Foundation Horizon Scan

Taking the long view

Provocations

November 2019

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This collection of provocations is published in tandem with the report *Foundation Horizon Scan: Taking the long view.*

We are extremely grateful to the experts, researchers and foundation leaders who contributed their insights. Taken together, we hope that the insights emerging from this exercise will be one further contribution to the mounting international debate about the role foundations are set to play in influencing the future of society.

Foundation
Horizon Scan

Taking the long view

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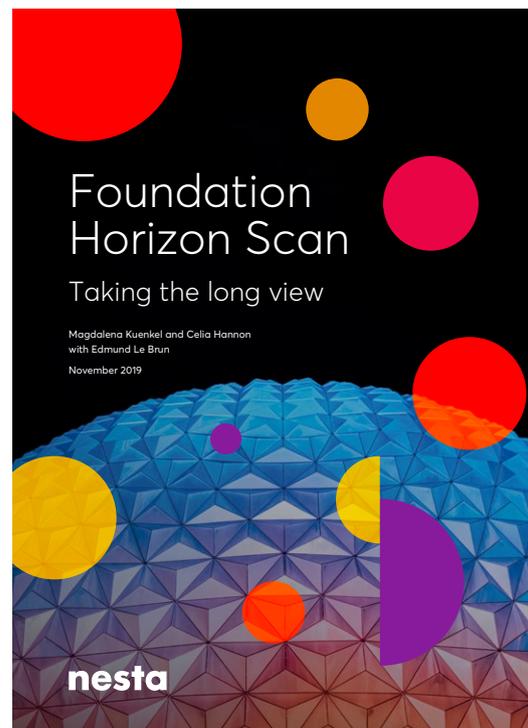
A pivotal decade

Charles Leadbeater

Decisions we take in the next decade will shape our future for the rest of the century and perhaps beyond. We face transitions which are profound, interconnected and urgent.

We have no more than a decade to prevent our descent into catastrophic climate change and species extinction. We are on the verge of a far-reaching shift in humanity's relationship with technology, which will make the rise of the internet and the spread of mobile phones look like a tea party. Technology was once a tool at our disposal. Now it is becoming an intelligent, autonomous framework within which we live. Both of these transitions will have a profound impact on organisations which may become more like digital platforms as jobs dissolve into tasks, forms of self-employment become the norm and careers become a loosely assembled series of projects. Working poverty and insecurity will be ingrained. Inequality is likely to rise in part because the state's constrained resources will be increasingly consumed by the health and social care needs of an ageing population, leaving little or no room for increased spending on young people and education, culture and arts. Young people are finding that cities deliver immiserating growth. Cities are where the good jobs are. Yet many people below the age of 40 cannot afford to own a home. As a result cities generate both affluence and anxiety.

Instead of dealing with these transitions, the UK government will be distracted by agreeing new trading arrangements as a result of a potentially shambolic Brexit. World power will shift towards China, as the US withdraws into bellicose isolationism and super-power rivalries intensify.

All of that seems likely to happen in the next critical decade. What should foundations and philanthropists do to improve the chances that these transitions go well rather than widening inequality, intensifying insecurity, fuelling frustration and provoking polarisation? Three broad strategies present themselves. None is straightforward.

The first will be to act as stabilisers in a period of extreme turbulence. Foundations with this mission will 'keep-calm-and-carry-on': while everyone else is losing their heads at least they can afford to keep theirs. Foundations should be able to make long-term commitments to people and organisations, communities and causes when everything else is being thrown up in the air. They may be among a precious group of organisations that are relatively immune to such disruption.

That stabilising role will be increasingly important as the state focuses on funding health and social care. Foundations increasingly will be asked to help charities to meet what we once might have thought were basic needs and common decencies: to help people who are in work put food on the table and send their children to school wearing clean clothes. The Paul Hamlyn Foundation, for example, is funding what it regards as 'anchor organisations' providing leadership and services on which an entire sector depends. Crisis and emergency is already a part of daily life for many charities and social organisations. Foundations will find it hard to stand by and watch them struggle or even go under.

It's not just programmes and services that will need stabilising. If political systems continue to polarise and fragment, commitment to democracy weakens and authoritarian populism continues to prove a powerful disruptive force, then foundations will have to be prepared to stand up for basic values of justice, truth, knowledge, kindness, care which once we might have taken for granted.

Theories of change are all the rage. Yet perhaps in the decade to come we will also need a theory of stasis to tell us how to hold on to what we most value. Standing up for what might be regarded nostalgically as traditional, even old-fashioned values like truth and justice might come to be seen as a radical act of defiance.

That stabilisation role will be attractive to foundations which pride themselves on taking a long view of their role as custodians and stewards who do not like to be rushed into things. When everyone else is moving at breakneck speed, it may be no bad thing that foundations are prepared to be more considered. Yet this also runs the risk that they will fund an endless stream of sticking plasters, as foundations find themselves picking up the pieces of social and economic upheavals.

In an effort to avoid that fate, many foundations are already pursuing the second strategy, to modernise and professionalise. They are making their grant giving much more systematic and effective, to minimise waste and maximise impact. To do so these foundations will need to focus on a smaller range of strategic priorities which stem from a clear sense of purpose. They will look for grantees to provide better evidence of the impact they generate. Funding decisions will be taken more transparently, using impact measurement tools and evaluated more rigorously.

