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## P A R T O N E

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# Navigating the Grant and Funding Landscape

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## C H A P T E R O N E

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# Why Grants *Now*?

You've never considered using grants and didn't even know they were open to businesses. You've always heard they were a lot of red tape. Why bother with grant funding *now*?

"So, how much grant money is really out there?"

"Is the grant industry even worth my time?"

"What do grant agencies really fund, anyway? I thought every grant went to academics and 'save the *blah, blah, blah*' whatever foundation . . . "

"Do you really think we ought to use grants? Whose money is it, anyway?"

"I'm not sure how to describe what I want to do, but I know I'll need money—is there a grant for that?"

A great many of my initial conversations with anyone I meet begin with the inevitable opener, "So, what do you do?" Actually, I love answering this question. Questions about grant funding are the reason my business exists. The process of working through questions and answers like those above is what got me started consulting about grants (I'll explain more in a few chapters), and now I employ a certain set of questions to help people find money, as you'll see in my self-assessment tools found later in the book. Because grant seeking is a highly subjective business, it's also a very relational business where I need to learn as much as I can about the project and

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goals. When a new client retains me, the process often goes the same with the questions and answers. I ask a lot of questions before we ever talk about building a grant application.

The longer I worked in the industry, the more questions I had about the reasons behind interest in grant funding. I began to wonder: *Why grants, why now? What makes this topic interesting?* While not a new phenomenon, grant funding as a means of the overall financial strategy is gaining in popularity and acceptance in the private sector. Where it was once believed that the pool of funds was solely reserved for academia and nonprofit work, businesses, small and large, established and emerging, are looking into both creating grant programs to support their causes and using grant money to complete work. What is going on to make an old standby—grant writing—suddenly like a new trend? Why grants now?

## WHY GRANT FUNDING IS HOT

That's an easy question to begin with, though it's a matter of opinion. Every time I give a speech about grant funding in the private sector, I like to lead with three questions:

1. How many audience members have ever wanted to start their own business or work for themselves as a freelancer?
2. How many have ever considered using some alternative kind of funding besides a bank loan?
3. How many who said yes to number one have ever considered using grant dollars?

The results are always similar in my little qualitative market research poll. Everyone in the room, be it a group of 6 or 600, will say yes to #1. This group includes quite a few people who will later admit that they will never actually become an entrepreneur, just that they love the notion of it. As for #2, about half of the room says yes to considering funding besides the traditional financing industry—and this number is growing rapidly. For #3, rarely do I have audience members tell me they've used or considered grants, even if they wanted other ideas for finding funds.

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People of all backgrounds are right now exceptionally curious, hungry, and largely seeking to do more on their own. People today are rather willing to go it alone; many are starting businesses or are thinking about it as a *someday* goal. According to the Ewing Marion Kaufmann Foundation, a foundation that is devoted to entrepreneurship, approximately 540,000 new businesses are created each month of every year, even (*especially*) during the recent recession.<sup>1</sup> What are the reasons for this boom? Economists using labor and wage statistics could mount a case that this movement toward DIY (do-it-yourself) is economic. Some would suggest we've reached our capacity for doing jobs of rote and desire deeply to express our pent-up creativity. No matter—DIY approaches are hugely popular in everything from making your own wedding decorations to funding a business. Investment in the DIY movement, particularly in social media, is strong. Consider the exploding popularity of social sharing site, [www.pinterest.com](http://www.pinterest.com). Its members create pages and share them just as a means to adorn a public place with their personalized *pins*, that is, images of anything that interests them. This site encourages not just crafting, creating, and collecting, but sharing and conversing about how to make or build those items that interest the person who pins it and fellow members who see it or even *re-pin* the item, thereby expressing their interest. At present, all this pinning isn't amounting to exceptional profits—at least not as of this writing. "Pinterest is part of a group of startups that offer twists on Internet networking among various groups. They typically have little discernible profit or revenue, but have landed some outsized investments from venture capitalists," reports Sarah McBride in an article in the February 20, 2013 issue of *Reuters*. The article also reports that the valuation of the market is presently worth \$2.5 billion with more dollars flowing toward the Internet startups of the do-it-yourself set, such as Pinterest.<sup>2</sup>

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1. Ewing Marion Kauffman Foundation, [www.kauffman.org](http://www.kauffman.org).

2. Sarah McBride, *Start Up Pinterest Wins New Funding, \$2.5 billion Valuation*, online <http://www.reuters.com/article/2013/02/21/net-us-funding-pinterest-idUSBRE91K01R20130221>.

