



Due Diligence Done Well

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with
Jo DeBolt
Senior Manager

La Piana
CONSULTING



Ice Breaker

If you could describe your organization's Due Diligence process in one word, what would it be?

Agenda

Welcome



What is due diligence? Why is it important?

Survey Results and Sector Practices

Guide Overview

- 4 Key Questions and 6 Basic Steps
- Due Diligence Priorities

Key Takeaways

Q & A

**Part of a larger
process**



**Use scarce
resources wisely**



**Have more
impact**



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Survey Results and Sector Practices

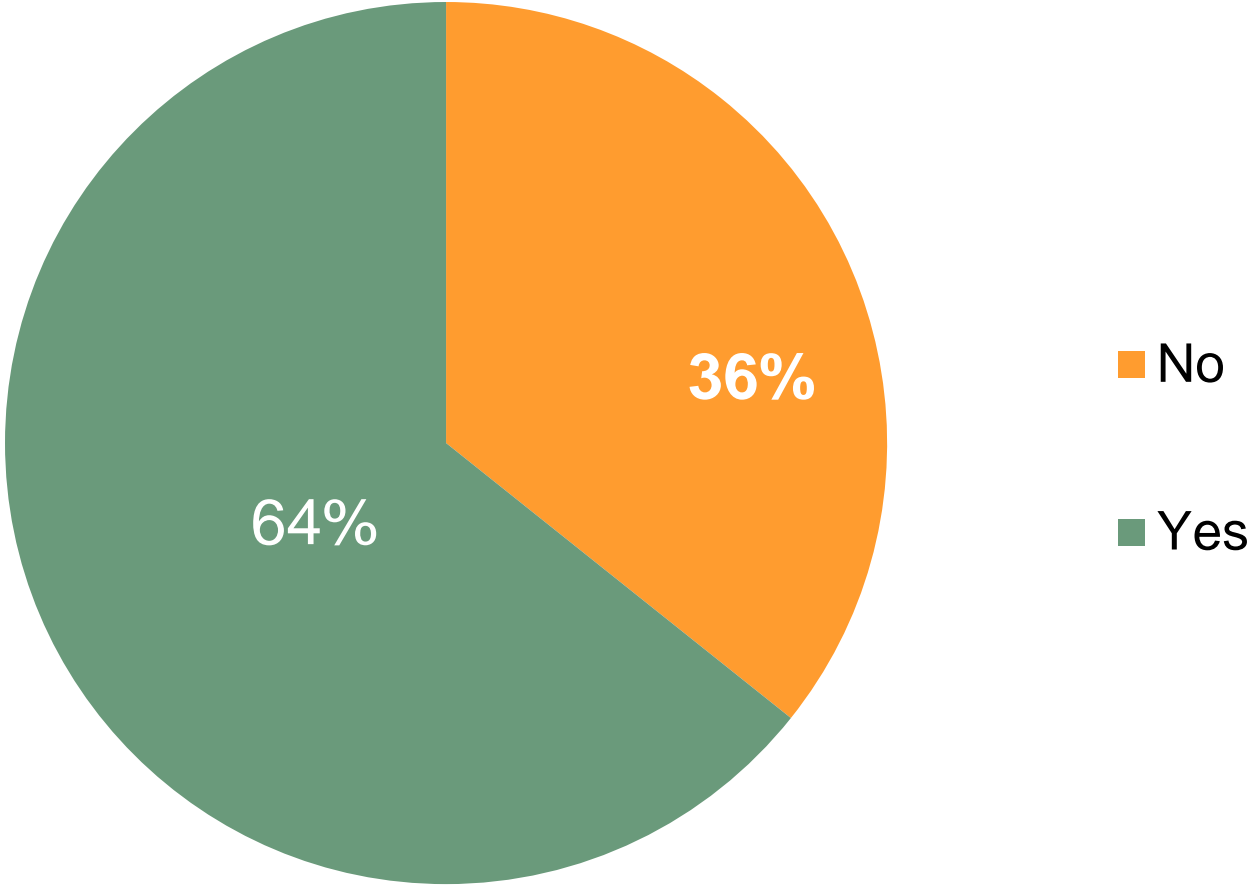
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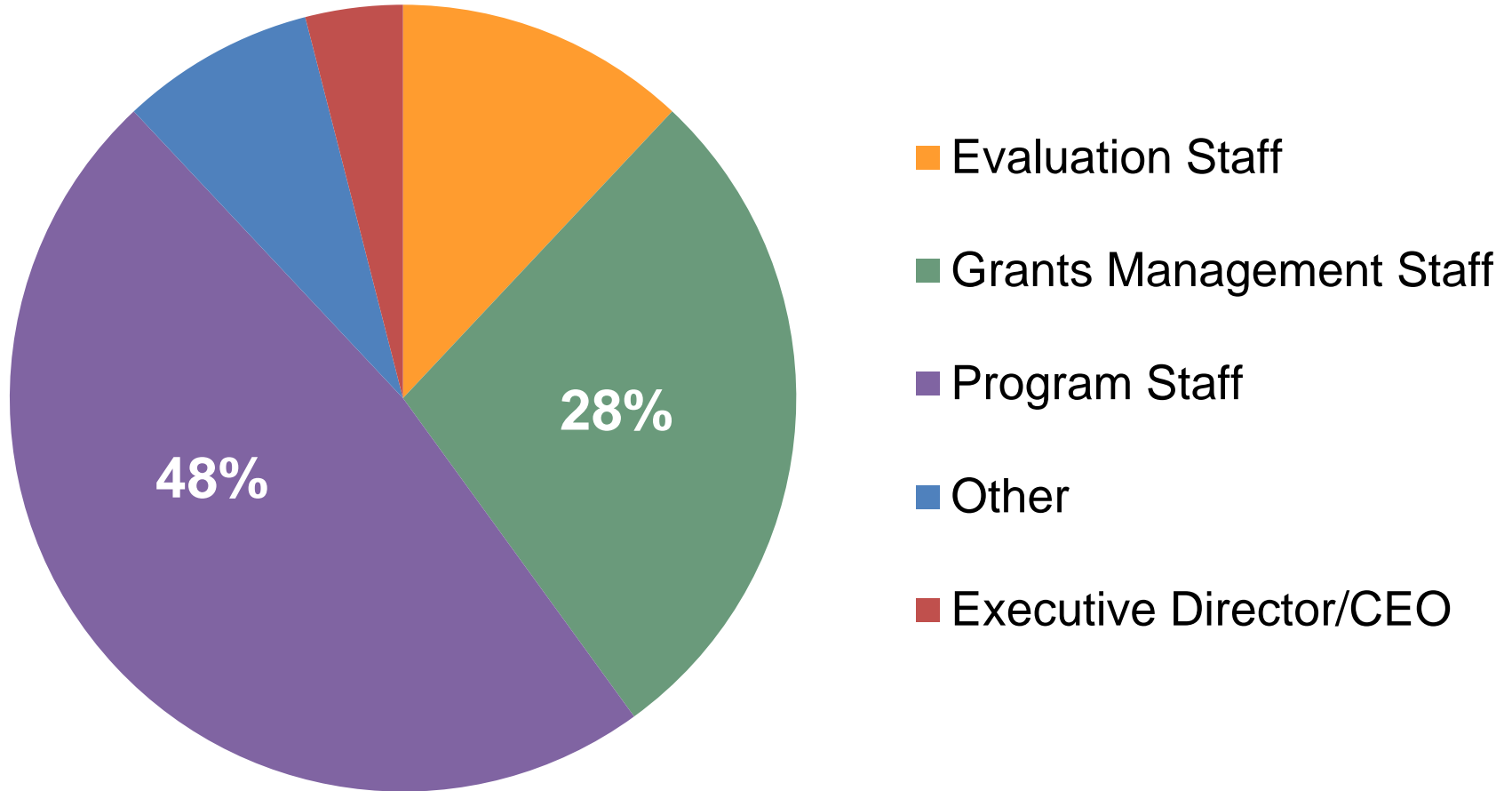
Key Takeaways

