

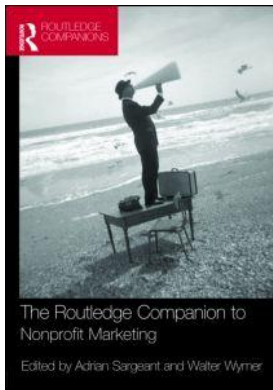
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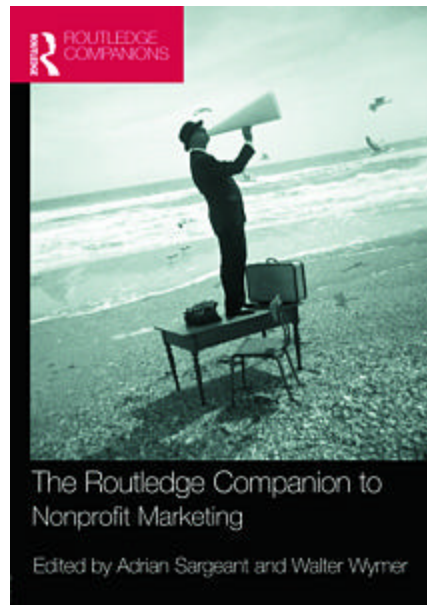
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10

Issue and trends in foundation fundraising

Diana Leat

Introduction

This chapter looks at issues and trends in the foundation-funding market in the UK, largely from the viewpoint of foundations themselves. It begins by briefly sketching the outlines of the UK foundation sector, identifying numbers, key types and patterns of spending. The second section outlines some key phases in the history of foundation approaches, some cultural characteristics and common criticisms. The third section looks at current issues and developments, and speculates about future trends likely to affect foundation funding. These issues are of importance to fundraisers in understanding the shape and nature of the foundation market and the ways in which they engage in that market.

The UK foundation sector

For the purposes of this chapter a charitable grant-making foundation is defined as an endowed charitable organization whose primary activity is making grants to other organizations in pursuit of its mission.

Foundations are unusual within the world of organizations in general in that they are resource independent; they do not have to raise or earn money from others and are thus free, in theory at least, from the constraints of donors (within the confines of the trust deed), customers and constituents. However, there are degrees of resource independence and thus degrees of freedom.

Grant-makers' independence

Very broadly, we might categorize grant-makers as follows:

- 1 Grant-makers with independent funds derived from a permanent endowment.
- 2 Grant-makers dependent on funds raised annually from non-government sources.

- 3 Grant-makers dependent on non-government funds but accountable to government (e.g. lottery distributors).
 4 Grant-makers dependent on government funding.

Although in theory only those in the first category above are ‘real’ foundations, as discussed below organizations commonly known as foundations straddle categories 1 and 2.

Some figures

In the first category there are around 7,500 grant-making charitable foundations in Britain giving away approximately £2 billion each year. However, grant-seekers are likely to know about, at best, only the a fraction of these – the top 500 trusts and foundations estimated to give more than three-quarters of all grants by value, or the even smaller group of super-rich trusts within the top 500. This super-rich group includes Wellcome, giving £350 million per annum, Wolfson, Gatsby, Garfield Weston, Esmee Fairbairn, Tudor, Henry Smith Charity, Lloyds TSB Foundation, and others, each giving away more than £20 million per year (*www.acf.org.*) In addition to foundations whose main business is giving grants there is a small proportion of large operating charities who also make some grants.

Categories 3 and 4 above contain other bodies that give grants to charities and other voluntary organizations. These include the lottery distributors and government-funded foundations spending around £352 million per annum (CAF and CaritasData Ltd 2005), as well as various government departments giving both grants and contracts.

Distinguishing between types

For grant-seekers, the distinction between the four categories above may often be of little interest. Getting the grant is what matters, not whether Big Lottery Fund is properly described as a ‘foundation’ or not. However, the distinction between ‘foundations’ and other grantmakers, as well as other distinctions within the category of foundations, does have important implications for the sector now and, perhaps even more so, in the future. Foundations are the only source of funds independent of both government and popular support. Foundations can fund the truly, madly, deeply unpopular without worrying about future votes or fundraising. Foundations can fund the truly, madly, deeply risky without worrying about the questions asked when the project fails.

