New ways of giving by UK Trusts and Foundations:
High engagement funding practices

Eliza Buckley, Ben Cairns
Institute for Voluntary Action Research
www.ivar.org.uk

Introduction
Shifts in the method of funding nonprofit organisations by public agencies have been well documented (Bennett and Savani, 2011; Kendal, 2003; Salamon, 1995; Smith and Lipsky, 1993). Contracting, commissioning and, more recently, procurement have become the norm and have largely replaced grant funding. There is now widespread emphasis by funders of voluntary organisations on ‘outcomes’, ‘effectiveness’ and ‘impact’ as nonprofits have moved ever more deeply into the role of ‘public services providers’ (Cornforth and Mordaunt, 2011; Cabinet Office, 2006; Cairns et al, 2005; Salamon, 2003). These changes have also begun to be mirrored in the behaviour of non-governmental, charitable funders, in particular grant-making trusts and foundations, with a greater focus now placed on achieving ‘impact’ (or demonstrating results) in addressing complex social problems (Brest and Harvey, 2008). Some have described trusts and foundations as developing a new role, acting as ‘change makers’ focused on achieving particular outcomes with increasing acknowledgement that how they go about their work is as important as what they support (Brown, 2012).

In the light of such shifts in thinking and practice, foundations have begun to explore ways of supporting organisations that go above and beyond the practice of awarding grants, often extending to building capacity within organisations themselves (Bolton and Abdy, 2007). This is based on a two-fold premise – that money alone does not achieve meaningful results (Kania and Kramer, 2011) and that voluntary organisations require support (not just money) to operate effectively (McCray, 2011).

Despite the general growth in use of more supportive and engaged funding practices, there is much confusion surrounding the language used to describe them (Letts and Ryan 2003). These practices go under a number of different labels in the literature and common parlance, including ‘funder plus’, ‘funding plus’, ‘strategic giving’, ‘high engagement philanthropy’, ‘strategic philanthropy’, ‘catalytic philanthropy’, ‘grants plus’ and ‘capacity
building’. The common feature across the language is the stress on the ‘engaged’ nature of the approach (John, 2007; Moody, 2008). For the purposes of this paper, we use ‘high engagement funding’ as a cluster term to describe the phenomenon of trusts and foundations providing both funding and additional support to grantees.

We draw on research with 30 UK trusts and foundations in order to shed light on high engagement funding practices; we do this by looking at why and how such approaches are used and by considering the implications, challenges and benefits of these practices from the perspective of both foundations and their grantees.

The literature

The phenomenon of high engagement funding

The move towards the adoption of high engagement funding practices within trusts and foundations is based on an emerging view that simply handing out money does not achieve lasting or meaningful results (Kania and Kramer, 2011; Emerson, 2004), combined with a desire to ensure that the recipients of foundations’ financial support have the organisational capacity and strength to deliver services or provide advocacy effectively (McCray, 2011; Eisinger, 2002; Mandeville, 2007; Wing, 2004). The perceived failure and limited impact of many funding initiatives has been attributed, in part, to short-term approaches spread widely and without any real plan for sustainability in the organisations being funded (Letts et al, 1997). It has been argued that provision of capacity building support by foundations can enable organisations to improve their organisational performance and better achieve their missions (Linnell, 2003; McCray, 2011).

Within this context, the literature highlights the use of capacity building by trusts and foundations for a range of purposes and outcomes, from building specific skills, to strengthening organisations, to achieving lasting change (Buteau et al, 2008; Cornforth and Mordaunt, 2011; Phillips et al, 2011). Three key elements of high engagement funding approaches can be identified from earlier research: a focus on the needs and priorities of the grantee’s entire organisation, not just a single programme (Letts and Ryan, 2003), in other words a kind of ‘strategic giving’ (Frumkin, 2006); a partnering role to develop capable management and adaptive strategies (Lafrance and Latham, 2008; Wagner, 2002); and a willingness to fund core operating costs (John, 2007).
Alongside these shifts in thinking within the world of foundations, the last decade or so has also witnessed the emergence of a new breed of self-made wealthy donors, with quite distinctive attitudes to giving (Ostrower, 1997). These donors, so-called ‘new philanthropists’ (Handy, 2006), are not content with the simple distribution of funds; rather, their interest lies in an investment of time and energy in return for increased impact and sustainability on the part of the organisations they support. Some have suggested that the ‘creativity’ of these new philanthropists (Anheier and Leat, 2006; Reis and Clohesy, 2001) has prompted those engaged in traditional philanthropy to create new models of involvement, combining the expertise, skills and knowledge of traditional institutional philanthropy with the innovation and entrepreneurship of the new economy (Brainerd, 1999; Firstenberg, 2003).

