

idealware

GRANTS MANAGEMENT SOFTWARE: A VIEW OF THE MARKETPLACE



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Contributors:

Laura Quinn, Lead Researcher

Chris Bernard, Writing

Emily Cornwell, Analysis

Katie Guernsey, Interviews and Analysis

Paul Hagen, Market Analysis Advisor

Lisa Pool, Grants Management Advisor

Mary Ann Scheirer, Research Methods Advisor

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Grants Management Software Grows in Importance	2
Grantmakers are a Different Type of Software Buyer.....	2
• Efficiency is not always a key operational concern	
• Grants Management is often viewed as a support rather than strategic function	
• Price may not be a critical consideration	
These Differences Drive Conservative Choices	3
• A strong preference toward typical software choices	
• Overemphasis on custom needs	
• Dependence on vendors for configuration and maintenance	
MicroEdge Dominates, but Alternatives are Available	3
• The Grants Management Software Vendor Landscape	
• GIFTS dominates for private grantmakers	
• Useful alternatives exist	
• FIMS dominates the community foundation market	
The Pool of Software is Relatively Stable, and Expanding	5
• There has been only minor consolidation since 2003	
• Small software vendors can be stable without huge market share	
• New vendors have also emerged	
• Blackbaud could impact the available options	
The Market is Moving Toward Online Hosted Solutions	6
Packages Typically Fit Into One of Two Categories.....	6
• Online Data Gathering packages prioritize online functions over core tracking	
• Online Data Gathering packages shoehorn online functions into an offline model	
Online Data Collection is Critical, but Market Leaders Lag	8
• Online application functionality often has a discouragingly high price tag	
• Online progress reporting functionality is lacking	
• Stronger online data collection functionality is in the works	
Other Gaps Exist as Well.....	8
• Workflow and task-based processes	
• Usability for the entire organization	
• Integration with foundation Web sites	
• Promoting foundation data exchange and benchmarking	
• Evaluation	
• Reporting	
Smaller Players Will Continue to Pressure Larger Ones.....	9
Research Methodology.....	10

Grants Management Software Grows in Importance

Packaged grants management software is of increasing importance to the philanthropic sector. More and more grantmakers are looking to move away from paper-based solutions and ones created in-house to take advantage of the tracking and online features offered by packaged solutions. The number of viable software packages has increased over the past five years or so, creating more options for grantmakers of all sizes.

Grantmakers are a Different Type of Software Buyer

Grantmakers vary widely, and it's hard to generalize about them. However, as a sector they share some software-purchasing characteristics that can be contrasted to the business world—or even other charitable organizations.

- **Grantmakers often do not have access to tech-savvy advisors.** The majority of grantmakers are small private foundations. Most don't have staff specifically designated to a technology role. This makes them conservative in software choices—with no one on staff to evaluate options, it is easiest and safest to choose a well-proven solution. This also makes it difficult for them to take on software customization or enhancements. Most rely on the vendor for such functions.
- **Efficiency is not always a key operational concern.** Large foundations and corporate philanthropic arms often are very concerned about efficiency, and may have processes to rival any business in effectiveness. But the majority of grantmakers are small, often formed by a particular individual or family motivated primarily by the desire to give money away to effect change. These organizations often do not have incentive to take time and money away from their direct philanthropic mission to design efficient grant-making processes or ensure that they have the most appropriate grants management software package.
- **Grants Management is often viewed as a support rather than strategic function.** Many larger foundations have a distinct separation of roles when it comes to grants management. One person or team is in charge of data management and day-to-day operational communications with grantees, and owns the grants management system. The program staff typically sets grant-making strategy, defines processes, and manages relationships, and often barely uses the grants management system. Board members make final grant decisions, but are unlikely to touch the grants management system at all.

In practice, this separation can force the grants management team into an internal service provider role, where they're judged on "customer service" provided to the program staff and board rather than efficient or effective processes. As a result, the grants management team often highly prioritizes system flexibility and support for existing practices in order to meet specific requests of program staff or the board.