In many respects the key distinction is between charitable grant-makers that have an independent, permanent endowment – foundations – and those that do not. Having a permanent or long-term endowment means that foundations are free to do whatever they like within their trust deed and the law. Unlike all other institutions in society, they do not have to please anyone in order to survive.

Although it is conventional to reserve the term ‘foundation’ for endowed, independent foundations, if we look more closely at categories 1 and 2 above we find various differences between foundations. In addition to obvious differences in age, size and interests, there are differences in sources of income with implications for degree of independence discussed above:

- (a) Fully endowed foundations deriving all of their income from a permanent or semipermanent endowment. Endowed foundations vary radically in size and level of grantmaking activity and have very different histories and original sources of income. Some

are run solely by family members; others include non-family members on their boards. The key characteristic is that they live solely on income from endowment.

- (b) Corporate foundations derive their income from a company. Corporate foundations straddle categories 1 and 2 above in that only a minority of corporate foundations are endowed. More commonly, corporate foundations have no permanent endowment but rather receive regular transfers from the associated companies. Yet again, corporate giving is very unevenly distributed – after the top-ten company givers, the percentage of pre-tax profit donated drops dramatically.
- (c) Community foundations also straddle categories 1 and 2 above. Community foundations exist to raise and manage a permanent endowment of charitable donations from which they make grants to local and community projects. Community foundations restrict their grant-making and much (though not all) of their fundraising to a specific geographical area. In a sense, community foundations are ‘endowed foundations in the making’. Community foundations have grown rapidly in the last decade. By 2001–2 there were thirty-one community foundations (with another thirty-three aspiring community foundations, with a total endowment of £90 million making grants to the value of £28.1 million (Community Foundation Network 2002). As in so many areas of the foundation world, these overall figures conceal huge variations between individual community foundations. Community foundations have found a special place in the new policy environment acting as an ‘agent’ for some large central government grantmaking programmes to local areas.
- (d) Other fundraising grant-makers have increased in recent years. Fundraising grantmakers include, among others, broadcast appeals on radio and television. A conservative estimate of the annual amounts given in grants from broadcast appeals might be £40–£50 million.

Patterns of spending

Figures on patterns of grant-making are, for various reasons, sometimes misleading. Broadly speaking, however, foundations show a distinct preference for funding social services, health and education with a total of 45 per cent of all foundation funding going to these causes. By contrast, arts and culture, for example, receive only 9 per cent of all foundation funding, and the environment around 4 per cent (for further details, see CAF and CaritasData Ltd 2005).

The past is not always a good guide to the future. The discussion in the final section of this chapter raises the possibility that patterns of foundation funding may change in favour of, for example, spending on the environment. Data on current patterns of spending are useful not so much as a guide to the future but as an indication of how far things would have to change if, say, civil rights were to become a key issue.

A history of foundations in two-and-a-half phases

Foundations are relatively conservative organizations, lacking many of the usual pressures that force organizations to change. Over the last century, however, some have moved with the times, and that change has accelerated in recent years.

The charity/service approach was the original model, developed throughout the world in different guises and going by different names. Originally the charity/service approach was

rooted in religious beliefs such as alms giving and tithing on the one hand, and moral codes such as *noblesse oblige* on the other. Its later nineteenth- and early twentieth-century application by charitable foundations was linked in some countries to the secularization of giving and the growing role of the industrial elite and urban middle class in philanthropy (Smith and Borgmann 2001).

The charity approach was in many ways well suited to its social and political context. Without adequate provision by church and state, foundations provided services to those unable to care for themselves. As governments increasingly began to provide some services for some groups, foundations adapted the service approach to provide services complementary to those of government or to fill gaps in statutory provision. Foundations began to stress their roles as innovators, risk-takers and funders of unpopular causes. At certain periods in many societies, foundations added a 'demonstration' or 'pump-priming' element to the charity approach. Foundations innovated or spotted as yet unacknowledged needs, in effect doing the initial 'R&D', in the expectation that some other funder (often government) would pick up the project, method or need, and make it more widely known and available. In the mid-twentieth century in particular this service demonstration effect was probably very effective (Anheier and Leat 2006).