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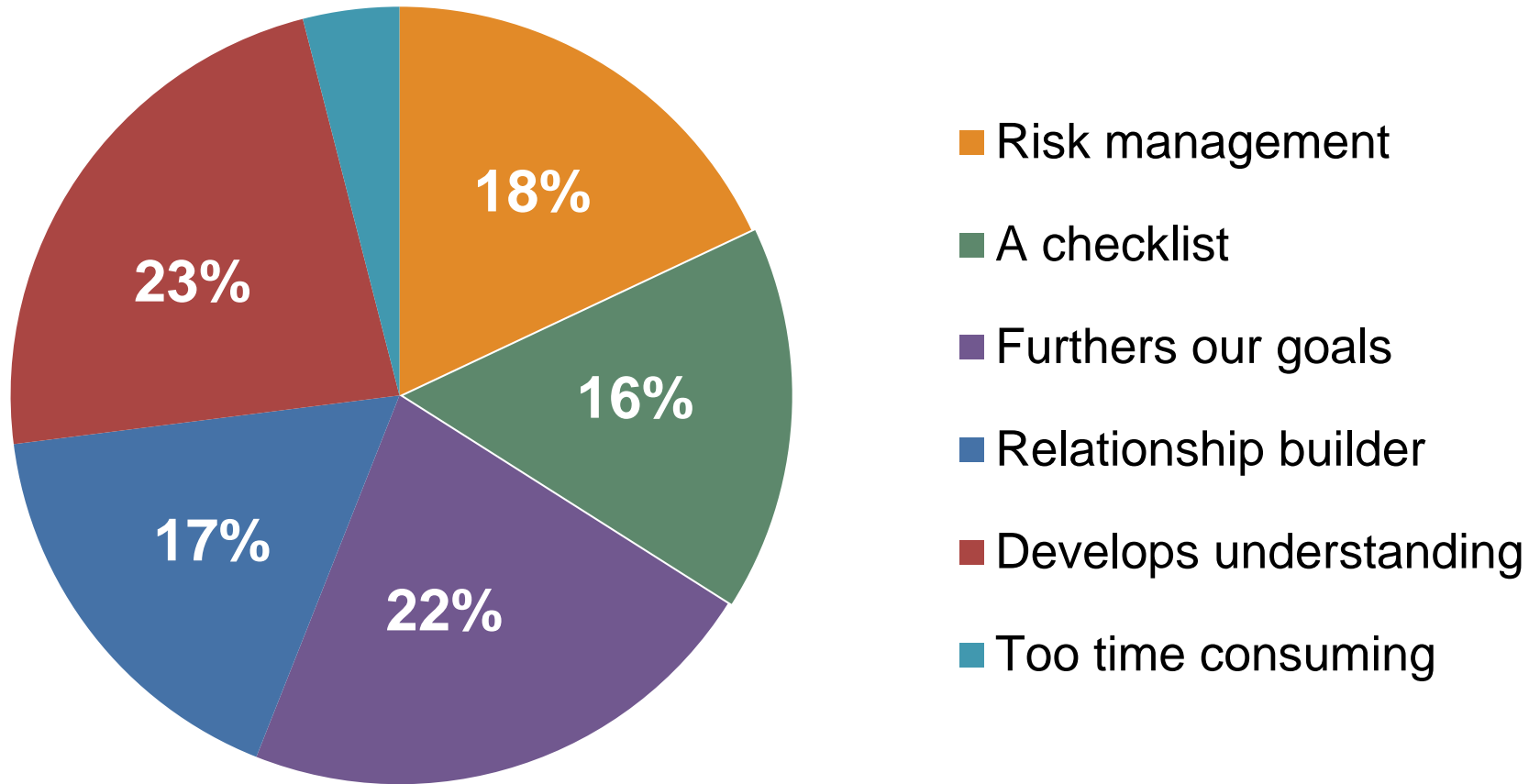
Shared Understanding?



