

# 05 THE WORLD OF FUNDERS

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None of us at The Foundation had ever worked for a funder. We'd all worked for non-profits and had limited experience of interacting with trusts and foundations. Our lack of exposure meant we made mistakes more experienced hands wouldn't have made. But our inexperience enabled us to see things with fresh eyes. We've captured some of our reflections on the world of funders, and offered ideas for how things could be better. No funder is the same and so our reflections are a little crude, looking at the sector as a whole. Despite systematic issues, we met several outstanding funders, some of whom we are very proud to call our friends.



### Force for good

Being a funder, and mixing with funders, made us recognise that it's a mightily good thing that families, companies and others choose to give funds to non-profits. Their funding is a lifeline for early stage and small non-profits, lacking a brand to raise money from the public and the capacity to work with the government. Unlike other sorts of donors, funders are in a position to offer non-profits more than cash, such as expertise and connections to others who can help them. We became increasingly aware of the impact funders like us could have, heightening our expectations of ourselves and other funders.

### A mixed bag

In the beginning, we felt uncomfortable being a funder. We were making decisions that would impact people's lives and were doing so with little knowledge. We questioned why we should hold such power. This gave us a deep sense of responsibility to create a credible organisation, one making good decisions and contributing to our sector. We started by choosing a focus - young people - as we could only hope to become knowledgeable in one field. We invested time in learning about youth issues and the challenges faced by the early recipients of our support, small non-profits. We recruited experts

to our board and team and created a group of young people to impart their wisdom. A year or so later, and we were starting to find our feet.

There are, however, funders who've been around for many years who still don't seem to have found their feet. Funding is a big responsibility. It's an honour. So it needs to be done properly. It goes without saying that there are many exceptional funders, and many far more credible than us young upstarts. But we came across enough that aren't performing to be worried for our sector. They didn't meet the standard of what a decent funder ought to be - a professional and efficient outfit, with expert staff supporting non-profits to achieve the funder's clear mission.

### Brainpower

We hadn't appreciated how much knowledge some funders have. We learnt so much from some seriously smart people. Funders are in a wonderful place, exposed to different types of approaches to solve social problems. They're able to collect and share data and learning to understand what works and what doesn't work, putting



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us all in a better place to solve social problems. This doesn't happen enough though, probably because up until now we've not had a way to share our data. In the UK that's all changing. The **360Giving** consortium of **Indigo Trust**, **Dulverton Trust**, **Big Lottery** and **NESTA** are helping funders to publish information about their grants online so that we can all make better grants in the future.

### Cocoon

Funders are in a difficult place, as they don't have anyone keeping them on their toes. Unlike non-profits, funders aren't answerable to people outside their organisation, such as beneficiaries or donors. And even if they were, funders don't all have metrics in place so performance can be assessed. We're embarrassed to admit that it took us three years for us to find specific and measurable performance metrics. We're sure our sluggishness was partly because no one outside was demanding it. It's difficult to think of another type of organisation less accountable than funders. And even the most self-motivated need a nudge.

Organisations improve by getting feedback, from customers or users, something funders rarely receive. Those armed with the most useful feedback are non-profits but few funders are willing to ask them for it and even fewer non-profits are ballsy enough to give it to them straight. We loved the app San Francisco-based **Peery Foundation** has created to receive anonymous feedback after interactions they have with non-profits.

**"THERE IS NO BUZZ. THE CONTRAST WITH THE START-UP SOCIAL ENTERPRISE SCENE COULDN'T BE STARKER. THERE ARE FEW SPARKY AND ENTREPRENEURIAL PEOPLE"**

We'd also love to see funders, non-profits and the people who benefit from our work create a set of quality standards that funders are expected to meet. High performers could then be accredited.

### Wanted: fresh thinking

We found it a deeply conservative, unadventurous place to be. There is no buzz. The contrast with the two other worlds we lived in – the social start-up and tech worlds – couldn't be starker. There are few sparky and entrepreneurial people working for funders and even fewer on funders' Boards. This matters, as there are huge social problems in the world that won't be fixed with the tried and tested. Fresh, radical ideas are needed but they'll need to be funded by people excited by them. This is more than a little worrying for people like us who believe that funders should do innovation and leave governments to do scale.