The major weakness of a charity/service approach, still arguably the dominant approach in the UK, is that, although it makes a difference to beneficiaries, it addresses symptoms rather than causes and changes very little. This was the key criticism of the charity approach that led to the rise of the philanthropic/science foundation approach.

Although the terms 'charity' and 'philanthropy' tend to be used interchangeably today, originally 'philanthropic' foundations distinguished themselves from charitable foundations in their emphasis on dealing with causes rather than symptoms of problems.

This was the approach adopted by the Rockefeller, Carnegie and Russell Sage foundations, among others, in the USA in the early twentieth century, and by, for example, the Joseph Rowntree trusts in the UK. Rowntree captured the new philosophy of these foundations when he wrote in his original trust deed that the foundations should distinguish themselves from current philanthropic effort by searching out underlying causes rather than 'remedying the more superficial manifestations of weakness or evil' (Joseph Rowntree Charitable Trust 2000–2002).

Again, the rise of the philanthropic foundation was a product of its time. Belief in the power of a 'scientific approach' was riding high, as was the notion of social engineering. The assumption was that social, medical and economic problems could all be solved once their causes were understood and 'scientific' solutions applied (Bulmer 1999). Foundations adopting a philanthropic approach undoubtedly did, and continue to do, hugely important work, including establishment of the research university and other higher-education institutions. But for all the achievements of the philanthropic approach, it too suffers from some weaknesses when viewed from a twenty-first-century perspective.

In the last quarter of the twentieth century, foundations entered a new phase – or perhaps subphase: the scientific–managerialist. The rapid accumulation of new wealth by entrepreneurs and the run-up of the stock market in the 1990s enabled many individuals to increase their giving or to engage in formal, institutionalized giving for the first time. Many of these young, confident venture capitalists for social change viewed charitable organizations as lacking management capacity and capitalization; they saw charitable actions as investments and demanded a demonstrable 'return' on their investment (Letts *et al.* 1997). The new philanthropists are generally results oriented; they want to see the impact and the results of their giving relatively quickly.

These new kids on the block are, in many respects, modern descendants of the philanthropy approach. While they have stimulated healthy debate, they share some fundamental weaknesses stemming, in part, from their fundamentally instrumentalist assumptions. First, they tend to focus on foundation processes rather than roles. They do not address the question of the unique value of foundations in a democracy. Second, they apply managerialist business models to foundation practices. The assumption is that if only foundations, and their grantees, were run more like businesses, all would be well. As Sievers has remarked, the emphasis on technical interventions in systems to improve performance: ‘reflects the fix-it character of American social improvement – agnostic on values but committed to improved performance’ (Sievers 1997).

These two-and-a-half phases are only sequential for some foundations. In practice, the ‘charity’, ‘philanthropy’ and ‘scientific–managerial’ approaches co-exist in the UK today.

Characteristics and criticisms

Running alongside the approaches above are some enduring, cross-cutting criticisms of foundation funding. These are important in understanding the current and future challenges for foundations and the degree of change that may be required.

One frequent criticism of foundations is that they are elitist and out of touch with real social issues. So, for example, Odendahl (1990:27) charges that: ‘The rich do not give to the poor but to institutions they use and cherish – the charity of the wealthy doesn’t just begin at home, it stays there.’

A second criticism is that, despite the rhetoric of innovation and risk-taking, foundations follow rather than start things. For example, in the USA the civil rights movement began in 1955 with the Montgomery bus boycott, but foundation grants were not significant until 1962 (McInay 1998:11): ‘Foundation grants to organizations directly serving women and minorities have been minuscule, dispelling the myth that foundations are crusaders for social change and contradicting the descriptions that foundations have given of themselves’ (*ibid.*). Similarly, Vincent and Pharoah (2000) in the UK suggest that grant-makers as a whole tend to approach problems similarly, indicating a considerable degree of conformity in the way foundations address needs. Grant-making reveals strong patterns of ‘fashion’ across foundations.

Another criticism of foundations is that grant size tends to be determined by general principles within foundations, rather than the needs of the project or proposal. In other words, grant size is related not to what is needed to achieve the goals of the grant but to foundations’ own organizational needs (for risk control, spread of grant distribution, etc.). For example, some foundations operate with predetermined rules that they do not give grants above £x or for more than y years.