- **Price may not be a critical consideration.** Larger foundations make surprisingly little mention of price as a deciding factor in choosing a grants management system. Other nonprofit and business entities mention price as one of the most important factors in choosing software—they frequently need to prioritize software purchases against other pressing needs. While every organization has budget limitations, and smaller ones may have tiny budgets that make it difficult to purchase any grants management system at all, a larger private foundation can often simply subtract the cost of a new system from grants not yet conceptualized, making it easier to bump up a software system in the priority list for budget expenditures.

These Differences Drive Conservative Choices

These shared characteristics that differentiate grantmakers from corporate or other nonprofit entities also govern the way they interact with software distributors. Compared to other sectors, differences include:

- **A strong preference toward widely known software choices.** All of these factors combined make it unlikely a foundation will look beyond the most widely known software options. Grants management software is generally seen as infrastructure rather than a strategic element of grantmaking. Without tech-savvy advisors, many grantmakers simply pay what is needed to purchase a system they know has been reliable for others. For many, this means MicroEdge's GIFTS package.
- **Overemphasis on custom needs.** As noted earlier, grants managers often operate as an internal service team to the program staff. This role can pressure them to make any change to grants management infrastructure invisible to program staff and boards—for instance, by ensuring that processes and reports remain identical in a new system. Instead of considering a new software package an opportunity to evaluate and tweak processes to match widespread best practices, or potentially even tailoring non-essential processes when possible to match the features of an existing software package, the pressure toward maintaining status quo instead leads them toward very configurable—often more complex and expensive—packages.
- **Dependence on vendors for configuration and maintenance.** Without their own technical advisors—or the strong price sensitivity that might encourage them to hire one —many grantmakers rely on vendors for initial setup and ongoing support, like data migration, report setup, the creation of mail-merge documents in MS Word, the ongoing creation of online application and progress report forms, and more. Vendors charge as much as \$175 an hour for such tasks, when some of them could be learned by anyone with basic technical skills.

