Foundations as Fortune Tellers.

The role of 'sustainability' in foundations' pre-grant inquiries

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Abstract

This paper draws on data from an empirical study of the way in which UK foundations go about selecting applicant organisations/suppliers for the award of grants (Leat, 1998). Selecting applicants will be presented as, in large part, a problem of knowledge. Throughout the paper, particular attention will be paid to the significance of 'sustainability' as one element in the body of knowledge foundations attempt to create prior to making a grant.

The paper begins by outlining cultures of grant giving and the role of sustainable development within those. It is suggested that traditionally foundations have paid little attention to sustainability, focusing instead on innovation and 'pump-priming', leaving the responsibility of keeping work going to others. More recently, the larger UK foundations, in particular, have developed an interest in the sustainability of the projects they fund - but the meaning of sustainability is not clear.

The paper then moves on to focus in particular on the knowledge base for grantmaking. It outlines the study findings on the processes by which knowledge for grant giving is acquired via pre-grant enquiry procedures. It is suggested that while many foundations are money rich, or at least independent, they tend to be knowledge poor, and that the structural position of foundations visa vis applicants, foundation cultures and internal structures create organisational and management dilemmas which make their problems of knowledge acquisition difficult to solve.

The following section presents an analysis of the content of the knowledge which foundations seek via application letters, forms and visits. It is suggested that the content of application forms and visit 'schedules' reflect, usually inarticulated and unexamined, theories of organisations, of conditions for (applicant organisation)
effectiveness and of social change and sustainable development. More specifically, it is argued that, in general, the content of knowledge sought by foundations reflects a picture of applicant organisations as citadels, making rational plans and achieving those in a 'de-populated', apolitical and stable environment.

Finally, the paper will discuss ways in which foundations might resolve some of their 'knowledge problems' and to develop more effective approaches to funding sustainable development.

Introduction

Grantmaking foundations play an important, but often shadowy, role in the work of Third Sector organisations. Third Sector service and campaigning organisations depend (in part) on foundations' financial support, and non-operating foundations depend on their grant recipients to 'supply' the achievement of foundations' goals. One of the many overlooked problems in the research literature on foundations is the way in which they go about selecting 'suppliers'.

Traditional Foundation Cultures

Traditionally in the UK foundations have emphasised their roles in giving short-term pump-priming grants for innovative projects. Grants were often small and one-off, frequently for one year only. The majority of foundations preferred to give grants for capital items and were very reluctant to give grants for on-going revenue costs. This traditional approach has been characterised as 'gift-giving' (Leat, 1992 and 1995).

The gift-giving approach to grantmaking was legitimated in terms of the foundation's role as innovator, pump-primer and risk-taker. Emphasis on innovation, pump-priming and risk-taking was a way of clearly separating the role of foundations from that of the state. Foundations funded the new and the risky, 'priming the pump' of statutory funding. The theory was that a foundation gave a grant to establish something new and then others (usually in the UK the state) would take over on-going funding. A one year one-off grant was seen as sufficient to perform this pump-priming role. Within this traditional gift-giving culture, sustainability was no concern of the
foundation. On-going funding of projects was the business of the project and other funders. The foundation had done its job by getting something going. It had no continuing responsibilities.

This approach to the role of foundations in the UK appeared to work well enough until the 1980's. Giving large numbers of small, short-term grants satisfied trustees that the foundation was spreading its resources widely helping large numbers of people and it also avoided 'sitting up' the foundation's budget with on-going commitments. Small, short-term grants were what was needed for innovation - sow a thousand seeds and let a thousand flowers bloom, small is beautiful. Foundations were further encouraged by what grant applicants and recipients told them. Applicants re-dressed every piece of work as 'new and innovative' and, as foundations effectively required, claimed to be able to achieve major change with a small short-term grant.

During the 1980's some foundations began to question the traditional gift-giving approach. This questioning had various roots, of which the fact that statutory funding was being reduced was probably the most important (Leat, 1992). If the state was no longer prepared to provide on-going funding for innovations supported by foundations, were foundations wasting their money? At the least, as competition for continuing funding increased and the conditions became more stringent, foundations began to ask whether they should give larger and longer-term grants both to better establish projects and to give them time to find longer-term support.