Various commentators have criticized mainstream foundation practices for their focus on small short-term grants. Skloot makes the point most colourfully when he criticizes foundations for behaving ‘like gamblers playing the two-dollar slots in Vegas. We sit staring straight ahead, holding our little bucket of metal coins. Repeatedly, we drop in small change, hoping for a big pay-off’; ‘We put large dreams on small coins’, ‘we almost always feed the slots more than we win’ (Skloot 2001). The complaint that foundations are ineffective because they spread their money too wide and too thinly is closely related to the criticism that they are ineffective because they fail to make choices and lack focus (see e.g. Covington 1997; Schumann 1998).

Foundations have typically seen their lack of predefined focus as a virtue, demonstrating their democracy and responsiveness. But ‘Whilst some might argue

that this “let 1,000 flowers

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bloom” approach is inherently democratic, normal (and typically American), I suggest it is autocratic, ineffective and willful – (and typically American)’ (Skloot 2001:3; my parentheses – we might substitute British).

Ask any nonprofit organization what they most need and want and the reply will be ‘more core funding/operational support’. But what mainstream foundations most often give is (shortterm) project funding. Again this is said to be one reason why mainstream foundations are less effective than they might be. Both Bothwell (2002) and Burkeman (1999) relate the apparent preference for project funding to mainstream foundations’ lack of trust in grantees and thus their reluctance to engage in the loss of control entailed in core funding.

Criticism of foundations’ overemphasis on project funding is related to the claim that mainstream foundations have been ineffective in building sustainable change because they have funded in traditional policy and programme silos. This may not only hamper the emergence of new, creative ideas and solutions to old problems, but also create, or perpetuate, ‘barriers to permeation and cross-issue connections’ among nonprofits (Bothwell 2002:40).

Most foundations have a very narrow view of their potential grantees. They appear to operate on the assumption that: (a) what nonprofit organizations choose to do accurately reflects social needs and problems of society; and (b) nonprofit organizations are the major locus of new thinking and innovation generally. These assumptions persist despite numerous studies which demonstrate that the existence of nonprofit organizations is very imperfectly related to social need (see Anheier and Kendall 2001; Flynn and Hodgkinson 2002; Perrow 2001), and that nonprofit organizations are not particularly innovative (Kramer 1990). The important point, however, is that foundations seem somehow locked into funding nonprofit organizations and find it more difficult to fund individuals or groups other than tax-exempt entities. This is a highly compartmentalized world with clear sector boundaries.

Foundations are sometimes criticized for being overly individualistic, poor at collaboration, sharing and learning. Skloot, continuing his gambling analogy, suggests: ‘We sit straight ahead, rarely pulling our eyes away from the spinning icons. We don’t interact with the other players on our left or right. If we did, we wouldn’t learn much anyhow – they’re behaving in just the same way’ (2001:3). Much of philanthropy, Skloot argues, ‘especially at the largest 100 foundations’,

works in isolation, rarely sharing the task or the results. We make grants based on inadequate due diligence, partially relevant information, or simple intuition. After a grant is made we rarely share what we really know – the good, the bad and the ugly – with grantees or with our own colleagues. We are novices at cross-program collaboration and rarely buddy-up for mutual gain ... there are no incentives in philanthropy to do that. Finally, we don’t measure our successes, course-correct and learn intentionally.

(2001:3–4)

Foundations appear generally unwilling to challenge the widespread assumption that they should spend next to nothing on their own management. Some so-called overhead costs may indeed be wasteful and inefficient. Others are simply the costs of making good grants and of achieving sustainable change, and are more like investments and R&D expenditure than overhead costs proper.

While some foundations abhor planning; for others making and sticking to a plan has become a sort of holy grail that will make everything right. The value of planning is just one of the rationalist assumptions which implicitly or explicitly underlie grant-making policies and practices. Most obviously these theories include the assumption that ‘good and successful’

projects are a function of good ideas, well-thought-through plans, and good organization.

Organizational structures and processes, management and financial resources are major determinants and predictors of the likely success of the project; clear objectives, planning and control processes are taken as important indicators of the ‘good’ or capable organization.

