



# Is Grantmaking Getting Smarter?

Grantmaker Practices in Texas as compared with Other States

OneStar Foundation and  
Grantmakers for Effective  
Organizations

August 2009



## prepared for

**OneStar Foundation: Texas Center for Social Impact** is a statewide nonprofit that works to strengthen the nonprofit sector so it can more effectively serve Texans. It focuses on increased results for the people served by nonprofits through promotion of innovation, entrepreneurship, sound business practices, well-managed volunteer programs, research and rigorous evaluation. OneStar also serves as the state's National Service Commission administering the AmeriCorps grant program and serves as the Faith-Based and Community Initiative office. OneStar carries out its mission for state government as a supporting nonprofit of the Office of the Governor. More information on OneStar Foundation is available at [www.onestarfoundation.org](http://www.onestarfoundation.org).

## prepared by

**Grantmakers for Effective Organizations (GEO)** is a coalition of about 350 grantmaking and philanthropy infrastructure organizations committed to building strong and effective nonprofit organizations. Understanding that grantmakers are successful only to the extent that their grantees achieve meaningful results, GEO promotes strategies and practices that contribute to grantee success. More information on GEO and a host of resources and links for grantmakers are available at [www.geofunders.org](http://www.geofunders.org).

**Harder+Company Community Research** is a comprehensive social research and planning firm based in California. Harder+Company's mission is to strengthen social services, improve decision-making, and spur policy development through quality research, technical assistance, and strategic planning. More information on Harder+Company is available at [www.hardenco.com](http://www.hardenco.com).

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# Summary

In 2008, Grantmakers for Effective Organizations (GEO), a coalition of 350 grantmaking organizations committed to building strong and effective nonprofit organizations, commissioned the second-ever comprehensive survey of the practices of all the staffed grantmaking foundations in the United States. GEO conducted the study to help evaluate and target efforts to foster effective philanthropy, and to provide a benchmarking tool that grantmakers may use to identify areas for improvement.

In research that led up to the study, GEO confirmed that changes in the way grantmakers fund and improvements in their relationships with grantees would help produce better outcomes. Although the study found some signs of progress at the national level, too few foundations were engaging in practices conducive to grantee success.

OneStar Foundation, based in Austin, Texas, recently asked GEO to compare the practices of Texas foundation survey respondents with those of respondents from other states.<sup>1</sup> OneStar's goal for this report was to identify areas of interest for further study and to generate discussion among grantmakers across the state that would ultimately strengthen the capacity of organizations and the nonprofit infrastructure in Texas to address and solve social challenges.

The survey results show that respondents in Texas, like their counterparts nationwide, could make changes to their practices that would help ensure the strength and sustainability of the organizations they support. For example,

- Grantmakers and grantees across the country agree that providing more general operating support should be a top priority for foundations.<sup>2</sup> Yet foundation respondents devoted relatively few grant dollars to general operating support (a median of just 13 percent of dollars among Texas respondents and only 20 percent among respondents in other states). Moreover, only 3 percent of Texas respondents indicated that the proportion of dollars they devote to operating support was greater now than it was three years ago.
- In national studies, grantees consistently report that if they were freed from many of the burdens associated with application and reporting it would increase their capacity to achieve results.<sup>3</sup> However, only one-third of Texas foundation respondents (33 percent) said they often or always make reporting requirements proportionate to the size and type of grant (as compared with 58 percent of respondents from other states).
- According to their own estimates, it took respondents in Texas a median of seven days to acknowledge receipt of funding requests (among those that did so), a median of 90 days to approve a typical grant, and a median of 21 days to make the (initial) payment after a typical grant award was approved. (This matched the estimates of peers in other states.) On average, grantees should expect it to take about three-and-a-half months from the time they submit a proposal to receive a check – a lengthy period of uncertainty in any economy, but particularly troublesome in this one.

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<sup>1</sup> The findings presented in this report should be seen as suggestive rather than definitive and used with caution due to the low response rate among Texas staffed foundations (13 percent).