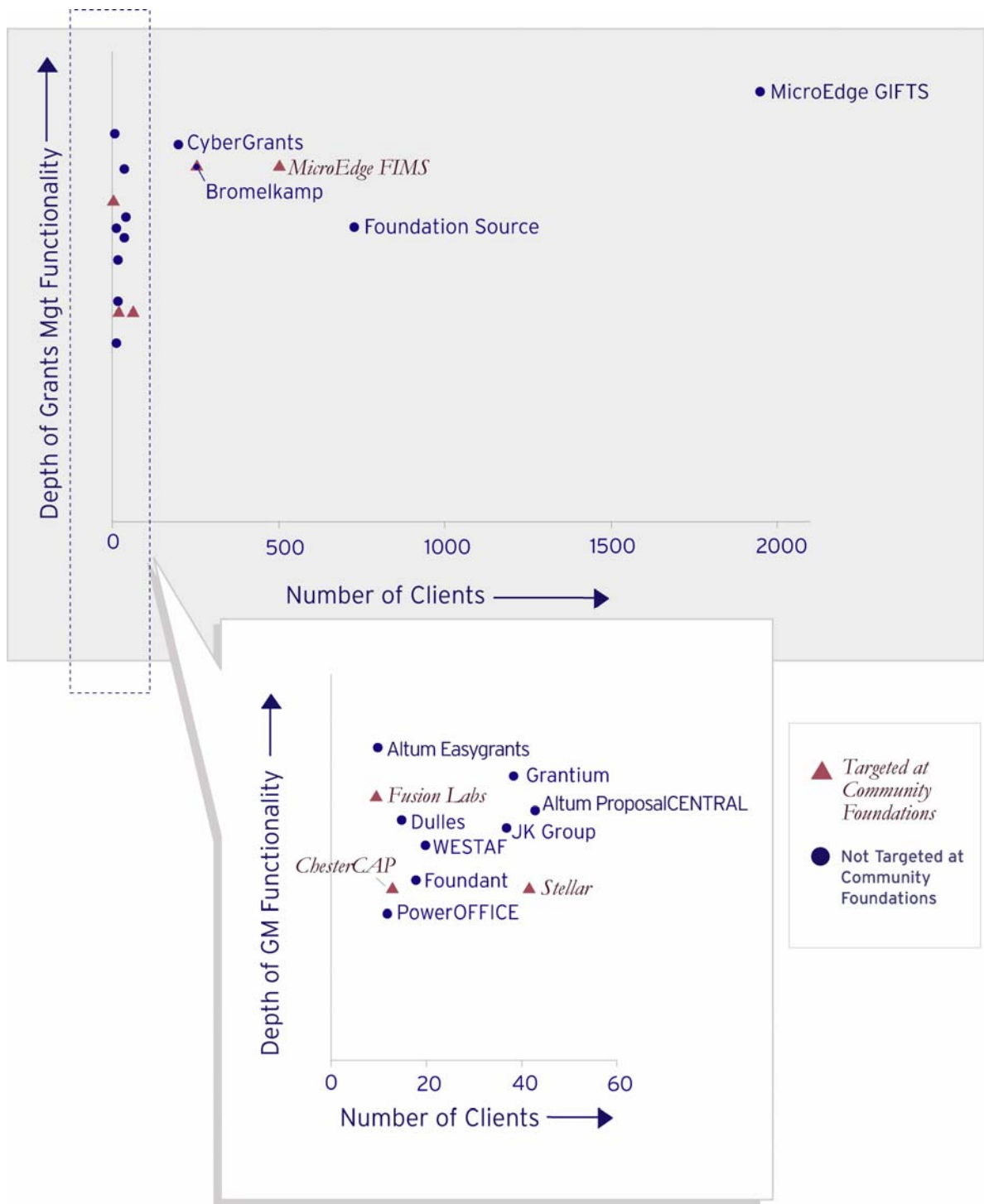
These setup and maintenance tasks often provide a substantial ongoing revenue stream for vendors. For instance, Bromelkamp, a mid-market packaged solution vendor, reports that about a third of their revenue comes from existing customers requesting new customizations to their system—and that doesn't include up-front customization and migration work.

MicroEdge Dominates, but Alternatives are Available

The grants management software marketplace is a challenging one for vendors. With only a fraction of the roughly 72,000¹ existing foundations active enough to require software, it's a small market. However, grants management requires software with an expansive feature set. In addition, as noted earlier, there is a strong emphasis on flexibility and configurability and a resistance to experimenting with new techniques or packages. Since most grantmakers lack a technical staff, software must also be user-friendly, with vendors challenged to provide training, professional documentation and robust customer support

¹ Number of foundations registered with the IRS as of 2005, courtesy of The Foundation Center's Statistical Information Service http://foundationcenter.org/findfunders/statistics/pdf/01_found_fin_data/2005/02_05.pdf

The Grants Management Software Vendor Landscape



Note that the depth of functionality axis includes only grants management specific functionality—such as managing applications, review processes, progress reports, and payments—and not the considerable additional functionality offered by some of the packages, especially the community foundation packages. See our Consumers Guide to Grants Management Software for the detail behind the ratings of Bromelkamp, MicroEdge FIMS, MicroEdge GIFTS, Altum Easygrants, Fusion Labs, Altum ProposalCENTRAL, WESTAF, and Foundant. The ratings of CyberGrants, Foundation Source, Grantium, Dulles, JK Group, ChesterCAP, and NorthStar are our best estimates based on more cursory reviews. Client figures are those reported by the vendor.