A prominent model to emerge in response to this shift towards combining capacity building with funding for greater effectiveness became known as ‘venture philanthropy’ (Letts et al, 1997; Porter and Kramer, 1999). The literature on high engagement funding is somewhat dominated by discussion of ‘venture philanthropy’, which, although just one example of such approaches, does provide a useful insight into the principles common to the wider field of engaged funding (Letts et al 1997; Pepin 2005). The first principle is a desire to help nonprofits gain the capacity to serve more people more effectively by building their organisational infrastructure and management capacity along with providing grant finance over an extended period of time. Second, grant makers are highly engaged, contributing not just money but also management assistance and business planning through close and long-term involvement with grant recipients. Third, grant makers and grant recipients jointly develop clear benchmarks of performance or measurable social outcomes; future support is contingent on meeting these goals.

Although some have argued that venture philanthropy should be regarded as a new and distinctive approach (Letts and Ryan, 2003), others have questioned its ‘newness’ (Katz, 2005), suggesting that many of its elements are common features of grant making – for example, documenting performance and encouraging organisational capacity building (Moody, 2008). Thus, venture philanthropy might better be understood as one type of high engagement funding approaches amongst many (Lafrance and Latham, 2008; Moody, 2008).
Benefits of high engagement funding

There is relatively little in the literature about the perceived or measured benefits of high engagement funding for the actors or agencies involved. Existing literature concentrates on the organisational sustainability of grantees. For example, Letts and Ryan (2003) reported that the majority of the grantees from their study who had received capacity building support and funding described not only improved organisational capacity but also success in converting that capacity into improved organisational performance. In addition, the ability of the highly engaged funder to provide access to networks of specialist support can be beneficial to grantees in levering in valuable additional resources (Frumkin, 2003; Lafrance and Latham, 2008; Strong and Kim, 2012; Wagner, 2002). Finally, the importance of longer-term investment has been widely cited as contributing to more trusting and honest relationships between funders and grantees as well as increased organisational security which can be essential for the long-term relationships that charities have with vulnerable people (Brick et al, 2009; Karlstrom et al, 2009; Pepin, 2005).

Challenges of high engagement funding

In addition to exploring the benefits of this kind of engaged grant making, the literature also highlights certain challenges. There is evidence that many nonprofits underestimate what is expected of them in engaged relationships and experience considerable strain in carrying out their side of the partnership (Pepin, 2005; Wagner, 2002), as well as stress in managing the transition from historically tense relationships (between benefactor and supplicant) into more balanced working relationships (Frumkin, 2003). Although there is little published research about the implications or management of these relationships, work on collaborative relationships may help to shed some light on the dynamics of power (Purdy, 2012). Even where grantees are generally pleased with the process and results, high engagement relationships can be difficult, stressful, or contentious (Letts and Ryan, 2003).

There is also the need to achieve a cultural fit between funders and grantees in this approach; a lack of cultural competence, coupled with a failure on the part of funders to take account of the nuances and distinctive features of nonprofits, as well as their desire for open and fair relationship with their funders (Bolduc et al, 2004), can hamper and damage the process (Huang et al, 2006; Lafrance and Latham, 2008; Moody, 2008; Morino, 2001). In addition, the importance has been highlighted of aligning the goals and interests of funders and grantees closely enough to justify a long-term, highly interactive relationship (Chao, 2007). With regard to methods, a tendency amongst some funders to standardise support
(Letts and Ryan, 2003) has been noted, with some authors stressing the importance of the provision of *bespoke* support within high engagement funding (Buteau, 2008; Porter and Kramer, 1999). In addition, it has been acknowledged that working in this way requires the ability to make effective diagnosis of organisational support needs (Cornforth and Mordaunt, 2011; Buteau et al, 2008), thus demanding new skills from the staff of trusts and foundations engaged in high engagement funding (Brown, 2012). Questions about the impact of high engagement funding remain largely unanswered (Frumkin, 2003; Hero, 2001) in part, perhaps, because of its relatively short history and the sporadic nature of efforts to capture and disseminate learning (Morino, 2001). Finally, although, in theory, high engagement funding places an emphasis on making organisations sustainable or non-dependent on support by the end of the investment period, in practice successful exit remains one of its biggest challenges (Moody, 2008). In Table One we summarise the core features of high engagement funding.

