Kings Fund/Association of Charitable Foundations Seminar Series

A NEW VISION FOR FUNDING – Challenging Conversations for Funding Organisations

Seminar 3: 11 July 2007

WHAT ENABLES OR DISABLES FUNDERS TO LEAD CHANGE IN THEIR ORGANISATION? (*OR: WHAT MAKES FUNDERS UNIQUELY RESISTANT TO CHANGE?)*

I've been asked to make a 'soap box' presentation – perhaps rather less measured than normal – more robust and forceful.

Title of session gone through a number of versions: now ***"what enables or disables funders to lead change in their organisation***" – assumes change is on the agenda – and implies, perhaps, that there are organisational features, personalities, external factors which impede or encourage change

When programme first circulated, the title of the session was ***"Is managing change in funding organisations a unique challenge?"*** – that could be interpreted in several ways but implies that there are some special features or factors at work in this funder environment.

Both suggest funders are 'in the business of change' – their funding intended not to maintain the status quo but to help people, organisations, communities to enhance opportunities, to tackle injustice or disadvantage, to acquire new knowledge; all laudable stuff.

I wondered, however, whether a 3rd title might be more appropriate – at least for the soap box slot:
What makes funders uniquely resistant to change?

Why, for example, are so many funders so reluctant?
To go for double impact funding? i.e. to fund not only the immediate need or lack of opportunity that it wishes to alleviate – but also to support simultaneously the advocacy, campaigning or policy work which could ensure that need no longer exists or that opportunity becomes mainstream rather than exceptional?
What is it that makes so many funders step aside from, as it were, taking sides and putting money into trying to secure high level change as well as into helping local, practical activity to take place; in trying directly to influence the behaviour of those who could make the changes that might improve the lot and the prospects of those their funding is intended to assist?

Why, for example, are so many funders so reluctant?
To address substantively the chronically undercapitalised financial condition of the organisations they choose to use as 'vehicles' for converting their funding priorities into action?
Many funders choose to fund voluntary and community sector organisations, charities, to deliver the services, the creation of opportunities and activities that they believe will achieve their charitable aspirations (a discussion point for another day, perhaps, as to whether these organisations are necessarily the right vehicles for effecting such outcomes)

- then they underfund them
- they don't observe full cost recovery in grants
- they make conditions (sometimes glibly called 'leverage') which require the volunteer boards of recipient organisations to take on unwise risks
- they impose a very high level of transaction costs
- they don't help the organisation prepare for or build up the resources needed to survive effectively beyond the period of their funding – or to continue to influence long term policy development

Why, for example, are so many funders so reluctant?
To change their sometimes demonstrably perverse funding practices – their continued engagement in what has been described as the 'dance of deceit'

- where funders agree, for example, to a timetable for a grantee to achieve a complex project goal which all involved know is not attainable
- where funders agree to an organisation undertaking a level of work so ambitious that both the applicant and the funder know it's not within the capacity of the applicant; or which will distort the true purpose or skills of the applicant
- where funders talk in terms of their grantees being partners, then impose terms and conditions which are entirely one way, not setting out mutual expectations
- where (again as demonstrated depressingly in a recent US study) funder executives are recommending short term project funding in circumstances where they know long term operational and organisational underpinning finance is needed and essential if their own objectives are to be realised? Their explanation? – a reluctance to challenge their trustees who like tangible, specific, time limited projects

Why, for example, are so many funders so reluctant?
To invest in their own capacity, skills and governance to a similar standard to that they expect (or demand) of the organisations they fund
(US research – on the attention given by foundations to training of their own Boards and staff, to evaluation, appraisals and reviews; to diversity, user involvement, accountability and transparency; to all those sorts of requirements that are routinely made of applicants – but were found to be seldom observed by many funders – especially in the foundation sector);

Thinking of the title of today's session, I wonder how much funders do invest in building their own competences and skills in managing change?

Why, for example, are so many funders so reluctant?
To learn from what they do in a conscious and deliberate way and

- apply that learning to their own future actions – to enhance the 'theory of change' which guides their work
- share that learning with other funders
- and with organisations operating in the policy arena to which it relates

As one funder colleague observed:

> "surely for a good funder, the goal is not to avoid making or admitting a mistake but to avoid repeating the same mistake that someone else has already made that you didn't bother to learn"

Why, for example, are so many funders so reluctant?
To expose their own performance to measurement – one of the privileges of funders is the freedom of not being subject to a single-dimension bottom line – but why the reluctance of so many to invest in self-appraisal or to expose themselves to evaluation of the effectiveness of their processes and methods by their applicants and their grantees?