- **GIFTS dominates for private grantmakers.** MicroEdge’s product GIFTS is used by around 60 percent of all private foundations and corporate grantmakers that use packaged grants management systems, based on a tally of clients reported by each vendor. GIFTS was one of the first grants management software packages available, and has maintained a steady market share for years.
- **Useful alternatives exist.** FoundationSource offers an online grants management system integrated with back office services—like payment processing, accounting, and tax preparation—primarily targeted at small family foundations. About 20 percent of all foundations using packaged solutions use FoundationSource Online. Two additional products, CyberGrants and Bromelkamp’s Pearl, also have notable market share—about 6 percent of the market each. CyberGrants in particular has a strong foothold in the corporate foundation market. Products like Foundant Technologies and WESTAF’s CultureGrantsOnline have a small but growing number of small foundation customers, while others such as ProposalCentral and Easygrants, both distributed by Altum, appear to be relatively stable in serving a small number of larger grantmakers. The JK Group provides software integrated with a back office service offering targeted at corporate foundations. Other possibilities include established packages, like Grantium, that serve public sector grantmakers.
- **FIMS dominates the community foundation market.** Community foundations—those that raise money from their community and then provide it to appropriate programs in the form of grants—often have needs distinct enough from those of private foundations that they choose to purchase software tailored to those needs. MicroEdge’s product FIMS dominates this market, at about 75 percent of the market. MicroEdge’s FoundationPower provides high-end customized functionality to large foundations. Stellar Financial’s NorthStar (now renamed iPhi CoreEnterprise) focuses on donor-advised fund management for financial institutions as well as community foundations. FusionLab’s GrantedGE and ChesterCAP’s Dotche are both interesting new offerings. GrantedGE provides grants management functionality integrated with Raiser’s Edge, a popular fundraising management software package offered by Blackbaud, as well as Financial Edge, Blackbaud’s accounting solution. Dotche provides grants management functionality integrated with functionality to manage a foundation’s entire Web site.

The Pool of Software is Relatively Stable, and Expanding

The grants management software market is still changing and growing over time. However, it is relatively stable compared to other software markets.

- **There has been only minor consolidation since 2003.** In comparing an early 2003 market summary² with today’s market, all nine listed products remain active. Three of the packages were purchased by already established companies—Easygrants was acquired by Altum, CAMT sold its eGrants package to Bromelkamp, and FoundationPower was acquired by MicroEdge—but all three of these packages continue to be sold with a similar focus and target market under their new owners.
- **Small software vendors can be stable without huge market share.** A number of software options have operated smoothly for five years or more with a client base of just 15 to 20 grantmakers, and report

² Schneiderman, Martin B., “Trends in Grants Management Software and Services.” Foundation News and Commentary, May/June 2003. <http://www.foundationnews.org/CME/article.cfm?ID=2495>

that their revenue covers their expenses. This makes niche solutions viable options, and indicates that a package with small market share should not be considered unstable.

- **New vendors have also emerged.** As smaller grantmakers test the waters with packaged solutions and online options, new vendors are creating new offerings—in particular, lower priced options with strong Internet support. As in any sector, some of these will likely be unable to thrive and will go out of business, but some will find traction and help to expand the available options.
- **Blackbaud could impact the available options.** Blackbaud, a major provider of fundraising software to nonprofits, sold their grants management system to MicroEdge in 1998 and agreed to not compete in the grants management marketplace for 10 years. This agreement expires in May 2008. If Blackbaud were to choose to compete in this market, they are likely to do so via acquisition, potentially infusing one of the existing packages with significantly more resources.

The Market is Moving Toward Online Hosted Solutions

Software packages that store data centrally and provide access online are becoming more and more popular. Grantmakers continue to have lingering concerns about the security of this model, but these concerns are often more hypothetical than actual, and both vendors and grantmakers are increasingly embracing hosted systems. Many vendors who currently offer installed desktop solutions are working on hosted online versions, while no vendor currently offering online versions seems to be moving toward installed versions.

The online hosted model is a good fit for many foundations' grants management needs, especially for small grantmakers that may not have the staff or desire to maintain a complex installed software package.

Packages Typically Fit Into One of Two Categories

Many available packages fall into one of two functional categories, **Online Data Gathering** or **Offline Data Tracking**.