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If the market isn't yet large, why does it matter? I believe it shows a trend in the way small businesses are emerging. Sure, some new entrepreneurs start a business almost as a last resort when the corporate world fails them—that's the *hungry* part of my earlier comment.

Others are curious to see how easy it might be to begin a company today given that operating online has both a low initial investment and theoretically an instant marketplace. I'm not sure what is in store for the DIY world of business, but it appears that the ability to leap from idea to launch is happening much quicker today.

Like anything too casual, though, are new entrepreneurs serious enough? Are they leaping out just as easily as hopping in? That's a possibility, too. The Small Business Administration (SBA) reports that an estimated 552,600 new employer firms opened for business in 2009, and 660,900 firms closed.<sup>3</sup> Businesses without employees, called *non-employer firms* by SBA and often referred to as *solopreneurs* on the street, are opening and closing much more often. SBA says they turn over nearly three times as often as those companies with a payroll.

It is a positive thing to see small businesses opening, but why are so many closing and, worse yet, filing for bankruptcy? Take a look at SBA's open, close, and bankruptcy chart in Table 1.1 as an illustration of the trend. Items with an 'e' behind them represent best estimates as of the date the data was published.

Startup owners know there is potential to fail or just fade away. Facts reported by the U.S. Department of Commerce, Census Bureau, Business Dynamics Statistics, U.S. Dept. of Labor, and

**TABLE 1.1** Starts and Closures of Employer Firms, 2005–2009

Category	2005	2006	2007	2008	2009
Births	644,122	670,058	668,395	626,400e	552,600e
Closures	565,745	599,333	592,410	663,900e	660,900e
Bankruptcies	39,201	19,695	28,322	43,546	60,837

Source: U.S. Small Business Administration ([www.sba.gov](http://www.sba.gov)), April 17, 2013.

3. U.S. Small Business Administration, [www.sba.gov](http://www.sba.gov) (April 17, 2013).

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Bureau of Labor Statistics seem to endorse the notion of exploring unique financing alternatives. According to the SBA's website: "Seven out of 10 new employer firms survive at least 2 years, half at least 5 years, a third at least 10 years, and a quarter stay in business 15 years or more."<sup>4</sup>

What's happening to entrepreneurs early in the businesses? Do they run out of motivation, or money? If it's money, and it's always about money at some point, here's the quandary: Financing availability from traditional sources can be tough. Not everyone qualifies for a traditional bank loan, and frankly, not everyone wants one. Part of the culture of distrust breeding the growth in general of DIY includes concerns of uncertainty about the financial services industry. Regularly, startup owners come to me for grant funding and yet have no desire to take out a bank loan. Reasons to avoid the lending marketplace are varied, but some I've heard include fears of being tied down to a repayment schedule if the business experiences rough patches, a general feeling of skepticism that their lender will be there for them or remain stable, and even an internal philosophy toward avoidance of debt. Younger people often say their interest in grants comes from the age-old story of not wanting to end up like their parents. I'm not talking about "staying cool" and not becoming fuddy-duddies or wearing black knee-socks with white walking shoes, either.

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Generations X and Y want freedom to self-direct their lives; they don't want to be on the hamster-wheel of debt that they've watched generations before tie themselves to, working in something they hate because they need the money.

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Attitudes about employment are shifting, too. Generations X and especially Y resist the 8-to-5 grind and demand flexible schedules far more than any previous generation ever deemed conceivable. Many of them believe entrepreneurship is the answer. But does it work out?

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4. U.S. Small Business Administration, <http://web.sba.gov/faqs/faqindex.cfm?areaID=24> (April 17, 2013).

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The SBA does appear to claim the trend toward business failures is improving and optimism is the new tone. In a recent article entitled “Small Business Trends, Small Business, Big Impact,” the agency comments that “while corporate America has been downsizing, the rate of small business startups has grown, and the rate for small business failures has declined.”<sup>5</sup>

Whether you view the proverbial glass as half empty or half full, statistically speaking, entrepreneurs only have a 50/50 chance of making it to a five-year anniversary.

Let’s say you don’t get a loan, but instead find investors—that doesn’t guarantee longevity, either. Adding more money at startup

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Clearly, all entrepreneurs need creative financing—especially now as a wave of corporate dropouts, early retirees, and unemployed recent college grads surges toward self-directed business.

