

# STRATEGY AND

# GOVERNANCE:

**THE PILLARS  
OF STRONGER  
FOUNDATION  
PRACTICE**



**STRONGER  
FOUNDATIONS**

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# WHAT IS THE STRONGER FOUNDATIONS INITIATIVE?

*A foreword from Janet Morrison, Chair, Association of Charitable Foundations (ACF)*

Thirty years ago, at a time of political turbulence, economic uncertainty and growing inequalities, a group of grant-making charities came together to create an independent association that could offer them and others a space for robust discussion about what it meant to be a charitable foundation, to identify best practice and ensure that philanthropy kept pace with social need.

Three decades later, the Association of Charitable Foundations' 400 members collectively hold assets of around £60bn and give more than £3bn each year. As a society we undoubtedly face significant entrenched social, environmental and economic challenges so our role remains as critical as ever. The voluntary and community sector is struggling to address rising levels of need and looks to philanthropy to help it bridge the gaps.

At ACF our mission is to support members to be dynamic, ambitious, effective and expert, so that their resources are allocated for social good in a way that maximises the potential benefit to the individuals, causes and communities they serve.

Foundations are ideally placed to take a long-term and independent view, to respond creatively to change and emergent needs, catalysing social good and energising communities. For some, simply giving out awards to good causes is value in itself. For others, making strategic interventions and generating bodies of evidence and learning to bring about change are fundamental. From medical research to children's rights, the arts to environmental activism, community spaces to international development – many foundations are active agents of change. This plurality generates a funding ecosystem that is as varied as the communities that foundations support.

In the last decade, a more intense spotlight has shone on all charities, including on their fundraising, safeguarding and investing practices. Foundations, as charities themselves, are not immune from criticism, and in recent years there has been a noticeable increase in public scrutiny of philanthropy. Doing good by giving financial support to others is not enough. Thinking hard about how we behave and how we embody our values in everything we do is vital. This means asking hard questions about how we work, adapting and changing – not simply doing what we have always done. As society changes, we need to ensure philanthropy evolves too.

**DOING GOOD BY GIVING FINANCIAL SUPPORT TO OTHERS IS NOT ENOUGH**

# MORE THAN 100 FOUNDATIONS HAVE BEEN INVOLVED TO DATE, WHICH WE BELIEVE MAY BE THE LARGEST FOUNDATION ENGAGEMENT INITIATIVE OF ITS KIND IN THE WORLD

ACF launched Stronger Foundations in December 2017, a flagship initiative to help charitable foundations identify and pursue excellent practice. At the heart of the project are six working groups, established and launched between May 2018 and February 2019, each focused on a different aspect of foundation practice:

▶ **DIVERSITY, EQUITY AND INCLUSION**

▶ **IMPACT AND LEARNING**

▶ **TRANSPARENCY AND ENGAGEMENT**

▶ **STRATEGY AND GOVERNANCE**

▶ **FUNDING PRACTICES**

▶ **INTENTIONAL INVESTING**

Every group's principal purpose has been to examine, discuss and debate challenging questions about foundation practice related to its theme, as well as drawing on learning that is emerging from the others. Each group has been comprised of up to 15 senior foundation representatives drawn from across ACF's membership, who have met seven times over a 12-month period. The meetings have varied in format depending on the topic and area of inquiry, and included presentation of evidence by experts from within and beyond the foundation sector, small group discussions, whole group exercises and visits. The working groups' full terms of reference can be found [here](#).

Through this process, staff and board representatives from more than 100 foundations have been involved to date, which we believe may be the largest foundation engagement initiative of its kind in the world. I believe strongly that its findings will play a key role in shaping the priorities – and more importantly, the actions – of the sector in the months and years to come. As the working groups begin to conclude their inquiries, ACF will be reporting on the groups' discussions and developing pillars of good practice – or what it means to be a 'stronger foundation'.

This report is based on the latest working group to conclude, which looked at strategy and governance. A summary of the group's seven meetings is presented in Part 2 of this report. Thanks to the dedication and efforts of the working group, experts from beyond the foundation sector who have contributed, and the wider literature, ACF has been able to gather a huge amount of raw material, which we have used to create this report. The pillars of stronger foundation practice that we present here (and in reports on other topics) are our initial offering to our sector. We hope that foundations will consider these recommendations carefully in their own context and take steps to enhance their existing practice. With individual and collective effort, we can achieve a stronger foundation sector to the benefit of all.