- **Online Data Gathering packages prioritize online functions over core tracking.** These packages—including Foundant, WESTAF, and Proposal Central—are designed to be viewed over the Internet, and center on strong functionality to support online grant applications, online reviews, and online progress reports. They provide tools to allow business users to easily create and update online forms themselves.

However, these packages make it difficult for staff members to update the data collected online. For instance, staff may need to log in to the system as a grantee in order to make any updates or to enter a proposal received on paper. In some cases it's not possible for staff to attach any internal tracking fields, including internal coding, to a grant application. It can be difficult to create mail-merged letters or a view of a grant application that contains only a subset of the application fields.

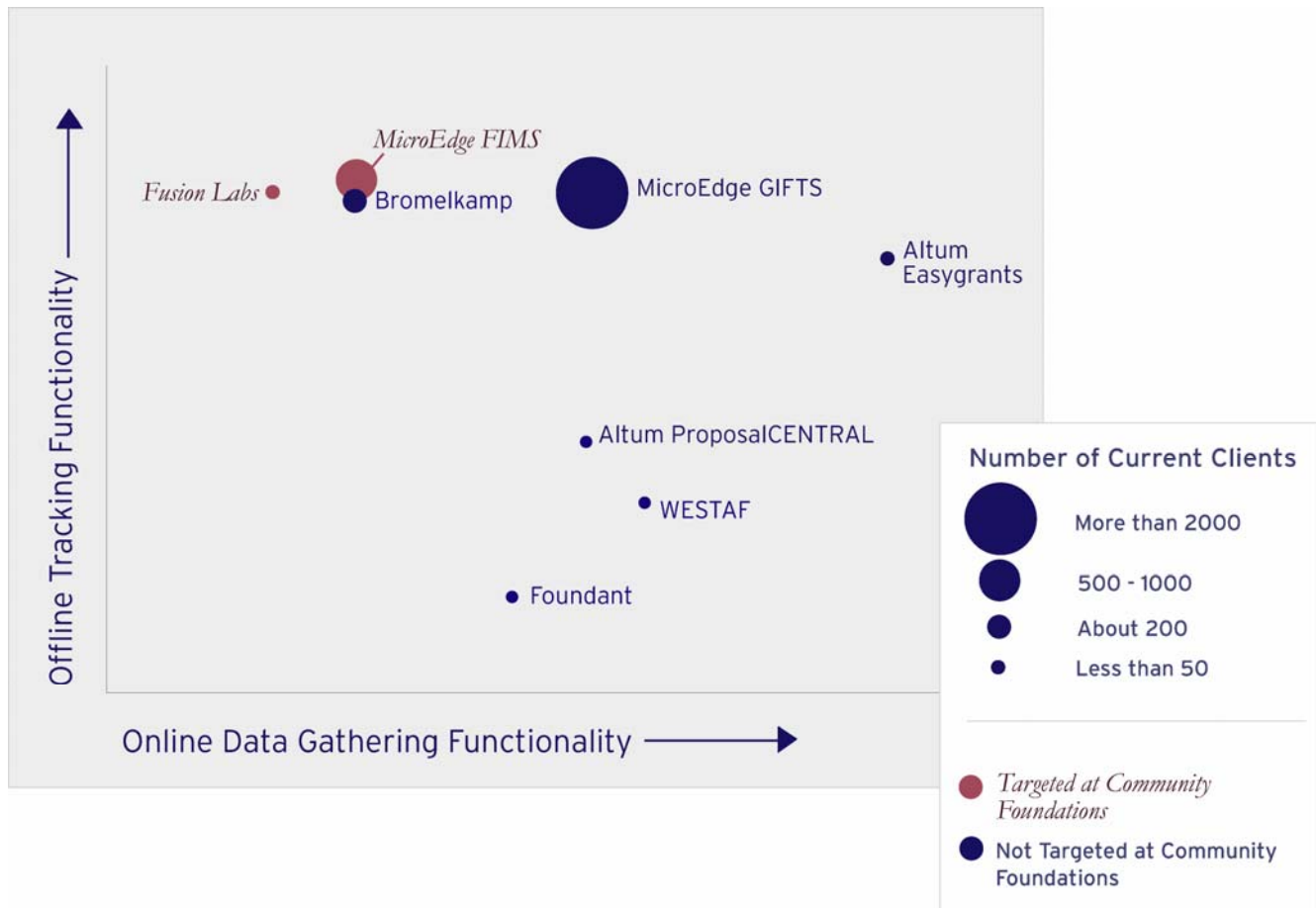
- **Offline Data Tracking packages shoehorn online functions into an offline model.** These Microsoft Windows-based desktop packages—such as Pearl, FIMS, GIFTS, and GrantedGE—got their start as tools to allow staff to enter information themselves and track it through the grant cycle. They