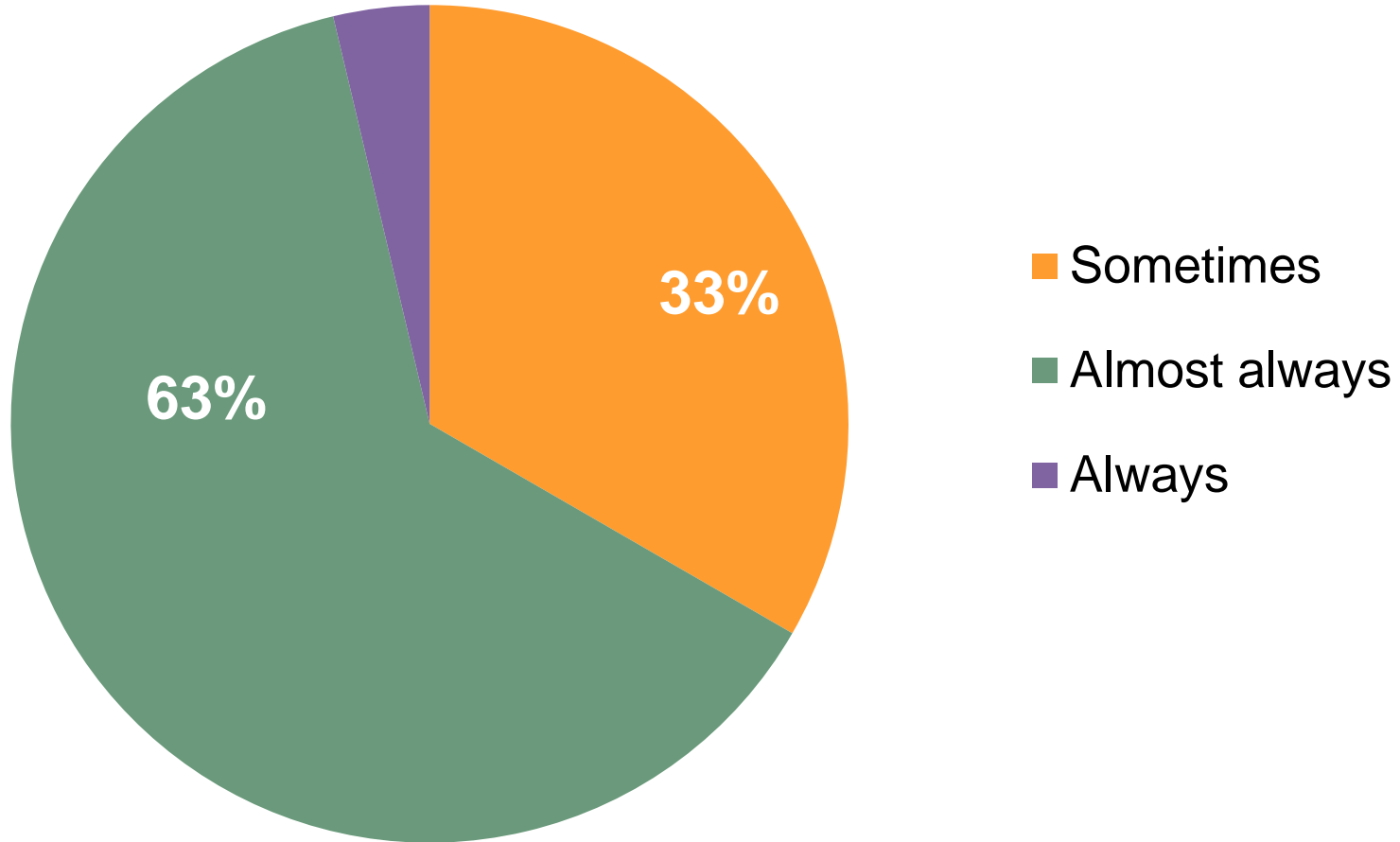
Responsibility for Due Diligence



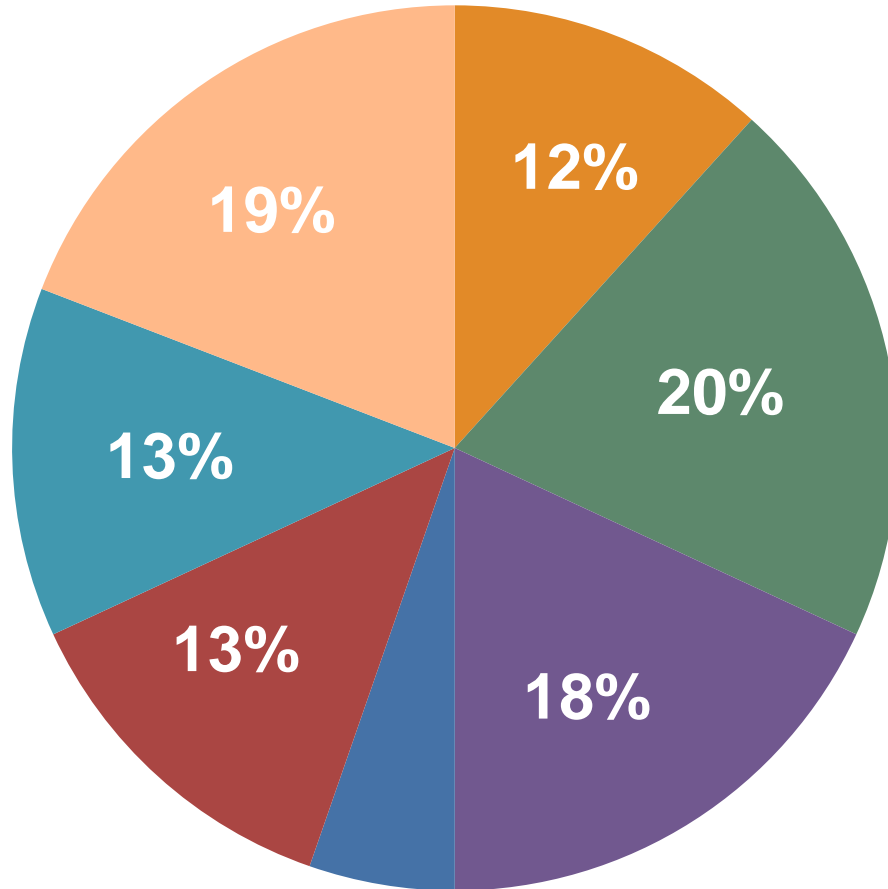
We Regard Due Diligence As...