# STRATEGY AND GOVERNANCE

# AT THE HEART OF EFFECTIVENESS AND AMBITION

*An introduction by Carol Mack, CEO,  
Association of Charitable Foundations  
(ACF)*

For me strategy and governance are incredibly important and easy to take for granted. When governance is fit for purpose, you don't tend to notice it. When things are going well you can often get away with poor governance and with a strategy that doesn't need to lead you to make the best decisions for your mission. But that is exactly when they are worth attending to, because when times are not so good, that is when you really need strong governance and a strategy that makes the most of your resources. And when things are going badly, it can be much more difficult to put them in place.

I have seen the hard lessons from that from when I was a case officer at the Charity Commission at the start of my charity career. Often, when things had gone sufficiently off the rails to be a matter for the regulator, poor governance was at the heart of the problem. But good governance and an effective strategy aren't just about avoiding breakdowns, they are at the heart of what makes for an ambitious and effective organisation which maximises its potential for social good.

For foundations – who frequently have few of the checks and balances that come with the need to raise funds, or to deliver services – these are especially important issues. Foundations have highly motivated staff and trustees all of whom want to

achieve more and who can sometimes identify their own motivations with the needs of the organisation. A strong strategic and governance framework is therefore vital to clearly set out what the organisation is working towards and how decisions are made and recorded to achieve that, allowing trustees, staff and stakeholders the confidence to know that decisions serve the public benefit the charity is committed to deliver.

That's why I'm so pleased to see the conclusions of the Stronger Foundations working group on strategy and governance. I hope that all foundation staff and trustees reflect on the recommendations that have emerged from the group's discussions.

**A STRONG STRATEGIC AND GOVERNANCE FRAMEWORK IS VITAL TO CLEARLY SET OUT WHAT THE ORGANISATION IS WORKING TOWARDS AND HOW DECISIONS ARE MADE**

I am particularly struck by how the governance and strategies of stronger foundations recognise the wider context. Part of this is recognising the history of foundations, whether over many centuries for some of our older members or more recent years for newly founded organisation. We can make our own history, but we cannot – and should not – kid ourselves that what has gone before is not relevant or valuable to build on and to inform our choices now and into the future. And seeing governance and strategy as essential tools for enabling us to make effective use of all of the resources that we have at this moment in time is a central concern of this report.

The wider context is also important for how we engage with others. Good strategy and governance is not something to be hidden at trustee level and we should be open to discussing these with staff, stakeholders and those we ultimately seek to benefit. I am always conscious that I cannot necessarily identify our blind-spots, and being informed by a variety of perspectives is key to addressing that, including those whose experiences and viewpoints will be very different to my assumptions.

To enable that, it's important that foundations are transparent (to "show your working", as maths teachers used to say). Being clear about who trustees are, where your foundation's funding comes from and how you make decisions – these are all important to maintaining society's trust and confidence in foundations.

The content of the report is wide-ranging, covering organisational culture, good governance, mission, strategic planning, time as an asset, horizon-scanning and accountability. It draws upon regulation, academic theory and aims to support practical implementation. That said, there is only ever so much that a report can say, do, and achieve, and I thought it important to outline briefly a few things that this report is not...

**GOOD STRATEGY AND GOVERNANCE IS NOT SOMETHING TO BE HIDDEN AT TRUSTEE LEVEL AND WE SHOULD BE OPEN TO DISCUSSING THESE WITH STAFF, STAKEHOLDERS AND THOSE WE ULTIMATELY SEEK TO BENEFIT**

# IT IS NOT...

## ONE-SIZE-FITS-ALL

Pluralism is a strength of the foundation sector, and ACF is immensely proud to have a very broad range of members, from large international funders supporting scientific discovery, to small, regionally-focused family foundations committed to preserving precious local assets. The ways in which this report apply to individual organisations will vary on a case-by-case basis, and progress towards the pillars presented should not be constrained or advantaged by size, remit, source of income or geography.