The most effective of these foundations will use digital platforms and tools to make grant giving much more responsive at lower cost. Many will start to invest more of their endowments in funds which pass more stringent tests of environmental, social and governmental responsibility. Advocates of this strategy will point out that while foundations should be having more impact on society they should not overreach themselves by claiming either the right or the ability to work miracles. Foundations assets are small compared to the much larger resources of government, and the flows of money going through private capital markets.

This modernisation strategy makes a lot of sense. The trouble is that it might just become a way for foundations to be more efficient at being ineffective. To put it another way: if all of us in the social impact and social innovation field are doing so much interesting, engaging work why is the world is still going down the drain?

Answering that question will lead foundations to consider doing more than just stabilising and improving failing systems; they will have to try to transform them to deliver better outcomes for more people without consuming more resources or producing more carbon.

There is a good case to be made that this should be the historic task of foundations in the pivotal decade ahead: rather than prop up failing systems they ought to be funding efforts to transform them. On the face of it, foundations should be uniquely positioned to promote just transitions: they have inclusive values, long-term time horizons and convening power. They are free from the constraints which limit the public and private sector's capacity for transformational change. They do not have to deliver a constant flow of returns to hungry financial markets. Nor do their boards have to run for re-election every few years.

The trouble is that the transformer strategy will involve taking apart every aspect of the traditional model of philanthropy – even in its modernised, professionalised form. That model, simply put, is that foundations have an endowment of financial wealth which is invested in assets which earn an income. That income allows a foundation, usually acting on its own, to make charitable grants of limited duration to single charitable organisations to achieve specific, measurable outcomes for which the organisation can be held to account.

Transformers would have to move away decisively from this model. The investment incomes that foundations earn come from an economic system that generates the very problems they then seek to solve. The grants that foundations make are often ineffective in tackling the structural failings of these systems. A growing band of critics suggest foundations are a symptom of the problems we face not their solution.

What one might expect from foundations seeking transformative change is at least the following: a significant chunk of their endowment to be invested in social change not just the income earned from it; investments in long-term, collaborative efforts at systems change which would be animated by bold goals but lack the kind of specific output targets that foundations are used to; backing the kind of iconoclastic, prophets in the wilderness, like Greta Thunberg, who may not have a slide deck explaining their theory of change; and engagement with angry, unruly social movements which lack a clear organisational form.

Changing systems requires collaboration among many players from micro, peer-to-peer changes to consumer behaviour changes, through the meso level of reforming institutions, business models and adopting new technologies, up to the macro level of social norms, legislation and regulation. Systems only change when an entire field of players decides to switch to different rules of the game: entrepreneurs, incumbents, policy makers, politicians, activists, consumers and users.

That kind of change is never achieved by single-point solutions: investments of limited duration, in single organisations, to deliver a pre-specified outcome. It requires the mobilisation of transformative coalitions across society. Such coalitions may come together around a cause or perhaps around for a place. Foundations seeking to engage in this kind of change would not fund single charities but collaborative vehicles for social change: movements, coalitions, communities.

Philanthropists cannot do any of this on their own, even in their limited role as funders. They can, however, play a critical role in helping to gestate ideas; convene a field; fund intermediaries who can connect the micro to the meso and the macro; and help to scale promising solutions. Truly big change comes when very significant flows of public and private capital change direction because social norms about what is acceptable also change. That is where the big money is. Foundation grant making in the UK amounts to just £6.5bn, against current government spending of £780bn. Transformer foundations would have to see themselves as the dynamos within much larger processes of social change which they could not seek to control nor to take credit for.

Foundations are better placed at the moment to start this transformative work than either the public or the private sector. Foundations are no longer staffed just by grant givers. Many have executive leadership teams keen to engage in more creative, risky, transformational work in collaboration with others. Often these people, who are relatively young, have worked in civic organisations before going to work for a foundation. They know both sides of the story and they are ambitious to bring about significant change.

Boards of trustees are however are often uneasy about taking on controversial, collaborative work. A foundation that decided to put all its eggs in this transformation basket would have to turn its back on requests for urgent help from organisations dealing with people in dire need. They would have to put more of their endowment capital at risk. What family trustee wants to be held responsible for wiping out much of the value of a inherited fund for the sake of some risky transformational venture that fails?

Foundation leaders, trustees and executives alike, face a daunting task navigating the trades-offs between these strategies – stabilise, modernise, transform. But they have to engage with these strategic choices and find ways to reconcile them. How do you work to improve a deeply imperfect, dysfunctional system while also promoting a better alternative? How do you fund food banks. which serve tens of thousands of people every day, while also working to re-design the economic system so that it does not create that need? How do you fund legal charities working with migrants who face the threat of immediate deportation while also trying to shape a more just and humane society?

If foundations can find ways to collaborate more then perhaps they can also specialise more: some might be stabilisers knowing others will lead transformative work. Large foundations will have to be strange hybrids and oxymorons – radical traditionalists, stable transformers – as they attempt to conserve what is best about our current systems while simultaneously creating alternatives. Finding the right balance between these strategies is a difficult challenge.

As with all questions like this, the point of view one adopts counts for a great deal. If one looks at these questions from the perspective of the recent past, from where foundations have come from, you would say many foundations are moving in the right direction. They are better run; more strategic and more collaborative; investing more intelligently in pursuit of impact and increasingly prepared to put a least a part of their endowments into play as social investments to achieve better outcomes. All of that is worth doing.