These, and other, questions led to the development of two cultures of grant-making very different from the traditional one of gift giving. I have described these elsewhere as the investment and collaborative entrepreneur approaches (Leat, 1992 and 1995). Briefly, the investment culture of grant making differs from gift-giving in wanting to see a 'return' on the foundation's investment of a grant. Unlike the gift-giver the 'investor' foundation looks very carefully at the area of activity and structure of the organisation, its plans and projected costs. The size and duration of the grant is related to what is needed to achieve the 'return' on the grant investment desired by the foundation. Unlike the gift-giver the investor foundation monitors its grant recipients. If a project seems to be going less well than anticipated the 'investor' foundation may give another grant or cut its losses and run. The 'collaborative entrepreneur' culture is similar to that of the investor but differs in that the former emphasises partnership with the grant recipient (Leat, 1995).

Both the investment and the collaborative entrepreneur cultures of grant-making focus attention on the longer-term effects of the foundation's grant. Within the gift-giving
culture the longer-term effects of a grant were either assumed (the state would pick up the tab if the project was any good) or were seen as no concern of the foundation whose role was solely that of innovation. By contrast, within both the investor and the collaborative entrepreneur cultures sustainability is both an issue and a problem. But one problem for foundations in emphasising sustainability is that it is not clear what it means.

What Does Sustainability Mean?

Despite the fact that sustainability appears to be one of the new mantras in voluntary and statutory funders' lexicons, its meaning remains unclear. For example, the Canadian International Development Agency uses the word sustainable 25 times in its 1992 policy statement. But 'The impact section of one document uses the word sustainable 19 times, breaking it up into a myriad of vague proxies which ultimately mean very little. For example: "Extent to which the organization has demonstrated an understanding of the key factors which contributed to social sustainability, such as improved income distribution, social equity(gender, class, race, religion etc), empowerment of women and men in directing their own growth, emphasising participation of beneficiaries, and access to productive resources." Apart from the redundancy this is a fairly tall order, one that has baffled and defeated many organisations, including the Soviet Union, the United Nations and CIDA itself'. (Smillie, 1995, p. 163)

In one recent UK study senior staff of British NGO's were asked to explain how they understood a number of terms 'which frequently appear in NGO reports and describe activities or processes that NGO's are believed to be better at than governments'. These terms included participation, empowerment, scaling up and sustainability. Interestingly, there appeared to be little agreement about the meaning of any of these terms. On the meaning of sustainability the author comments: ' The case of sustainability was an interesting one as, given that environmental destruction is a powerful motivation for an 'emerging new vision', one might expect environmental sustainability to be a high priority. In fact, sustainability was generally explained by interviewees in terms of institutional rather than ecological survival' (Dolan, 1992, p. 206). This explanation of the meaning of sustainability seems to be as ambiguous as the term itself.

The definition of sustainability offered by Klinmahorn and Ireland appears refreshingly straightforward; 'sustainability, by which we mean the ability to maintain
services in the longer run without significant external support' (Klinmahorn and Ireland 1992, p. 60). But what does this mean and under what conditions is it likely to be achieved?

Edwards and Hulme suggest that 'For a project to be financially sustainable it has to be able to cover its direct costs and generate sufficient income to make it worthwhile for the poor to persist with it' (Edwards and Hulme, 1992, p. 33). But as the authors go on to suggest very few of the projects they studied 'could be expected to continue without continued donor support or some form of ongoing subsidy'.

Assuming that foundations define sustainability in terms of the ability of the project to continue after the foundation's support has ended, what would they need to know and what criteria would they need to apply in selecting organisations for funding? How well equipped are foundations to be fortune tellers predicting sustainability?

**Knowledge for Grant-Making**

While many foundations are money rich, or at least independent, they tend to be knowledge poor, and the structural position of foundations vis a vis applicants, foundation cultures and internal structures create organisational and management dilemmas which make their problems of knowledge acquisition difficult to solve.

The problem for purely grant-making foundations (i.e. as distinct from part operating foundations) is that most start with knowledge which is limited by the very nature of grant-making.

First, and most obviously, foundations cannot inspect the outcomes suppliers claim they will produce in advance of giving a grant. Second, grantmakers work through third party suppliers with whom they have often had little previous contact and of whom they have little knowledge (this obviously does not apply to continuation and repeat funding which need to be considered separately and which may, over time, constitute a significant proportion of the grants made by some foundations). As we shall see below, some UK grant-makers 'solve' this problem by refusing to entertain applications from those not already known to them. Third, foundations typically set out to fund the new and untried product/service and thus suffer from what DiMaggio has referred to as the 'liability of newness' (DiMaggio, 1992). Fourth, foundations face particular problems of moral hazard in that ideally they need 'unbiased' knowledge of
applicant organisations; but applicant organisations have an interest in presenting only that information which they choose to present and which is most supportive of their application.