# IT IS NOT...

## GUIDANCE ON COMPLIANCE

ACF's membership is based across the whole of the United Kingdom. Three charity regulators cover different parts of the UK, and each has its own guidance and rules for charities, including on their governance. In addition to the minimum standards required for compliance, there exists a substantial canon of good and best practice guidance for charities seeking to improve their practice, including on governance, impact and operations. The Charity Governance Code, devised in collaboration with the Charity Commission for England and Wales by charity sector umbrella bodies, and financially supported by charitable foundations, is an excellent tool for charities looking to enhance their governance practice.

This report, therefore, does not seek to duplicate what already exists for charities generally. Rather, based on the evidence gathered over the last 18 months, it sets out to highlight what foundations specifically are pursuing and demonstrating in respect of strategy and governance that we consider to be *stronger* practice.

## THE FINAL WORD

In publishing these emerging findings, we want to prompt a challenging and open conversation across the foundation sector, exploring the implications for all funders, regardless of factors such as size, asset base, focus or location. We consider the Stronger Foundations initiative to be in "permanent beta"; in that we expect it to be shaped, re-shaped, challenged and refined through a series of engagement events and longer-term development.

Within the Strategy and Governance working group there were points of disagreement. Like all Stronger Foundations working groups, they were tasked with bringing to the surface a range of viewpoints, not with reaching consensus. But what was clear is that for the majority of foundations, consideration of strategy and governance is at the forefront of their thinking and there is always room for improvement.

ACF's mission is to support foundations to be ambitious and effective in the way that they use their resources for social good. This means helping foundations learn and share, providing space and opportunity for foundations to debate and disagree, and continually raising the bar on what might be considered excellent practice. I sincerely hope this report, and those that follow in 2020 on other aspects of foundation practice, will play a vital role in guiding us collectively and collaboratively through this process of change.

Once you've had a chance to read the report, we want to hear from you; not only about what you think about its content, but how you'd like us all at ACF to help you in our joint endeavour to build stronger foundations for social good.

# STRATEGY AND GOVERNANCE:

# THE PILLARS OF STRONGER FOUNDATION PRACTICE

**1 HAS A DEEP UNDERSTANDING OF ITS VISION, MISSION AND VALUES AND ARTICULATES THEM PUBLICLY**

**2 CONTINUALLY STRENGTHENS ITS GOVERNANCE, INCLUDING ITS DIVERSITY**

**3 INFORMS ITS STRATEGY WITH DIVERSE PERSPECTIVES AND A RANGE OF EVIDENCE**

**4 DESIGNS ITS STRATEGY TO MAKE THE MOST OF ALL AVAILABLE RESOURCES, AND SUPPORTS GOOD GOVERNANCE IN THOSE IT FUNDS**

**5 RECOGNISES THE IMPORTANCE AND IMPLICATIONS OF TIME**

**6 IS AWARE OF THE EXTERNAL CONTEXT AND ITS ROLE IN THE WIDER ECOSYSTEM**

**7 IS ACCOUNTABLE, OPEN TO FEEDBACK AND RESPONSIVE TO CHALLENGE**

# A STRONGER FOUNDATION:

In relation to strategy and governance, a Stronger Foundation is one that can demonstrate or is pursuing the following “pillars of practice”. These have been developed by ACF and are based on the evidence gathered by the working group (including case studies of practice by foundations in the UK and elsewhere), the wider literature and the contributions of experts from beyond the foundation sector. Examples of each pillar exist in UK foundation practice.

The ways the pillars are interpreted and implemented will vary from one foundation to another, but we believe that all of them can be pursued, no matter what a foundation’s size, source of income, or area of focus. While some foundations may want to pursue all the pillars, others may want to start with one or two. What matters most is to start, and strive to do more.

The bullet points below each pillar in this summary indicate some of the ways that each one could be implemented in practice. These points are described in more detail in Part 1 of the report.