However it looks different if one adopt the vantage point of the future and imagines looking back from 2030. By that date we will have had to take critical decisions to shape the direction of these pivotal transitions. My fear is that people will look back from that vantage point and wonder why we did not do more; why we busied ourselves improving broken systems when we needed to make much bigger, bolder, shared commitments to put all of the resources foundations have available to them towards changing the world for the better.

Can UK foundations weather the 'perfect storm'?

Julia Unwin

Endowed foundations are one of the best possible examples of a transfer of wealth through the generations. Accrued wealth passes on through the decades providing benefit and maintaining value. And the tax advantages attached to this transfer of wealth are a recognition of this long term, perpetual value. At first glance, this should be one of the more straightforward examples of modern philanthropy: the management of inherited wealth and its distribution to presumably grateful recipients. What's wrong with that?

And yet endowed foundations, perhaps despite these simple, though lofty, goals do not enjoy universal support.

The clamour of disapproval and challenge comes from very different places. In the US, foundations have become used to the disgruntled views of non-profits and recently, three compelling books written about the state of American philanthropy have made three searing sets of allegations – colonialism, anti-democratic behaviour and tax avoidance. In the UK, relations within civil society have, in public at least, been much more polite, and at least until now, they have been based on a sense of shared endeavour and direction. However, the chorus of disapproval from across the Atlantic has disrupted the largely benign environment in which UK philanthropy has developed and prospered.

Organisations that feel left out of what they perceive as a charmed circle of grant making, are increasingly voicing their anger, alongside others who feel that they have to jump through too many hoops to secure the necessary funding. This irritation and disquiet is echoed throughout many parts of the political system and the media. The power held by foundations, these mysterious bodies with their opaque governance, is questioned. At a time of mistrust in the established sources of power – and a growing view that neither wealth nor knowledge are automatic and uncontested routes to wisdom – the rumbles of discontent are increasingly noisy.

In the Inquiry into the Future of Civil Society in England which I chaired, we heard about the vast gulf in income and wealth within civil society, and the repeated allegation that those with power are too often extractive in their mode of operation. Public disquiet about how much of Cambridge University's wealth has its gory roots in the slave trade, and anger at the possibility that the Sackler brand is tainting great arts institutions, suggests that acquiescent admiration for endowed organisations is not going to last forever.

At the heart of this challenge are three recurring themes:

1. A recognition of the inequalities of **power**, with decision-making about the future of civil society tightly controlled by foundations whose influence is derived from the capital that they have received and husbanded through generations. Critics argue that far-reaching decisions are made quixotically, and frequently in pursuit of greater power.

2. The desire by many foundations to broaden their influence and use their funds to drive fundamental change has heightened long-standing concerns about legitimacy and **accountability**, particularly in relation to taxation and the source of philanthropic funds.

3. Foundations' insistence on their **independence** and their increasing focus on disruption in the pursuit of lasting change, means that they are not readily corralled in the pursuit of commonly agreed, popular and more straightforward objectives.

These challenges to their power, legitimacy and independence, especially from politicians, are nothing new. New Labour ministers in the late 1990s were constantly surprised at the unwillingness of foundations to devote some of their considerable resource to meeting the government's own, apparently well evidenced, objectives.

But these new discontents also come at a time of significant social and political change. The rising tide of populism, with its promise of simple solutions to complex problems, was always going to present a challenge to organisations seeking to address systemic social change. But so too does a digitally enabled political discourse in which criticism and challenge is more widely available, and easy to mobilise, at the click of a button. Deepening inequality, and marked social divides are shaking the ground that foundations operate on. New forms of activity within civil society, in which mobile and fast changing networks and movements now jostle with established institutions for impact and profile.

Calls for transparency begin to sound thunderous. Demands for a greater public understanding of the wealth held by foundations, and the decisions they make, are beginning to be heard.

Grant making foundations in the UK have power and position. They hold both funds and knowledge, and increasingly those leading and governing them recognise their potential to help change the world. They also prize their independence and their capacity to take uncomfortable and difficult decisions without bowing at the court of public opinion. They do so at a time when the political winds have shifted. Across the Western world many actors are calling into question the legitimacy of established institutions, and perhaps most obviously those which combine power and wealth, grantmakers have discovered that they are not immune.

How should foundations respond? There are a number of possible routes, but each of them illuminate the complexity of the position they are in.

- They can commit to being more <u>open and transparent</u>. This would enable much closer inspection of their decisions – both in investment and in grant making. In so doing, though, they invite ever greater challenge and scrutiny of the sort currently experienced only by publicly funded grant makers. This in turn may make it harder for them to support the uncomfortable cause or the unpopular need.

- They can democratise decision-making, bringing in larger, more diverse groups of people to make the decisions that affect so many lives. But this could risk making their decision-making more mainstream, less courageous and more likely to go with the grain of public opinion, right or wrong

- They can change their processes and decision making – offering longer term support to grantees, removing some of the more contested measures of attainment, and ensuring that their assessment processes are more open and comprehensible. But a rules based approach may well disadvantage the very bodies they wish to support, making it easier for the highly professionalised and well supported, but much more difficult for the new and emergent.

But as so many of the UK foundations are daily demonstrating, it is possible to manage wealth in ways that serve the causes they wish to support. In our deeply divided society, this task will not win plaudits, or even admiration – but in supporting and enabling renewed and re-energised civil society, UK philanthropy has a vital part to play. Criticism and challenge is unlikely to diminish in coming years – but who thought that social change was ever going to be comfortable?