Underlying many of the criticisms above is a deeper weakness: foundations’ lack of an adequate theory of social change. Foundations say that they want to make a difference but often fail to think through what or who would have to change in order for that to happen and how those people/institutions might be reached. For example, many foundations have aimed to address child poverty without making the link to either low wages in many predominantly female occupations or inadequacies of child support payment systems.

Although foundations often (wrongly) cite legal restrictions as the reason for avoidance of involvement in policy issues, another reason may be lack of any realistic theory of social change. Foundations often fail to realize that sustainable change happens only rarely without government involvement of some sort and at some level – whether as policy innovator, funder, implementor or champion.

The foundation world tends to rank its members by the size of their assets and income; money is the currency foundations give and by which they account for their activities (i.e. size and number of grants given). Underlying this focus on money, there are some complex assumptions about the power of money alone to solve problems. Money is the root of all solutions, and more money to make more grants makes foundations more effective. The assumption is that we know what needs to be done; money is all that is missing.

The review above suggests a sector that finds it difficult to:

- | keep in touch;
- | set rather than follow fashion;
- | focus/be proactive;
- | think and fund across silo boundaries;
- | see beyond clear sector boundaries;
- | collaborate and learn;
- | accept that real life is complex, messy and irrational;
- | identify what has to change and follow through;
- | address policy issues; and
- | focus on assets other than money (for a more general discussion of foundations’ structural limitations, see Anheier and Leat 2002).

Underlying these difficulties there are some clear themes related to foundations’ structural location in society. First, foundations find it hard to stay in touch because they suffer from ‘weak signals’; they do not have the usual sources of market information – whatever they choose to fund, grantees will respond. Second, their somewhat anomalous position in a democracy makes them reluctant to ‘play God’ – hence they stress their responsiveness to voluntary organizations and acceptance of conventional silos. Third, the fact that they have independent resources, and can survive no matter what, means that they have no strong incentives to collaborate or to learn how to do better.

And, more speculatively, constantly subject to the random demands of grant-seekers, foundations seek to impose some order on a messy world by creating rules and procedures to structure their experiences and to make sense of grant-making.

Future issues and trends

This is a time of change for foundations – probably the greatest in the last fifty years. Philanthropic giving and foundation formation is on the policy and wider public agenda. Political parties of all persuasions are keen to encourage giving and to harness private action for public benefit. Proposed legal changes will extend the definition of charitable purposes from four to twelve heads. New philanthropists, including Gates, Buffett and Branson, are raising the profile and the bar in giving. New philanthropists are adopting new approaches and requiring greater control. But just as philanthropic giving and foundation formation is increasing it is also declining relative to the problems it seeks to address. For example, Andrew Carnegie could afford to build a library in every town in Britain; few, if any, UK foundations today could afford to build more than a couple.

Policy change is creating new roles for philanthropy – and new demands and challenges. Foundations are increasingly expected to demonstrate their contribution to public benefit, and to be more accountable and transparent in what they do. Contracting has created new complications in both the role of foundations and the nitty-gritty of assessing applications. When is a grant an indirect subsidy to government provision/responsibility?

Although there is no pay-out requirement in the UK (as there is in the USA), foundations are increasingly aware of the need to consider not just where they give grants but also how they invest their assets in ways consistent with their missions.

Many of the old foundation mantras – innovation, risk-taking, doing what the state does not do – have been seriously undermined by the redefined role of government. Government increasingly sees itself as the innovator, the gap filler, and contracts out to others much of what it used to do. So, how are foundations responding and what are the likely challenges ahead?

A recent study of foundations in the UK (Leat, 2006) revealed that foundations generally found it difficult to articulate any distinctive role. Some noted that there were various formulaic answers to the question of foundations' roles but these did not really say anything. The majority of foundations emphasized that they saw their roles as complementing those of others, including government.

Although most foundations were keen to avoid substituting for government, most also commented that this was more difficult in practice. It was felt that government had 'changed the rules', cutting back on services, involving the voluntary sector in providing services on contract, and taking on the role of experimenter. In this situation, foundations argued that 'avoiding substitution is no longer viable'. The issue of substitution and relationships with statutory funding was for many foundations the most difficult current issue.