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<sup>2</sup> Grantmakers for Effective Organizations, *Imagine, Involve, Implement*

<sup>3</sup> Project Streamline, *Drowning in Paperwork, Distracted from Purpose*

- Research at the national level has also shown that nonprofits view their relationships with funders as essential to their success.<sup>4</sup> Yet few foundations seek feedback from the organizations they serve to ensure that they are satisfied. Only one-fifth of Texas foundation respondents (20 percent) and just over one-third of foundation respondents elsewhere (36 percent) reported they solicited feedback from grantees through surveys/interviews/focus groups during the two years preceding the survey.

While the data suggests that Texas foundation respondents mirror or trail respondents from other states in many key grantmaking practices considered to be supportive of nonprofits, there was a notable exception in one fundamental area: grant size. The median grant size of \$27,500 among Texas foundation respondents was larger than the median of \$20,000 reported by other foundation respondents.

One way for foundations to become more sensitive to the needs of grantees would be to recruit staff and board members who reflect the experience of the organizations and communities they serve. Among the most notable findings of the national study is that foundation respondents with staff and board members with nonprofit experience were more likely to engage in many key practices that are essential to nonprofit success.

GEO hopes the study will be useful to grantmakers as a benchmarking tool to identify areas for improvement, and that it will help OneStar Foundation and others target and evaluate their efforts to foster effective philanthropy.

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<sup>4</sup> Center for Effective Philanthropy, *Listening to Grantees: What Nonprofits Value in Their Foundation Funders*, and Grantmakers for Effective Organizations, *Listen, Learn, Lead: Grantmaker Practices that Support Nonprofit Results*

# Introduction

**G**rantmakers for Effective Organizations (GEO) is a coalition of more than 2,000 individual members representing 350 grantmaking organizations committed to building strong and effective nonprofit organizations. Understanding that grantmakers are successful only to the extent that their grantees achieve meaningful results, GEO promotes strategies and practices that contribute to grantee success. GEO helps grantmakers improve practices in four primary areas which have been identified by innovators in the field as essential to nonprofit success: the type and duration of support, learning for improvement, leadership development, and stakeholder engagement.

To help evaluate and target efforts to support nonprofit effectiveness, in 2008 GEO commissioned a comprehensive study of the practices of all the staffed grantmaking foundations in the United States: *Is Grantmaking Getting Smarter? A National Study of Philanthropic Practice*.<sup>5</sup> The intent of the research is to help strengthen the field by creating a portrait of the broad range of grantmaking practices that support grantee success and examining how those practices change over time. GEO engaged Harder+Company Community Research (Harder+Company), an applied social research firm, to conduct the study. OneStar Foundation, a statewide nonprofit based in Austin, Texas, later asked GEO and Harder+Company to compare the practices of foundation respondents based in Texas with those of peer organizations from other states.

Prior to its 2008 survey, GEO conducted a literature review, research, and conversations with hundreds of foundation and nonprofit leaders, and confirmed that improving the ways in which foundations fund would have a significant impact on grantee success. When asked which practices specifically would be most beneficial to nonprofit success, grantmakers and grantees agreed on three priorities:

1. Provide more general operating support
2. Provide more multiyear support
3. Work in a supportive and respectful relationship with grantees

GEO's 2008 survey found that overall the gap between grantmaker practices and nonprofit needs remains wide. The proportion of general operating support and multiyear grants remains low and surprisingly few grantmakers seek feedback from grantees. Although there were encouraging signs in some areas, many survey respondents were not engaging in practices that they themselves deemed as important for effective grantmaking. An analysis of the data from Texas revealed that respondents from other states tended to be more supportive of grantees, particularly in the areas of grant application and reporting, and stakeholder engagement. However, respondents from Texas surpassed their counterparts in other states by having a larger average grant size overall.

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<sup>5</sup> The 2008 GEO study is available online at [www.geofunders.org](http://www.geofunders.org). The study is the second of its kind, building on one conducted in 2003 by the Urban Institute in partnership with GEO and funded by The David and Lucile Packard Foundation, available online at [www.urban.org/url.cfm?ID=900700](http://www.urban.org/url.cfm?ID=900700).