What will it take to change the future of philanthropy?

Louise Pulford

The potential for philanthropy to solve our biggest challenges is huge, but foundations aren't realising this potential. At SIX, we argue this is because whilst there are plenty of new debates and new ways of thinking, there is a lack of new behaviour or action. We believe that social innovation can profoundly change how our systems operate, reducing the vulnerability of the people and environment within them. We also believe there is an important role for philanthropy in advancing social innovation in order to change systems.

Being truly transformational is a process, which means understanding your work as part of both a larger ecosystem, as well engaging in a more philosophical debate around the origin of foundations. The current debates on the legitimacy, power and democratic values of the philanthropic world are important discussions for foundations to have. That said, they can distract from the need to make real changes to the way we do things, quickly.

While practically responding to questions over legitimacy is difficult, there are small steps that foundations can take now to start on a path to systemic change. At SIX, we've found there are four practical, yet fundamental, things foundations need to act on if they want to make real change in the long term. These are: a) negotiating their relationship with the private sector; b) embedding new approaches to taking risks; c) using AI and data more effectively; and d) practising strategic foresight.

Negotiating their relationship with the private sector

Creating systemic change means engaging with every part of the system. Philanthropy has traditionally worked well with the public sector, but the private sector is increasingly engaging with purpose-led activities. As this happens, foundations must negotiate the potential for this kind of engagement to help them achieve their own missions. There is the potential not only for new forms of collaboration, but also the risk of the two sectors coming into competition, especially as we see an increase of attempted social responsibility campaigns from companies like Nike and Pepsi.

This tension invites a creative reappraisal of the role of philanthropy. There is a need for more research and experimentation into what partnerships between philanthropy and the private sector might look like, and how the right partnership models can be put into practice to create maximum social impact. For example, there is a movement of corporate foundations turning their attention to transforming the industries from which they emerged. This is happening across industry – from the C&A Foundation's mission to transform the fashion industry, to Suncor Foundation's drive for sustainability and supporting communities.

Other partnerships reimagine traditional foundation-private sector relationships as partnerships that involve more than money. The McConnell Foundation provided support for NGO participation in Cisco's Connected North initiative. Cisco provided McConnell with free access to its conferencing software. This exchange meant they could leverage each others' community connections and technological solutions.

Embedding new approaches to taking risks

Philanthropic foundations enjoy significant freedom around how they use their resources, which should create the right environment for taking risks – be these financial, reputational risks or simply the risk of failure. Unlike governments, they are not democratically elected, and unlike corporations, they are not beholden to shareholders who expect returns on their investments. Philanthropic foundations are therefore positioned to be agile, flexible and to help change whole systems.

However, many foundations continue to work in risk averse ways. Funding systems change initiatives can be perceived as more risky than standard project funding, and many foundations around the world continue to fund projects in much the same way that they have over the last decades. Funding social innovation, or systems change, demands different capabilities and new skills that enable teams to move away from prescriptive outputs to working longer-term, in partnerships where the outcomes are less certain. There are promising signs that some foundations are embracing these approaches – several have begun to give core unrestricted funding with no defined outcomes; others are funding non traditional organisations and activists; some are experimenting with different ways to exit, or have dramatically reduced the speed with which they award money.

Using AI and data more effectively

The growing field of artificial intelligence and data has huge potential to transform society. Yet, despite this potential, philanthropy isn't engaging with the field fast enough, especially in comparison to other sectors. Very few big foundations have the capacity or technical knowledge to either shape innovations or make sense of which ones to back, and when they do get involved, they must wrestle with complex challenges about transparency, ownership and ethics.

As society reflects on the role that philanthropy should play in the coming decade, it's essential that we consider the potential of foundations to work with data for social good. Philanthropy can create an enabling environment and build capacity in the social sector, they can act as a convener bringing together other partners, they can create or give data, fund open data platforms, and they can integrate data into their operations. Philanthropy can take risks, which is what most data projects are at this stage. Data is not the answer; but it is a tool that philanthropy should be utilising.

The Ontario Trillium Foundation, one of the largest grantmaking foundations in Canada, is supporting Transform the Sector, which aims to build a data-driven social sector by engaging with funders, non-profit organisations and the government. Another powerful example in this field is Australia's Fay Fuller Foundation, which supported a medical research institute to compile comprehensive data sets on health outcomes and social determinants in Aboriginal populations in South Australia. It is likely to be the first time that many Aboriginal people will have a large range of data specifically on their communities and it is hoped it will drive more control for local actors. Many more examples can be found in SIX's global scan on this topic, produced in 2018.

Practising strategic foresight

Philanthropy has the ambitious aim of creating a better world. It has a long history of working to solve social and environmental challenges – from poverty, to unemployment to climate change. Until now, much of the work of philanthropic organisations has largely been reactive – plugging funding and expertise gaps – but not necessarily working to anticipate or prevent these gaps from appearing in the first place. If it remains reliant on a solely reactive approach, philanthropy will not be able to solve the increasingly complex problems we will confront in the coming years.

Meanwhile, around the world, many corporations have become more adept at employing the practice of strategic foresight to ready themselves for the future and protect business interests against the disruptive impact of mega-trends . By adopting these kinds of practices, and a 'foresight mindset', there is an opportunity for philanthropy to anticipate trends that will impact their work, and to actively tackle our most pressing social issues. The practice of strategic foresight can help foundations to take the long view, to mitigate risks, and to engage better with new technology.