typically have strong functionality to allow staff to code and update grant information, create mail-merged letters, generate board dockets, and view reports.

While they all have added support for online data gathering, these features often involve considerable extra expense, and may be uneven. There may be support for one type of online data gathering—online applications, for instance—but not others. The system may require an import step to get online data into the system. Many of these systems weren't designed to collect the detailed application and review fields associated with online processes, and so all this information must be stored and displayed somewhat awkwardly in separate areas and custom fields.

Although both online data collection and data management functionalities are important to grantmakers, only a few systems—including CyberGrants and Easygrants—begin to bridge the gap between these two models.

Online Data Gathering vs. Offline Data Tracking Functionality in Reviewed Systems



See our Consumers Guide to Grants Management Software for the detail behind these ratings.

Online Data Collection is Critical, but Market Leaders Lag

The vast majority of grantmakers would like to take advantage of the efficiencies of online applications, reviews, and progress reports. However, as GIFTS, FIMS, and Bromelkamp Pearl all fall into the Offline Data Management category above, a huge percentage of grantmakers are using packages not originally designed to collect online information. Only two of the packages with more than 5 percent market share—CyberGrants and FoundationSource—have strong online support. This has some substantial ramifications:

- **Online application functionality often has a discouragingly high price tag.** Using GIFTS, FIMS or Bromelkamp Pearl, grantmakers can expect to pay at least \$4,000 to \$6,000 to start with online applications—often as much as 25- to 30 percent of the cost of the rest of the application. In comparison, some of the new lower end packages with an online focus charge less than \$2,000 per year for their entire software package, and offer as sophisticated—and often more integrated—online application functionality. The high pricing by the market leaders results in fewer grantmakers taking advantage of the online processes that would save them, and their prospective grantees, time.
- **Online progress reporting functionality is lacking.** Collecting progress reports or metrics from grantees online can make this tracking process more efficient. It also makes it much easier to compare the success of grants or grant programs—to understand what is working and what is not. However, to date FIMS and GIFTS have not provided this functionality at all (MicroEdge’s upcoming Portico release will support it, however), and Bromelkamp Pearl requires the data for each grantee progress report to be imported separately by hand.
- **Stronger online data collection functionality is in the works.** Nearly all the installed desktop packages—including GIFTS, FIMS, and Bromelkamp Pearl—reported that they are working on Web-based, hosted software packages that will include stronger support for online data collection.

Other Gaps Exist as Well

In addition to the gaps in online data collection functionality, other areas of grant management software currently present challenges for grantmakers—and opportunities for savvy vendors:

- **Workflow and task-based processes.** The grant review and management process often involves a fairly complex sequence of steps and a number of different individuals. But the interfaces to provide robust support for this type of workflow that are common in business oriented package software—for instance, providing each user a customized view of the tasks they should focus on in the near term, and helping manage hand-offs from one person to another according to a set of standard rules—are rare in the grants management software area. With the exception of Easygrants, none of the currently available packages has the idea of ownership and handoff of tasks as a core organizing concept.
- **Usability for the entire organization.** Supporting users such as program officers or board members—who don’t need to be exposed to every detail of grant, and are sometimes easily overwhelmed with complicated interfaces—is a real challenge for many organizations. Much more is possible to enhance the usability of packages, provide stripped down views of core information, and provide for limited editing of

data to encourage their effective use of the system. Easygrants and MicroEdge's MyGIFTS module provide steps in this direction, but many systems would benefit from work in this area.