**Table One: Core features of ‘high engagement funding’ from the literature**

<table>
<thead>
<tr>
<th>Core features</th>
<th>Benefits</th>
<th>Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highly engaged Partnership approach</td>
<td>Increased transparency in relationship</td>
<td>Organisational stress</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Goal alignment</td>
</tr>
<tr>
<td>Extended financial investment in core costs</td>
<td>Security to make longer-term plans</td>
<td>Mission drift</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Power dynamic</td>
</tr>
<tr>
<td>Extended capacity building support</td>
<td>Increased honesty about problem-solving needs and process</td>
<td>Organisational readiness</td>
</tr>
<tr>
<td>Strong focus on outcomes and impact</td>
<td>Increased confidence and evidence of improved organizational performance</td>
<td>Ability to measure impact</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mission drift</td>
</tr>
<tr>
<td>Specialist support (e.g. on strategy, finances and fundraising, marketing, governance)</td>
<td>Increased organisational capacity and access to resources otherwise beyond reach</td>
<td>Standardisation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cultural fit</td>
</tr>
<tr>
<td>Knowledge transfer and networking</td>
<td>Access to new networks, peer support and experience</td>
<td>Co-operation and sharing</td>
</tr>
<tr>
<td>Focus on organisational sustainability</td>
<td>Increased organisational security and ability to respond to change</td>
<td>Exit strategies</td>
</tr>
</tbody>
</table>
**Gaps in the literature**

Despite emerging interest in the model of high engagement funding within foundations, concerns remain about the relative paucity of evidence about its practice. For example, Van Slyke and Newman (2006) argue that there is a shortage of in-depth case studies and other empirical data; similarly Grenier (2006) has stressed the need for more stories to emerge from both sides (funder and grantee) to facilitate two-way learning. The need for more research to help grant makers prepare for providing assistance beyond the grant has also been highlighted (Buteau et al, 2008; Leat and Kumar, 2006), alongside suggestions for research that addresses how approaches to high engagement funding are experienced by grantees (Connolly and Lukas, 2002). While some authors have begun to look at the role of UK community foundations in supporting voluntary organisations (Cornforth and Mordaunt, 2011; Daly, 2008; Phillips et al, 2011), there remains a relative dearth of knowledge about foundations and high engagement funding.

This paper aims to address some of the gaps in knowledge about high engagement funding by examining key questions, including: What practices are employed by trusts and foundations? For what purposes are they used? What are the implications of these approaches for both foundations and grantees? What are the challenges in bringing together two different kinds of relationship – that of funder and that of support provider? Finally, what learning, if any, can these approaches contribute to other sectors?

**The study approach**

In order to address these questions, we selected for study 14 grant making trusts/foundations directly involved in high engagement funding activities, using a theoretical sampling approach (Yin, 2003) such that there was variation with respect to size, location and grantees. We also ensured that a range of types of funders was included (including one or more: endowed foundation; family foundation; community foundation; trust with corporate connections; fundraising foundation; national foundation; regional foundation; foundation working overseas as well as in the UK; social entrepreneur/venture philanthropy vehicle; long-established funder; and recently established funder).

We collected our data by means of 86 semi-structured interviews across the 14 study organisations with key staff (usually, but not always, including the director); grantees who had been involved in high engagement funding activities; and one or more of any third
parties (consultants, etc.) involved in ‘delivering’ such activities. In addition, we also carried out semi-structured interviews with 16 ‘key informants’- other funders and individuals active in the field of high engagement funding.

The trusts and foundations in our sample were involved in a wide variety of high engagement funding practices, many of which were described to us as ‘capacity building’. Capacity building is an ambiguous term used to describe a variety of contexts and activities (Cornforth and Mordaunt, 2011). It is not the intention here to present a review of the capacity building literature. However, broadly speaking this paper uses ‘capacity building’ to refer to ‘any kind of action or progress which improves abilities to perform activities or functions’ (Cairns et al, 2005).

The data collected was analysed thematically using a system of open coding of the interview transcripts. The term ‘study participants’ is generally used in the text below to describe the views put forward by interviewees; where appropriate, we refer to ideas as being put forward either by ‘funders’ or ‘grantees’. We use the term ‘high engagement funding’ to describe the practices of foundations providing support to grantees above and beyond the grant or grant making process. Unattributed direct quotations from interviews with funders, grantees and third parties are presented throughout in italics.

In the following part of this paper, we use the term ‘findings’ to refer to the knowledge generated by our interviews. In order to advance our understanding of ‘high engagement funding’, we address, in turn, five key aspects: high engagement funding in practice; the purposes of these approaches; the methods in delivery of high engagement funding; benefits and, finally, challenges.