What it will take to change the future of philanthropy?

There is no one size fits all approach to the future of the sector. Respecting the diversity in thinking and different approaches across foundations is important. Neither are we suggesting that all foundations need to embed all of these approaches simultaneously. There are different roles to play in creating systemic change and we need to recognise that philanthropy can offer far more than just financial support. Funders must tap into the power of their role of advocate, influencer, or activist. These new roles require different capacities and skills, and an evaluation of how they may interlink.

If the sector is to realise its potential to solve our greatest challenges, and to fundamentally change systems, funders need to act not just talk. Funders need to equip themselves with new skills and a new mindset which enables them to apply innovative and creative ways of doing things. Let's not let theoretical discussions about the purpose of philanthropy distract us from introducing and applying the principles and practices of social innovation to the sector in the here and now.

Why philanthropy can't afford to ignore AI

Rhodri Davies

Artificial Intelligence (AI) will have profound implications: transforming the ways in which we work, interact and even think. The impact on philanthropy, as with many other aspects of society, is likely to be enormous.

The futurist Roy Amara famously noted that we tend to overestimate the impact of technology in the short term, but underestimate it in the long term. Foundations and endowed funders have a huge advantage in this regard; because they can sit outside the short-term cycles of politics and the market which increasingly dictate decision-making, and take a longer-term view of issues. And when it comes to AI, it is worth remembering that foundations have played a pivotal role in the past by precisely by taking such a long-term view: the very term 'artificial intelligence' was first coined in a grant application to the Rockefeller Foundation which resulted in its support for the seminal 1956 Dartmouth Conference that kick-started the development of the entire AI industry. At this moment in time, foundations can once again play a vital role by using their unique strengths to cut through some of the short-term hype surrounding AI, and instead focus on preparing civil society for the longer-term impact.

So what exactly will that impact be? A lot of the focus so far has been on the idea of 'AI for Good': harnessing the new-found power of machine learning to develop innovative models for addressing social and environmental challenges, which often centre on a shift from curing symptoms to earlier detection and prevention of underlying causes. The availability of sufficient data is a major limiting factor here, hence the majority of AI for Good examples so far have been concentrated in areas where rich data sets are readily available (primarily medical research and conservation). These examples include Parkinsons UK's project with Benevolent AI to develop early warning indicators for Parkinson's disease, or the Lindbergh Foundation's AirShepherd programme in partnership with Neurala, which used machine learning and live video feeds from drones to develop predictive models of poacher behaviour in Africa. And, as the volume of data continues to grow exponentially in all areas of our lives, opportunities will undoubtedly open up in other areas too.

But the impact of AI for foundations is not just about 'AI for Good'. The technology will also have a wider impact on the environment in which funders operate: affecting regulation, financial systems, communication, governance and the ways in which people are able to support causes.

In the short term, the impact is likely to be seen when it comes to fairly routine tasks; such as the use of of AI-powered chatbots to automate the provision of information, or the use of image recognition and Natural Language Processing to replace manual data entry and analysis processes (for a very basic example, take Microsoft's recent introduction of a new function that allows users to take a photo of a data table, which is then automatically transformed into an Excel spreadsheet using AI).

In the longer-term, however, more intriguing possibilities are likely to emerge. The internet now permeates our lives through a vast range of internet-enabled devices. With voice operators like Alexa or 'smart' household devices spreading rapidly, more and more real-world objects will come to have 'digital twins', i.e. an online version of themselves which replicate their features and properties exactly. These digital twins can then be manipulated independently; opening up new opportunities for experimentation, modelling and making data-driven predictions that could transform our ability to address problems effectively. For foundations and charities this could radically reduce the cost of experimentation and innovation.

The internet of things would also bring opportunities to capture real-time data that could be used as the basis of impact measurement, or open up the potential for context-specific micro donations, where people are able to make spontaneous and frictionless decisions to give through connected devices.

Another possibility (and one we have explored in some detail at the Charities Aid Foundation) is that AI could radically alter the way in which foundations and other philanthropic funders decide how to give. By harnessing data on social and environmental needs, and on the social impact of interventions, and then assessing the most effective matching of one to the other; we could develop a hyper-rational model of philanthropy based on 'philgorithms' – algorithms which replace subjective choices on where to allocate resources with wholly data-driven decisions. In principle, such a shift could make the work of foundations vastly more efficient and effective, but at the same time it would bring a host of new challenges. Not least of which would be the danger of encoding biases in the design of the algorithms, resulting in certain groups or communities losing out when it came funding decisions.

This question of bias bring us back to the potential downsides of AI, and highlights one of the other main ways in which the technology is likely to affect the work of foundations: namely by changing the nature of the challenges we face in our society, and thus the focus of philanthropic funders and the organisations they support.

Algorithmic bias is not going to be the only problem on the horizon. Some experts are also concerned that our increasing reliance on automated systems will have an impact on human social interaction and development. At an individual level, for example, conversational AI interfaces could affect how children learn to speak and how they use language to communicate with one another. At a societal level, there is growing concern about the ways in which automation will change the nature of the workplace; making many current jobs (and perhaps even entire industries) obsolete. This will usher in new dimensions to inequality, and raise the question of how we will transition to a 'post-work' world.

