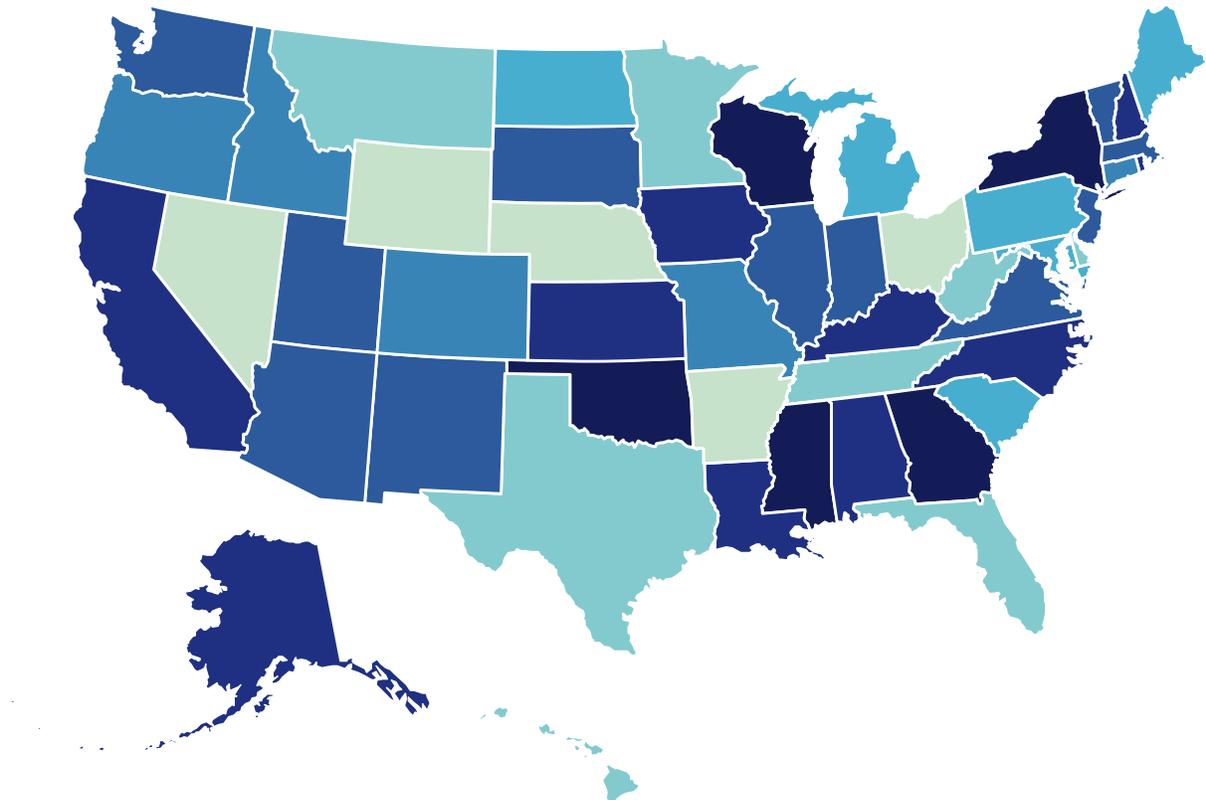




# Managing Grants in a Time of Transformation: Purpose-Built Solutions, or CRM?





Managing Grants in a Time of Transformation:  
Purpose-Built Solutions, or CRM?



Jenata Spencer, Grant Innovation Fellow  
Data Foundation



**The world of U.S. federal financial assistance is changing rapidly.** The federal government is prioritizing standardization, open data, and new ways to track performance and impact. Grant funds are stagnating or being threatened while demand increases in many areas. As a result, there is increasing demand for full-life-cycle grants management solutions, especially among states and larger state agencies.

The most important federal policy changes include the Digital Accountability and Transparency Act (DATA Act), enacted by Congress in May 2014, and the Uniform Grant Guidance (UGG), issued by the White House Office of Management and Budget in December 2014. The DATA Act imposed government-wide data standards on federal agencies' financial reports and began a pilot program to

determine whether to also impose standards on grantees' financial reports. The UGG created a "government-wide framework for grants management" that emphasizes internal controls and performance. Congress recently reintroduced the OPEN Government Data Act, which, if it becomes law, will make open and machine-readable standards the default for all federal information, including grantee reporting.