## Respondent Characteristics

GEO identified staffed grantmaking foundations in the U.S. for its study using a list obtained from the Foundation Center. To help ensure an adequate response rate, GEO contacted all eligible foundations by mail on five occasions. Overall, 820 out of a possible 3,590 organizations (23 percent) responded to the 2008 survey. Of the 237 foundations identified in Texas, 31 responded to the grantmaker survey (13 percent). (The response rate in Texas was lower than it was in 43 other states and the District of Columbia.) Although this response rate precludes us from drawing definitive conclusions about the entire population of staffed grantmaking foundations in Texas or the U.S., there is a great deal that can be learned about the grantmaking practices of the sample of foundations that returned the questionnaire, which had characteristics comparable to the population of interest. Stemming from its mission to increase the impact of the nonprofit sector in Texas, OneStar's goal for this report was to identify areas of interest for further study and to generate discussion among grantmakers across the state that would both strengthen the capacity of organizations and the nonprofit infrastructure in Texas.

**Figure 1. Foundation Type and Size**

	Population from Texas	Respondents from Texas	Population from all other states	Respondents from all other states
<b>Foundation Type</b>				
Private	85%	80%	74%	70%
Community	8%	16%	16%	24%
Corporate	7%	3%	9%	5%
Other	0%	0%	1%	2%
<b>Foundation Assets</b>				
\$10 million or less	36%	30%	41%	27%
\$10 to \$100 million	47%	43%	44%	50%
Over \$100 million	18%	27%	15%	24%

*Percentages may not add up to 100 percent due to rounding.*

The composition of the Texas survey respondents approximated the population of Texas foundations invited to participate and also the survey respondents from other states in terms of organizational type and size. However, as reflected in the table above, the proportion of community foundations and large foundations was higher in the Texas respondent sample than in the Texas foundation population. And the Texas respondent sample consisted of a lower proportion of community foundations and a higher proportion of private foundations than respondents from other states. Among private foundation respondents, a higher proportion of Texas respondents indicated that they were family foundations (48 percent) compared to respondents from other states (30 percent).

# Key Findings

The study found that most foundations across the country are not making the types of changes that they and their grantees identified as important for fostering nonprofit success. The results show that respondents in Texas and other states devote a low proportion of funding to general operating support, and are not engaging in many practices that would reduce the burden of application and reporting requirements. In addition, the survey identified many ways in which foundations could further engage grantees and stakeholders in the grantmaking process.

## Types of Support

Grantmakers want to help their grantees be as strong and as effective as possible. Yet most nonprofits struggle financially, and many nonprofit leaders complain of spending too much time focused on fundraising rather than on programs and mission delivery. Research by GEO and others has shown that many of the ways grantmakers provide financial support to grantees are actually counterproductive and can detract from nonprofits' ability to have an impact. The size of many grants, and the strings attached to them, often don't align with the results grantmakers are asking of their grantees

Through its research, GEO confirmed that improving the ways in which foundations fund (i.e., the types, duration, and size of grants they provide, and the degree of grantee autonomy they afford) would have a significant impact on grantee success. GEO's 2008 survey found that respondents in Texas and elsewhere provided, at least to a certain degree, many of the types of funding that help grantees succeed. For example, more than three-quarters of respondents in Texas and other states devoted a portion of their grantmaking to general operating support and well over half supported capacity-building activities. Yet the median percentage of dollars respondents devoted to general operating support was quite low, particularly among Texas respondents, and less than two-thirds regularly awarded multiyear grants of two years or more.