# 1

## HAS A DEEP UNDERSTANDING OF ITS VISION, MISSION AND VALUES AND ARTICULATES THEM PUBLICLY

- ▶ Knows why it exists, what it is trying to achieve and who the charity exists to serve
- ▶ Regularly reviews whether it has the right people involved to deliver its mission
- ▶ Has determined how it will behave and how it will measure its impact
- ▶ Periodically considers whether it still needs to exist and, if so, for how long

# 2

## CONTINUALLY STRENGTHENS ITS GOVERNANCE, INCLUDING ITS DIVERSITY

- ▶ Considers governance as a tool for delivering its mission, and a process that is evolutionary not fixed
- ▶ Pursues the Charity Governance Code
- ▶ Has a diverse trustee board and staff team, both in terms of demographics and experience

# 3

## INFORMS ITS STRATEGY WITH DIVERSE PERSPECTIVES AND A RANGE OF EVIDENCE

- ▶ Regularly considers who the charity seeks to benefit, and how these people, groups or communities are involved in strategy development and decision-making
- ▶ Produces and reviews strategies that will implement DEI practices

# 4

## DESIGNS ITS STRATEGY TO MAKE THE MOST OF ALL AVAILABLE RESOURCES, AND SUPPORTS GOOD GOVERNANCE IN THOSE IT FUNDS

- ▶ Has considered the whole toolbox available, including its funding, investments and voice, and has considered their utility in the context of its expertise, brand, geography and reputation
- ▶ Recognises the power it holds, and seeks to “build, share and wield” power to benefit the causes and communities the foundation supports
- ▶ Supports good governance practices in organisations it funds, and enables its own staff to gain governance experience

# 5

## RECOGNISES THE IMPORTANCE AND IMPLICATIONS OF TIME

- ▶ Develops strategy with short-, medium- and long-term time horizons
- ▶ Has considered time in the context of trustees and staff, both in terms of governance and institutional memory
- ▶ Takes account of the foundation's history, and considers both the legacy it seeks and its potential end game

# 6

## IS AWARE OF THE EXTERNAL CONTEXT AND ITS ROLE IN THE WIDER ECOSYSTEM

- ▶ Considers political, financial and social contexts in its strategic thinking
- ▶ Is conscious of its blind-spots, and is informed by a variety of perspectives, including those with lived experience
- ▶ Seeks to identify others already working on similar areas, thinks collaboratively, and considers how it can add value rather than duplicate

# 7

## IS ACCOUNTABLE, OPEN TO FEEDBACK AND RESPONSIVE TO CHALLENGE

- ▶ Encourages, enables and responds to challenge to its strategy
- ▶ Develops and sustains clear lines of accountability internally and externally
- ▶ Leans towards transparent practice whenever possible

# PART 1

## STRATEGY AND GOVERNANCE: THE PILLARS OF STRONGER FOUNDATION PRACTICE

# A STRONGER FOUNDATION HAS A DEEP UNDERSTANDING OF ITS VISION, MISSION AND VALUES AND ARTICULATES THEM PUBLICLY

Like all registered charities, foundations in the UK have charitable purposes, set out in their governing document, which they are required to pursue and report on annually. These purposes set out the parameters within which the foundation, as a charity, can operate for public benefit and maintain its right to hold charity status. A foundation's vision, mission and values go deeper than these regulatory requirements to an articulation of why it exists, what it is there to do, and how it behaves. The foundation's initial vision, mission and values are likely to be informed by its origin, source of income, proximity to its donor(s), geography and areas of interest. Over time, these will be subject to regular review, and may evolve or shift in other directions, often setting the tone for organisational culture.

A stronger foundation has a clear understanding of its vision, mission and values and, in doing so, creates a solid base on which to develop strategy and an operational plan. It knows why it exists, what it is trying to achieve and for whom (as a charity) it exists to serve. It asks whether it has the right people involved in its thinking and delivery, challenges itself to reconsider where it has drawn its ethical positions, has thought hard about how it will measure its impact, and (particularly for those operating on a perpetuity basis) reflects on whether it still needs to exist and, if so, for how much longer.

As was noted in ACF's [report on impact and learning](#), defining the breadth of the foundation's mission will go a long way towards shaping how the foundation operates and seeks impact. A tightly

defined mission may offer clarity, focus, and easier ways to measure progress, but it may be unduly restrictive, limit agility and reduce opportunities for adapting to new circumstances. Conversely, a broadly defined mission may allow greater flexibility, responsiveness and more exploratory working, but it may spread resources too thinly and make defining and measuring the foundation's impact harder.

A stronger foundation will have developed its mission based on a sound understanding of the context in which it operates and the causes it seeks to further (see Pillar 6). This includes making efforts to understand the realities of the people, issues and causes with which the foundation seeks to engage (see Pillars 2 and 3). It also includes an understanding of the foundation's time horizons (see Pillar 5), the tools it has available (Pillar 4) and its accountability to others (Pillar 7).