Foundations have a vital role to play here. In the short term they need to help raise awareness of these emergent issues and fund civil society organisations that can advocate effectively on behalf of the groups who are most likely to be adversely affected. This is important, as these perspectives are noticeably absent from many current discussions about the ethical development of AI. If we leave it up to tech industry (which is sorely lacking in diversity) to dominate these debates, there is a real danger that they will be shaped by a narrow range of opinions and experience that does not reflect society as a whole.

Then, over the longer term, foundations also need to ensure that they adapt their strategy and operations so that they can mitigate any potential harms of AI. One example might be supporting efforts which give civil society a key role in ensuring algorithms are fair, accountable and transparent (as I argued in an article for Stanford's Digital Impact initiative).

The fact that foundations combine the capacity to deploy resources in the short-term with the ability to take a long-term strategic view, makes them uniquely well-placed to deal with the challenges and opportunities raised by AI. They also need to capitalise on the benefits of the technology themselves, by transforming their own operations and the nature of the interventions they fund. But equally important, they must take the lead in supporting civil society to shape the development of AI so that it benefits the many, not the few.

Why the future foundation needs to start with equity

Fozia Irfan

Inequality is the word on the lips of every academic, political commentator and charity worker at the moment. Yet within the foundation sector, there is a lack of genuine understanding about what this term means, let alone consideration of the role of foundations in addressing it. Foundations will, in fact, need to develop an equity-based funding approach if they want to bring about real change in the coming decade.

Economic and income inequality has been identified as one of the critical pressing issues of our time and the symptoms of this issue manifest in many forms, from differentiated educational outcomes to decreasing social mobility and increasing child poverty. If you speak to frontline workers, they can articulate what inequality entails, what it looks like in a person's lifetime and what needs to be done on a systemic basis to challenge it. They feel frustrated that their concerns have been building over many years, but it is only now that it has risen in the public consciousness and the political sphere. But what about inequality as a priority for the foundation sector? How far have we come in acknowledging this as a critical cause of many of the symptoms we seek to address?

I recently carried out a comparative case study of UK and US foundations in how they challenged inequality and was genuinely astonished at the difference in approach. Yes, there are many reasons why the foundation sectors in each country differ – the role of history, philanthropy and the welfare state – yet, there is a huge gap between the UK and the US in conceptualising inequality and more importantly, equality.

Without a clarity of vision as to what equality means, foundations in the UK will simply not be effective in addressing inequality. Too often, foundations use an **equalities-based** funding approach without realising that is completely inadequate for dealing with the reality of systemic barriers. This equalities approach is based on treating everyone and every community in the same way with the same methodology, regardless of their positioning. Instead, foundations should move to an **equity-based** practice which recognises the differentiated situations of communities and people. This fundamental shift requires acceptance that universal programmes of funding do not reach people equally, as explained by Gara Lamarche:

"… neutral programs don't reach all people equally. Strategic, well targeted and culturally appropriate strategies are necessary to ensure inclusion. Some initiatives that appear to be …neutral in fact reflect in their design a set of exclusionary choices."

Below is a well-used illustration of the difference between an equity and equality objective and although it has some detractors, I find it the single most effective way of demonstrating what foundations should be aiming for. If foundations see their role as distributing the boxes which lift people up and enable them to overcome their barriers, then they must realise that different boxes are required for the circumstances of different communities. Equality is fundamentally about treating people in the **same way**, whereas Equity is firmly about treating people **fairly**.
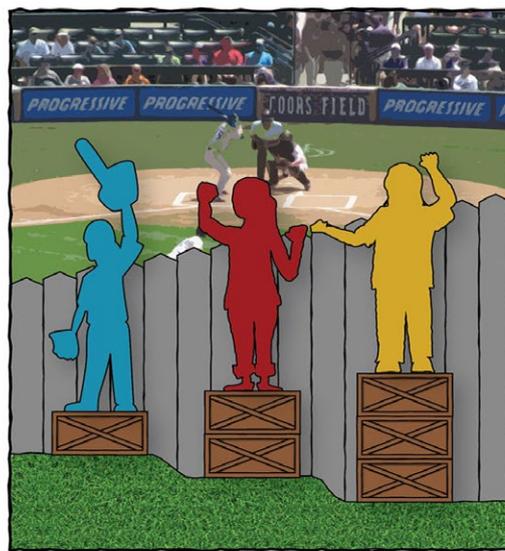
Equality   Equity

Source: Paul Kuttner http://culturalorganizing.org/the-problem-with-that-equity-vs-equality-graphic/

Equity is a more sophisticated and nuanced funding approach, yet remains largely unrecognised in the UK foundation sector. This approach in the US was historically developed as a means of addressing racial disparities in outcomes, although it has since also been used to analyse disadvantage in many other situations – eg. economic deprivation, class, sexuality and intersectionality. The reticence to adopt this approach in the UK foundation sector may be as a result of difficulties talking about race, unsurprising given that 99 per cent of foundation trustees are white.[1]

Given the work completed by the Race Disparity Unit detailing differentiated outcomes for different ethnicities[2] and the data provided by the Joseph Rowntree Foundation[3] which clearly links ethnicity and poverty, it is remarkable that foundations are still not pursuing much deeper systemic analysis and taking action accordingly.

Equity is fundamentally based on taking a structural approach, looking at institutionalised barriers and forming strong partnerships with the community being served. Although there are many examples from the US of this type of funding and what it achieves, my personal favourite is that of the Rosenwald Fund which spent over $70 million setting up over 8,000 schools with the black community of the US in the 1920's. This was considered the single

most important initiative for advancing black education in the last century, educating over a third of black children in the south during its time. The critical point to note was that it was focussed, it recognised the disparities in outcomes of the black community and worked with them to fundamentally change the system.