**Figure 2. Types of Support Provided by Texas Foundation Respondents compared to Others**

Types of Support	Foundation respondents from Texas	Foundation respondents from all other states
Median grant size	\$27,500	\$20,000
Foundation devoted a portion of its annual grantmaking budget to general operating support grants	87%	80%
Median percentage of foundation annual grantmaking dollars devoted to general operating support	13%	20%
The proportion of grant dollars the foundation currently devotes to general operating support grants is greater now than it was three years ago*	3%	23%
Foundation awarded multiyear grants of two years or more sometimes, often or always	52%	60%
Foundation renewed one-year grants sometimes, often or always	80%	75%
Foundation supported capacity-building activities among its grantees	61%	65%
Foundation directly supported grantee leadership development activities	33%	44%

\* $p \leq 0.05^6$

- The median grant size for Texas foundation respondents was \$27,500, compared to \$20,000 for other foundation respondents.
- A higher percentage of Texas foundation respondents reported offering general operating support grants (87 percent) compared to respondents from other states (80 percent). However, the median percentage of foundation annual grantmaking dollars devoted to general operating support was lower among Texas respondents (13 percent) than other respondents (20 percent), and lower than the 19 percent national average identified by the Foundation Center in 2006.<sup>7</sup> In addition, only three percent of Texas respondents reported that the proportion of grant dollars devoted to general operating support grants had increased in the past three years, compared to 23 percent of respondents from other states.
- A lower percentage of Texas foundation respondents reported that they sometimes, often or always awarded multiyear grants (52 percent) compared to other foundation respondents (60 percent). However, 80 percent of Texas respondents indicated that they were likely to renew one-year grants, compared to 75 percent of respondents from other states.
- Similar proportions of respondents from Texas and elsewhere supported capacity-building activities, but fewer Texas foundation respondents (33 percent) supported leadership development activities compared to other foundation respondents (44 percent).

<sup>6</sup> In most tables presented in this report, a p value is indicated. A p value less than or equal to .05 (or .10) indicates that there is a less than five (or ten) percent chance that we would see a difference this great between groups if it did not reflect a real difference. In other words, 95 (or 90) percent of the time that we found a difference between groups that is this great, the finding would be a reflection of reality.

<sup>7</sup> The Foundation Center data is based on an analysis of grants of \$10,000 or higher by 1,263 of the largest U.S. foundations. See highlights of The Foundation Center's *Foundation Giving Trends* series at [foundationcenter.org](http://foundationcenter.org).

## Application and Reporting Practices

GEO has found that an important way for foundations to build better relationships with their grantees and therefore foster success is to become more grantee-friendly and improve their application and reporting practices.<sup>8</sup> Typically, grantees are not compensated for the transaction costs associated with the grants they apply for and report on. GEO encourages foundations to remember the “net grant principle,” a powerful concept recently highlighted by a symposium of more than 50 field leaders, that “the smaller the grant, the simpler and cheaper the process should be for the applicant, since the actual award realized is ‘net’ the cost of getting it.”<sup>9</sup>

GEO inquired about foundation application and reporting practices in its 2008 survey. The results support the findings of Project Streamline, a collaborative effort of grantmaking and grantseeking organizations (that is led by Grants Managers Network and includes GEO), that there are several flaws in the system that create undue burdens on grantees and foundations.<sup>10</sup> The study concluded that foundations were not adequately addressing the application and reporting burdens faced by grantees. Data from Texas suggest that respondents there may be doing even less than respondents from other states to reduce the burden associated with grantee application and reporting requirements.

**Figure 3. Application Practices of Texas Foundation Respondents compared to Others**

Application Practices	Foundation respondents from Texas	Foundation respondents from all other states
A common application form (e.g., from a regional association of grantmakers) was accepted often or always*	0%	28%
Financial and other standard applicant information available online from GuideStar was accepted often or always	16%	25%
Proposals that were prepared for other funders were accepted	10%	17%
Application requirements were often or always proportionate to size and type of grant (e.g., fewer requirements for small grants, membership dues, and event sponsorships)*	19%	42%
Foundation compensated nonprofits for their time if it approached them and requested a proposal – but then ultimately rejected it	0%	2%
Rationale for rejecting funding requests was often or always explained*	47%	67%

\* $p \leq 0.05$

- Fewer than half of respondents in Texas (37 percent) and other states (40 percent) tracked the time it took for them to acknowledge receipt of funding requests. More than half of respondents in other states tracked the time it took to approve a typical grant (55 percent) and to make the (initial) payment after a typical grant was approved (54 percent), as compared with fewer than half of Texas foundation respondents (40 and 43 percent respectively).