These policies promise to transform today's document-based reports into tomorrow's standardized open data fields, while also requiring grantees to track both finance and performance more accurately and comprehensively. Meanwhile, total non-Medicaid grant expenditures are stagnant or declining (see table).

## Federal Grant Expenditures

Source: *The Pew Charitable Trusts*





**Both trends - the federal government’s move toward standardization and performance reporting and the lack of growth in grant expenditures - are pushing grantees to revamp their internal processes and systems.** Modern grants management solutions can ensure compliance with standardized data reporting requirements and maximize the efficiency of limited resources.

Researchers at the Data Foundation interviewed government agencies, nonprofits, and other organizations that receive federal grant funding to understand how these trends are affecting their day-to-day operations, and identify best practices and key challenges.

Because of the increasing data demands for reporting, as well as increasing demand for services without commensurate increases in budgetary allocations, the transition away from disjointed spreadsheets and hard-copy forms is crucial both to maintain compliance and maximize the impact of limited funds. Therefore, the adoption of a grants management solution is inevitable for any sizable organization receiving federal grants. And the selection of the right solution to accommodate organizational needs now and in the future has never been more important.

Grantees have two basic options: either use a Software as a Service (SaaS) “Commercial Off The Shelf” (COTS) solution or completely custom-design their own solution. Gartner’s recent Market Guide for U.S. State and Local

Grant Management Solutions explains that COTS solutions are expected to be “the most prevalent approach for grant administration in the coming years.”<sup>1</sup> Reasons for this include the flexibility and scalability of COTS solutions, their lower cost of total ownership, their shorter implementation timelines, and the increased level of comfort within the government market in deploying cloud-based solutions.<sup>2</sup>

While Gartner’s expectations were reinforced by the research and interviews performed by the Data Foundation, we also found that there is significant variability among COTS solutions. Within the COTS category, there are two main types of solutions, which each approach the challenges of grants management in different ways:

- 1. Purpose-built solutions** were developed specifically to meet the unique financial and programmatic requirements surrounding grants management, and offer significant flexibility in terms of configurable features.
- 2. Customer Relationship Management (CRM)** platforms were originally built for other business processes, but their features can be applied to grants management.

There are significant benefits associated with choosing a purpose-built solution, especially for agencies that are managing grants through multiple tiers of recipients.

	SaaS COTS Solutions		
	Completely Customized Solution	Purpose-Built	CRM
Easiest transition to standardized data			
Fastest implementation			
Subrecipient licenses			
In-house expertise			
Greatest customizability			



**CRM platforms are not compatible with the movement in government toward standardization and computer-readable data reporting.** Data fields within these solutions are customized per client, leaving room for error and uncertainty about compliance with federally-mandated standardized data fields. As data standards spread and evolve, new iterations of a CRM platform are necessary for every individual client to adapt to its changing compliance mandates. This becomes both costly and time consuming.

Conversely, purpose-built grants management solution providers make global updates to their platforms as regulations change, and those updates are pushed to the entirety of their client base. As the DATA Act and the OPEN Government Data Act push the federal government toward standardizing the data fields of grantee reporting, purpose-built solutions will adapt quickly. In purpose-built solutions, data collection fields are structured to ensure compliance with government standards, while features such as workflows and tasks are configurable within each client's unique instance.

Other important considerations when deciding on a grant management tool are the time and resources necessary to implement the solution. Customized CRM platforms typically take upwards of 1-2 years to fully deploy, while purpose-built solutions are typically rolled out in phases and users begin gaining value from the tool in as little as 1-2 months. Purpose-built solutions are typically fully implemented in roughly 6 months.

**CRM platforms take significantly longer to implement because of the amount of grants-specific functionality that is not immediately available "out of the box."** Reports, workflows, forms, applications, etc., all have to be individually built for every client. Organizations receiving grants also need to carefully review the terms surrounding what is included in the implementation price quote. For example, customized CRM platforms often limit the number of report templates that are included, leaving clients with additional costs not previously anticipated or budgeted for.