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does not appear to be the answer for business health, either. Even those companies backed by a source beyond self-funding are unprotected from closure during the early years. The numbers are startling. In September 2012, the *Wall Street Journal* reported that the National Venture Cap-

ital Association estimates that between 25 and 30 percent of venture-backed businesses still fail.<sup>6</sup>

There are a lot of people launching entrepreneurial endeavors. Creative marketing and technology have long been the hallmark of the American Ideal. Creative funding strategies are emerging, too; grants may be one of those options for you. I have no desire to give you the notion that grants prevent failure any more than any other kind of cash, but with so many people looking at starting their own companies and so much confusion about financing them, you need every tool available. For some readers, grants may provide another option when venture capital (VC) backers walk away or when the traditional financing community is timid about lending to your new

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5. <http://www.sba.gov/content/small-business-trends>.

6. Deborah Gage, *The Venture Capital Secret: 3 Out of 4 Start-Ups Fail*, online. [wsj.com/article/SB10000872396390443720204578004980476429190.html](http://wsj.com/article/SB10000872396390443720204578004980476429190.html).



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enterprise. This book offers an idea I believe is underexplored in the business realm.

Ultimately, if you need money, you may have to hunt for it yourself. The business startup world right now looks like a Solar System of planets spinning off their axes and all converging toward some unseen force at the same time: People young and mature are hungry for work, all ages seek motivation and meaning, DIY and a yearning to share something that matters are budding everywhere, distrust in the same-old-thing is rampant, and it's now becoming acceptable to set up a website and ask strangers to fund your business with online gifts.

In an arrangement now referred to as *crowdfunding* investors may never meet their potential entrepreneurs and the closest thing to a business plan they may ever see is a homemade video of the company owner's plea for funding. Small-biz developers also tell me they must leverage their own dollars, and money coming in from other sources, including traditional bank and venture capital financing, as well as small investors ranging from family to online crowdsourcing groups. Massolution, a research firm tracking crowdsourcing, reports that 16.9 percent of the \$2.7 billion crowdsourcing industry's activity comes from small business. In an article written by Oliver St. John for *USA Today*, he notes that *crowdfunding*, that is, the solicitation of money in the form of donations or investment online, especially via social media, is growing rapidly. It appears crowdfunding is a legitimate avenue for even the most traditional of industries.<sup>7</sup>

It should be noted that while Crowdfunding and crowdsourcing are often now used interchangeably, it appears that Crowdfunding grew organically out of the notion of crowdsourcing. According to the authors of the book *CrowdFund Investing for Dummies*: "Crowdsourcing is the online gathering of a group of people to share knowledge and wisdom to build a better product." The authors go on to point out that Crowdfunding is really the financial outgrowth of a community, or 'crowd' that has been created and as such

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7. Oliver St. John, "Crowdfunding to Build a Farm: E-I-E-I-Dough," *USA Today* (23 May 2013).

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when funding is requested, investors can support the community's cause through online donations thereby creating the Crowdfunding concept.<sup>8</sup>

Project funding does not have to be entirely self-financed or borrowed, but business developers always tell me they need to leverage both their money and funds from the litany of other sources available now. Enter grants as a potential cost-sharing vehicle. While grants require certain skills, these can be learned and used again and again.

## REGULATIONS, RULES, AND RED TAPE

When working with grants, there will be at least one or all of my dreaded five Rs: rules, requirements, regulations, recordkeeping, and reporting. Truthfully, there are major drawbacks to using grants—the kinds of drawbacks that are particularly unappealing to entrepreneurs. For starters, just the notion of being in business with the government is a negative to many. According to a March 2013 economic trends survey compiled by the National Federation of Independent Business (NFIB), the number-one growth problem small businesses report is taxes, followed by government requirements, and in general the notion of red tape.<sup>9</sup>

“Ugh,” you might be thinking. “If there is red tape, let's walk!” That's understandable, but most entrepreneurs are already cavorting with a few of the five Rs in their businesses. Learning how to work with grant programs is an important first step. Obviously, this is still a fair question and certainly, like all questions around grant funding, a common question. I get into this conversation with prospects, friends, and clients with all measures of political persuasion and understanding of our government. It's legitimate on any front. Let me give you my thoughts on the matter.

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8. Jason W. Best, Zak Corion-Cassady, and Sherwood Neiss, *Crowdfund Investing for Dummies*, February 2013, Wiley.

9. National Federation of Independent Business, <http://www.nfib.com/Portals/0/PDF/sbet/sbet201304.pdf>.

## REGULATIONS, RULES, AND RED TAPE

My first response is simple: Not all grants come from governmental sources.

Many grants that fit entrepreneurs, especially for innovation, come from private and corporate foundations. Social-responsibility giving, including giving to foundations that then support the

causes, new products, services, and industries the giver cares about, is on the rise. Foundation giving makes up almost 2 percent of our GDP, according to the *Chronicle of Philanthropy*.<sup>10</sup> The Center for Philanthropy at Indiana University goes even further with the statistic saying that contributions to social causes amount to \$732 per person per year in America today. Not all of this money is given for charity—as much as 25 percent is used to fund grant programs that support the organization’s mission.

