UNIVERSITY OF CANTERBURY – UNDERSTANDING PHILANTHROPY
What is Philanthropy for in the 21st Century?
A Grant-Maker Perspective
As you have already heard, philanthropy takes many forms and purposes – it always has, it does now and no doubt it will continue to do so throughout the 21st Century. In this country, most philanthropy, whether individual, corporate or institutional (Trusts and Foundations), takes the form of a straightforward financial transaction – a donation or grant. Grant-making is, however, far from a straightforward process and there is no single formula, no single 'Grant-Maker Perspective.' In my comments, I will explore a bit the diversity of philanthropic grant-making behaviour, in particular by charitable trusts and foundations, and also suggest some criteria or standards that I hope will be the basis of much more such philanthropy in the future.

First the different types of grant-making. Various studies (for example, in this country those of Diana Leat) have categorised and defined different types of grant-making. I have always found the categorisation identified by Julia Unwin (now CEO of the Joseph Rowntree Foundation) in her book 'The Grantmaking Tango' an especially useful one. She describes 3 kinds of grant-making practice: giving, shopping, and investing.

Giving is what it says on the tin - it has become common place for the simple charitable gift of money, without strings or demands for detailed accountability, to be dismissed (as Julia comments) as "the easy, and maybe less effective, mode of activity. There is a danger that this critical function of most funding bodies is treated as a rather embarrassing adjunct, rather than a crucial part of the spectrum of support that ensures charitable activity thrives." Simple, unrestricted grants made without heavy compliance requirements are the lifeblood of much charitable activity – done well and sensitively, they always will be. They are much appreciated by those they support and can also be much enjoyed by those that give.

But they are not the only form of grant-making. Julia Unwin also identified 'Shopping and Investing'. By shopping she means that grant-makers (of all kinds) pay charitable organisations or social enterprises for specific tasks. To quote Julia: "They may be commissioning voluntary organisations to do pieces of work, or they may be responding to requests for funding, but the role of the funder in these relationships is largely that of purchaser. Purchasing involves being specific about the product bought, and having narrowly defined views about the use to which the funds will be put." Such grants usually take the form of what is described as 'restricted funding' (i.e. the recipient can only spend the money on the tasks or activities agreed with the grant-maker), is time specific and loaded with reporting requirements.

The third form of grant-making in Julia's categorisation is 'investing' – that is where a grant is used to help an organisation build additional resilience or capacity, to strengthen itself so it is better placed to go on doing what it does to a high standard and/or to grow or replicate its activities. Importing the language of investment to the charitable sector has often served to obscure more than to illuminate, but 'investing grants' have substantive value (for both 'investor' grant-maker and 'investee' grant recipient) when the purposes and terms of the grant are clear, timely and mutually understood.

So – there is not one but several 'grant-maker perspectives' as the funders behave in significantly different ways in converting philanthropic funds into paying with grants for actual charitable activity.

But it is also important to recognise that grant-making is not the only form of philanthropic action available to a philanthropic grant-maker – individual philanthropists and foundations can do so much more with their resources to help achieve their philanthropic ambitions. Yet grant-making is all that most charitable trusts and foundations do to support the charitable purposes for which they were established. (Anglo-Saxon ones anyway – i.e. those in the UK and the US – elsewhere in the world, in the rest of Europe for example, foundations are seldom 'just' grant-makers; they tend to be much more operational – indeed some, like the Bertelsman Foundation, make no grants at all). And most UK/US foundations (whose work has generated an awful lot of the global literature on philanthropy – a distorting influence, I reckon, on many reading lists and references!) are still described as 'grant-makers'. That's how they often describe themselves; – so it's not surprising that charities seeking funds also act as if that is all they can look to trusts and foundations for.

But grants are just one form of financial assistance – philanthropic funds can be used to convene, to influence, to inform; they can be used as guarantees, they can be invested in social and charitable activities in many different ways; they can be recycled so that scarce funds can be used more than once – every individual philanthropist and foundation can use some of their funds to explore what are called Programme Related investment and Social Investment options supporting the charitable purposes and outcomes to which they aspire.