- **Integration with foundation Web sites.** Many grantmakers, especially smaller ones, organize their entire public Web site around grant management information such as grant guidelines, lists of previous grants, and the ability to apply online. However, of the existing grants management packages, only ChesterCAP's Dotche provide robust functionality to help grantmakers manage the actual text of their Web site.

Interesting possibilities exist for software packages that help small grantmakers create and manage their entire Web site, along with integrated grants management functionality. This model is quite common in the nonprofit sector, where a growing number of software packages provide integrated functionality for both full Web site management and transactional functionality such as online donations.

- **Promoting foundation data exchange and benchmarking.** Grants management software packages are in a unique position to allow grantmakers to share aggregate data with each other—for instance, to allow grantmakers to see benchmark data, collected across a set of similar grantmakers, for metrics of grant management efficiency or even grant efficacy. The FIMS package provides some benchmark data in this vein, but much more is possible.
- **Evaluation.** Many grantmakers would like to better understand the efficacy of their grantmaking, but few have a solid idea as to what this means. Online progress report collecting would certainly be a substantial step, but grantmakers are looking for guidance as to what they should track and how they can track it. Grants management features that helped grantmakers understand the impact of their grants would be well received.
- **Reporting.** The reporting features on current grants management software are a problem for many grantmakers. The hosted online systems in particular often do not have strong, easy-to-use reporting features. However, this is a common point of pain in many types of software packages—it is difficult to design robust ad-hoc reporting capabilities simple enough to be used by most business users. While strong reporting interfaces may be possible, they are not yet common in the software world, particularly in online applications.

Smaller Players Will Continue to Pressure Larger Ones

As smaller grantmakers begin to test the grants management software waters, additional opportunities will be created for lower-priced next generation tools—particularly online solutions that can be easily managed without IT staff. The current and additional new vendors providing strong online data gathering capabilities will pressure market leaders to quickly improve their online offerings or face losing market share. As online technologies continue to develop, the expense of creating highly usable online software packages will fall, allowing Internet-based tools to provide stronger core tracking functionality.

As more grantees and grantmakers expect to move from paper-based to electronic processes, and focus more on strategic data management in order to better understand how programs, grantees, and their own processes are performing, the importance of grants management systems within the philanthropic world will only increase.

Research Methodology

This report is based on three substantial sets of data, which can all be seen at <http://www.solpath.org/reports/>

- **Interview data.** From November 2007 to January 2008, Idealware conducted hour-long telephone interviews with 25 participants. Six interviewees were consultants who worked with grantmakers to choose grants management software, and 19 were staff members at grantmaking organizations. These staff members were carefully recruited to represent diverse foundation size, foundation type, grant volumes, roles within the foundation, and grants management system experience. For much more information about these interviews and the data collected, see the Grants Management Software Interview Analysis Report at <http://www.solpath.org/reports/>
- **Survey data.** In November 2007, Idealware conducted an online survey of grantmaking organizations, asking them to rate both the importance and the effectiveness of their software at handling a list of 30 grants management software attributes. The survey invitation was distributed via e-mail through a number of lists used by the foundation community. A large number of the respondents were recruited through the Grants Managers Network e-mail discussion list, and 311 staff members from United States-based grantmakers filled out the survey. For much more information on the survey and the data collected, see the Grants Management Software Survey Analysis Report at <http://www.solpath.org/reports/>
- **Vendor interviews and software reviews.** In February and March 2008, Idealware conducted detailed interviews and software demos with representatives of nine different software packages, in which these packages were reviewed based on a long list of criteria. Idealware also conducted quick summary demos and conversations with another six packages. The results of these reviews can be seen in Appendix A in the Consumers Guide to Grants Management Systems, at <http://www.solpath.org/reports/>