A stronger foundation will invest resources in the process of creating, embedding and reviewing its vision, mission and values, enabling all staff and trustees to play a role. Through regular review, the board and the executive will work together to ensure that the vision is a live animator, not letting it become submerged by process or business as usual. By engaging and supporting all staff and trustees in this way, a stronger foundation ensures everyone understands

and is committed to this approach, engaged in pursuing the charity's mission, and living the values. To achieve this, the relationship between the CEO and the Chair of trustees is fundamental, as the primary bridge between the board and the executive.

Stronger foundations are confident in their approach and comfortable to articulate it publicly. Many ACF members already state their visions, missions and values on their websites and annual reports. By being clear about what it is trying to achieve and how it intends to behave, a stronger foundation enables a better understanding of its work and sets a bar against which to judge its practice and progress.

## STRONGER FOUNDATIONS ARE CONFIDENT IN THEIR APPROACH AND COMFORTABLE TO ARTICULATE IT PUBLICLY

# 2

## A STRONGER FOUNDATION CONTINUALLY STRENGTHENS ITS GOVERNANCE, INCLUDING ITS DIVERSITY

Charitable foundations have incredibly varied origins and interests, and the ecosystem they comprise is intricate, vibrant and pluralist. Like the wider charity sector of which it is a part, foundations have a broad range of governance practices and structures, and there is no single model that is preferable or inherently stronger. Some are family-led, connected directly to the founder and are tasked with stewarding an endowment according to the original charitable objects. Some are corporate foundations, with a board tasked with administering a dividend or award from a company on an annual or multi-year basis. Others are fundraising foundations, including those whose income derives from public appeals,

or community foundations who have a specific geographical remit. Some are benevolent funds, established with the specific aim of supporting individuals facing financial difficulties or emergencies.

Good governance is both a legal requirement of all charities, including foundations, and an important tool to deliver strategy. In stronger foundations, governance is evolutionary, not fixed, and is continually reviewed and enhanced. This goes beyond compliance with the law and regulation, which is distinct between three jurisdictions of the United Kingdom's three charity regulators (for Northern Ireland see [here](#); for Scotland see [here](#); England and Wales see [here](#)).

In terms of stronger practice, in this report we do not wish to duplicate the excellent work that has been done over many years by charity governance experts. Rather, we commend the

[Charity Governance Code](#) to all foundations, and propose that stronger foundations are those that are pursuing and able to demonstrate the Code in its own practices across each of the seven domains identified:

