

# Grantmaking Primer

**Grantmaking:** The discretionary awarding of grants, especially by a large foundation or other organization as a form of organized philanthropy.

## Breadth Vs. Depth

**FAQ:** Why would we fund a program that only affects a small group?

Quantity or reach are not the only measures of impact. A large organization will typically be in a better position to reach a bigger audience than a small organization. However, the outcomes or results that an organization achieves are just as important, if not more important, than the outputs, such as the number of people served or programs delivered. Outcomes speak to the change that has occurred as a result of the investment. Realizing and understanding a significant change in people's lives, even with a small number of people, can lead to improvements over time that will have sweeping benefits for the community. Sometimes a small project or a pilot can allow for more time to be devoted to program refinement, evaluation and dissemination, leading to continuous improvement and replication too. Counting program participants or end-users as a primary measure of impact is easy, which is why it is the common default. Tracking other measures, including qualitative data, as well leads to a more fulsome understanding of impact.

## The Sector Ecosystem

**FAQ:** Why would we fund a big organization with a lot of money?

The size of an organization (staff, budget) is not the only measure of need for funding. Most nonprofits, large and small, rely on project funding to grow and innovate. Even if they appear to have the money, they will often not proceed without the funding support to move forward. In this way, a foundation can be instrumental in helping a large organization shift course, test new approaches or build on past success. Smaller organizations, on the other hand, may demonstrate the most obvious signs of financial need and they also have the advantage of being nimble. But they may not have the ability to scale their work. There are advantages and disadvantages to both small and large nonprofits and when supported together a funder can strengthen the whole ecosystem.

# The Overhead Myth

**FAQ: If I want my money to go towards impact, it should only go to program costs, right?**

Effective programs require thoughtful and solid administration to ensure short-and long-term results. Beyond the costs of delivering programs, organizations must have a functional physical place to operate out of, and must invest in strategic planning, fundraising, staff professional development, and evaluation in order to be successful. These administrative functions, often referred to as overhead, are essential and yet are the most challenging to resource. In the absence of these, a charity will be limited in its ability to make a measurable difference. It is considered a grantmaking wise practice to systematically allocate portions of grants to evaluation and overhead. Nonprofits, like any fiscally responsible organization, should be held accountable for responsible financial controls such as keeping costs in check. Limiting funding support only to programs hampers an organization's chances of success.

## Learn More:



### TED Talk – Dan Pollata: The Way We Think About Charities Is Dead Wrong

Activist and fundraiser, Dan Pallotta, calls out the double standard that drives a broken relationship with charities. Too many nonprofits, he says, are rewarded for how little they spend — not for what they get done. [Click here to watch.](#)

### Better Business Bureau Alliance for Wise Giving, Charity Navigator, and GuideStar:

The Overhead Myth - Open Letter to Donors of America. [Click here to read.](#)

Stanford Social Innovation Review: The Nonprofit Starvation Cycle. [Click here to read.](#)

### Grantmaker's for Effective Organizations:

#### 5 Steps to Achieving Greater Impact in Philanthropy through Empathy

Having widespread empathy allows funders to base their decisions and actions on an authentic, firsthand understanding of the perspectives of grantees, community members and other partners. In turn, funders become more effective as their work is grounded in more thorough, ground-level knowledge of organizational and community priorities and needs. [Click here to read.](#)