Findings 1: High engagement funding in practice

Our findings revealed two broad, but related, categories of high engagement funding activity – capacity building and influencing activities. The majority of study participants talked about capacity building, generally understood as activity focused on helping to develop skills or competencies of individual grantees, or of organisations working in a particular field or on a specific issue. A wide range of activities fell under this heading. Funders gave examples of providing training for their grantees, mostly directed at staff and covering, for example, fundraising; working with the media; leadership; accounts and financial management; and
evaluation. In some cases, training was offered to all or a range of grantees; in others it was
customised to meet the needs of specific organisations. Second, bespoke practical support
was offered in some of the same areas, either by paying for expert assistance (directly or by
a special addition to the grant) or by providing vouchers to enable grantees to purchase
services from a list of approved providers. A small number of funders directly brokered
relationships between grantees and external bodies, such as lawyers and accountants. The
third group of activities described by funders as capacity building focused on the use of
funders’ own convening power, to organise learning and networking meetings of grantees
with related interests, or to encourage peer support arrangements between particular
organisations. While most of the examples we found apply to work with individuals or
individual organisations, some foundations focused their efforts on a group of organisations
working in a particular field to improve the skills base of an entire sub-sector.

A smaller group of funders, those seeking to change policy and/or practice and/or attitudes
in particular fields of interest, viewed influencing activities as being distinct from the kinds of
capacity building described above. These activities were carried out in a number of ways.
Some funders worked alongside other voluntary organisations (who may also be grantees) in
relevant networks, as partners in the pursuit of change. This might involve groups of
organisations and a funder adopting a formal arrangement, including the allocation of roles
and the adoption of a shared strategy, to achieve change in an area of mutual concern.
Other funders, in pursuit of their mission, carried out their influencing work independently
of grant holders: they became directly involved in pressing government for changes, for
example as members of government working parties, or alongside other funders. For a small
number of funders, collaboration with other funders provided the means of achieving
greater influence. The final strand of influencing activity was the use by funders of their own
assets – for example, offices, facilities, contacts and status – in order to enable grantees to
gain access to key policy shapers and attempt to exercise influence.
Findings 2: Purpose of high engagement funding

Our findings revealed the multiple and varied reasons behind the decision of funders to adopt high engagement funding approaches. While a small number fall outside them, study participants gave examples of four main purposes.

First, a small number of funders described being driven by the pursuit of particular faith or ideological views, with a commitment to the pursuit of social justice as an essential element in their mission. For this group, a more engaged approach in the activity which the funder (particularly trustees) pursues was commonplace; likewise, a greater sense of equality between funders and their grantees: ‘[the funder’s] role is to grease the wheels and within that there is a funder/fundee relationship ... but the relationships hinge on [the funder] keeping in the front of its mind: ‘how would I feel about this?’; ‘our model of change is about ‘capacitating’ grantees to influence whoever is to be influenced. ‘We would not set out to influence directly’.

A second purpose for developing high engagement funding practices is to achieve better outcomes. This approach focused on trying to ‘get more out of the money’ paid in grants and increase the possibility of achieving successful outcomes by the funder’s direct and indirect action: ‘it’s about protecting the financial investment we make in organisations, about trying to increase the likelihood of a successful outcome and reduce the risk of failure and enhance the outcome. Money plus is greater than the sum of the parts’. ‘The main purpose is to maximise the funding and to use knowledge/resources, etc. to enable reflection and learning. The networking opportunities which are available through a funding plus approach are popular with groups and help them to make better use of their money and meet their aims’.

For a third group of funders, the purpose of high engagement funding was to strengthen grantee organisations (or specific individuals within them). Although linked to a desire to achieve better outcomes, some funders stressed the importance of more enabling approaches: ‘The purpose was to strengthen those we support to pursue our mission and values ... and to enable the grantee to do what they want with the grant. We define our objectives in broad terms but say, “come and enthuse us” and that approach leaves room for negotiation’. Similarly, others described high engagement approaches as an opportunity to use grantee organisations as vehicles for more profound social change: ‘it allows us to make a deeper impact in poor, marginalised, and disadvantaged communities’.
Finally, a fourth group of funders did not consider themselves to be ‘traditional grant makers’ but rather saw their work as styles of ‘venture philanthropy’. Within this group, there were differences between funders. Some worked to promote what are in effect social businesses; others focused on the kinds of voluntary initiatives which might equally well be (and in many cases are) supported by traditional funders. In all cases, such funders believed that, if the groups they support are to survive, prosper and achieve the goals they have set themselves, then those groups will need more than merely money: ‘We bring together a network of private sector contacts and expertise which help voluntary organisations to achieve the best social outcomes. You cannot do this with just money’.