<sup>8</sup> Grantmakers for Effective Organizations, *Imagine, Involve, Implement*, 29.

<sup>9</sup> Buechel, Keating, and Miller, *Capital Ideas: Moving from Short-Term Engagement to Long-Term Sustainability*, 65.

<sup>10</sup> See [www.projectstreamline.org](http://www.projectstreamline.org)

- According to their own estimates, it took respondents in Texas a median of seven days to acknowledge receipt of funding requests (among those that did so), a median of 90 days to approve a typical grant, and a median of 21 days to make the (initial) payment after a typical grant award was approved. (This matched the estimates of peers in other states.) On average, grantees should expect it to take about three-and-a-half months from the time they submit a proposal to receive a check – a lengthy period of uncertainty in any economy, but particularly troublesome in this one.
- Very few respondents (10 percent in Texas and 12 percent elsewhere) reported they collected any information about how long it takes grantees to meet their administrative requirements.
- There were no Texas respondents that reported that they often or always accepted a common grant *application* form, and only seven percent of Texas respondents indicated that they often or always accepted a common grant *report* form. In contrast, about a quarter of other foundation respondents indicated that they accepted common forms.
- Although less than a quarter of all respondents indicated that they accepted standard applicant information from GuideStar or accepted proposals prepared for other foundations, these percentages were lower among Texas foundation respondents compared to respondents from other states.

**Figure 4. Reporting Practices of Texas Foundation Respondents compared to Others**

Reporting Practices	Foundation respondents from Texas	Foundation respondents from all other states
Final reports were required often or always	83%	90%
Grant reports were always read by at least one staff member	96%	89%
Grant reports were used to foster learning and a useful exchange between the foundation and its grantees	56%	59%
Reporting requirements were often or always proportionate to the size and type of grant (e.g., a one-page report requirement for a small grant or event sponsorship)*	33%	58%
Receipt of grant reports was always acknowledged within four weeks*	23%	39%
Interim reports were required often or always	43%	37%
A common grant report form (e.g., from a regional association of grantmakers or GuideStar) was accepted often or always*	7%	25%

\* $p \leq 0.05$

- Just one third of Texas foundations (33 percent) indicated that reporting requirements were often or always proportionate to the size and type of grant, compared to nearly 60 percent of respondents from other states.
- Nearly all Texas respondents (96 percent) noted that grant reports were always read by at least one staff person, compared to 89 percent of respondents from other states. However, a lower percentage of Texas respondents indicated that receipt of grant reports was acknowledged within four weeks.

- Over half of respondents from Texas (56 percent) and other states (59 percent) felt that grant reports were used to foster learning and a useful exchange between the foundation and its grantees.

## Learning and Stakeholder Engagement Practices

Tapping the wisdom and perspective of nonprofits is a critical component of effective grantmaking, but most grantmakers are slow to adopt this way of working. Research shows that nonprofits view the quality of their relationships with funders as a critical factor in their success.<sup>11</sup> Problems in the grantmaker-grantee relationship can create major burdens for nonprofits. A case in point: the challenges associated with raising money from foundations is a primary factor contributing to burnout among nonprofit executive directors.<sup>12</sup>

Improving the grantmaker-grantee relationship is a crucial step toward more effective grantmaking. To the extent that the relationship is built on honesty, transparency and trust, grantmakers will have a better understanding of the day-to-day challenges and opportunities facing grantees – and a better sense of how best to support and enable grantee success.

Engaging grantees and other stakeholders as active partners in a foundation’s grantmaking can take a variety of forms – from simply asking for grantee feedback on a regular basis to proactively recruiting people with nonprofit experience to sit on the foundation board.”

The findings of the current study suggest that although most foundations believe that it is important for them to meet with grantees, they are less inclined to obtain candid feedback or include them in decisionmaking. Respondents from Texas placed less importance on engaging with those outside of their foundations than respondents from other states. And lower percentages of Texas respondents reported engaging in activities to obtain feedback from grantees and bring together funders and grantees or community members.