Fifth, in seeking knowledge of applicants and their proposals, in pursuit of the foundation's goal of making best use of its resources in achieving its mission, the foundation is hindered by the lack of any established body of knowledge about the factors associated with 'success'. In other words, as yet, we know very little about the conditions under which projects -whether research projects or social welfare projects - achieve their intended outcomes.

A recent study explored the ways in which UK foundations go about selecting between applications, the knowledge grant-makers require prior to selection and how they go about obtaining that information (Leat, 1998).

Excluding foundations giving only to purely research, medical and arts projects, the application procedures of the top 50 UK foundations were analysed. The largest of these foundations (National Lotteries Charities Board) gives grants totaling £250 million per annum, and the smallest gives grants totaling £1,643,000.

Twenty per cent (10) of the 50 foundations accept no unsolicited applications, relying instead on applications from organisations already known to the trustees. Thirty two percent (16) of foundations request a letter of application, and 32 percent request information under headings specified by the foundation. Sixteen per cent (8) foundations, ask applicants to fill in an application form for some or all sizes/types of request.

Method

<table>
<thead>
<tr>
<th>No unsolicited apps</th>
<th>Letter only</th>
<th>Narrative with Headings</th>
<th>Application Form</th>
<th>Plus Phone/Visit</th>
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Content of application forms and headings

Headings and forms generally seek information about:

~ the specific project/work for which funding is requested

~ the applicant organisation

The following list looks at these broad categories of information in more detail. Foundations varied in how many of the headings they covered, in how many and which questions were asked under each heading and in the way in which questions were asked.

A. Organisational Details

A.1. General

Legal status
Organisational status
Charity registration no.
Purpose of agency
Mission statement
Age and history
Need or problem addressed
Details of population served e.g.
Geographic location
Socio-econ status
Race
Gender
Age
Physical disability
Language
Current work/projects

A.2. Staffing and Volunteers
2.1. No. of paid ft staff
No. of paid pt staff
Name of CEO
2.2. No. of volunteers (and on some forms hours worked)

A.3. Management and Governance
3.1. Board composition
List of board (with affiliations)
On some forms only: how the board are elected/selected, number on board and characteristics of board members
'Catch all' question on staffing and management committee details

A.4. Organisation Finances
Most recent financial statement
Operating expenses budgets

Foundation and other corporate supporters with amounts

All other sources of funding with amounts

Additional questions generally asked on forms only:

Property owned or leased and length of outstanding lease

Reserves and net assets

Amount of reserves to be used on the project

Material changes to activities, structure and finances since the last accounts

A.5. Attachments

Most recent annual report

Accounts

Constitution

Building plans and planning permissions (if relevant)

A.6. References

B. Project Details/Funding Request

B.1. Purpose of grant

Uses of grant/how spend

If general operating support: how grant will be used

If project: primary purpose
B.2. Need/problem addressed

How identified
Population to be served
Benefits to population
No. of beneficiaries
Geographical area

B.3. Staffing and Volunteers

Staffing pattern for project
Skills and experience needed
Qualifications for the job
Job description
Number of staff to be funded by the grant
Number of volunteers
Hours worked by volunteers
Payment of volunteers
How/why is the organisation equipped to undertake this project


Names and titles of individuals who will direct/manage
How will project fit in organisation structure
How will the grant be managed
To whom project staff will be accountable (position not name)
Number of members

Equal opportunities policies and practice

User involvement

**B.5. Timetable**

Anticipated length of project

**B.6. Financial Details**

Current expense budget/breakdown

Total cost

% rate of inflation used

All sources of income and amounts (actual and prospective)

Receipt, withdrawal (and reasons for) of statutory funding

Capital projects - written estimate

Financial/business plan

Revenue implications of capital projects

Plans for future funding/sustainability

**B.7. Outcomes and Measures**

Intended outcomes

Success criteria/evaluation plans

Use and methods of user feedback

Expected results by end of funding period
B.8. Other Applications

Applications to other bodies

Status of proposal with each

Differences in Emphasis

One interesting difference between foundations was the relative emphasis placed on information about the funding request and information about the applicant organisation. Some foundations asked only, or primarily, for information about the project; others placed as much, if not more, emphasis on information about the organisation undertaking the work.

This raises some interesting questions about what foundations see themselves as funding: 'good' projects or 'good projects in good organisations'. More fundamentally, it raises questions about the underlying assumptions regarding conditions for effectiveness, including sustainability, with which foundations implicitly work. For example, does a well intentioned (and perhaps, well planned and costed) project always triumph, or is the key to success an adequately resourced or entrepreneurial or politically correct or structurally sound organisation?