Innovation was the single most common term used, by foundations and others, to describe the roles of foundations. Foundation representatives identified a wide range of innovations which they attributed to foundations. But some foundations questioned what the term really meant and whether foundation grant-making actually reflected this role. There were also questions regarding the viability of innovating in the light of an interventionist government creating innovation fatigue with a flow of 'new' programmes and initiatives.

A minority of foundation staff saw the major role of the foundation in terms of social change and policy influence, providing new ideas, acting in some respects like, or with, think-tanks. A small number of others were exploring this type of role 'as part of searching for ways to have more impact'. But there were problems in adopting this role: foundations' traditional emphasis on being apolitical, combined with 'a history and culture of reticence'; trustees' tendency to equate policy and politics, and to shy away from developing networks for policy influence; lack of

research and knowledge: 'Why would anyone listen to us? We aren't service providers so

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we don't have that sort of knowledge, and the knowledge we do have we don't really organize or use properly'.

More generally, the majority of foundations did not see themselves as having much, if any, policy influence. In part, this was attributed to politicians' lack of understanding and knowledge of foundations. But some foundations questioned whether foundations encourage people – politicians or others – to understand them and/or try to influence policy. Some foundations, as well as commentators, were unhappy with any notion of social change and policy influence. Despite this, some foundations saw greater policy relevance and involvement as one of their ideal roles.

Foundations generally saw their proper or ideal relationship with government as one of complementing government. But some wanted a more equal and involved, but still distanced, relationship with government in which foundations capitalized on their resource independence and knowledge to contribute to agenda-setting and policy development. In addition, some foundations wanted to see more risk-taking, more idiosyncrasy, more learning and foundations being more outward-looking and cooperative.

In terms of emerging issues almost all foundations were grappling with monitoring and evaluation. No one saw the pressures for monitoring and evaluation diminishing over the coming years, and some, especially those outside the foundation world saw those pressures as likely to increase. Monitoring and evaluation were seen as linked to accountability. But foundations, and others, generally had problems defining accountability: 'We all keep repeating this mantra but what does it mean?'

With one exception, the foundations giving internationally did not typically fund in Europe, and there was much more emphasis on funding in the Third World. The possibility of getting better value for money was pinpointed as a particular opportunity presented by international giving, and some foundations already giving internationally were considering expanding such giving.

UK foundations appear to adopt a highly pragmatic approach to wider European involvement. Where there are easy mechanisms for involvement and/or where there are tangible benefits, UK foundations seem to become involved in wider European fora and issues. There are, however, signs of change. Some foundations noted a desire to engage with wider European colleagues in discussions on specific policy and practice issues. But issues to do with costs, time and overheads were cited as potential barriers.

Foundations varied in what they saw as the most important policy issues in the coming years. However, responses clustered under four broad headings: demonstrating effectiveness; relating to government; legal and tax frameworks; responding to new needs in the light of reduced public spending. So what? If effectiveness continues to be a major pressure on and concern for foundations what might this mean for both grant-makers and grant-seekers?

Emphasis on demonstrable effectiveness is likely to lead to more foundations expecting grant-seekers to specify performance measures, targets, outputs and outcomes and plans for evaluation in their applications. At worst, this may lead to pressure for counting; at best, it may lead to rethinking performance measures and recognizing the complexity and uncertainty of outcomes.

Concern with demonstrable effectiveness may lead foundations to become more focused, to adopt a smaller number of priorities and to be more selective/proactive about the areas in which they believe they can really make a difference. Funding for effectiveness may also lead to a focus on funding organizations which have a demonstrable track record in getting things done, fewer risks and thus less real innovation. This in turn may advantage the larger, more established organizations (or perhaps simply those capable of presenting themselves in the

most positive light), and what Cohen (2005) has referred to as a new ‘ice age’ for smaller organizations.

The better news may be that in their search for demonstrable effectiveness foundations will become more concerned and more realistic about sustainability. The trend towards giving larger and longer-term grants may be heightened – but this will raise new issues about when and how to exit and about ‘silting up’ foundations’ funds. Will some foundations make no new grants in some years because their funds are already fully committed?

