

CGAP Seminar for foundations, 31 March 2014

“An Insight into the future of charity funding in the North East”:

By Cathy Pharaoh, Centre for Charitable Giving and Philanthropy, Cass Business School, with Tony Chapman and Rezina Choudhury, for the Garfield Weston Foundation, London, 2014.

Discussant Commentary : “Challenging Grantmakers to follow the evidence” from Jenny Harrow, Cass Business School, City University London,

The findings of this research report are crucial to increasing understanding of the state of funding in small and medium charities in a region of acute social pressure and need , against the background of declining applications being made to foundations and to GWF. The paradox of the existence of such a funding ‘cold spot ‘ , when it might be expected to be at its warmest, is already a recognisable one for some foundations keen to ensure geographical and need-related funding coverage. Insightful acknowledgement from GWF’s CEO that this research has also “held up a mirror” to the Foundation raises the question of how foundations may respond to the findings ; also more generally whether and how foundations, in their funding decisions, “follow the evidence”. In this discussant commentary, a number of main findings are noted and reflected upon, and their implications for foundations highlighted .

The report’s focus on the localised social care sector is valuable; an area of work where continuity and commitment is critical and where many organisations are seeking to do ‘more of the *same* ‘ or similar work over time for individuals and groups in communities – e.g. social visiting, befriending, youth club support . Many such organisations will not necessarily be looking to do very things differently , to be (or to present themselves as) persistently innovative , precisely because their beneficiaries tell them that it is what they are already doing that they need and value . Yet where these organisations recognise the apparent turn to innovation in grantmaking, or its ‘new project’ orientation, they may well assume they are not in favour with funders, struggle to access resources, or simply not apply. It is important then not to stereotype such organisations as necessarily lacking in impact, also as traditional conservative bodies, which want traditional conservative funders, so that either have to do or think too much.

Polarisation of the sector in terms of organisational expectations among respondents was marked; between the quarter which expected growth and those just over a quarter which expected falls. Although degrees of differentiation within the sector have always existed, they are rarely revealed so starkly . Mid-sized organisations were found to be most at risk and vulnerable, not the small and smallest organisations. Increasingly expecting income falls ,the former appeared to be facing the

worst of all worlds, big enough to have a few staff but nowhere near 'large' organisation size; perhaps as much a warning to small organisations to stay small, as for structural change to get bigger such as organisational merger? Nevertheless the smallest organisations, notably those reporting 'no staff', would also be likely to be masking their own vulnerability through their very dependence on volunteers; raising the issue when dependence on volunteers becomes exploitative. What are the implications for funders of this evidence of relative resource vulnerability, to which 'side' of this polarisation do and should they attend? Should their funding priorities be focussed on supporting the weaker or the stronger organisations, for organisations able to 'bounce back' operationally from the brink, or organisations able and willing to change into new organisations forms?

The reported degree of diversity and multiplicity of funding sources for these organisations showed organisations with an average of six funding sources. Although recognised as a way of spreading risk this was also likely to be preventing specialisation or consolidation. Again, is this the kind of constrained experience which foundations wish to encourage, especially if an inability to specialise itself limits opportunities for innovation?

The managerial and reporting demands for smaller organisations of having multiple funders are well-known. Moreover, it is paradoxical that the organisations which had diverse funding sources tended to see this as a "scattered approach"; when it is precisely the 'multiple funder model' that has been long wished on voluntary and community sector organisations by an earlier decade's best practice, the funding equivalent of how many angels can dance on a pinhead. Whether funders have good reasons to continue to advocate or be a party to these "mixed ecologies of funding", for smaller organisations especially, is an important question begged.

For respondents, local allegiances and local funders, where there were known, were the most prominent focus for fund-seeking; unsurprising given much of the rhetoric of localism. However, this seems likely to be the default position for these SMOs, since a lack of confidence in fund-seeking from the national foundations, "that didn't know them" was also found. This was compounded by their being generally "not confident about ability to generate income".

For foundations, the critical challenge is how to build that 'confidence to apply', so that confidence can become mutual. For some foundations this is focussed on support and feedback at the application stage, so as to get best possible fit with board objectives. For others, close examination of their grant refusal processes, considering how organisations learn about poor applications, is signalled. Yet foundations' developing contact with SMOs as would-be grantees in areas of high need may also be hampered by the knowledge loss as SMOs face staff redundancy or volunteer departure.

Alternatively, 'scouting' for would-be grantees runs the risks of the apparently closed invitation; and would be difficult without developed networks of field staff, or a more purposeful (and funded) use of intermediary organisations, notably community foundations, locally for that purpose. SMOs reported a range of efforts to increase resources, from exploring CIC status for the longer term, through realism in charging for premises' use. Yet one example of such charging had failed, since the practice was seen as contrary to the local community's expectations.

Foundations on the other hand should explore the extent to which further competitiveness within the arena of organisations providing basic community services would itself be a solution for or

exacerbate the problem of this field's difficulties in differentiation and 'newness', when it is continuity, commitment and even familiarity of provision which is so often valued. Rather, a re-emphasis on grantmaking per se, *without* the emphasis on organisations' subsequently 'scaling up', so that smallness and intimacy of scale, often very valued in localities, can be retained, is suggested.

Can and do foundations follow the evidence from this kind of study, which points to SMOs' poor prior experience with national foundations in their field of community social welfare, and to the importance of increasing and funding good applications from such organisations? These are after all among the organisations representing the 'essentials' range of community and voluntary service, Foundations' creating more and more cross-cutting local connections, to help heighten confidence, raising both quality and quantity of grant-seeking, is indicated; extending and expanding beyond local 'funders' forum' models, not least where some are in decline.

This may lead to some 'doing applications differently', others working in coaching modes, but in particularly reinvigorating "grants as grants". This would especially be useful in these key fields, working with (and resourcing) infrastructure and intermediary organisations, such as community foundations. Foundations' responses to the evidence here on organisations' relative vulnerability within their growth trajectories will need to link practices to strategy and to press home the question as to the choices which foundations can make or can avoid. Those choices often come down – but are not always seen as – whether to choose to support the weaker or the stronger SMOs, recognising that either direction of choice has implications and results for the sector generalities and particular localities.

The nature of localised social welfare SMOs' work impacts continually, vitally, but invariably less visibly on the lives and life quality of their beneficiaries and communities. However, familiarity, continuity, reliability and relative straightforwardness of provision are not headline-grabbers in the rush for foundations to measure their own impact by virtue of its delegation downstream to the organisations they fund.

Foundations seeking 'high impact' organisations, programmes and projects may disregard the social welfare subsector. Yet its transformative work in the lives of its supported and valued groups remains critical, and often especially so in the funding application 'cold spots', which GWF sought to examine critically.

One route to aligning funder-fundee interest, via the basic building block of the grant application, may be for funders to seek out from fund-seekers not how their work will fit the foundation's raft of objectives like a glove, but to start from asking what it is they do best, and why, and how they may be best supported to continue as well as develop their work – taking the appreciative inquiry approach to organisation diagnosis directly in the funding relationship, where confidence on national foundation approachability has been shown to be so central and in many contexts, lacking.

j.harrow@city.ac.uk