What Is Not Asked

In some respects, what foundations fail to ask is as significant as what they do ask. The questions asked by very few foundations included:

~ resumes of key staff (including qualifications relevant to the application)

~ formal and informal relationships with other agencies dealing with the same needs or providing similar services

~ differences from other agencies
Requests for written information tended to focus on structures and processes. Little significance appeared to be attached to both the specific people involved and the organisation's wider environment and relationships. Written information appeared to be designed to elicit a snapshot, at a particular moment in time, of organisations as figures on a balance sheet and lines on an organisational chart. These are organisations in which real people appear to play little part. Furthermore, these organisations appear to be suspended hermetically sealed in social, economic and political space, without risks or problems.

Explicit questions about future funding and sustainability, if they appeared at all, were brief. Indeed, several foundations asking about future funding suggested that this was a token gesture. As one respondent put it: 'The applicant knows and we know that frankly this is a joke. Things are changing so fast how can they possibly know whether or where they'll get future funding?'. Another said: 'We've come to realise it's not a very serious question. But it does have two functions. One is to see if the applicant has even thought about it and the other is to make us all feel comfortable that we've been told the project will continue even if we know really that's not a prediction you can make with any certainty'.

Different Approaches to Grant-Making: Assumptions About Organisations and Social Change

How relevant are the questions foundations ask to their capacity to predict sustainability? Some of the topics outlined above have little to do with sustainability. They are designed to establish eligibility and probity. Others are more obviously designed to assess feasibility of the proposed work and the competence of the organisation to achieve the outcomes intended. Underlying assessment of feasibility and competence are certain assumptions about the factors likely to influence 'success' and 'failure' and it is on these assumptions that foundations' capacity to predict
The typical grantmaking process focuses attention on what the organisation proposes to do, the organisation's internal management capacity to deliver and the costs of that. The grantmaking process as a whole, and the particular questions asked, assume that a 'plan' (a costed proposal) can be made in advance and that success will be achieved to the extent that the plan (the objectives defined at the outset) is adhered to. Ability to achieve the plan is appears largely to hang on having the 'right' internal organisational structures and processes, the 'right' financial management and so on. In an important sense, the organisation and its plan are abstracted from any wider social and political context. (Indeed, it is the independence of voluntary organisations which is often seen as one of their strengths). Few, if any questions are asked about the organisation's environment, networks and relationships. Either external factors are assumed not to matter or, equally implausible, they are deemed to be both foreseeable and controllable. Furthermore, there are few, if any, questions about likely changes, risks, threats and so on; the organisation appears to exist in a time warp in which what is true today will, broadly speaking, still be true tomorrow.

What would have to be true for the information collected to be relevant to, or predictive of, likely achievement of intended outcomes, including sustainability?

* what is true today will be true tomorrow i.e. organisations, their staff, trustees and the needs of users do not change much, or change in ways which can be predicted from information collected today

* (good) organisations have within themselves the capacity to achieve what they set out to achieve

* organisational structures and processes, management and financial resources are major determinants/predictors of organisational capacity and achievements

* evidence of clear objectives, planning and control processes are particularly important indicators of the good or capable organisation
* sustainability and future funding is something for which the good organisation can plan and has planned

* the future of voluntary organisations and the environments in which they work will be a continuation of present trends.

These are just some of the assumptions which underlie the rational model of planning and implementation which implicitly underlies the questions asked by many foundations in selecting grant applicants. For that model to work we would have to assume that: circumstances external to the intervention agency do not impose significant constraints on implementation; the intervention programme has sufficient time and resources and that the required combination of resources are actually available; the proposed project is based on a valid theory of cause and effect, the relationship between cause and effect is direct with few, if any, intervening links; dependency relationships are minimal; there is perfect communication, co-ordination and compliance (Hogwood and Gunn, 1984).

An alternative view assumes that:

* in the real world, organisations exist in contexts made up of, among other factors, other organisations whose actions wittingly and unwittingly impinge on, constrain, subvert and support each other

* knowledge, communication, co-ordination and compliance are imperfect

* resources are limited

* social conditions, organisations and individuals do not stand still

* workable social plans are usually those which provide a basis for departure rather than a blueprint for action

* risks are ever present and certainty is in short supply

* linkages and networks with other voluntary, statutory and private organisations often underlie successful interventions
* people, individuals, may matter more than structures, not least in their capacity to constantly adapt to new demands and obstacles and to make relationships

Some foundation staff and assessors alluded in interview to elements of this alternative view. But it sometimes seemed that the importance of the political and economic environment, of individual people, of networks and relationships, of chance events, of the unpredictability of success and failure were things they knew, but did not always connect with the content of the application narratives and forms and the assessment questions they pored over every day.

