



Analyzing Grantee / Grantseeker Health

Tools for Strategic Grantmaking to Maximize Funding Impact

International Human Rights Funders Group
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Goal for Today

- Provide a simple, objective decision-making framework to decide how best to:
 - Maximize grantmaking impact
 - Support your grantees
 - Allocate your limited resources

-- A framework to use in good times & bad

The Context Externally

Foundations are in a unique position to demonstrate real leadership as they respond to the new reality.

The Context Internally

Your funding philosophy shapes grantmaking choices:

- Breadth vs. depth -- how concentrated in program areas, geographic reach
- Grantee profile --
 - New vs. mature
 - Small vs. large
 - Local/grassroots vs. national or international
- Grantee mix -- new vs. existing
- Maximum grant size as % of grantee budget
- Your involvement -- how interventionist

Key Issues in Grant Decisions Made Tougher in Recession

- How do you allocate scarcer grant dollars for maximum impact?
 - Amount: Less for all or same for some?
 - Purpose: Change mix of program, general operating, capacity building?
 - Grantees: Some new or only existing?
 - Term: Mix of single or multi-year grants?
- Who should you support & how best can you support them?
- How do you communicate to your grantees?

Grantmaking Assessment: Organization as “Enterprise”

The two critical factors:

- I. Program quality and impact
- II. The grantee’s ability to deliver the program as promised
 - Financial health
 - Organizational capacity

Funders assess the first factor well; we will focus on the second, then tie them together for more effective grant decisions.

Why Assess the Organization, Not Just the Program

- Leadership and governance capacity: Provides strategy, focus, direction and oversight
- Infrastructure resources: Supports program staff’s ability to deliver effective programs
 - Facilities
 - Computers and technology
 - Communications
 - Monitoring and reporting
 - Human resources support
 - Fund-raising

Guiding Principles for Any Assessment

- Use a “reasonable person” standard:
An ordinary, prudent person exercising due care in decisions and actions
- Focus on what is material:
Significant change, whether big \$’s or %
- If an explanation is unclear, it’s OK to ask questions to clarify

Financial Indicators: Introducing the “Telltale Two”

Indicator	What It Tells Us
1. Bottom line surplus / deficit - current year, last year	1. How well is a grantee doing? Does revenue keep pace with expenses?
2. Months coverage - unrestricted net assets / average monthly expenses	2. How long can a grantee operate with cash available?

Financial Indicators: “The Telltale Two”

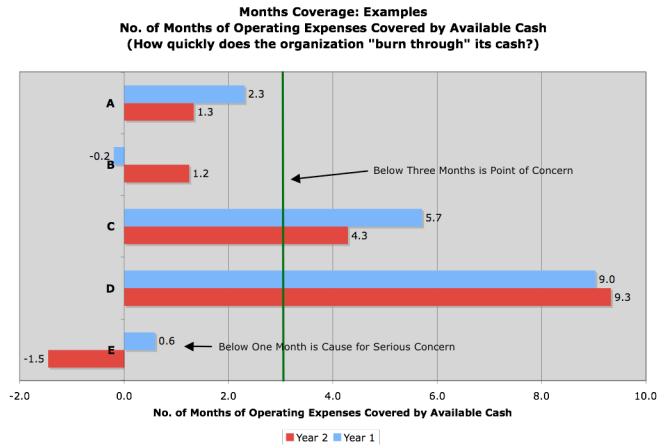
- Simple, but not simplistic
- Easy to use
- Uses readily available data: public sources like US IRS 990, audit, other
- Limited timeframe: 2 years (easy), 3-5 years (trend)

Months Coverage: What & Why

- Liquidity: Grantee's cash cushion
- Measures # months a grantee can operate -- pay staff, other expenses -- with currently available cash
 - Calculation: net unrestricted assets*
1 month's operating expenses
- More months = more cushion; fewer months = less cushion

* Can substitute “cash on hand” for international grantees without 501(c)3 certification

