Ten key questions for the governance of foundations

A foundation has two precious advantages because they are so rare: independence and the capacity to act over a period of time.

Governance of a foundation must notably aim at making the most of these two advantages. To do this, we must first look at how these advantages can be used for the best to deal with the major challenges facing humanity.

In practice, foundations generally respond by focussing on a narrow field of action and within it, financing a large number of projects i.e. actions that are delimited in terms of time and space, and separate from one another. In general, this approach is presented as a foregone conclusion: a foundation must convey ambitions in accordance with its size and does not have the human, intellectual or financial resources to embrace vast issues. Furthermore, in order to assess its impact, a foundation needs to organize itself to "make the difference". It implies financing isolated actions with a visible short-term impact. It is this so-called "foregone conclusion" that we need to look at. That is the purpose of our paper.

1) What is realism? What is idealism?

Realism consists in starting from the world as it is and modeling action according to that reality. On the other hand, idealism consists in starting from what we are or want to be in order to mentally model the world in that image. Idealism, in a word, is simply wishful thinking, taking a projection onto reality for reality itself. Therefore, "I am small and I have to concentrate on challenges fitted to me " and "I need to assess my impact therefore I will stick to modes of action for as long as their impact can be assessed" are two characteristics of idealism. Conversely, realism consists in starting from real challenges that are inevitably disproportionate with respect to the size of the foundation, to determine, with respect to these challenges, the forms of action that are most likely to benefit from a foundation independence and its possibility of acting in the long term.

2) The concrete and the abstract

"I want to be concrete". "I want to do something concrete". These are words often heard within a foundation. But concrete opposed to what? To abstract. However in practice, we confuse the idea of the concrete, i. e. something that has influence on reality, with an idea of visibility, something that can be tangibly measured, evaluated. In today's world, many difficulties result from the off-set between our way of thinking and the real situation facing us. What is most urgent, most concrete, in these conditions, is to tackle the way of thinking itself. But action like this is not visible and cannot be evaluated immediately. Therefore, we will decide that it is abstract. And we will believe that we are doing concrete things by implementing an unsuitable way of thinking solely on the grounds that what we are doing is tangible.

3) Projects and programs

As a general rule, foundations finance, within their selected field of action, a succession of projects not linked to one another. These projects are presented as responses to the demands of partners and therefore supposed to answer a real "need". Most of the time, the problem should be seen the other way round: institutions in need of money to fulfil their mission are willing to comply with the demands and criteria of those financing them. Then the demands have to fit in the terms of the offer. If the offer is expressed in form of grants for individual projects, the demand will take the same shape. Therefore, we have to wonder why the offer so often takes this particular shape and is so obvious. In fact, it is due to the very structure of the organization, the hope or illusion of isolating and evaluating the impact of each action. Endeavoring to set up a more global policy, to invest into long-term orientations and to link projects together appears to be risky because the foundation gets involved in the action and therefore moves away from its theoretical role of financier to become explicitly a player. It is tantamount to asserting a will. This will is also evident in the case when financing projects, and is simply masked by the obligation falling upon the applicant to fit in with the criteria of the offer, as if they were his own.

4) The management of time and money

To justify their methods, many foundations advance that they are under spending pressure. This obligation to spend a given amount of money within the year sterilizes every attempt to regard the foundation as a player capable of entering into dialogue and partnership with organizations it gives grant to. A partnership strategy requires time to assist common adventures all the way to maturity. Similarly, uncertainty about the available budget for subsequent years is invoked to justify the absence of long-term perspectives. Under these conditions, the simplest strategy is precisely to grant projects on the basis of pre-established criteria. It is a way of managing a waiting line of candidates for grants, each of them with a project ready to deliver. To get out of this situation, the foundation must define the best way of recovering control in terms of duration.

5) Relations between the Board of Trustees and the permanent staff

Every foundation has a political organ consisting of temporary, co-opted people who hold an effective decision-making power, and a permanent staff, in charge of processing and handling files with, in theory, only a power of proposition. This distinction is legally indispensable. On the other hand, in practice, it is purely theoretical. In every organization, permanent personnel who devote their time to following through problems, have a far greater power than might appear. The types of links that are established between the Board of Trustees and the permanent staff is decisive because it has decisive influence on the very definition of the actions that will be carried out and supported. It is of paramount importance to build up clear understanding, relations of deepest trust, even of complicity between the two organs. Relations must be to the satisfaction of each other. If we stick to a conventional system where a permanent staff proposes and/or a Board of Trustees disposes, then one of them, or even both, will probably resent some frustration. The permanent staff will resent frustration if they see themselves as the skilled ones, being bound by the orientations and the choices of less competent people who have legal and financial legitimacy for doing so ; the Trustees will feel frustrated if they think they are there only to ratify the vague orientations within which the permanent staff are to do more or less what suits them.