The Importance of People

It was particularly interesting that when asked what factors were most likely to make or break projects foundation staff frequently emphasised the importance of the individual people involved. In some foundations, the significance attached to the role of individuals in making projects work made a difference to the content and the process of information gathering. In particular, if a foundation believed that individuals mattered they were more likely to make site visits as part of the selection process. But although some foundations (assessors and staff) believed that individuals can make or break projects, this was rarely fully reflected in the information they chose to collect.

Why is there this disparity between what some foundations think and what they do? One reason may be that the great man or woman theory of history is no longer fashionable. Managerialism encourages us to believe that the right structures, processes and cultures are what matter - even if management textbooks are actually full of stories of great men (rarely women).

Another reason for reluctance to acknowledge the role of individuals in the voluntary sector may be the sectors culture of equality which plays down differences between the importance of individuals.

Foundations may be reluctant openly to attach significance to individuals because doing so creates thorny problems and heightens uncertainty. The line between crankiness and charisma is a fine one, as are the lines between passionate commitment and obsession and strong leadership and autocracy. Backing people is also
uncomfortable because people leave organisations.

Another reason for the disparity between what foundations believe and what they ask about may be a desire to counter the significance attached to the role of individuals and relationships in decision making. As in all other spheres of life, people and relationships play a part in grant decisions, but many foundations are keen to focus on other criteria which will mediate those 'natural', powerful influences in order to achieve justice and fairness.

Foundations need to ask themselves just how much significance they really do attach to the role of individuals in the success, failure and sustainability of projects, to what extent this is reflected in the content and process of their pre-grant information gathering, and how it might be reconciled with achieving equal opportunities, without throwing the baby out with the bathwater.

It is worth drawing a parallel here between assessments for grant-making and credit scoring for bank lending. In lending to individuals banks increasingly rely on standardised credit scoring systems which, in the main, emphasise stability factors. But banks build in a percentage of bad debts, partly in recognition of the fact that people's circumstances change. By contrast, lending to business organisations is not generally credit scored in the same way. Standardised credit scoring is not used because banks recognise that uncertainty is inherent within organisations, not least because the staff within them come and go and there is change within the organisation. In addition, change is, or ought to be, inherent within business organisations because they need to respond to markets and the external environment.

**Risk Takers, Rationalists, Resource Providers and Realists**

As the table presented at the beginning of this paper demonstrates, not all foundations in this study adopted the rational model of planning outlined above in that they required very little information about the organisation and its proposals prior to making a grant. Foundations in this study fell into four broad categories:

* risk takers or fatalists
* rationalists
Risk takers

Risk takers, or fatalists, collected relatively little information prior to grant-making and were very unlikely to engage in pre-grant enquiry. These foundations were happy to give to good causes without worrying too much about good outcomes, either because they believed that giving to good causes is an end in itself, or because they believed that good outcomes were too unpredictable to be worth spending time on. These foundations were unlikely to be under pressure to demonstrate their legitimacy and accountability.

Rationalists

Rationalists believed in collecting as much information as possible prior to grant-making. They were likely to place great store by making direct contact with applicants. Rationalists were also likely to attach significance to demonstrating their legitimacy and accountability. They aimed to achieve good outcomes - not least as a way of demonstrating their legitimacy and effectiveness. Rationalists believed that the more information they had the more likely it was that they would be able to predict good outcomes.

Rationalists were divided into two broad sub-groups: individualists and managerialists. Managerialists believed that it is possible to predict good outcomes by assessing the project, the organisation and its management structures and processes. Managerialists looked carefully at budgets, staffing, internal accountability and control, the structure of governance and so on. Individualists might also collect information about the organisation and its management but they attached as much significance to the particular people involved. Whereas managerialists were likely to emphasise collection of 'objective' - facts and figures - individualists will paid equal attention to subjective knowledge.

Realists
Only two foundations came into this category. Like rationalists, realists were also interested in good outcomes, but, like risk takers, they accepted that social change is an unpredictable business. They did not believe in any one 'right' management structure, but they did believe that it is possible to identify certain recipes for disaster. They believed that good outcomes were a product of interaction between people and organisations in social, economic and political environments. Realists believed that the future is never quite as we expect, that sudden shocks are as influential as trends. They recognised the limitations of assessment. They were interested not only in how things are now, but also in how the applicant will cope with future uncertainties.