**Figure 5. Practices Rated Very Important to Achieve Effectiveness**

Percentages Rating these Practices as “Very Important” for their Foundation to Achieve Effectiveness	Foundation respondents from Texas	Foundation respondents from all other states
Solicit advice from those outside our organization*	16%	55%
Engage recipient communities or grantees in identifying social needs	29%	42%
Collaborate with external groups/organizations**	32%	52%
Join grantmakers’ associations	16%	29%

\* $p \leq 0.05$ , \*\* $p \leq 0.10$

- Fewer than one-fifth of Texas respondents (16 percent) reported that soliciting advice from those outside their foundation is very important to their effectiveness, as compared to over half of respondents from other states (55 percent).
- Engaging recipient communities or grantees in identifying social needs was not viewed as very important to effectiveness by many respondents in Texas (29 percent) and other states (42 percent).

<sup>11</sup> Center for Effective Philanthropy, *Listening to Grantees: What Nonprofits Value in Their Foundation Funders*, and Grantmakers for Effective Organizations, *Listen, Learn, Lead: Grantmaker Practices that Support Nonprofit Results*.

<sup>12</sup> CompassPoint Nonprofit Services, *Daring to Lead 2006: A National Study of Nonprofit Executive Leadership*.

- Collaborating with external groups/organizations was rated as very important by only about one-third of Texas respondents (32 percent), as compared with about half of other respondents (52 percent).

**Figure 6. Grantee Feedback Solicited by Texas Foundation Respondents compared to Others**

Grantee Feedback	Foundation respondents from Texas	Foundation respondents from all other states
Foundation solicited feedback of any kind (anonymous or nonanonymous) from grantees through surveys/interviews/focus groups**	20%	36%
Foundation solicited nonanonymous feedback from grantees through surveys/interviews/ focus groups	13%	26%
Foundation solicited anonymous feedback from grantees through surveys/interviews/focus groups	17%	22%

\*\* $p \leq 0.10$

- A lower percentage of Texas foundation respondents (20 percent) indicated that they solicited anonymous or nonanonymous feedback from grantees through surveys, interviews or focus groups compared to respondents from other states (36 percent).
- Nationally, nearly all respondents that solicited grantee feedback (97 percent) reported they have made changes based on what they learned, most often changing their grantmaking processes (e.g., application and reporting procedures; turnaround time), and their communication with applicants or grantees.

**Figure 7. Stakeholder Engagement Practices of Texas Respondents compared to Others**

Stakeholder Engagement Practices	Foundation respondents from Texas	Foundation respondents from all other states
Met with grantee leaders to learn more about mutual issues and trends from their perspectives	83%	90%
Staff conducted site visits	93%	90%
Attended grantee events (e.g., fundraisers, performances)	87%	88%
Assessed the needs of the communities or field(s) foundation serves (e.g., through surveys, interviews or focus groups)	46%	61%
Brought together funders and grantees to discuss matters of mutual interest**	43%	59%
Invited grantees to address board members sometimes or often*	33%	57%
Sought external input on grant proposals from representatives of recipient communities or grantees*	25%	48%
Sought advice from a grantee advisory committee about policies, priorities, practices or program areas**	23%	36%
Delegated funding decision-making power to representatives of recipient communities or grantees**	3%	14%

\* $p \leq 0.05$ , \*\* $p \leq 0.10$

- The majority of respondents from Texas and other states reported meeting with grantee leaders, conducting site visits, and attending grantee events.
- Compared to respondents from other states, lower percentages of Texas respondents indicated that they brought together funders and grantees for discussion, invited grantees to address board members, or sought advice from a grantee advisory board or community members.

## Key Qualities of those Engaged in Nonprofit-Friendly Practices

At the national level, the sample of 2008 survey respondents was of sufficient size to identify some of the key qualities of those engaged in grantee-friendly practices. One characteristic GEO believed would be a factor is the representation within foundations of individuals who have experience working for a nonprofit organization. GEO hypothesized that foundations with staff and boards that reflect the knowledge and experience of those they are trying to serve are more likely to identify with grantees and thus engage in grantmaking practices that support grantee success.