Concern with effectiveness is likely to lead to foundations attempting to exert more control over use of their funds. The days of the ‘end of term’ report may be numbered. Instead grantees may be expected to produce more regular reports and keep in close touch with funders throughout the grant period. Some grant-makers may want to be even more involved, sitting on project steering groups or offering other support. This trend towards greater hands-on involvement is already apparent among some new donors.

Foundations may look for ways of overcoming the ‘weak signals’ noted above. Intermediary organizations such as New Philanthropy Capital, and somewhat differently Guidestar, may increase in number and become more influential.

Concerns with effectiveness and sustainability may have other effects. One might be that foundations will drop their traditional emphasis on innovation and start focusing more on replication of what has already been shown to work. Another effect may be that broad ‘fashions’ in funding become much more tightly specified. For example, instead of talking about funding for ‘capacity building’, foundations may start to ask ‘capacity building for what?’, and begin to question how this may be most effectively achieved.

Issues of sustainability may lead to more searching analysis of how change is achieved, more questioning of the assumption that change follows in some magical way from ‘demonstration’, and greater resources devoted to marketing and dissemination of ideas and innovations. Insofar as a concern with sustainability leads foundations to take a greater interest in systemic/ structural change, this may raise new issues in foundations’ relationships with campaigning organizations and with government.

Demands that foundations demonstrate effectiveness may lead beyond focus on grantees to questions about what value foundations add over and above their ‘cash machine’ functions (Porter and Kramer 1999). One effect of questions about the value added by foundations might be greater emphasis on using all of the foundation’s resources – their knowledge, reputation, independence, networks, and so on. This in turn might lead to more emphasis on learning, knowledge dissemination, collaborative working, mergers and partnerships. Focusing on their non-financial resources might also lead foundations to adopt new roles as knowledge and social issue entrepreneurs and convenors (de Borms 2005; Anheier and Leat 2006).

A related, but somewhat different, scenario might be that some foundations move away from grant-making (and all the uncertainty and loss of visibility and control involved) and capitalize on their own unique knowledge and reputation resources, and independence, to run some of their own projects; or to add value by very clearly branding work they fund (as, in some respects, the Joseph Rowntree Foundation, for example, already does; on operating foundations more generally, see Toepler 1999; Smith 1999, 2002).

Finally, questions about foundations’ own added value may underline trends towards critical consideration of how foundations use not just their income but also their assets (Emerson 2004). Mission-related investment (i.e. where foundations invest their assets not merely to maximize income but also to best pursue their missions) may become more widely practised.

The wider context

Concerns around effectiveness and value added will be played out in a wider social–political context. This wider context will include factors affecting the size, structure and regulation of philanthropy, as well as the issues that philanthropy is called upon to address. How these factors will develop and interact is anyone’s guess. The following discussion lays out some guesses, looking first at factors directly affecting foundations and then at wider social issues.

Intergenerational transfer of wealth

If the much heralded intergenerational transfer of wealth creates a boom in new foundation formation, what might be the consequences? Much will depend on the number, size and, crucially, the degree of control required by new foundations. The upside of new foundation formation from the viewpoint of grant-seekers may be new and diverse sources of funding. The downsides might include reduced government provision and funding, muddle, duplication and/or increasing inequality between different geographical regions and causes.

On the other hand, the intergenerational transfer of wealth may be delayed or reduced by new developments in medicine and healthy living enabling people to live ever longer.

Increased demands for accountability and regulation of foundations

The longer-term effects of greater transparency of foundations (via SORP requirements) may be to increase media and wider public awareness of and interest in foundations’ activities and expenditures. This in turn may lead to pressures on foundations to concentrate their (tax-exempt) funds on more popular causes. The sort of tabloid pressure currently experienced only by grant-makers such as Big Lottery Fund and the Diana, Princess of Wales Memorial Fund may become the norm for a wider range of foundations.

Greater public scrutiny, and more onerous reporting requirements, could reduce foundation formation and/or lead to greater concentration of foundation funds on a smaller number of safer grants.