Realists were not fatalists. They tried to work with informed risks. They paid attention to political and economic environmental factors and futures, to the roles of individuals, to threats, weaknesses and constraints. The point was not to predict those, but to focus on the organisation's awareness of and capacity to deal with such uncertainties. Many organisations already undertake some form of SWOT (strengths, weaknesses, opportunities and threats) and/or PEST (political, economic, social and technical) analyses. In encouraging applicant organisations to do such analyses in relation to projects for which funding is sought, realists argued that they not only supplied themselves with useful information but also helped applicants to plan ahead.

**Resource Providers**

Resource providers were somewhat different. These foundations also engaged in pre-grant enquiry but saw it not solely in terms of information for grant-making. 'Resource providers' saw pre-grant enquiry as an opportunity to do more than, or something different from, giving a grant. These foundations perceived their role as achieving good outcomes by giving advice and/or support to organisations working towards goals consistent with those of the foundation, even if they did not give a grant. Resource providers were similar to rationalists in that they implicitly believed that the 'right' advice could help to secure good outcomes.

**Funding to Achieve Good Outcomes**

**Closing the Knowledge Loop**
At present, foundations are severely hampered in grant-making to achieve sustainable outcomes because they lack any formalised body of knowledge regarding conditions associated with success and with failure. In part this knowledge deficit is a result of foundations' lack of interest and effort, and in part a result of the terms of voluntary sector funding.

In order to receive funding, voluntary organisations must present themselves and their proposal as capable of making a (significant) difference. The grant applicant who appealed for funds on the grounds that 'with favourable social, economic and political conditions, and the constructive support of other people and institutions, this just might make a small difference' would be unlikely to get far with most funders. The result, is that having promised too much to the donor and the public, the voluntary organisation 'is trapped in a vicious circle. If funding is to be maintained or is to increase in the face of growing demands, success is essential. Often it is exaggerated, while failures are downplayed or concealed. Important lessons are not learned, and only successes - often highly situational - are disseminated, usually in a public relations format.' (Smillie, 1995, p. 159). Foundation and government funders, faced with the same public expectations as grant recipients, become 'partners in the cover up'.

One only has to look at Annual Reports to know that voluntary organisations go from strength to strength, piling success on success (Nielsen, 1972). In the UK there are occasional exceptions to this general rule. For example, one trust recently published a five-year report on its work detailing the way in which in a variety of fields their support to voluntary organisations had been undermined by changes in government policy and withdrawal, or change in the terms of, essential statutory support. But significantly this was a grantgiver's, not a grant recipient's, report and the grant giver was an endowed trust whose income was not dependent upon success.

Evaluation is, however, moving up funders' agendas. But, in countries where it is relatively sophisticated it is often 'used more as a control and justification mechanism by the donor agency than as a tool for learning or for disseminating findings' (Smillie, 1995, p. 159). Evaluations are more often focused on outputs (and, less often, outcomes) than on why the project worked or didn't work. Furthermore, even when such analysis is done it is rarely fed back into the grantmaking system.

To begin to create a sound knowledge base to inform grantmaking it would be necessary to move away from seeing the relationship between assessment to project
If foundations are to learn from evaluation they need evaluations which pay attention to factors associated with success and failure, and to close the knowledge loop:

Pre-grant assessment knowledge of the organisation and project
|   
| grant
|   
| work undertaken
|   
| evaluation

Staff and Assessors as Repositories of Knowledge

Many foundations will no doubt protest that closing the knowledge loop would cost too much. There are two answers to this objection. One is that the cost of evaluation could be offset by the added value of more effective grantmaking.

The other answer is that closing the knowledge loop need not be expensive. Foundations already have within themselves, in their staff and assessors, huge
repositories of knowledge about factors associated with success and failure. Assessors and staff carry this knowledge round in their heads, sometimes sharing it with each other, sometimes not. When assessors and staff are pressed to verbalise this knowledge they often readily do so, but hedge their answers about with 'ifs' 'buts' and 'it depends'. When further pressed to expand on the if's and but's they start to construct fascinating lists of variables.