Unsurprisingly then, we found little creativity to speak of. We always heard about new, exciting ideas from non-profits but heard very few from funders. Funders have huge resources at their disposal but most choose to use traditional practices. There were too many 'administrators' of grants and not enough 'entrepreneurs' of social change. There are shining lights amid the gloom. We love how **Impetus-PEF** is pioneering 'venture philanthropy' in the UK, applying techniques from the world of venture capital, such as working with organisations over many years and providing intensive management support. Similarly, we admire the work of **ZING** in encouraging collaboration and we're big fans of **Stars Foundation** for choosing to fund and champion small, local organisations in the Global South, while others shy away.

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### People power

One underlying cause of conservatism might be that the rich and powerful control large parts of the funding world. Meaning, it's the elite of society who get to choose how to address social problems. Apart from the more obvious issue of having unrepresentative and sometimes uninformed people making important decisions, there's also a huge conflict of interest. Society's elite has a lot to thank the 'system' for so it's in their interest to maintain the status quo. So it's unsurprising that little disruptive, systems-changing work gets funded.

Funders give non-profits a big tick if they involve the people they support in the running of their project or organisation. Funders would also benefit if they had people representative of the communities they support involved in their work. Shouldn't those we aspire to help have a say in where the funding goes? We benefited enormously from recruiting young trustees and young staff who'd been through our partner's programmes. And we regularly drew on our young Associates to help us make important decisions such as which organisations to partner with.



All provided us with something no one else could – raw insights on the young people we were seeking to support. **Edge Fund** goes much further and has communities collectively decide which organisations to fund. Is it just a coincidence that this 'people's foundation' has the most radical of missions? It's difficult to imagine the foundations of the rich and powerful existing like Edge Fund to 'challenge abuses of power and end systems that cause injustice'.

### Transparency

We learnt that funders each have unique motives influencing how they behave. And you won't find all of these listed on our websites. This makes life hard for non-profits trying to figure out whom to approach for support. It can also stop us from becoming a good funder. Take us. When we first started out, one of the things we found ourselves looking for in an organisation to support was its potential to be attractive to the staff of the company that founded us. And that's a very poor basis for creating social change.

Non-profits are crying out for funders to be open and clear about what they want to fund and stick to that when making decisions. They also want feedback on funder's decisions that enables them to understand the rationale and improve. We always looked up to UK funder **Esmée Fairbairn**, seemingly driven by a pure, undiluted desire to create social change and their expert staff working towards it by investing in and supporting brilliant non-profits.



### Waste

Wow, there's a lot of time wasted on us funders. Nine out of ten applications to funders fail and applications take far too long to complete. We can't make a decent decision based on a written application anyway – it just ends up being a writing competition. We found ourselves tearing our hair out while writing funding bids. Particularly when spending time reducing the word count on an application form by coming up with more succinct ways of explaining something. As we pounded our keyboards we couldn't help but think of all the more important things we could be doing.

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Why do we produce so much waste? From our own experience, it came down to a fear of failure. Lacking in confidence as a new funder, our initial grant making process replicated others and asked far too much information from applicants. Looking back, much of this was also because, subconsciously, it reassured us that our funds would be in safe hands. That was flawed thinking – there's no link between the quality of an application and the work then done. In the words of **Mulago Foundation**, a US funder that doesn't use proposals: 'Proposals are a hassle for all concerned and rarely give us the information we need'. Face to face interaction is far more beneficial for funders and non-profits, enabling both to learn much more.

We need to constantly remind ourselves that we want non-profits to spend their time servicing the people they exist for rather than us funders. That means challenging ourselves to create processes that place the lightest possible burden on non-profits for us to perform effectively.



The language we use gives it away. The use of the paternalistic 'grantee' makes it sound as though the non-profit is the little guy in the relationship. We'd both get so much more out of the experience if things were equal – if we were 'partners'. Trust is the foundation of the best partnerships but it's difficult to create when things aren't equal. So funders don't get to hear the real story, just the one their partners think they want to hear. And it's the reason they rarely receive frank feedback to help them improve.



