PROS AND CONS OF COMMON SELECTION CRITERIA

Sourcing and Diligence

Donors often use criteria that fall into five general categories and screen for values alignment and risk management

ALIGN WITH VALUES AND GOALS

Focus on an **important and significant problem or opportunity**	Employ a **credible solution** that addresses the root cause of the problem and a **track record of results**	Demonstrate **leadership, organizational and operating capabilities** needed to achieve the intended impact	Demonstrate a **clear funding model** or use philanthropic funding to leverage other kinds of support	**Anchor the work in equity** and what will benefit the most marginalized

PROVIDE CONFIDENCE THAT RISKS CAN BE MANAGED

Criterion 1: Focus on an **important and significant problem or opportunity**

This criterion is valuable to consider because it:

- Defines the issue being addressed with philanthropic support

- Clarifies who is most affected and by what root causes, and how this may differentially affect the most marginalized communities

- Ensures that the grantees considered are a fit for the donor's investment hypothesis

Some of the unintended consequences include…

- When funders prioritize their own definition of a focus area or define an issue narrowly, they can overlook organizations that describe their work with different terms or have a different perspective on the ultimate outcome (e.g., focusing on employment rates may lead donors to overlook organizations provide reliable childcare, which can have the effect of raising employment rates)

- Conflating "importance" with the size of the population affected or the existence of proven solutions leads to underinvestment in work that impacts small populations or is hard to quantify

- Asking leaders proximate to marginalized communities to share intensely personal experiences to convince donors of the importance of their work, without first building trust and ceding power, is taxing to leaders and exploitative

Inputs may include:
- Research on the prevalence and implications of the problem / opportunity, including the populations that are most affected
- The organization's mission, vision, intended impact and theory of change
- The organization's locations and populations served

Criterion 2: Employ a **credible solution** that addresses the root cause of the problem and a **track record of results**

This criterion is valuable to consider because it:

- Provides confidence that the grantee's approach will make a difference on the problem or opportunity

- Establishes the grantee's experience doing this work, including both the appropriate evidence of impact to date and potential to do more (e.g., through additional direct scale, influencing public systems, funding, or policies so that approach is picked up by others)

- Lays out a clear series of steps from current operations to the goal for impact

- Positions the grantee in the larger ecosystem and its role and relationship with partners and collaborators

Some of the unintended consequences include...

- Disqualifying high-impact organizations with newer innovations or less flexible funding to pay for measurement and evaluation

- Prioritizing approaches with a concrete and bounded "unit of impact" (i.e., individuals or families rather than systems), that is easily measurable (e.g., wages), and delivered in a shorter time frame

- Looking for a singular or "best" solution, when there is rarely a standalone organization that can achieve lasting impact on complex issues (or sustain impact over time) without working within a larger ecosystem

Inputs may include:

- Organization's theory of change and logic model

- Organization's evidence of impact (performance data and evaluations)

- Approach to measurement and learning (e.g., KPIs, milestones)

- Evidence of impact of other similar approaches

- Organization's strategic plan and supporting operational documents

- Landscape analysis that situates organization in a larger ecosystem of peers / partners

- Perspectives from community leaders, partners, funders, and other stakeholders

Criterion 3: Demonstrate **leadership, organizational and operating capabilities** needed to achieve the intended impact

This criterion is valuable to consider because it:

- Provides confidence that the leader, team and Board have a strong understanding of the issue and solution, often drawn both from professional expertise and lived experience
- Ensures that the organization has the right infrastructure, operating model, and learning orientation required to execute its theory of change and / or that these are areas for investment that the donor's resources will help to strengthen over time

Some of the unintended consequences include…

- Relying on proxies for leadership (e.g., elite credentials and experiences) and governance (e.g., high-profile board members) associated with specific social networks can cause donors to overlook many leaders with important assets and skills, notably leaders of color and leaders with lived experience in the communities most affected by the work of the organization
- Similarity bias can lead donors to think highly of leaders that remind them of themselves, either in terms of identity or the skills that were important to their own success
- Penalize organizations that do not have access to flexible funding to hire a senior team and build strong capabilities

Inputs may include:

- Skills and experience of leadership, staff, and Board that map to organization's priorities and implementation plans
- Perspectives from community leaders, partners, funders, and other stakeholders
- Organizational charts and structures, talent plans
- Plans and policies in place (e.g., ethics, compliance, governance)
- Review of core infrastructure (e.g., data, IT, finance)
- Approach to measurement and learning (e.g., KPIs, milestones)

Criterion 4: Demonstrate a **clear funding model** and / or use philanthropic funding to leverage other kinds of support

This criterion is valuable to consider because it:

- Provides insight into how much funding, and what kind of funding, is needed to achieve impact (e.g., seed capital, sustained capital, reserves)

- Indicates organization's approach to managing resources (e.g., long run view to build an endowment, spend in the short run to scale)

- Ensures that there is a sustainable pathway for organizations after the donor's grant ends

- Identifies places where philanthropy can contribute to a broader shift in the system (e.g., funding R&D until other funding can step in)

Some of the unintended consequences include…

- Penalize organizations that have not had access to funding sources (e.g., unrestricted capital to build reserves, dedicated public funding stream, customers with the ability to pay, large number of interested donors) perpetuating a cycle of underinvestment rather than clarifying where funding can help to build capacity and financial health

- Create an unrealistic expectation that all organizations should strive to operate without philanthropic support, or that there should be an "exit" from issues and organizations that will likely need to exist in perpetuity (e.g., civil rights, monitoring functions, addressing deep structural inequities)

- Create a sense that donors that seek a certain type of leverage, make time-bound investments, or restrict funding are more strategic or higher impact than donors that provide more flexible funding

- Can deprioritize long-term work in general

Inputs may include:

- Budgets, audited financials (over multi-year period), and financial projections

- Financial diagnostics and key ratios, relative to what is common for a particular field or organizations at a similar stage

- List of current funders and existing grant commitments

Criterion 5: **Anchor the work in equity** and what will benefit the most marginalized

This criterion is valuable to consider because it:

- Clarifies what aspects of equity are critical in a specific context (e.g., race, gender, caste) and how they are woven into the design and implementation of the solution (e.g., in the population focus, whether the work is done "with or to" communities)

- Ensures that the organization has demonstrated an inclusive culture, commitment to equity (e.g., in hiring and retention practices) and authentic connection to the communities affected

- Note – this criterion is often embedded in the four above, as well as looked at separately

Some of the unintended consequences include…

- Can feel cosmetic or trivial if not embedded throughout the grantmaking process

- Conflating jargon and buzzwords with equity – some grassroots groups doing deep equity work may describe their work differently, while organizations that are less grounded in equity might have adopted terminology without deeper shifts

- Relying too heavily on one specific metric (e.g., having a BIPOC CEO does not necessarily mean the organization is set up to support that leader) or confusing diversity with equity

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Inputs may include:

- Organization's mission, vision, values, intended impact and theory of change

- Specific examples where beneficiaries and marginalized communities have shaped the design and delivery of the work

- Perspectives from community leaders, partners, funders, and other stakeholders

- Demographic composition of the leadership team, staff, and board

- Diversity, Equity, and Inclusion (DEI) plans and policies

- Public statements and commitments