

# How American Foundations Plan and Make Decisions: A Guide for the Perplexed

By Brian F. Hofland

If you've seen one foundation, you've seen one foundation," is an expression that aptly characterizes the diversity of American philanthropies. Even though there are tens of thousands of foundations, no two are exactly the same. This diversity is accounted for by type (private, family, community, corporate, and operating); size (small, medium, and large); and the philosophies and styles of founders, boards, and staffs. With philanthropies playing a growing and increasingly visible role in important aspects of American life, including the field of aging, a guide to this complex—and (to those seeking funds) perplexing—field is long overdue.

## A LARGE AND GROWING FIELD

The numbers are daunting. The Foundation Center (2006) estimates that in 2005, there were nearly 68,000 active grant-making foundations in the United States, with a combined giving total of \$33.6 billion—almost triple the \$12.5 billion in giving total in 1995. However, only a third of these foundations had assets of \$1 million or more or gave at least \$100,000 or more. And only approximately a quarter of those with

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assets of at least \$1 million had at least one full-time staff person and accounted for two-thirds of all foundation assets (Foundation Center, 2005). This discussion is most relevant

for these staffed foundations.

## CHOOSING PRIORITIES

How do foundations choose their priorities? For a private foundation, the mandates stated in the founder's incorporation papers form the basis for the foundation's funding priorities. The specificity of these mandates varies widely (Freeman, Edie, and Nober, 2005). Founders often provide only general guidelines, to allow for flexibility in a changing world. In such cases it is often left up to the foundation's board of trustees to define and form a particular set of priorities and programs. (In family foundations, some or all of the board members belong to the founding family.) A corporate foundation almost always funds projects that will promote the corporation and help the bottom line. Community foundations determine and respond to the pressing issues in their locale. In each case, the interests and priorities of board members are influential.

“Mission drift” is a risk for foundations. Sometimes it arises from a loss of focus on one or more priority areas. Other times, a foundation’s programs become internal fiefdoms and the respective managers do not work together to advance the foundation’s mission. In an attempt to correct mission drift or simply to achieve greater impact, most foundations periodically rethink their priorities and revamp their programs. Recent notable examples of course corrections and reorganizations within philanthropy include the Ford and Rockefeller Foundations and the Carnegie Corporation. Some observers believe these reorganizations have been spurred in part by a desire to achieve the kind of public visibility and perception of significant impact that has characterized recent activities of the very large Bill and Melinda Gates Foundation (Strom, 2007).

*Strategic vs. nonstrategic grant making.* Strategy is a key factor influencing how foundation priorities are implemented. In strategic grant-making, the foundation wants to bring about significant social change and establishes specific objectives to achieve social change through its grants. Strategic grant-making foundations tend to be highly focused on a very limited set of issues and specific objectives.

For example, a community foundation that did practice strategic grant making dedicated itself to reducing poverty among older adults in its community by 50 percent and planned to do so through three strategies: (1) linkage with existing benefits and services; (2) development of new services in the community; and (3) advocacy. To implement these strategies, projects the community foundation funded included the promotion locally of Benefits-CheckUp, the National Council on Aging Internet-based tool that links older adults with federal, state, and local benefits to which they are entitled but not receiving; development of major new affordable housing projects for older adults; and grass-roots advocacy efforts to increase the priority given to low-income older-adult issues by the local mayor’s office and the state office on aging.

In contrast, a community foundation that was not practicing strategic grant making might try to address a whole range of major issues,

with reducing older-adult poverty only one of many. The foundation would have neither highly specific objectives nor a highly focused programmatic approach to any of these, and thus would be unlikely to significantly improve the status of low-income older adults in the community.

*Open vs. selective styles.* Another important factor shaping how a foundation’s priorities are played out is whether the foundation has an open or selective style of grant making. In open grant making, the foundation sets either no priorities or only very general priorities, publishes a set of guidelines, and then responds to all proposals “received over the transom.” In selective grant making, a foundation more actively controls receipt of proposals by inviting those it wants to consider and not accepting uninvited proposals.

The open style of grant making allows for submission of creative proposal ideas from a wide range of organizations, known and unknown to foundation staff. The disadvantages are that a small foundation staff may be overwhelmed by a large number of irrelevant or duplicative proposals and may have less than adequate time to devote to consideration and development of worthy proposals, while applicants may feel ignored and frustrated.