**One commonly-cited reason for choosing a customized CRM platform for grants management is a perceived savings on user licenses.** If the organization already uses a CRM tool, such as Salesforce, this eliminates significant upfront license costs. However, it is important to note that additional costs will mount over time, as grant funding grows and/or projects expand and new users must be added.

Prime grantees' need to monitor pass-through funds that they award to subrecipients adds an additional layer of complexity to a customized CRM platform's user license arrangement. Pass-through funds should be monitored within a grants management system - which means that a prime grantee using a customized CRM platform must purchase external user licenses for its subrecipients. While the external licenses are often less expensive than full licenses, they typically offer limited functionality. Subrecipients cannot run or submit reports, manage programmatic performance, etc., within a single environment shared with their grantors. This means monitoring, auditing, and risk assessment capabilities can be compromised.

By contrast, although some purpose-built solutions have a per-user license pricing model, many offer an unlimited number of user licenses, both internal and external, as part of the subscription fee.



**A second commonly-cited reason for choosing a customized CRM platform is that organizations that use a CRM platform already possess in-house resources and expertise to support the solution, which can be leveraged for maintenance, platform customizations, and basic user support.** To mitigate this disparity, many purpose-built solutions provide these services to their clients as part of the subscription fee. Without the need for in-house support staff for grant-related IT, those resources, whether financial or human, can be redirected to other mission-critical areas.

A less-common reason for choosing a customized CRM was that purpose-built solutions are not as customizable. While most purpose-built solutions offer a degree of configurability, there are some limitations. Customizations to a purpose-built solution's base platform typically imply that changes and updates will be pushed to the entire customer base. Vendors are less willing to customize the platform for one-off situations or unusually specific requests exclusive to a single customer.

In addition, because the grant technology space is newer, not every purpose-built solution is fully built and as feature-rich as a CRM platform that is highly customized for each client. While those additional customizations come at a cost of both time and money, some organizations place a high value on their ability to change the finer details of the system.

It is important to note, however, that organizations' processes are often not as unique as they may believe. The configurability of purpose-built platforms typically meets the bulk of any organization's internal grant management requirements, and still offers functionality that supports compliance with applicable federal requirements. More often than not, the return on investment simply does not justify the outlay for a customized CRM solution - often millions of additional dollars in purchase and implementation costs for customizations which do not provide a commensurate increase in long-term savings or improvements.

With limited resources and the need to maximize every dollar, organizations in the market for a grants management solution need to carefully weigh cost, compliance considerations, and the ease and fidelity of data flows when making their decisions.

Why is the idea of standardized, computer-readable data gaining so much ground at the federal level? Cost savings from more-efficient reporting and improved transparency and accountability are certainly significant drivers. But the potential of standardized grant reporting data to create better programs and better outcomes is enormous. Policymakers' motivations are an important consideration for grantee organizations seeking to acquire new grant management systems.

**Purpose-built solutions offer much more robust capacities to ensure their clients can maintain compliance now and in the future, and at a much lower cost.** They combine faster implementation and lower overall cost of ownership with the structural flexibility to easily adopt and adapt standardized data.

Organizations utilizing federal grants to provide public services have a responsibility to use federal taxpayers' money in the most strategic and forward-thinking way possible. Purpose-built grants management solutions are the best way to do that.

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## End Notes

<sup>1</sup> Gartner, Inc, "Market Guide for U.S. State and Local Grant Management Solutions", April 2017, p.3

<sup>2</sup> Ibid.

## Jenata Spencer

Grant Innovation Fellow, Data Foundation

Jenata Spencer is the Data Foundation's Grant Innovations Fellow, advocating for the adoption of computer-readable, standardized data for federal grant reporting, and exploring the many ways data can be used to improve the federal assistance environment for all stakeholders to ensure the best possible program outcomes. Prior to joining the Data Foundation, Ms Spencer spent five years working with local Washington DC nonprofits on their grant management and reporting before serving as the Director of Education and Outreach at the Performance Institute, a government performance think tank based in Arlington, VA. She holds a BA from the George Washington University.



# DATA

FOUNDATION

The Data Foundation is the nation's first industry-focused open data research organization. Through research, education, and programming, the Foundation illuminates the benefits of transforming government information into standardized, open data.