded and run out of money. You rely on synchronicity. If you run out you send a notice that if funding is renewed you are first on the list.

What do you do if you aren’t a leader in your foundation but are interested in this idea?

You can do what you are told or you can find a mechanism for finding the good people in your community. Ask the boss if you can spend some time in the community. Get out of your comfort zone. You can’t do philanthropy from behind a computer. Bring back to your boss what you find. Express your professionalism in that way. But don’t do a needs analysis. The needs analysis is a way of postponing response. What are the critical intervention points in your community for which you have found that philanthropic dollars can play a major role?

Often the lower down you are the more paper oriented you are. It appears to protect you. The job is to try to get people to think in creative ways; that is the challenge. Many times your co-workers are swamped themselves. They can’t see a future. That type of environment probably isn’t a good one to put money in unless they are dreaming. Ask organizations what is their vision and dream for the organization. They must have an answer in order to be worthy of the investment.

When you go to a paperless and immediate response system, do you run the risk of allowing the personal issues of staff determine the funding priorities? We use committees, but if you don’t, are you running the risk of excluding multi-perspectives? Also, do you run the risk of getting caught up with compelling personalities who may or may not be good at running programs?

All of these things are what the game of philanthropy is made up of. You can talk things to death. The tendency with community foundations is to have a lot of committees. The staff spends most of the time preparing for and attending committee meetings. The staff is nurturing itself and not the community. Rather than assume that all knowledge flows through the program officer’s head, you should be convening. Let them express their perspectives instead of using the same committee members’ perspectives over and over. In the past, the Philanthropic Ventures Foundation gave $100,000 to three different cohorts which each determined the funding criteria. This is a way of democratizing the giving process. But none of it worked effectively. In the end, it comes down to your own doorstep. How much are you trying to find out what is happening in your community? Committees and reports protect us, but it comes down to the hard work of getting to know the community.
Do you see the climate improving for this kind of grantmaking? What would be the one thing you would do to improve it?

No, it is declining. By the time people fill out the paperwork required in a traditional grantmaking system, it is a reimbursement of their time. I don't see much venturing. The risk taking is minimal.

I am trying to improve the climate by doing talks like this and promoting the website and the book. Set up a venture fund at your foundation. With a venture fund you expect to have failures. It is a way of getting foundations to try this on a safe basis. In rock climbing when someone falls they stop immediately and write up what went wrong. Why can't we do that in philanthropy?

Can you talk about your strategy for reducing the competitiveness amongst groups around funding?

When you are funding someone it doesn't mean you aren't funding someone else. You are investing not awarding. Invite people to keep in touch after they are turned down. There is a lot you don't fund because you don't have money.

You can what if yourself into paralysis. It kills creativity on the spot. Don't demand that people work together, but convene groups and ask if they are sharing and what has gone wrong and what are the successes. Don't let yourself get boxed in by using superlatives and giving too much detail on why you fund or don't fund. Ask people to come back with a better idea. Keep dialog open.

One thing that hinders the proactive approach is worrying about what the donors think and how they will react if they disagree. Do you have any advice?

Take the donors (two at a time) on fieldtrips (not tours) to show them how the money is working. For example, I took donors to a soup kitchen for lunch.

What is the main takeaway from this?

Try to have higher expectations of yourself for the work you are doing. Ask yourself what are the factors of excellence for philanthropy and how we are answering those. What more can we be doing? Stay away from possessiveness; we are servants working in this field. What can we do to sculpt and bring things forth that aren't coming up front on their own?
WRAP-UP

The techniques discussed can be found on the Philanthropic Ventures Foundation website at www.venturesfoundation.org.