The advantages of the selective style of grant making are that staff devotes a higher proportion of its time working with proposals that are truly “fundable,” providing applicants with feedback that is more in-depth and of higher quality. What is more, staff who gain expertise by focusing on a specific area can contribute to the growth of a topic area or field. The disadvantage of the selective style is that it can lead to foundation grants being awarded only to a closed circle of grantees whom the staff know, resulting in exclusion of some truly innovative and worthy organizations and ideas.

A middle course between the open and selective approaches is achieved by issuing formal requests for proposals (often referred to by their acronym, RFPs) on a specific topic or set of issues, opening the application process to all qualifying organizations, as defined by the foundation. Another intermediate process (which can also be a first step in a request for proposals) is first

accepting brief concept papers or letters from interested applicants and then inviting those applicants whose responses are most promising and of greatest interest to submit full proposals. Both of these approaches expose the foundation to a wider range of applicants and ideas but keep applicants and foundation staff from wasting time writing and reviewing full proposals that are not true contenders for funding.

*Limited-life vs. perpetuity time frame.* A final factor shaping how foundations decide upon and implement their priorities is time. Most foundations are structured to last in perpetuity, but a few foundations have limited lives. The Atlantic Philanthropies (Atlantic) is a limited-life foundation, with plans to spend itself out of existence and close its doors by the year 2020. Limited-life foundations tend to be highly strategic and focused in their grant making simply because they are trying to accomplish specific goals within a very limited period of time. Interestingly, there are indications that the number of limited-life foundations may soon increase because some high-tech billionaires who are establishing foundations are very oriented to strategic grant making. Their business experience leads them to focus on shorter-term results, and many have expressed the desire to solve problems earlier rather than later.

*Role of the staff.* A foundation's staff usually has considerable influence in shaping the specific programs developed within the parameters and policies established by founders and boards, as well as in selecting the specific grants brought forward to a board for funding. The staff functions as the eyes and ears of the board, serves as stewards of the foundation's assets, and works to maximize the outcomes and public good that can be achieved through the foundation's assets and within its established parameters and policies.

*Role of the board.* Still, it is possible to over-emphasize, even exaggerate, the influence of foundation staff. The staff almost always works in interaction with the foundation board, with the board having the right to approve or not approve the staff's recommendations. The board has the fiduciary responsibility for overseeing the wise use of the foundation's resources and the ultimate decision-making authority. Thus,

even though an applicant has received strongly positive signals regarding chances for funding from a member of a foundation's staff, a potential grant is not guaranteed until the foundation's board approves it. As many know, surprises do occur. A prudent staff person makes this decision-making process clear and transparent to the grant seeker. Still, some foundation boards delegate to senior staff the authority to give approval for discretionary grants, although these grants are usually made only under specific conditions and for smaller amounts of money.

*Role of outside experts.* In choosing priorities, shaping programs, and conducting due diligence on grants, foundations also often use outside consultants. Consultants are used as content experts to provide specific expertise to supplement the knowledge of the staff and board in choosing priorities and developing programs. Consultants can also be used as technical experts to better assess the merits or shortcomings of specific grant applications. Consultants sometimes are used to provide development and continuing education for board and staff.

#### MAKING STRATEGIC GOALS A REALITY

Once a foundation's priorities have been established and its goals and programs developed, the foundation has at its disposal a number of different means to make the strategic goals a reality. The most obvious is to provide funding to grant recipients. Other less obvious but very important actions include convening, networking and brokering, and communicating and disseminating. Convening stakeholders may be the most important. Foundations often are the organizations with which others hope to work and from which they hope to receive funds. Also, a foundation sometimes is seen as a neutral party with no particular axe to grind other than a genuine desire to improve the situation or the field in general. Thus, foundations are in a unique position to gather a diverse group of stakeholders who may have overlapping or competitive agendas.

For example, Atlantic, guided by Laura Robins, the program executive who heads Atlantic's U.S. Aging Program, and aided by a professional facilitator, convened a group of stakeholders, including grant recipients, within the

emerging field of civic engagement for older adults. The meeting, held over three days in October 2006, resulted in considerable consensus regarding five-year priorities for action.