These groupings should not be treated as mutually exclusive or discrete. For example, in one case the purpose of high engagement funding was variously described as: ‘an obligation arising from the organisation’s advantages as an independent funder with an overview; necessary in order to improve the outcomes of grants; integral to our mission, which could not be achieved simply by giving money; essential in order to make us more efficient’.

Furthermore, different funders may belong to different groups at different times or may integrate features from each other’s models at various points.

**Findings 3: Delivery of high engagement funding**

Study participants reflected on the various methods used to deliver high engagement activities. Three main approaches were cited, with funders acting in a variety of sometimes overlapping roles to deliver this work, either through their own staff or via third parties. For most study participants, each of these roles had implications for the power relationship between funders and those they support.

A small number of funders ‘simply paid for it’, in other words, they used their core function as a funder to add money to the grant paid in order to provide capacity building or influencing support. This was seen by many study participants as an opportunity for grantees to exercise influence over the focus of funder support, ‘subject to the risk that grantees tailor their requests for extra support to suit their understanding of funders’ priorities’.

For a second group, high engagement funding activities were delivered directly by the funder, through their own staff. In some cases, staff had been appointed to their job in the
first place, at least in part, because they had the necessary specialist knowledge or experience and/or an appropriate disposition to work in this way with grantees. For some grantees, the lack of separation between funding and additional support was problematic:

‘The funder is an external party, so being highly involved can be difficult – they don’t always see all the steps that have gone into getting an organisation to that stage … They aren’t project managers, they don’t do this work and they have very different skills and knowledge to bring. [As a result] this sometimes means explaining, politely, that it’s not appropriate.’

‘It’s hard to say to funders that it’s too much, because we need the funding. This is where the power relationship comes into play – because it makes it very hard for the grantee to refuse requests, involvement, etc. especially when it comes from wanting to be helpful.’

A third group took on the role of a facilitator or broker, bringing funded organisations together with key sources of specialist assistance, but generally leaving it to the other parties to decide how best to proceed and on which areas help was needed. Within this grouping, a number of funders selected specific third parties through whom services were provided, paid for by the funder.

**Findings 4: Benefits of high engagement funding**

Most funders were unable to provide concrete data about the benefits achieved by high engagement initiatives. Along with a general problem of much of this work being, by its very nature, slow and intangible, there was widespread recognition that attributing outcomes – whether for organisations or around policy issues – is difficult, as there are so many variables, over and above the inputs made by funders. However, funders and grantees did highlight a number of perceived benefits of high engagement funding.

For grantees, the opportunity to use capacity building support to develop new ways of thinking and operating was viewed as beneficial. We heard a number of references to the contributions made by specialist consultants who, through a combination of information, demonstration and teaching, were able to have a positive influence on specific areas of grantee organisation and management: ‘We are now more sophisticated, more focused and
aware of what is measurable and when to put systems in place so we can measure difference’. ‘It introduced us to a range of opportunities we would not otherwise have had; introduction to evaluation support; pro bono mentoring; financial advice.’ For grantee organisations active in the field of advocacy and campaigning, the benefits of additional support to achieve greater influence were often more about process (in particular peer learning and joint working) than specific outcomes: ‘We have taken lessons back that we have learned from others ... and we have had good publicity from the overall work. The relationships and the networking have been very helpful and also the dissemination of material and events has meant that we have had good exposure. We have benefited from contact with government and from being mentioned in government circles.’

Certain kinds of approaches were described by grantees as having provided added value above and beyond the grants made. There was particular enthusiasm for approaches variously described as ‘enabling’ and ‘empowering’: ‘When we felt the outcomes of the project were at odds with the objectives for project, they were understanding and spent time discussing this. They understood the value of developing work as they went and learning from the project’s progress’. This kind of ‘engaged’ funding relationship was widely appreciated: ‘Because of the high engagement they had there was a high level of knowledge built up about our work which was very helpful and unusual, because it’s quite a complex area’. However, grantees noted the need for levels of engagement to be proportionate to the size of grants and the complexity of funding plus was highlighted: ‘If every funder had this level of engagement it would take too much managing ... grantees value a proper relationship with funders so feel it’s important to give time to cultivating and managing it – this means that the grant needs to be substantial enough to make the time involved worthwhile.’