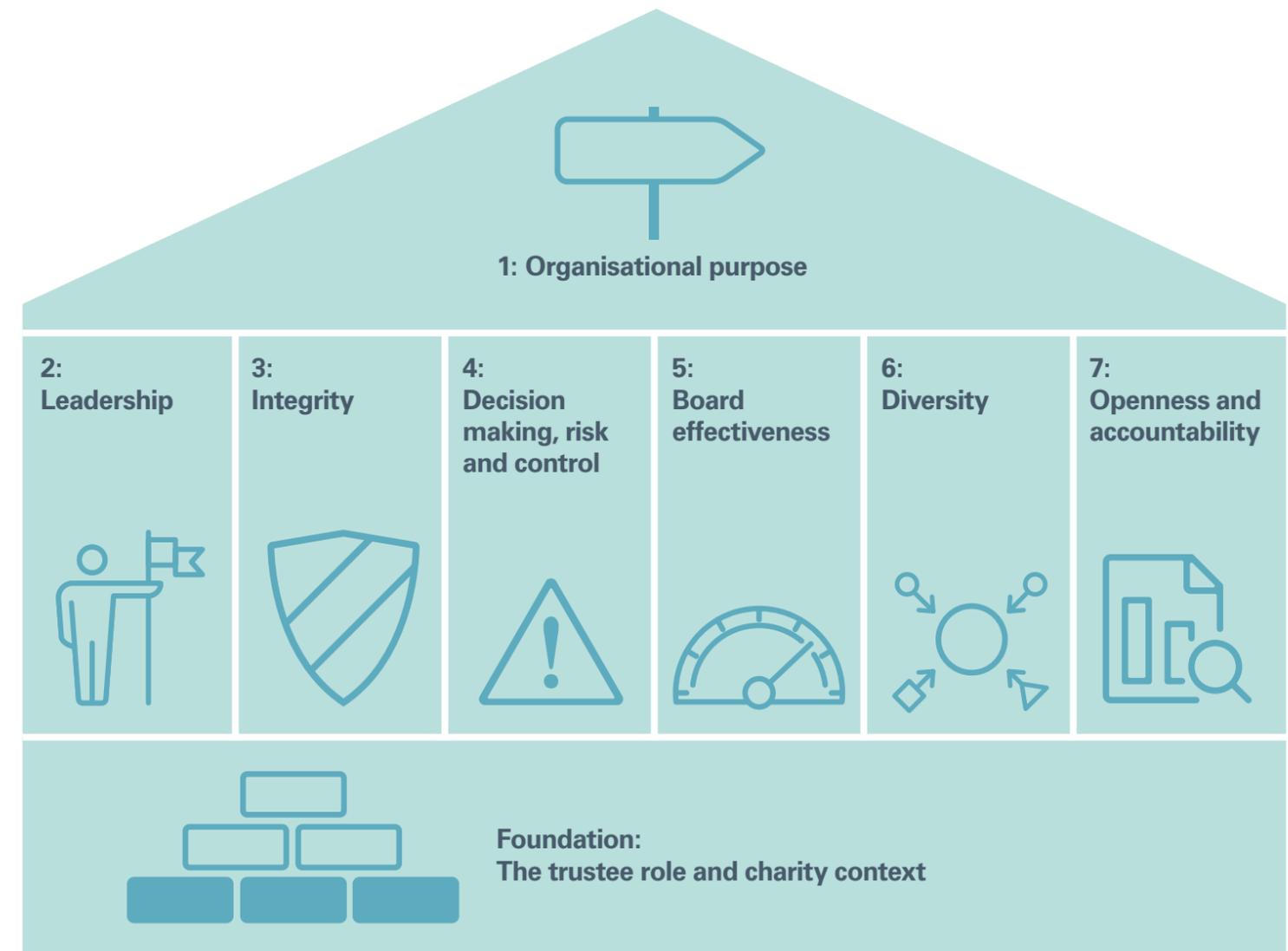


Image from the [Charity Governance Code](#)

This includes the key recommendation that:

**4.1 The board is clear that its main focus is on strategy, performance and assurance, rather than operational matters, and reflects this in what it delegates.**

As ACF's report on diversity, equity and inclusion highlighted, the section on diversity in the Charity Governance Code requires specific attention, and is the area where the foundation sector has the furthest to travel.

Who serves on a foundation board is clearly of crucial importance, given their legal, governance and decision making responsibilities, and the fact that the majority of foundations have few or no paid staff. The data on who comprises foundation boards shows that this is a part of the charity sector that is disproportionately homogenous in terms of race, gender and age – 99% white, two-thirds male, and only 3% under the age of 45. The preponderance of family-only boards may account for some of the variance, but nonetheless, the data are stark and action is required. While there is a growing recognition among foundations – both in theory and in practice – of the organisational and societal benefits of having boards that better reflect the communities with which they work, it is simply not visible in the data at present.

## AS A SECTOR, FOUNDATIONS CAN AND MUST DO BETTER IN TERMS OF BOARD DIVERSITY

The data do not challenge ACF's view that foundation boards are comprised of a highly-motivated, highly-skilled volunteer trustees with a deep passion for the aims of the organisations they serve. Nevertheless, as a sector, foundations can and must do better in terms of board diversity.

The way that individual foundations seek to become stronger on board diversity will vary, with specific considerations required to take account of charitable mission, governance structures and organisational priorities. Currently, the majority of foundation trustees are recruited informally via personal networks. Open recruitment is likely to result in a more

diverse board, but foundations that want to achieve a greater depth of diversity will also consider proactive efforts to reach a wider range of communities, such as working with those who offer specialist recruitment expertise.