Helping nonprofits, national organizations, and others to work better together and brokering agreements among them are important roles sometimes played by foundation staff. A foundation's staff sometimes has a more comprehensive view of the entire field, within a community or within a dimension of the field, than does any one stakeholder. At times, foundations understand that partnerships can be achieved by two or more nonprofits working together. While forced marriages of two organizations are never a good idea, foundations sometimes introduce two nonprofits and serve as a sort of matchmaker, helping the two to form a consensual and mutually beneficial partnership. For example, Atlantic has served as a networking agent by linking a nonprofit organization working with mega-churches (that had a ready supply of older healthcare professional volunteers) together with a newer nonprofit organization working with free clinics. The result was improved provision of healthcare to local people who were medically uninsured.

Finally, the capacities of foundations to communicate and to disseminate information can be important in helping to build awareness of a set of issues. For example, outstanding work by the Robert Wood Johnson Foundation in its "Last Acts" initiative (see [www.lastacts.org](http://www.lastacts.org)), launched numerous communication vehicles and helped bring hundreds of groups together to raise public awareness of the importance of end-of-life care, especially palliative care.

#### WHAT FOUNDATIONS LOOK FOR IN PROPOSALS

What are the key elements that foundations look for in proposals? All foundations conduct some form of due diligence before making a grant. Some of the most salient elements are summarized below.

*Fit with priorities, objectives, and values.* The most important question a foundation asks about a proposal is whether it is congruent with the foundation's mission and priorities and will help to fulfill one or more of the foundation's

objectives. If not, then the proposal is almost always a "nonstarter," no matter how wonderfully written and logically presented. For example, if a proposal focuses on an important end-of-life issue, but the foundation to which the proposal is submitted does not fund in that area, then the proposal is most unlikely to be seriously considered or funded.

Similarly, the focus of the proposal must be congruent with the values of the foundation. For example, a foundation may have as a priority area the improvement of end-of-life care, but if its culture abhors the idea of assisted suicide, then a proposal the board and staff perceive as promoting assisted suicide will not get funded.

Another important question is whether the scale or scope of the project is appropriate. If a foundation funds locally only and the proposal is for a national project, it is not likely to be well received, and, conversely, if a foundation only funds projects with national impact, a proposed project of local importance only is not likely to be considered.

*Context assessment.* Even if a proposed project fits the priorities, values, and scope of a foundation, it must have the potential of truly making a difference to the field. A foundation has many nonprofit organizations to which it could award a grant, so its staff will ask whether the applicant organization is the best one for the money. Will the proposed project play an important role in the field? Compared to others, does the submitting organization itself play an influential role or have the potential to advance the field? What unique advantage does this one bring (in expertise, access to a particular population, experience, etc.)? Are the organization's goals aligned with those of the foundation?

*Project feasibility and effectiveness.* Is there good evidence or reason to believe that the project is feasible and will be effective in achieving its objectives? Is the work plan logical, and are both objectives and expected outcomes specific? Is there a well-developed evaluation plan to measure performance and outcomes? Does the organization have a commitment to develop systems to improve outcomes?

*Leadership strength.* Does the organization have strong leadership in critical positions (management, staff, and board)? Have these leaders

demonstrated strong vision and a commitment to both the mission of the organization and the project? Have they demonstrated an ability to manage and implement efforts similar to those proposed?

*Financial strength.* Does the organization demonstrate financial health and the ability to gain access to alternative sources of funding? Does it have a track record for achieving sustainability after grant funding ends? Does the proposed project have a specific plan to operate on a sound financial footing?

*Operational capacity.* Do the organization's current management, operations, and planning systems function well? Do the processes, structures, and systems exist, or can they be built, to support growth plans?

#### STEPS IN PREPARING A SUCCESSFUL PROPOSAL

Preparing a successful proposal is a crucial step in gaining funding. Applicants should get the best counsel they can about what the foundation in question likes to see in its proposals. Excellent guidance is provided in "Finding Foundation Funding" (Argoff, Feathers, and Mass, 2003), from the *Disability Funders Network Primer*. The primer contains an extensive discussion of the specific steps required to turn a proposal idea into a foundation-funded project with maximum success. An abbreviated version of the steps to foundation funding is provided below.