For those grantees whose experience was positive and for whom there were few, if any, reservations about the process, the case for high engagement funding practices was fairly unequivocal: ‘If you want to strengthen your organisation, then go for it, if you want to ensure your organisation will survive over the long term, go for it.’ Similarly, from funders, we heard numerous references to the beneficial effect of high engagement activities on organisational ‘stability’, ‘sustainability’ and ‘effectiveness’: ‘[high engagement funding] is about long-term survival of organisations – not about money but managing themselves to sustain and take forward their work.’ ‘On a micro level, where we have put in management
training and money, we can see individual organisations getting stronger and more confident.’ Funders also pointed to specific examples of high engagement interventions leading to tangible changes, for example: convening powerful interest groups to influence funding decisions; providing brokerage and specialist support in order to achieve legislative change; helping to improve organisational practices by providing training and consultancy support. In each of these areas, funders described real progress against identifiable goals: ‘On a case-by-case basis one can observe the success of specific interventions that had a certain objective.’

However, generally speaking approaches to thinking about benefits and understanding the success of high engagement approaches were relatively unsystematic. Anecdotal evidence, reports from grantees and contact visits were quite commonly used as the basis to form judgements about progress and value. For some funders, the continued existence of grantee organisations beyond the period of the grant was itself an indication of the success of high engagement efforts: ‘We see the work as successful if it leads to locally based groups in disadvantaged areas or marginalised groups of people being left with improved confidence, skills and voice; and to sustained levels of activism and engagement in local level policy shaping, even after the funding has gone or been substantially reduced.’

**Findings 5: The risks and challenges of high engagement funding**

Our study findings uncovered a range of risks and challenges to high engagement approaches – for both grantees and funders. Many grantees had experienced some difficulties associated with the focus and delivery of high engagement activities. Ambiguities in the role of funders in the provision of such approaches were a problem for many grantees: ‘it is easier if the decision making process is clear from the outset’; ‘is it facilitative or controlling?’ Although most of the funders in our study expressed a commitment to transparency and often espoused an ‘empowerment’ approach to capacity building, the experience of grantees frequently hinted at quite deep-rooted power differences. For some, this created a degree of uncertainty in the relationship and impeded their ability to be open about needs and preferences: ‘it is difficult to say to a funder you’re mad or I think you are doing it wrong’; ‘You cannot remove the funding element completely and people realise there is a risk of damaging the funding relationship if they walk away.’
Grantees were also concerned about the expectations of high engagement approaches not always being jointly understood, shared or agreed with funders. The importance of being clear at the outset about each party’s agenda was highlighted, in order to avoid grantees feeling that funders are ‘meddling in their business’ and to achieve a balance between interference and added value: ‘they didn’t try to interfere in implementation, it was about adding value to what we did and facilitating further possibilities for our work. Other funders interfere and micro-manage but this was not the case at all.’ Where this balance is not achieved, there is a risk for grantees of engaged approaches becoming more of a burden than a benefit: ‘sometimes they will suggest a “little” thing without understanding actually it is much bigger and more complicated than they realise’.

Concerns about the demands of high engagement approaches were not confined to grantees. Commissioning reports, managing consultancies, convening, brokering, managing relationships – all require funder staff time. As well as pressure to find people who have the energy, skills and experience to manage these demands funders are also faced with the knowledge that time, and therefore money, spent in this way is time and money not spent on grants or on the grant making process.

The significance of how funders decide whether to offer engaged support was also highlighted. One approach, preferred by many funders, was for the high engagement offer to be based on a process of careful analysis and reflection: ‘We carry out organisational audits pre-grant, or early on ... we take time to understand what organisations actually need before embarking on the relationship. There are two benefits to this – it gets the organisation to think about where it’s going, and it lets us understand where we can best add value.’ Where funders expressed concern about the risks of being seen to impose help on grantees, a more reserved approach was adopted: ‘our approach to funding plus activity has been “it’s here if you want it” rather than “you’ve got to have it”’.

Finally, the involvement of funders in identifying and selecting support providers often proved problematic: ‘Where the funder chooses who is invited to the table, they may also be influential in setting the agenda. What is said at such meetings, if the funder is present, will be influenced by grantees’ perception that they need to say what they think funders want to hear and what they want the funders to think.’ An alternative approach, whereby grantees exercise a degree of choice over provision, generally resulted in more productive
relationships with support providers who might be better placed to ‘educate funders about what they ask of grantees. The relationship with [the funder] allows us to advocate on behalf of voluntary organisations but also to develop the organisations themselves. It’s a core part of our work to work on both sides of the fence.’