Not all grants come from governmental sources. If you have qualms about using tax dollars to support a project, then you still may find a grant that can work and maintain that principal.

### JUMP AHEAD

To learn about grant agency types, jump ahead to Chapter 3.

The second part of my response is much more complicated. There are government grants available for businesses and yet there are concerns about the use of these funds for businesses. The profile of this topic has been elevated in the last four years, and it’s a fair debate. Regardless of the bad press many failed grant-funded projects have received, I still see a growing interest in applying for and using government grants. This interest is not only from types you might think of as traditional grant seekers, such as academia and researchers. No; calls come into my office from a wide variety of small-business people.

They are seeking project funding for themselves, their communities, and the causes they support. That funding exists, and many

10. *The Chronicle of Philanthropy*, [Philanthropy.com/section](http://Philanthropy.com/section) (2012).

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fleet, regulation-averse business owners are taking it. Is that a conundrum or just a contradiction?

I think it's both and I think it's human nature. I know it's the nature of entrepreneurs who live to come up with their own way, but I also know entrepreneurs to be types who always check to make sure no money is left on the table. Grant funding and government clients aren't exactly foreign to the business community, though, since many small businesses contract with the government. Some companies get only the occasional prime contract or subcontract with the feds or a state agency. But it's not uncommon for firms to earn their entire livelihoods from government contracting. An entire industry not unrelated to grant writing is dedicated to contracting. Still, that we choose to do business with the government doesn't matter to us as businesspeople if we feel stymied by regulations and unjustified taxation. It's a fact: Red tape makes entrepreneurs seethe even if they do business with the government. Are we contradicting

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We do give up some measure of freedom to direct every aspect of a project when we ask another entity for money.

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ourselves? Can we ask for these grant and contracting dollars and yet expect to handle them any way we please? I'm not here to create a judgment on the issue, only to share what I know is available. I

receive compensation directly from companies to advise them on competing for grant funding. So, while I personally don't contract with the government, I indirectly make a living from the existence of grant funding, be it government or nonprofit sourced. Foundations are certainly not without their special and equally limiting criteria and requirements.

Do we contradict ourselves a little when we say that we're concerned about where the government is headed with spending but we wouldn't mind receiving government funding if it were available? Probably. Are we hypocritical when we echo the prevailing disgust with so-called corporate greed and stratospheric CEO compensation, and yet are willing to get our hands on donations by wealthy corporations to their grant-awarding foundations? I'd say we are.

## PERSPECTIVES ON PROSPERITY

It is not my intention to offer you a judgment or provide a point of view on why grant funding should or should not exist. After eight years in the grant writing industry, I certainly have my opinions, but that is not the value I bring to you in this book. Make your own opinion, but just make it an educated one. If you need help formulating it, and many people who explore grants do, jump ahead to Part Two where I spend several chapters working through the ramifications (positive and negative) of accepting grant dollars.

### JUMP AHEAD

For questions and considerations around the ramifications of accepting and using grant funding, see Part Two.

## PERSPECTIVES ON PROSPERITY

Learning is an ornament in prosperity, a refuge in adversity, and a provision in old age.

—Aristotle

Despite the interest in new funding sources and the gaining acceptance of unique routes to cash, putting in the effort in gather up the money is still difficult and requires some expertise. For many entrepreneurs, the focus on their concept is what glitters and garnering funding is just another chore. I won't be able to put the polish on the concept of fundraising for you. Unfortunately, grant writing can be a boring topic. However, take this process not only as an essential *but also as a creative portion* of your bigger project. I think the big picture of funding is quite illuminating. The route a concept takes from idea to plan to implementation with a vehicle called *money* makes for an interesting ride. You read in the statistics I presented that as many firms close per year as open—even though the number of new entrepreneurs is blossoming. If you don't want to be on the *closed* statistic list, you've got to apply creativity to this aspect of your business, which is what I encourage with the snapshots in this chapter.

### **WHY GRANTS NOW?**

We exist in a time when unique funding sources are the rage. Grants may be one of those for you. But, application preparation can be dull. I think one reason entrepreneurs as a rule don't use grants is that there has been no bridge between the grant writing industry and the financial sector. Nothing has existed to show that this alternative funding source is relevant. When I've read grant writing books I haven't seen any of the what's-in-it-for-me type of material that would motivate anyone to buy into a laborious process. So, I developed my own formula to guide this discussion so we never get off-track. As it turns out, those bits of conversation I shared earlier in the chapter became a process that works.