1. *Nurture relationships.* The first step is based on the old saw "fundraising is friend-raising," which means that your first contact with a foundation should not be the submission of a proposal. Talk to foundation staff first about your idea and get an indication of your actual chances of funding. Don't treat foundation staff as "money objects" by only communicating with them about grant funding. Talk to them about your ideas, goals, and strategies, and learn about theirs. Provide them with ongoing updates about your organization and have them on the mailing list for press releases, educational sessions, and social events. Don't use these events as an opportunity to do a "hard sell" with foundation staff who attend but rather take the opportunity to highlight the

good work of your organization and its importance to the field or community.

2. *Do your homework.* Before writing and submitting a proposal to a foundation, make sure that you take the time to find out what the foundation's priorities are and its selection criteria and process. Where possible, look at the foundation's website; read its annual report, proposal guidelines, and a list of recently funded proposals; and talk to the relevant staff person. Tailor the proposal to the specific foundation. Show how your project would further the foundation's strategic priorities and goals. Make sure that the size of your request is realistic for that foundation. Provide all information requested in the specified format.

3. *Look locally.* Grant seekers tend to look to large national foundations as the potential solution to any and all fundraising needs. However, given their national mandate, large foundations typically have priorities for bringing about social change on a national level and usually do not give support to activities that are primarily of local importance. For those who seek funding for local projects, a number of sources exist, but they are often overlooked. These include community foundations, geographically focused private and family foundations, public charities, and local corporations, which may be sources for in-kind and loaned-personnel support as well as grant funds. Keep in mind that the collective resources of local foundations far exceed those of national foundations. Use the contacts of your board and senior staff to gain access to these local funding sources.

4. *Simplify and clarify your message.* Nonprofit leaders often try to include every detail of a program or project in a verbal or written description. Often the listener/reader is left confused and unclear about the key points. This is not an effective strategy for persuading busy foundation staff, who typically hear many "pitches" and read many concept papers and proposals. Foundation persons greatly appreciate clarity and careful preparation in a presentation. Be able to state the major elements of what is proposed in three minutes or less. Develop written talking points beforehand and practice with others, including intelligent, non-expert laypersons completely unfamiliar with what your organi-

zation does. Also prepare a two- to three-page written version of the presentation for use.

5. *Talk before writing.* Again, foundation staff can be valuable sources of information helpful in shaping a proposal. Even if you respond to a request for proposals, a foundation program officer can usually provide additional information and insights that are very valuable. Contact a program officer in person or by telephone, and briefly describe your plan. Ask whether the concept is on track. If the idea is too far off the mark, the program officer will usually say so, thereby saving you from countless hours of creating a proposal doomed to failure from the start. If the person says your idea is of general interest to the foundation but not quite on target, ask how the concept or project could be strengthened. Ask for suggestions of other potential funders who might be a better match.

6. *Answer the three “what” questions.* In addition to making sure that your proposal is concise and contains a good work plan, be sure the proposal answers three key questions: First, “Do what?” Say what your proposed program will accomplish. Second, “So what?” Describe the difference that the program or project will make for the population that the foundation serves. Third, “Then what?” If the proposed project is a success, where does it go from there? How will the project be evaluated? Disseminated? Sustained?

7. *Don’t give up: remember your mission.* Be politely persistent, but don’t harass busy foundation staff. Remember that sometimes the right answer from a foundation is simply “no.” If this is the response you receive, keep in mind that this simply means that your project does not match the foundation’s priorities and needs; it’s not a personal rejection or a declaration that your efforts are not worthy. Don’t let the pursuit of funding shape your organizational course.

Focus on your organization’s mission and goals, and be true to them.

#### FURTHER RESOURCES AND CONCLUSION

Philanthropy is a large and growing field. To learn more about foundations, how they plan and make decisions, and how to be a more successful grant writer, check out the many useful online and print resources and technical-assistance tools that are available to nonprofits. These resources can be obtained from the following organizations as indicated: The Foundation Center ([www.foundationcenter.org](http://www.foundationcenter.org)); the Council on Foundations ([www.cof.org](http://www.cof.org)); and the thirty-two regional associations of grant makers (see the Forum of Regional Associations website at [www.givingforum.org](http://www.givingforum.org) for a list and specific locations throughout the U.S.). All can be useful means to increasing your knowledge and becoming a more skilled and successful grant seeker. ❧

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