And here we come to the crux of the issue – is the foundation sector in the UK capable of real seismic, systemic change? What is the catalyst which can move an entire body of organisations to a new way of thinking and doing, or is this an unfeasible expectation? In other sectors, the catalyst for change can often be external pressures – the government, lobbying organisations or even a public outcry, yet without these stimuli the sector remains unmotivated to change. The nature of this power means that as a sector, we have an underlying 'coercive system' influencing the shape of the voluntary sector, their priorities and the way in which they work. Megan Francis from the University of Washington recently published an insightful academic article on how foundations have used their power and privilege to shape entire movements, such as those for civil rights in the US.[4]

As a newcomer to the foundation world, the homogeneity of the sector, and critically those with decision making power, is striking and this factor can not be discounted when analysing why change is so difficult. I am increasingly advocating for UK foundations to urgently implement Diversity, Equity and Inclusion frameworks as a tool for catalysing change. These have been shown to be effective in shining a spotlight on foundations' own demographics, processes and practices. They set out a systematic method of collating and analysing data in grantmaking operations and funding decisions as a basis for taking the necessary reparative action.

The DEI framework ultimately will make us more effective as foundations because it forges new relationships and dynamics in the way we fund. It envisages a future where power and privilege are more evenly distributed, where there is greater transparency and where we have greater validity to act in the public arena. My hope is that it is not the regulator or a lobbying organisation which is the catalyst which forces us to act, but the moral imperative for change in itself. As Richard Baldwin so eloquently stated: *"Not everything that is faced can be changed, but nothing can be changed until it is faced."*

1. https://www.acf.org.uk/downloads/member-briefings/ACF_CASS_trusteedata_2018.pdf
2. https://www.ethnicity-facts-figures.service.gov.uk/
3. https://www.jrf.org.uk/report/poverty-ethnicity-labour-market
4. https://www.cafonline.org/about-us/blog-home/giving-thought/podcasts-from-giving-thought/philanthropy-civil-rights-movement-capture-with-megan-ming-francis

Our variety should be our strength

Fran Perrin

Take, for example, the Indigo Trust which I founded to provide small and high-risk grants to early-stage projects or organisations primarily in sub-Saharan Africa. Our aim is to stimulate innovative approaches to transparency, accountability and citizen empowerment. Not everything we support will work, indeed that is the point of the model, and once we've identified a promising idea we also recognise that we aren't usually best placed to scale it. That's where we can hand-off to other, larger donors who are better placed to play this role.

As you would expect, there is an entire eco-system of foundations, with very different strengths, fulfilling very different niches. We understand this intuitively and see it in our day-to-day work, but when we talk as a sector these distinctions rapidly disappear. Too many conversations about foundations seem to assume that the sector is homogenous, when clearly this is not the case. In fact, the foundation sector is just as varied as the private sector and we should approach it as such.

I firmly believe that for us to make progress as a sector we need to start with a more nuanced understanding of the differences between us as well as the commonalities that bind us together.

For example, how we, at Indigo Trust, think about systems change will necessarily be different to a foundation operating with a lower-risk, larger-scale model. It is only when we bring these different perspectives together, across the entire eco-system of foundations, that we are likely to reveal more nuanced insights. The richness will come from the interplay across the diversity of mindsets, approaches and experience rather than by airbrushing out the differences.

Stronger legitimacy and accountability will help. The foundation concept is rightly based on pluralism and independence but the current lack of accountability means that most foundations haven't been required to articulate their theory of change. In fact, it is convenient not to, as greater clarity might expose that theory to scrutiny – which can feel uncomfortable. A better informed public debate about the role of foundations would help us to hold a mirror up to the sector and encourage us to ask ourselves the tough questions.

That's partly what led to me setting up 360Giving. As part of my work with Indigo Trust I wanted to make strategic decisions about what to support but I couldn't see who was funding what, or collaborating with whom. By bringing experts together, we developed a standard format for sharing grants data, and now a few years later more than 100

grantmakers have shared their data openly. Anyone can easily see what they are doing and visualise the extraordinary diversity of activities, funders and grantees. And by seeing the funding flows, grantmakers are supported to think more broadly.

We are also in great need of improved education and training for foundation staff. I was a donor myself for many years before I took part in any formal training at all, and my own experience at The Philanthropy Workshop was transformational in this regard. Helping donors to think more strategically and develop their own theories of change would naturally lead to stronger diversity across the sector. We should support the creation of new professional qualifications, the equivalent of MBAs, for the future leaders of foundations, along with more emphasis on evidence-based decision making. The sector is only just beginning to acknowledge the digital revolution underway, let alone to catch up with the implications for staff and board digital skills.

We will also need to be honest about the innate power imbalance between donors and charities. Foundations hold the cheque book and therefore the power, which makes charities very different to 'customers'. That power imbalance means charities may not have the confidence to point out where foundations are getting things wrong. I'm excited to see foundations now experimenting with anonymised grantee feedback and peer review processes to expose themselves to a wider range of ideas and more honest feedback.

Finally, it is crucial to have genuine diversity of foundation boards and leadership teams. Our governance should reflect the communities we seek to serve and we've clearly got a long way to go in this regard.