Know Additional Information Needs



Research Resources I Use



- From grantseeker
- Other grantmakers
- Organization's website
- Google search
- Nonprofit leaders
- Field experts
- My peers

Practices in the Sector

- Mysterious and intriguing
- No sector-wide standard of practice
- Few resources or guides
- Idiosyncratic within and across foundations
- Program Officers who are program specialists may feel ill-equipped evaluating financial and organizational issues
- Grantseekers find the process burdensome and confusing

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Things to Think About

- 1 *What do you really want to know?*
- 2 *How will you get the information you need?*
- 3 *Are there ways to stage the due diligence process?*
- 4 *What can you reasonably expect to learn — and in what amount of time?*

Organize Your Process



If Needed - Stage Due Diligence



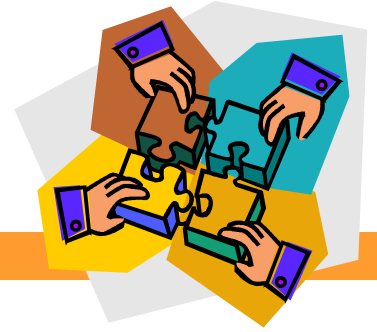
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HOPE

Approaching Due Diligence



Discuss at your table:

- Does this resonate with your experience and approach?

Basic Steps

THE
BASIC
STEPS

STEP 1:

Review the materials provided by the grantseeker.

STEP 2:

Conduct additional preliminary research.

STEP 3:

Engage in dialogue with the organization's leadership and key staff.

STEP 4:

Conduct additional follow-up research as needed.

STEP 5:

Analyze and apply your findings.

STEP 6:

Synthesize the information and present to others.

Due Diligence is Relationship Building

- Build trust
 - Be honest – don't promise what you can't deliver
- Be respectful
 - Power differential
 - Can be confusing or frustrating process
- Establish and honor mutual commitments
 - Clear communication regarding expectations
 - Don't assume understanding
- Open-ended, non-judgmental inquiry

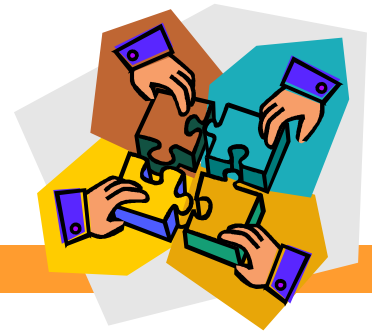
Tips for Effective Dialogue

- Always ask open-ended questions
 - “Tell me about....”
- Keep questions simple
 - Don’t form long, complex, difficult-to-track questions
- Avoid questions that communicate judgment
 - “You didn’t think about....did you?” is a conversation stopper
- Always conclude with one of two questions
 - Is there anything I didn’t ask that you wish I had?
 - Is there anything we have left out and not talked about?

What Are Your Expectations?

- Where is the point of diminishing returns?
 - Due Diligence takes time
 - Agree on what is necessary versus nice to know
- Acknowledge limits
 - Partner with others in your foundation
 - Understand “risk tolerance”
 - Exercise forgiveness (no person or process is perfect)

Due Diligence Success



Complete this statement:

I have felt most successful in conducting due diligence when

Share with one other person at your table.

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- Due Diligence Priorities

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Priorities

-  1. Organizational history and track record
-  2. Governance and executive leadership
-  3. Organizational vision and strategy
-  4. Proposed project: planning, outcomes and evaluation
-  5. Human resources
-  6. External communications
-  7. Relationships and networks
-  8. Financial health

**Collecting
information won't
guarantee success.**



**Don't make your
grantees jump
through hoops.**



Find a balance.



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Key Takeaways

- Should build your confidence in the investment
- Should be explicit and transparent
- Should build the relationship between grantmaker and grantee
- Learning (not investigative) process
- Creates mutual accountability for outcomes

Q & A



Thank You!

Sign-up for our quarterly email newsletter and visit us online at www.lapiana.org today!

Email Jo at debolt@lapiana.org