Against this background, trustees of funding organisations often need to be assured that the work is effective and mission-related; for many, the risks may outweigh the potential benefits. First, there is a risk that by broadening out beyond grant making to develop high engagement approaches, a funder may lose its sense of focus or purpose, forgetting, perhaps, that its principal raison d’être is to make grants. Second, if a funder drifts into such work without careful thought and planning, it may do so without an awareness of the real costs of the move, both in terms of opportunities and money: ‘the key risk is how you assess the opportunity cost of working like this. You could spend more on grants’. Third, linked to a need for preparation, the importance of being clear about the purpose of funding plus initiatives – how they work, appropriate roles and boundaries, and expectations – was widely stressed: ‘people have no idea about what the options are – they don’t know what you mean by “adding value” … They say “we were grateful for the money and you were fabulous”. Afterwards they say – “it would have been really useful to know that you could have done x”. Finally, we heard concerns about ‘the challenge of knowing how far to go’ and when to stop, so as to avoid the ‘danger of building up dependency’.

Discussion
The broad context for the study reported here was, on the one hand, the growing interest amongst charitable foundations in high engagement funding and, on the other hand, the relative dearth of published research about it. We explored the high engagement funding practices of 30 UK trusts and foundations looking at the their purposes, method, benefits and challenges. In particular, we examined these areas from the perspective of key stakeholders involved – grantees, funders and, where appropriate, third parties delivering support. In this final section of the paper, we build on our findings to reflect on some of the practical challenges and implications of high engagement funding.

The findings presented in this paper suggest that high engagement funding is a distinct phenomenon, with trusts and foundations combining grants with activities and investment for a range of purposes, using a variety of methods. Whilst there is still ambiguity as to what
constitutes ‘high engagement’ in this context, our review of 30 foundations highlights three factors which might broadly be understood as core characteristics of high engagement funding: a supportive relationship between grantee and funder; deep funder knowledge of grantees – their contexts, organisations and concerns; provision of additional support, usually (but not always) fitting within a broad understanding of ‘capacity building’. Building on this, high engagement funders might loosely be clustered into four ‘types’, each of which has a corresponding purpose, set of values and method of delivery. These four categories might be termed ‘partners for change’, ‘risk managers’, ‘enablers’ and ‘venture philanthropists’. It should be noted, however, that funders can move between different categories at different times and/or employ more than one approach at any one time. This loose categorisation is presented in Table Two.

Table Two: Key elements of high engagement funding

<table>
<thead>
<tr>
<th>Funder</th>
<th>Purpose</th>
<th>Values</th>
<th>Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partners for change</td>
<td>Pursuit of particular faith or ideology and tackling social injustice</td>
<td>Belief that real change can be achieved by working in partnership with grantees and others towards shared aims/purpose</td>
<td>Generally speaking, use high engagement funding to support ‘influencing’</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Often engage in direct activity – without grantees – e.g. funder collaborations or policy influencing</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Work with grantees in ‘equal’ partnership with each party contributing assets (knowledge, expertise, brand, funding etc.)</td>
</tr>
<tr>
<td>Risk managers</td>
<td>Achieving better outcomes for funder and grantee</td>
<td>More than money is required to ensure better outcomes and protect the investment – by building more capable organisations</td>
<td>Tend to use capacity building methods – especially training and bespoke support to strengthen grantee organisations</td>
</tr>
<tr>
<td>Enablers</td>
<td>Strengthening grantee organisations</td>
<td>Organisations need to be supported in order to achieve their own missions or achieve social change pursued by funder</td>
<td>Use a range of capacity building methods, as well as influencing. Draw on all assets to achieve change desired (whether organisational or societal)</td>
</tr>
<tr>
<td>Venture philanthropists</td>
<td>Increased impact, sustainability and growth of funded organisations</td>
<td>If groups are to survive and prosper they need more than just money</td>
<td>Usually bespoke capacity building 3 support which includes a range of different expert advice often drawn from private sector</td>
</tr>
</tbody>
</table>
Despite the existence of a substantial number of trusts and foundations using high engagement funding practices, we found little evidence of this happening in a strategic or planned way. Many funders struggled to articulate to us their reasons for using high engagement approaches; often practices had been adopted ad hoc over a number of years. There was also little in the way of tangible evidence about the success of such approaches in underpinning decisions about whether, when and how to use them in the future.

We have seen in the literature and this study that high engagement funding tends to revolve around the combination of funding and capacity building. Earlier work on capacity building highlights the importance of achieving a link between purpose and delivery means (Harrow, 2008); indeed, a mismatch between these aspects can restrict the potential for achieving change. Our findings bring to the fore the importance of ensuring that purpose, focus and method are linked; they also highlight the risks associated with high engagement funding being developed unconsciously, in particular with the purpose remaining unarticulated. This is exacerbated by the fact that, through this study, we see funders moving away from relatively straightforward funding transactions and towards more complicated (often multi-layered) relationships that come with distinct risks and challenges. Our findings indicate that the most effective way of achieving a strategic and integrated approach to engaged funding relationships is through collaboration between all major stakeholders: funders, providers and beneficiaries. In this way, all parties can be invested in joint aims and a shared understanding about their respective roles and expectations.