And most charitable trusts and foundations use less than 4% of their available funds to support charitable activities. There is not time here to develop this but we may be able to explore later how the endowments which feed a foundation's distributable income could also be restructured to 'connect' with its charitable purpose and mission. A recent and instructive reference to this is 'Intentional Investing' – a report researched and published by the Association of Charitable Foundations, ACF, and Cazenove.

So – not only is there no one form of grant-maker but grant-making is not the only route for converting philanthropic intent into charitable activity.

However, even if a philanthropist or foundation does decide to concentrate all their work on grant-making, they can do it well or they can do it badly, even perversely. It's not easy to do it well – as Tom Tierney and Joel Fleishman put it punchily in their book 'Give Smart': the "natural state of philanthropy is one of underperformance. Excellence must be self-imposed in philanthropy. There are no built-in systemic forces to motivate continuous improvement. Self-imposed accountability is not a natural act. It requires extraordinary determination and discipline to pursue outstanding results year after year when nothing in the surrounding environment requires you to do so."

As one disgruntled grant recipient observed 'Funders often give the wrong sort of money'. Too many philanthropists and foundations:

- expect the funded charity to achieve complex project goals within a period of funded time which all involved know is not long enough for them to be attainable and/or to undertake a level of work so ambitious that both the applicant and the funder know it's not within the capacity of the applicant and/or choose to provide what they know to be inadequate funds for the job they want to see done; this all generates what one commentator has described as a 'dance of deceit' between grant-maker and grant recipient
- impose transaction costs (on themselves as well as on those they fund) which are disproportionate to the scale of the funding and which use up an excessive amount of charitable funds

Too many organisations that seek funding find that they have to reshape their description of what they are trying to do in order to meet different funders' enthusiasms and criteria – but these 'negotiations' can be taken too far and fund raising can lead to a distortion of an organisation's mission by "bending too willingly in whatever direction money is blowing."

Again, there is insufficient time here to explore this sort of grant-maker behaviour in detail (you can go to my website for some rants on the perversity of some grant-making practice!). Julia Unwin quotes a vivid example from one grant seeker:
"Lots of funders behave as if they are going into Marks and Spencer and trying to buy a jumper without being prepared to pay for the design, or the advertising costs, or the laboratory testing of the new yarn, and they are actually rather unwilling to meet the cost of the right hand sleeve. Then they are surprised that they have bought a rather grotty jumper."

In summing up these comments about the perspectives and behaviour of much current philanthropic grant-making, I recall a conference when I was speaking about foundation practice to an audience of charities and social enterprises. I said that my first plea to funders was that they should 'Do No Harm' – I was surprised by the immediate burst of applause – not used to that! Afterwards I learnt that they and I 'heard' that exhortation completely differently. I meant it to be a plea for foundations to connect their investment strategies to their charitable mission. The audience responded to it as a plea for grant-making practice to serve the mission rather than the administrative convenience, compliance or prejudice of the foundation. I support both perspectives.

Our title asks what philanthropy is for in the 21st Century? For me, grant-making philanthropy is only worth doing if Foundations and individual Philanthropists:

1. have clarity of purpose
2. experiment, listen, learn, share and apply that learning to their own future behaviour
3. always seek to help build and generate activity that, if successful, can be sustainable
4. through their celebration and enjoyment of what they do, excite and encourage others to join in

5. use all their resources to try and reach their charitable aspirations – grant-making being one use, but only one of many ways of using their resources
6. stay curious, talk a lot about what they are trying to do and how they are getting on, be adventurous – and always be dissatisfied, wanting to do what they are doing better and more effectively.

There's no reason why 21st Century philanthropy can't live up to the aspirations of some notable philanthropists from previous centuries, despite these being very different times. Lord Nuffield, for example, who asserted that "Those responsible for the disposal of private funds have a healthy duty imposed on them to accept risks which cannot be proper to those accountable for the tax payer's money; they should venture those funds for experiments about whose success there may be some measure of doubt."

And John D Rockefeller who said that foundations should "undertake the imaginative pursuit of less conventional charitable purposes than those normally undertaken by established public charitable organizations."

Finally, and in an age when information can so easily be accessed and shared, Foundations should never again stand accused as follows: "Foundations spend millions on programme evaluation and research but, when it comes to sharing their findings, philanthropy suffers from a serious case of clogged arteries."

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