Months Coverage: How to Assess

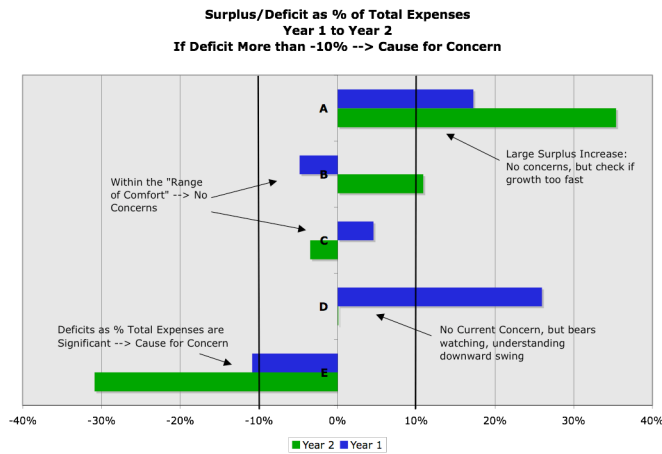


Surplus/Deficit: What & Why

- Bottom line: does org have sufficient resources to support itself & its programs
- Conveys how well an organization manages its resources and lives within its means
- Total revenue - total expenses = net surplus / deficit
- Rule of thumb: if deficit is less than 10% of total expenses not a problem

* Works in any currency - for international grantees without 501(c)3 certification

A Closer Look: Surplus/Deficit as % Total Expenses



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Leadership & Governance Assessment

- Why consider:
 - Leadership strength is key predictor of an organization's sustainability & success
 - Funder can provide support so leadership can address concerns identified
- Data sources:
 - Personal knowledge & colleagues in the field
 - Structured interview with CEO/ED
 - Most recent board packet
 - Structured conversation with board chair if necessary

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Leadership Indicators: What to Consider

- Is CEO/ED's reputation in the field strong?
- Is organization's leadership stable?
- Does the organization demonstrate a recent track record of results?
- Is staff turnover low?

Governance Indicators: What to Learn about the Board

- Is the Board engaged?
- Is the Board diverse & have the necessary skills?
- Is there a healthy Board/CEO relationship?

Leadership & Governance: Measurement is Critical

Use a Scale to Measure Factors

Leadership & Governance Factors	Low 1	2	3	4	High 5
Strong leadership reputation				X	
Demonstrates recent accomplishments				X	
Leadership stability	X				
Staff turnover			X		
Board engagement			X		
Board composition				X	
Healthy Board / CEO relationship		X			

* Note that a high score is not always desirable. For example, that high board engagement is desirable, but high staff turnover is not.

Putting It Together: The “Grantmaking Grid”

- Shape your grant for maximum impact, after considering a grantee’s specific needs
- Compare grantees so you can optimize your grant resources, based on your goals and values

Putting It Together: The Entire Enterprise

Grantmaking Grid

		Less Effective	More Effective
Financial & Organizational Capacity	Stronger	Options: <ul style="list-style-type: none"> Target grant to strengthen program Encourage collaboration with others who have stronger programs 	Continue or increase support
	Weaker	Options: <ul style="list-style-type: none"> If reason to continue: <ul style="list-style-type: none"> Know why Target support to key needs Collaborate with others Encourage merger End support 	Options: <ul style="list-style-type: none"> Target grant to increase organizational capacity Encourage collaboration with others who have strong organizational capacity
		Program Strength	

In Conclusion

- Consider both the program & the organization's capacity to deliver it
- Use a few, simple, revealing indicators to assess financial & organizational strength

Shaping your grants to match your grantee's needs for greater impact = smart grantsmanship = sector leadership



About KrasnePlows

- Founded in 2003, KRASNEPLOWES is a boutique management consulting firm that specializes in mergers and partnerships, planning and restructuring, and leadership transitions for charities and foundations
- We work as partners and advisors combining our clients' deep program and organizational knowledge with our executive expertise and ability to apply business principles where most useful
- We are based in New York City and can be found on the web at www.KrasnePlows.com