The move towards the use of high engagement funding practices, as seen in this study, illustrates a fundamental shift in the nature of the relationship between funders and grantees. In particular, where funders play a dual role (of both funder and deliverer of support), we see the relationship moving from transactional to dialogic. In making this shift, attention might need to be paid to the differences between the parties engaged (funders and grantees), both in terms of culture and power. Whilst our findings reinforce a view that this may always be a factor in funding relationships (Froehlich, 1999), they also offer some insight into ways of mitigating any detrimental effects of power imbalances. First; by
recognising the importance of developing high engagement approaches in collaboration with a focus on the concept of ‘exchange’ (Levine and White, 1961), whereby each party brings skills, resources or knowledge to the relationship as appropriate. Second, by employing delivery methods that reduce the confusion and blurring of boundaries caused by funders engaging in direct delivery and instead separating the funding and support either within the funding body or by using third parties to deliver it. Third through an increased consciousness about respective roles and interests, as well as emotional intelligence and investment in the development of relationships. In addition, funders might think very carefully about the implications of their involvement as providers of additional support. Our findings highlight the difficulties arising from the close and often ambiguous involvement associated with that model of delivery, especially in relation to capacity building. Linked to this, careful thought needs to be given to the extent to which grantees enter freely and willingly into a relationship with funders which is not directly about financial support. The more explicit and voluntary, and less mandatory, the process for participation, the more likely it would seem that mutual benefits can be achieved. Here, our findings also underline the importance of funders adapting their approaches by grounding them in an understanding of what they hope to achieve.

Finally, building on our earlier observations about terminology, the findings presented in this paper suggest that the phenomenon of high engagement funding is not well served by the multitude of terms currently used to describe it. In this paper we have used ‘high engagement funding’ to describe a collection of practices whereby funders draw on their whole asset base (not just monetary) to support grantees. Building on the findings set out above, it can be argued that existing terminology that stresses the composite nature of such approaches – funding plus, grants plus – may not necessarily be appropriate or helpful. For some funders, the additionality suggested by ‘funding plus’ is perceived as integral to their grant making rather than a separate process or activity. For others, the ‘plus’ element may be deemed (by both funder and grantee) to be more significant than the grant; this appears particularly to be the case in relationships formed around influencing activity. Our findings also suggest that high engagement funding operates most successfully when it is strategic, integral and explicit. In light of this, terms that conceptualise (and, indeed, perpetuate) engaged funding approaches as two separate things may be unhelpful. Rather, we argue that ‘high engagement funding’ may be better able to capture and contain the range of practices adopted by funders as part of a shift to a new way of giving which involves
investing in organisations by drawing on all available assets: money; buildings; knowledge and skills; contacts; high-profile brands; leverage and convening power; and legitimacy.

In conclusion, what might be some of the wider implications of learning about high engagement practices for the future funding of voluntary organisations? Although the practice of ‘going beyond the money’ is not new, a combination of factors means that the spotlight on new ways of giving is currently shining bright. Cuts in public expenditure, the changing role of the state, governmental interest in philanthropy and giving, increased beneficiary need, and shifts to demand-led models of support for voluntary organisations – these are all influencing and shaping the priorities of funders, across all funding sectors, as well as those of voluntary organisations. Our findings suggest that a common thread running through the introduction of new ways of giving is a desire to act and invest responsibly. There is acknowledgement that high engagement funding requires both courage and patience – the courage to divert significant sums of money from direct grant-making, and the patience to stick with the activity for long enough for it to be effective. Trustees and other stakeholders may need reassuring that money is being spent well and efficiently, and that the high transaction costs associated with high engagement funding can be explained and justified.

To support the development of practice in this area, and to address the strategic deficit highlighted by our findings, funders across the board might benefit from the investment of time and energy to prepare for high engagement funding, paying particular attention to both the purpose of moving beyond a traditional financial transaction to the provision of ancillary support and the process required to fulfil that purpose. Alongside this preparation, consideration could also be given to the potential for seeing high engagement funding as a way of investing in non-monetary ways in order to help voluntary organisations to become stronger and more effective in the face of growing demand for their services. For that potential to be realised and substantiated, attention may need to be paid to the theories of change that underpin new ways of giving, with a focus on processes and outcomes that are appropriate, meaningful and useful to both funders and grantees.
References


Huang, J., Buchanan, P. and Buteau, E. (2006) In Search of Impact: Practices and perceptions in foundations’ provision of program and operating grants to nonprofits, The Center for Effective Philanthropy: Cambridge, MA