A notable finding of the larger study was that grantmakers with staff and board members with nonprofit experience are more likely to be among those who have made the shift to nonprofit-friendly practices. Foundation respondents that have staff with nonprofit work experience were:

- Over twice as likely as those without it to report they supported grantee capacity-building and nearly three times as likely to have indicated they supported grantee leadership development activities;
- More than three times as likely to have solicited anonymous grantee feedback, and over five times as likely to have solicited non-anonymous feedback; and
- More than twice as likely to have made application requirements proportionate to grant size and type.

Although we are confident that there is a relationship, we are unable to say whether having staff or board members with nonprofit work experience causes foundations to be more “grantee friendly,” or whether “grantee-friendly” foundations are more likely to recruit staff or board members that have nonprofit work experience, or both. Nonetheless, the fact that fewer Texas foundation respondents (68 percent) indicated they had at least one staff member with nonprofit work experience, as compared with 89 percent of respondents from other states, might be one possible factor that helps explain why respondents in Texas trailed their peers from other states.

The survey results also support the idea that funder networking and collaboration leads to better grantmaking. Those that indicated that joining grantmaker associations and collaborating with others is very important to effectiveness were more likely to engage in several key practices important to nonprofit success, including support for capacity-building and leadership development, and solicitation of grantee feedback. Likewise, members of the GEO community were more likely to engage in practices conducive to nonprofit success. The finding that survey respondents from Texas placed less importance on funder networking and collaboration than respondents from other states is another area that merits further investigation.

# Summary & Discussion Questions

GEO's 2008 study revealed many areas where Texas foundations (and foundations across the U.S.) can make improvements that would make them more supportive of nonprofit success. The research showed that respondents could provide more unrestricted funding, streamline application and reporting practices, and better engage grantees and other stakeholders in their grantmaking.

The analysis found that Texas foundation respondents lagged behind respondents from other states in many key areas. One possible explanation is the fact that a lower proportion of Texas respondents have staff members with experience working for a nonprofit organization, and thus they may be less likely to identify with grantees. Another plausible reason is that Texas respondents may not be seeing the benefits that come with peer networking and collaboration. While a link between collaboration and innovation has long been established in a variety of fields, Texas foundation respondents placed less value on soliciting advice from outsiders, collaborating with external groups, and joining grantmaker associations. Isolation could very well be hindering innovation in Texas.

The following questions are meant to serve as a discussion guide for conversations grantmakers may choose to have internally about the type of support they provide, their application and reporting practices, and their learning and stakeholder engagement practices.

## Type of Support

- To what extent do your grantmaking practices contribute to or alleviate the fiscal challenges nonprofits face?
- What portion of your organization's grantmaking is in the form of unrestricted general operating support? How about multiyear support? What impact could providing increased general operating support and multiyear grants have on your grantees?
- To what extent does your organization's funding support your grantees' leadership and organizational capacity? What changes could you make to improve your foundation's support of grantee leadership and organizational capacity?
- To what extent does your organization's funding support effective evaluation techniques and facilitate an adaptive learning environment among grantees? What improvements could you make in this area of your organization's support?
- What is the size of your average grant for either general operating support or program support? Is this enough to make a real difference vis-à-vis grantee capacity to achieve their goals and mission?

## Application and Reporting Practices

- Are your organization's application and reporting requirements proportionate to the size of your grants — i.e., fewer hoops for smaller grants?
- Have you tried to calculate the costs to grantees of working with you as a grantmaker (i.e., “net grant”)?
- To what extent can you streamline grantmaking procedures while still getting the information you need from grantees?

## Learning and Stakeholder Engagement Practices

- How do you stay current with developments and trends in the field to ensure you have the right approach?
- Are you creating the right environment for open and honest sharing with your grantees?
- To what extent are your grantmaking policies and priorities informed by the perspectives of grantees and other stakeholders?
- How does your organization engage with grantees outside of the application and reporting process?
- How does your organization partner with other grantmakers, policymakers and other key leaders in the community? Toward what end results?
- What data and information do you have in hand about your current impact on nonprofit effectiveness? How does your organization share this impact? What data do you need to collect? How can your organization use data more effectively?
- What more can you do to ensure that you are getting honest feedback from grantees about their real day-to-day challenges and needs, and how you can help?