Often, grants giving results from relative absence of thinking about relations between the Board and the staff: this is satisfying for the Board of Trustees who, within the limited amount of time they devote to managing the foundation, think that they keep control either by deciding on project selection criteria or by deciding upon each project which should be granted, or by asking for an evaluation of its impact. If a foundation wants to break out of this stranglehold, it will have to redefine their respective functions whereby the Board of Trustees will decide on orientations after extended discussion with the staff and the staff will implement these orientations in a relationship of trust which, to be maintained and renewed, will call for adapted methods of information transmission.

6) Assessment of impact and capitalization on experience

Nothing is more legitimate for a Board of Trustees than to ask whether giving a grant has been useful. This leads us to the idea that every project must be assessed and that there are methods of carrying out such assessment. The phenomenon becomes somewhat perverse when there is an inversion of means and ends, i.e. when desire to assess will determine the project itself, as only projects that are suitable for assessment will be retained. It is all the more perverse since, one can observe that, in reality, it is evident that this type of evaluation is rarely put into practice. Foundations are not beyond the classical fault falling upon bureaucracies: because of checks and demands, because of desire to focus, the "file processing" procedure becomes more and more cumbersome. Eventually, what is most important is not content but form. All of the energy consumed to shape a grant request into an application in due form will not be dedicated to the actual content of the action. What counts, what is defined as a good file, is a complete file that is in full conformity and that meets the demands of the financier. Many foundations are ready to admit privately that once a grant has been given, the work is completed and that there will be no evaluation. Even so, it is the requirement for assessment, paradoxically, that will have defined the nature of what we are ready to finance! But this demand for evaluation is doomed to be very restrictive. In order to be able to assess the specific impact of a specific grant over one or two years, one needs projects that are limited in time and space, projects that are possible because of this specific grant, and therefore projects defined through grant giving criteria.

Here again, to get out of the trap, a foundation has to question itself in depth about what it expects from evaluation. Within its relations with grantees, there is no doubt that it is preferable to aim at capitalizing experience rather than at assessing impact, i.e. to consider that the necessarily partial contribution it has made to a long-term process gives it the right to access to the information driven from the action. The right of entry into this "reality", secured through giving a grant, entitles to the understanding of the reality resulting from that action. Nevertheless, the foundation then has to wonder about what this information will be used for and how it can be capitalized upon, both for itself and for others.

7) From the evaluation of impact to the evaluation of relevance

Once a foundation is willing to be involved in the reality of the world's challenges, which are complex, vast and long-term issues, it has to accept to live without its point-by-point evaluation of impact. This does not necessarily mean that it is entitled to give up concern for assessment. The question is not of knowing whether this limited grant has caused any specific change, but of knowing whether the available means have been used properly in order to deal with the given challenges. It is a strategic approach rather than an audit approach: were they the right challenges? Were they the right partners? Did we act independently and focus on sensitive points, points of blockage where the foundation made possible what was previously impossible? Did we nourish the action with what we had learned from previous actions? Were there any effects of synergy? Will the current action in turn bring information for other actions, etc.? It is what could be called evaluation of relevance as opposed to evaluation of impact.

8) Bureaucratic organization or learning organization

A bureaucratic organization is one which builds up its action by the systematic application of predefined rules. From this point of view, and although foundations make a point of setting their action apart from public action, deemed to be bureaucratic, they themselves often behave like private bureaucracies.

A learning organization is one which constantly bears in mind the meaning of its action and not the rules that are supposed to summarize this meaning. It builds its path, step by step, by a succession of learning processes. A learning organization is characterized in this way by its concern to construct and manage its inner memory so that the opportunities to learn, deriving from each of its actions, will nourish the organization as a whole. This therefore presupposes an approach towards capitalizing on experience and a concern for the transversal communication of information (so that it does not remain stored within each individual activity sector). The accumulated information must be used regularly to redefine the orientations of the action.

9) Juxtaposition of fields of action' policies or management of relations between different fields of action

In many foundations there is a concern to keep to very specific fields of action, together with the desire to invest into several fields at the same time. This is indicative of a certain awareness that problems are not one-dimensional and that we cannot confine ourselves to a limited field of action, chosen once and for all. But, at the same time, it seems obvious that once the choice made, foundations operate through fields of action that are partitioned away each from one another. This is another major characteristic of bureaucratic organizations. However, if the various fields are not really interconnected, and if they do not feed one another, why carry them out in parallel whereas none of them should be the focus of all of the efforts involved? The only answer is internal once again: areas co-exist because foundations want to be present on several issues at the same time. In fact, it should be the systemic nature of reality, i.e. the importance of ties between areas that justifies their being dealt with simultaneously. This implies that, in the very organization of a foundation, these ties should be established and utilized to the full.

10) Isolation of action or integration into a broader alliance

The approach of many foundations appears to be paradoxical on this point. On the one hand, they guard their independence jealously and do not intend to lose any of it to the benefit of a more collective approach. But, on the other, they are particularly conformist, each one following the example of the one that precedes it, in line with the behavior of the largest or most prestigious. It would definitely be more rewarding to explore possible alliances between a group of foundations, not only in terms of granting actions together, but in terms of establishing common perspectives between them.