To end where I began. Our variety should be our strength, but it is essential that we become more open in our practices if we want to hold on to our role in a pluralist society.

Why philanthropy must embrace digital and its consequences

Cassie Robinson

I was recently told that one of the biggest challenges in increasing the understanding of digital amongst those making funding award decisions would be convincing them of its relevance. This struck me as an extraordinary, yet unsurprising comment. Extraordinary because it's like saying that electricity is not relevant. Unsurprising because there is still a huge gap in awareness, understanding, confidence and practice when it comes to philanthropy and digital.

Some of this gap has been compounded by the unhelpful way so many things have been conflated into the word 'digital.' As I describe in this blog post, there are people in the social sector who still think of digital as simply a way to fundraise differently or make better use of social media. This is a long way off where we need to be. There are five primary reasons why everyone in philanthropy needs a basic level of digital competence, curiosity and confidence. Or as Alix Dunn would say *"technical Intuition."*

Becoming fit for the future

Digital and design practices can be used to improve philanthropic organisations themselves. *"Digital is something that you are, not something that you do"* – it is about how you think, how you behave, what you value, and what drives decision making in your organisation. Philanthropic organisations improving the design of their services will undoubtedly transition to new grant management systems, ensuring that the grant application process aligns with the values they want to have. These values might include user-centredness – ensuring that the process of applying for money is as straightforward and compassionate as possible, as well as accessible and approachable which is important for diversity. Another value that can be implemented through digital is transparency which can be useful in terms of accountability and trying to bring some parity to the power dynamic between funder and grantee. Then there is what digital and data make possible in terms of insight, evidence, learning and development. Dynamic data that is comprehensive, relevant and available means that people can use it to make things better in an iterative way. Whether that is real-time data about usage and performance, faster and more transparent feedback loops between funder, grantee and the wider ecosystem, or improving processes so that they are fast, integrated and light (like governance that is appropriate to the size of the investment).

Ultimately these ways of working will lead to organisations that are able to both understand and respond to people and society's rapidly changing needs, habits and expectations.

A way into other kinds of change

Helping organisations make digital transformations is often a useful starting place when more fundamental changes are needed. The overused but still relevant analogy is that of a trojan horse – fund an organisation through the lens of 'digital' whilst the term still has an opaqueness and air of expertise only held by a few, and once a foot is in the door, use digital to open up the permission and possibility for many other changes that need to occur.

Many organisations now recognise the need to cooperate and coordinate at scale if we are to ever address the complex challenges we face, however this kind of relational work can often get hindered by or lost in the initial processes of alignment. Funders have a unique and urgent role to play in incentivising the design of more coordinated efforts, or encouraging more collective approaches and ecosystem awareness. Digital, data and design practices offer really tangible and material ways to do this – from common design patterns to shared standards and linking up data, to facilitating a culture of reuse that in and of itself puts people and organisations more in relationship with one another.

Finding new solutions

Whilst technology is never going to 'solve' the kind of complex social challenges we face, there are ways in which it can be useful and put to work in the service of humanity. This includes exposing injustices, offering new tools for organising, showing the provenance of things, bringing greater transparency, sharing information, connecting people to one another who share similar health conditions or difficult life experiences, and finding more effective ways to connect supply with demand. Philanthropy needs to be at the forefront of identifying these opportunities and the contexts in which they can be most effective.

In relation to innovation the social sector should lead the charge on what responsible and ethical technology and design looks like. Social sector organisations and civil society have been figuring out how to deliver, measure and optimise social and public value for a lot longer than businesses. They should be timely 'ethical shepherds' and philanthropic organisations are part of that.

It's also worth remembering that innovation in relation to technology is as much (and likely to be more in the future) about regeneration, reuse, repair, maintenance and transition as it is about anything new.

Supporting endings

What is missing from the paragraph above is the recognition that there will be organisations that are no longer serving their purpose or that have been displaced or made irrelevant by technology. True to a cyclical pattern, for something new to emerge, something else needs to die. It's not enough to just keep increasing the supply of promising ideas, this needs to be matched by just as sophisticated an approach to dismantling things and closing them down. In a time of such turbulence and change, philanthropy needs to take a lead in resourcing and designing different ways to do this. A provocation for this can be found in The Farewell Fund which asks *"can it be done in a way that is responsible (considerate of all potential consequences),kind (people feel respected, cared for and valued), and intelligent (the history, the learning, the wisdom and the assets have been successfully absorbed into the new)?"*

If philanthropy is going to embrace digital as well as its consequences and cumulative effects then this feels like an under-acknowledged or missing part of what's changing and an intent about how to address it.

Leading the way

Lastly but most importantly, given the influence and power that philanthropy has it needs to help ensure that 'civil society doesn't stand still as society shifts'. This means philanthropy needs to be good at sensing into the future. It's not only about keeping up with how technology is fundamentally changing society and how that requires people and organisations to continually adapt, but also to stay one step ahead and to determine how technology is shaping our lives and society, rather than always playing catching up. Given the values, organisational make-up, experience, operating models and culture of social sector organisations, social purpose (and therefore the social sector) should be, and are uniquely placed to be, at the heart of the digital revolution.

Do we want the media and the general public to associate civil society with the way that some social media companies have risked undermining democracy, others have sidelined workers rights, and some platforms have made money from surveillance capitalism? Civil society and the social sector need their own ways of working and philanthropy needs to embrace digital to urgently establish theirs.

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