Based on the credo that grantmakers are successful only to the extent that their grantees achieve meaningful results, GEO will continue to share stories and perspectives on how smart grantmaking practices in all of these areas can contribute to nonprofit success.

GEO's goal is to expand isolated examples of success into common practice so progress is visible when we conduct the next survey in 2011. GEO invites all grantmakers to join the movement toward smarter grantmaking for stronger nonprofits and better results. Learn more at [www.geofunders.org](http://www.geofunders.org).



# Appendix

The data analysis included an examination of differences among foundation respondents by organizational type and size and found some variation in practice.

## Key Practices by Foundation Type

Types of Support	Private foundation respondents from Texas	Private foundation respondents from all other states	Community foundation respondents from Texas	Community foundation respondents from all other states
Median grant size	\$30,000	\$25,000	\$12,000	\$6,000
Foundation awarded multiyear grants of two years or more sometimes, often or always	60%	67%	0%**	38%
Foundation supported capacity-building activities among its grantees	64%	62%	60%	72%
Foundation directly supported grantee leadership development activities	38%	41%	20%	55%
Reporting requirements were often or always proportionate to the size and type of grant (e.g., a one-page report requirement for a small grant or event sponsorship)	29%*	57%	60%	62%

\* $p \leq 0.05$ , \*\* $p \leq 0.10$

Stakeholder Engagement	Private foundation respondents from Texas	Private foundation respondents from all other states	Community foundation respondents from Texas	Community foundation respondents from all other states
Solicited anonymous or nonanonymous feedback from grantees	17%	32%	40%	49%
Trustees participated in site visits sometimes or often	75%	63%	80%	61%
Assessed the needs of the communities or fields the foundation serves sometimes or often	50%	57%	40%	73%
Invited grantees to address board members sometimes or often	29%*	56%	60%	60%
Delegated funding decision-making power to representatives of recipient communities or grantees	0%	8%	0%	32%

\* $p \leq 0.05$

## Key Practices by Foundation Size

Types of Support	Small foundation respondents from Texas	Small foundation respondents from all other states	Mid-sized foundation respondents from Texas	Mid-sized foundation respondents from all other states	Large foundation respondents from Texas	Large foundation respondents from all other states
Median grant size	\$5,000	\$7,500	\$30,000	\$20,000	\$45,000	\$60,000
Foundation awarded multiyear grants of two years or more sometimes, often or always	50%	47%	54%	59%	50%**	77%
Foundation supported capacity-building activities among its grantees	30%	44%	85%	66%	63%**	85%
Foundation directly supported grantee leadership development activities	20%	26%	42%	43%	38%	65%
Reporting requirements were often or always proportionate to the size and type of grant (e.g., a one-page report requirement for a small grant or event sponsorship)	22%	51%	31%	58%	50%	66%

Foundation size is categorized as follows: small – under \$10 million; mid-sized - \$10 to \$100 million; large – over \$100 million.

\*\* $p \leq 0.10$

Stakeholder Engagement	Small foundation respondents from Texas	Small foundation respondents from all other states	Mid-sized foundation respondents from Texas	Mid-sized foundation respondents from all other states	Large foundation respondents from Texas	Large foundation respondents from all other states
Solicited anonymous or nonanonymous feedback from grantees	22%	23%	8%	33%	38%	58%
Trustees participated in site visits sometimes or often	80%	60%	58%	65%	88%**	55%
Assessed the needs of the communities or fields the foundation serves sometimes or often	20%**	51%	44%	60%	86%	74%
Invited grantees to address board members sometimes or often	30%	46%	33%**	60%	38%	62%
Delegated funding decision-making power to representatives of recipient communities or grantees	10%	13%	0%	14%	0%	18%

Foundation size is categorized as follows: small – under \$10 million; mid-sized - \$10 to \$100 million; large – over \$100 million.

\*\* $p \leq 0.10$