We understand why all this might happen; that a power imbalance is created as funders have something that non-profits need – money. But this imbalance isn't set in stone; it's in our heads. We could choose to paint a different picture; one where funders need non-profit's knowledge and passion to implement their grants so they can achieve the funder's mission. We've nothing but praise for **Indigo Trust**, funders of **Beehive**, our platform to intelligently match non-profits to funders. It feels like two organisations working together to create something special. And they've stuck by us in our time of need, helping us find a new home for the product after we close our doors.

### An unequal partnership

Funders and non-profits need each other to achieve their missions, but often the relationship is unequal. The actions of some funders imply they think they hold all the power in the relationship. We saw funders make non-profits jump through hoops for their funding and tell them how to run their organisation. And most funders make non-profits do all the work in initiating the relationship – we loved it when funders asked us if we knew suitable non-profits for them to support. Funders aren't the only ones to blame. We shuddered when non-profits treated us like royalty, because we see ourselves as equals, standing alongside them. By treating funders with reverence, we're making the situation worse.

### Creating a better world

We haven't painted a particularly attractive world – it's pretty bleak with pockets of beauty. On the next page we offer four ways for things to improve, each involving changing mind-sets. But, to make the entire funding world beautiful, the deep-rooted issues that exist might just mean the whole system needs replacing with a radical new model of philanthropy. Wonder who would fund that?

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### 1 Empathy

Exceptional funders understand the situation from the eyes of the organisations they support. But as funders rarely receive feedback it's hard for us to empathise. In any case, you only really understand another's perspective if you've walked in their shoes. We became a much better funder, one more understanding of non-profits, when we started fundraising.

By putting ourselves in the shoes of non-profits, we were reminded of their pain. So, we need more people from non-profits working for funders including through secondments and job swaps, and more opportunities for funders and non-profits to get together to understand each other.



### 2 Big picture thinking

We don't just have to exist to achieve our own narrow missions, we can choose to be part of something bigger - a movement of people changing the way things are done to make the world a better place. With funders and non-profits fighting on the same side. If that happened, funders would start to consider the impact of their actions on their comrades, making a non-profit's interaction with them a whole lot better. Would, for example, funders still place the same demands on non-profits knowing it will take them away from the battle? Wouldn't they instead care deeply about their partners and do whatever it takes to support them? What is likely is that we'd have a much more powerful sector if we joined up.

### 3 Same rules for everyone

We can see why people might think that the system isn't broken. That it's up to the generous families, businesses and others how they choose to donate their money. After all, non-profits can choose not to apply for their funding. But, like in any other industry, there are standards that those operating within the industry must meet to ensure quality, avoid problems and so on. Just because funding is a charitable act, seen as an inherently good thing to do, it doesn't follow that it can be done in whatever way. Good intentions don't make bad practice ok. Charities are getting castigated in the UK for some of their fundraising practices and no one is arguing that their social mission entitles them to behave inappropriately. Funders ought to be subjected to the same scrutiny others face, not excused on the grounds of generosity.

### 4 Courage

We found that people working for funders often agreed about what improvements could be made to the funding world. Making it happen is the hard bit as it means having the courage to convince decision makers and other forces that their worldview is inhibiting social change. And this is a problem that the whole non-profit sector faces. We give people what we think they want to hear - 'we have low admin costs', 'here's a picture of a starving child' or 'we're only ever successful' - because we fear losing their support. Maybe if we had the courage to tell the real story we'd create stronger, deeper relationships that would put us in a better place to achieve our vision.



WERE OUR EXPERIENCES OF **THE WORLD OF FUNDERS** HELPFUL? THERE'S  
PLENTY MORE FROM WHERE THAT CAME FROM.

INCLUDING INSIGHTS ON...



**BUILDING A VENTURE**



**LEADERSHIP**



**PROGRAMMES FOR YOUNG PEOPLE**



**SUPPORTING NON-PROFITS**



**FUNDRAISING**



**COMMUNICATIONS**



**WORKING WITH COMPANIES**