- How else can good performance be demonstrated?
- How else can we be sure we are doing a creditable job, using our resources to greatest effect?
- How else can we ensure that the way we work and engage with the organisations we fund does add value and not, in the view of the grantee or of the applicant, add burden?

Obviously, I hope none of those here at this seminar demonstrate any of this sort of resistance to change – but the market within which you operate tends to lump all funders together; applicants approach one in ways that are influenced by the experience they have had of another; the behaviour of one funder has impact on perceptions of others..

And even funders which are generally regarded – at least by themselves – as operating in ways that are applicant and grantee friendly can be surprised by the perceptions of them held by those they seek to support

- In a recent US study, striking differences were found of responses from applicants and grantees to behaviour of individual grants or programme officers within the same foundation
- the applicant/grantee perception of a funder is defined by what it does, not what it says; and, therefore, by the direct contact of applicants or grantees to the 'gatekeepers' to those funders

Before I offer a few thoughts about positive change management – one story, one that shook me – as it was so direct a challenge to the notion that funders were 'the good guys'.

I was asked at a conference of people running charities and social enterprises to outline the three key features that I hoped would characterise the 21st Century Foundation.

My first was that a foundation should *"Do No Harm"* to organisations that it supported – the comment drew a loud round of applause all round the hall.

In discussion afterwards, I was surprised at the depth of the negative perceptions of funders, the many examples I was given of direct (and repeated) practice by funders that weakened in some way the organisations seeking funds – the processes and demands, attitudes and assumptions, funding conditions and focus on compliance and outputs

And the all too frequently reported and depressing examples given me of applicants (and grantees) having to bite their tongues in response to what they felt was a moral certainty and behaviour of some funders that was 'unquestionable'; or having to twist the facts to fit the funder's version of how the world should look – or to fit what 'my Board' will like or tolerate

Talking last week to a couple of leaders of large foundations – not UK – who have both just retired after several decades each in the funding business. Both were in agreement as to the biggest challenge they had faced as leaders of their very different foundations – it was how to keep themselves, their staff and their boards "fresh and humble".

– *Fresh* – in adding to personal and organisational knowledge, in their enthusiasm for the causes they support and the work they do – sometimes this can be made tricky because they are, by definition, at least one step removed from the real action, the real work with beneficiaries and communities (a reason, perhaps, for encouraging the staff of funders to become a Board member of a VCS organisation?)
– *Humble*, in avoiding the hubris, sometimes the complacency and arrogance that can easily afflict those who are on the boards of or who work for funders – Mario Marino: Venture Philanthropy partners – all my jokes are funny.

We will no doubt explore together in our discussion what reasons there may be for the resistance to change and negative perceptions that I have outlined – is it the lack of any real 'survival anxiety' faced by the staff and trustees of endowed funders? They face no 'bottom line' which determines whether they should survive or not. But – finally – some thoughts that are, I hope, more positive: six funder (individual and organisational) behaviours which, I think, may 'enable' change

1. Stay **Curious** – about the context, the environment, the changing landscape within which you work

2. Stay **Dissatisfied** – always looking for ways of doing better, checking the quality of the ways you work, testing if your ‘customers’ and partners assess your performance positively
3. Keep **Telling Stories** – about what’s worked and what has not; to colleagues and board members within your organisation as well as to audiences in the external arenas within which you operate – and, in particular, getting the organisations you support to engage with each other
4. Consider **Collaboration** – not for its often over-hyped own sake but when it could demonstrably make 2 + 2 = 5
5. Be **Adventurous** – it’s a wonderful privilege to work for or to be a board member of an independent funder; keep alert for the brilliant, albeit, maverick idea or social entrepreneur; be prepared to go beyond your (and your board members’) comfort zone, to take risks and not to run away from possible failure
6. Be **Accountable** – charitable resources are held, as it were, “in trust for public benefit”; other independent funders, such as lottery distributors, are also expected to serve the same cause.

   There is also an accountability, I suggest, to the grantees and partners with whom you work

   But, I reckon above all, there is an accountability to the people and communities who are the intended beneficiaries of your funding.

   – Accountability involves listening, communicating, involving – and those activities can all enable and encourage change and greater effectiveness.

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