Of course, some of this knowledge may prove to be out-dated, over generalised or just plain wrong. But if foundations working together systematically attempted to share the reserves of tacit knowledge possessed by their staff and assessors they might find that some conditions are 'known' by too many staff and assessors to be dismissed as assumptions and prejudices. A more appropriate description may be folk wisdom and, for all its weaknesses, folk wisdom often contains more than a grain of truth.

Having identified lists of variables foundations could embark on further analysis and verification simply by comparing data obtained in pre-grant assessment with subsequent outcomes.

New Relationships Between Funders and Grant Recipients

'Closing the knowledge loop' would be one important step in moving toward funding for sustainability. But it is unlikely to be enough. A re-examination of some of the assumptions, relationships and practices inherent within the dominant model of grant-making is also required.

At present, many foundations work on the assumption that we know what we mean by 'good outcomes' and what interventions are required to achieve . They also assume that plans, inputs and outputs can be placed within a predictable time frame, the end result being a set of desired and predictable outcomes. They assume that good organisations and clear plans inevitably produce good outcomes, that the 'plan' can be made in advance and that success will be achieved if the plan is followed. By default, the typical UK foundation application form assumes either that factors external to the organisation do not to matter or, equally implausible, they are deemed to be both foreseeable and controllable.
But in the real world, organisations exist in contexts made up of, among other factors, other organisations whose actions wittingly and unwittingly impinge on, constrain, subvert and support each other. Knowledge, communication, co-ordination and compliance are imperfect, and resources are limited. Social conditions do not stand still and workable social plans are usually those which provide a basis for departure rather than a blueprint for action (Kanter et al, 1992; Minzberg, 1987).

What we know about what works in achieving lasting change suggests that linkages and networks with other voluntary, statutory and private organisations often underlie successful interventions. It follows that if such networks are to be established and used effectively, it is important that grant recipients retain and expand their room for manoeuvre so that they can adapt to changing circumstances, maintain their accountabilities to different constituencies, and, if necessary, subvert or manoeuvre around vested interests' (Biggs and Neame, 1995, p. 32).

One problem for foundations is that the implications of this approach sit uneasily with the charitable grant-makers’ focus on funding only non-profit, voluntary organisations, and with the whole application and selection process which depends on an assumption that plans can be made in advance and will inevitably produce the stated outcomes. The implications of this approach also make accountability messy.

In considering how they might reconcile the flexibility and uncertainties arguably required to achieve sustainable change with their own needs for some degree of control and accountability, foundations may find it useful to consider new approaches to purchasing in business.

Traditionally, business purchasing has been based on a competitive model in which purchaser and supplier are in two separate camps. The relationship between purchaser and supplier was characterised by suspicion rather than recognition of mutual dependence and co-operation. Rather than being seen as contributors to the competitiveness of a firm, suppliers were seen as dependent necessities, out to get what they can where they can. Suppliers had to be 'watched' for over high pricing, for failure to meet deadlines and for maintaining standards.

Suppliers' attitudes reflected this competitive model. Suppliers' marketing organisation tended to be outward oriented aiming to 'spread the selling company's own message in an effective way' (Gadde and Hakansson, 1993 p. 32) rather than
designed to identify and respond to the demands and priorities of the purchasing company. Suppliers expected to be the initiators of sales, making proposals and presentations, to which purchasers were expected to respond. The 'fixed' nature of the supplier purchaser relationship was reflected in the fact that those whose job it is to sell the supplier's products (the marketing staff) were separated from those involved in development and production.

The parallels with relationships between foundations and their 'suppliers'/grant applicants are obvious.

More recently, in addition to reassessing the balance between external purchasing and in-house production in the light of increasing specialisation of both production and development, businesses have been reassessing two other purchasing issues: the design of the supplier structure and the development of relationships with individual suppliers.

Traditional purchasing has generally favoured multiple rather than single sourcing per product. The underlying assumption was that a larger number of suppliers would avoid over-dependence on individual suppliers and spread risk (Puto et al, 1985). More suppliers was also assumed to maintain competition and, supposedly, keep prices low (Melin, 1986).

But, the result of an increasing number of suppliers per firm was increasing fragmentation and problems of co-ordination. This in turn led to increase in indirect costs as well as, arguably, some loss of efficiency. In the 1980's various authors noted a decline in multiple sourcing (Newman, 1988; Raia, 1988; Burt, 1989) in part in response to recognition of these disadvantages of multiple sourcing.

A smaller number of suppliers was perceived as a way of improving the quality of relations between purchaser and supplier. For example, a closer relationship with a smaller number of suppliers may create opportunities for development, for cross-fertilisation of ideas between purchaser and supplier and between suppliers.