Insofar as greater direct and indirect regulation of non-profit organizations in general leads to rising costs for grant-seekers, foundations may decide to concentrate more of their funding abroad where costs are lower and, some might argue, needs greater or results more dramatic. Overseas funding may, however, be complicated by the trend to tie official overseas aid to ‘good government’ requirements – what governments require today foundations may require tomorrow.

Public benefit, public responsibility and blurring of sector roles

Notions of public benefit and public responsibility straddle the line between philanthropyspecific trends and wider social issues. New charity legislation requires that foundations demonstrate their contribution to public benefit. A focus on public benefit, combined with changing notions of public responsibility, further privatization of responsibility and provision, as well as a blurring of sector roles, could lead foundations radically to rethink who and what they fund.

On the one hand, foundations may cease focusing on the voluntary sector and look instead at whoever is most likely to deliver maximum public benefit. Voluntary organizations may become only one category of potential partners/grantees for

foundations.

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On the other hand, as noted above, foundations are deeply concerned about acting as substitutes for government. If, as seems likely, the trend towards privatization continues, foundations may stop trying to plug the gaps and instead start trying to hold back the wave. Relationships with some larger service-providing voluntary organizations could change as foundations stand out against the colonization of the voluntary sector and the blurring of sector boundaries. Organizations that work to remind, not to relieve, government of its responsibilities may find new favour with some foundations.

Increasing social diversity and fragmentation

Various factors look set to increase diversity and fragmentation within society. Increasing economic inequality and the possibility of development of a permanent underclass, combined with migration and religious and racial intolerance, would have obvious effects on integration and social harmony; the search for scapegoats would only exacerbate such tensions. This scenario would present new challenges for foundations. One response from foundations might be to make more use of their independence and interstitial position to take on a brokering, convening role, making connections between issues and parties. Another response might be for foundations to take clearer stands on values and the promotion of social justice and human rights.

The ongoing tension between security and freedom

The tension between security and freedom does not look likely to lessen in the foreseeable future. One response would be for foundations to become increasingly careful about funding any group or activity which could possibly be regarded as a threat, real or imagined, to security. Alternatively, or even additionally, foundations may become more concerned to defend existing civil rights – especially, perhaps, if they see their own autonomy threatened.

Simultaneous pressures for devolution/localism and globalism

Foundations will also face new challenges from the simultaneous pressures in society for both localism and globalism. These challenges will be exacerbated by the related turmoil in our sense of, and search for, identity. What does it mean for, and do to, individuals when they have multiple, possibly conflicting, identities? What happens to everyday life and interaction when identity has little to do with (temporary) residency? What does it mean to be a UK foundation addressing issues that are European, or global, in nature?

Global warming

There are those who argue that none of the problems above are of great consequence unless we address issue of global climate change. Aside from apocalyptic visions of planetary meltdown, in the shorter term environmental changes are likely to create a raft of new problems; for example, energy and water poverty within and between countries creating new distributions/patterns of wealth.

One scenario is that environmental issues come to dominate foundation agendas, leaving little money for anything else. Another scenario is that a debate emerges around prioritization and effectiveness of different types of problem and intervention; for example, does Aids present a greater, more immediate threat than global warming, and can we use scarce resources more

effectively to address the former rather than the latter? Another scenario is that as global warming (temporarily) slows down, new forms of energy are used, and the issue is delayed until tomorrow.

Conclusion

The underlying message of this chapter has been that the past may not be a wholly reliable guide to the future. What foundations have done in the past is worth reviewing insofar as it tells us something about where they are, and to that extent gives us some pointers to how they might react to new issues and challenges. What no one knows is what those challenges will be. Some challenges seem worth a bet at least in the short term (pressures for effectiveness, for example) but how foundations will react is not entirely predictable. Any one issue or challenge may have positive and/or negative effects, and issues and their effects may exacerbate/support each other, or may cancel each other out.

In addition, we need to acknowledge the effects of ‘shocks’ that are not predicted (even if, in retrospect, they were predictable); shocks may introduce whole new strands and/or they may underline and amplify an existing trend. But none of this makes the exercise of thinking about possible future trends worthless. The point is not to predict the future but to be forearmed and maybe to ‘talk about how to improve the trends we don’t like’ (Robert Wood Johnson Foundation, quoted in Curtis 1999).

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