In grantmaking closer relationships with a smaller number of suppliers could lead to more flexible and effective implementation of strategies to achieve lasting change without loss of control by the foundation. At present in many UK foundations, grant
applications necessarily involve large measures of guesswork in that it is impossible to anticipate what will need to be done and how much it will cost until you start doing it - not least because circumstances inside the organisation and the environment, as well as the needs of users, change. Grant seekers either build in extra time and money for contingencies or fail to do so and end up having to make false economies. Either way the foundation loses out- either by paying for contingencies which may not arise or by unwittingly funding for failure. But given the number of grant recipients in many foundations it would be difficult for a foundation to make a general offer that all proposals are reviewable. A smaller number of grant recipients with whom the foundation could develop closer relations would enable on-going dialogue concerning progress and changing needs of the project.

Closer relations with suppliers/grant recipients could also be of value to foundations in developing policy and priorities for sustainable outcomes in particular areas of work. At present, foundations have few 'market indicators' in that whatever priorities they decide to 'sell' there will be a host of grant applicants willing to 'buy' those priorities. Closer relations with a smaller number of suppliers could provide foundations within valuable knowledge and opportunities for discussion in formulating policies and priorities. Such relationships would also provide foundations with opportunities to access users.

A smaller number of suppliers could also reduce administrative costs not only by, for example, reducing the number of transactions but also by reducing the number of documents per transaction, relying more on trust and personal relationships.

Other indirect cost savings in business include goods handling costs, storage costs capital costs and so on. Many of these are not relevant in relation to service production and grantmaking. But some savings have potential parallels in grantmaking. For example, some large firms have refused to purchase individual components, encouraging individual suppliers to form alliances to tender for complete systems (see, for example, Marier 1989 on Ford's move to purchase of complete door systems rather than individual components).

In the foundation world this approach might, for example, involve refusing to give grants for individual services for the elderly in a given area, encouraging individual organisations to form alliances to provide integrated one-stop service centres. This could not only reduce the foundation's transaction costs, but more importantly reduce fragmentation, duplication and competition between service providers, reducing
overall costs, providing better integrated and a wider range of services better suited to the real lives and needs of elderly people. Encouraging organisations working in the same field to form alliances, especially with the incentive of money to do so, could contribute to the creation of integrated sustainable benefits for end-users.

But it is important to be aware that few voluntary projects can survive without continuing subsidy. Planning for sustainability is a necessary element of increasing impact. Both require voluntary organisations and funders to adopt a new model of development which incorporates a better understanding of the ways in which change is achieved in real worlds. Both also require a better understanding of the way in which organisations operate, and how and where they may be entered, influenced and worked with. Contrary to many voluntary organisations' assumptions, organisations and governments are not monolithic entities with one mind and voice but people and activities bundled together in more or less clear and tight structures, and with different degrees of autonomy, control and influence in different spheres. In addition, and crucially, voluntary organisations (and their funders) need to get away from the idea that they are 'independent' and too busy getting on with the (urgent) task in hand to spend time on analysis and 'politicking' in the wider environment.

Funding for sustainability may require not merely closing the knowledge loop and different relations with grant recipients but also a different approach to project funding. The notion that funding for sustainability is part of funding for the creation of a service or activity may be inadequate. Foundations funding domestic projects may need to draw on thinking in relation to overseas funding.

For example, Klimahorn and Ireland, discussing funding of NGO's, argue that there are three stages in achieving sustainability: (i) pilot project(s) exploring a new approach to service provision; (ii) small scale integration in which the pilot project is replicated and there is greater integration, via local and personal initiatives, into existing government structures and budgets;(iii) assimilation in which the local example is adopted and structures, systems and budgets are adapted, policy is reformulated and practice changes. In stage two the project has demonstrated its replicability but it is still dependent on key individuals (and probably continuing voluntary sector support); it has not demonstrated its sustainability which may be undermined by the transfer or retirement of one key official. Stage three cannot be achieved simply by extending or repeating activities from stage two. 'It is as if a barrier exists between stage two and three. Repetition alone cannot surmount this barrier. A new strategy is required - in effect it is a new 'project':one which draws on the philosophy and methods of lobbying and advocacy, rather than replicating a model
of service delivery' (Klinmahorm and Ireland, 1995, p. 61).

Failure to recognise the difference between stages two and three may be one of the causes of lack of sustainability. Sustainability may be less a matter of showing that something works and much more one of the ability of voluntary organisations to achieve change in organisations, especially government, in a position to provide continuing support.

References