**WHO SERVES ON A FOUNDATION BOARD IS CLEARLY OF CRUCIAL IMPORTANCE, GIVEN THEIR LEGAL, GOVERNANCE AND DECISION MAKING RESPONSIBILITIES, AND THE FACT THAT THE MAJORITY OF FOUNDATIONS HAVE FEW OR NO PAID STAFF**

Principle 6 of the Charity Governance Code states:

*“Diversity, in the widest sense, is essential for boards to stay informed and responsive and to navigate the fast-paced and complex changes facing the voluntary sector. Boards whose trustees have different backgrounds and experience are more likely to encourage debate and to make better decisions.*

*The term ‘diversity’ includes the nine protected characteristics of the Equality Act 2010 as well as different backgrounds, life experiences, career paths and diversity of thought. Boards should try to recruit people who think in different ways, as well as those who have different backgrounds.”*

The Charity Governance Code sets out a range of recommended practice on diversity:

### **Encouraging inclusive and accessible participation**

- ▶ *The board periodically takes part in training and/or reflection about diversity and understands its responsibilities in this area.*
- ▶ *The board makes a positive effort to remove, reduce or prevent obstacles to people being trustees, allocating budgets, where necessary, to achieve this within the charity’s available resources. This could include looking at:*
  - *the time, location and frequency of meetings*
  - *how papers and information are presented to the board, for example using digital technology*
  - *offering communications in formats such as audio and Braille*

- *paying reasonable expenses*
- *where and how trustee vacancies are publicised and the recruitment process.*

- ▶ *The chair regularly asks for feedback on how meetings can be made more accessible and how to create an environment where trustees can constructively challenge each other and all voices are equally heard.*

### **Recruiting diverse trustees**

- ▶ *The board sees diversity, in all its forms, as an integral part of its regular board reviews. The board recognises the value of a diverse board and has suitable diversity objectives.*
- ▶ *When deciding how to recruit trustees, the board thinks about how best to attract a diverse pool of candidates. It tries to achieve diversity in any trustee appointment panels.*

### **Monitoring and reporting on diversity**

- ▶ *Trustees ensure that there are plans in place to monitor and achieve the board’s diversity objectives.*
- ▶ *The board publishes an annual description of what it has done to address the diversity of the board and the charity’s leadership and its performance against its diversity objectives, with an explanation where they have not been met.*



# A STRONGER FOUNDATION INFORMS ITS STRATEGY WITH DIVERSE PERSPECTIVES AND A RANGE OF EVIDENCE

**A stronger foundation regularly considers who, as a charity, it seeks to benefit, and how these people, groups or causes are involved in strategy development, governance and decision-making.**

Stronger foundations also consider perspectives from other sectors (for example the business sector and public sector), academics, political commentators, think tanks, funded organisations, other foundations and infrastructure bodies. As the ACF report on impact and learning notes, engaging with a variety of perspectives, and different kinds of evidence, enables more informed decision-making and enhances the foundation’s impact in pursuit of its mission.

Being evidence-led means going beyond the usual sources, beyond the foundation sector, and outside the comfort zone. It will often challenge long-held views and question traditional ways of working. A stronger foundation will engage with this evidence, consider it carefully and is open-minded to working differently. It will also seek to apply the values it holds (see Pillar 1) in its approach to evidence gathering, and in determining what kind of evidence it most values

## BEING EVIDENCE-LED MEANS GOING BEYOND THE USUAL SOURCES, BEYOND THE FOUNDATION SECTOR, AND OUTSIDE THE COMFORT ZONE

(e.g. government quantitative data or anecdotal feedback from communities). It is also aware of its blind spots (see Pillar 6).

### ► EMBEDDING DIVERSITY, EQUITY AND INCLUSION (DEI)

Beyond the specific priority of board diversity, a stronger foundation is able to promote, deliver and represent diversity, equity and inclusion (DEI) in its wider practice. At the heart of this is a clear understanding of how a foundation defines and interprets DEI, and how this in turn informs the development and delivery of its strategy<sup>1</sup>. There is no single way to approach this, and the task is never complete. Stronger foundations continually strive to learn and constantly challenge themselves (and enable others to challenge them) to do more.

<sup>1</sup> As ACF’s report on [diversity, equity and inclusion](#) notes, a good place for a foundation to begin is to define DEI in its own context.

“Diversity” is defined broadly to include various elements of human difference, including gender, race and ethnicity, faith, sexual orientation, disability and class. Nuanced definitions of diversity also recognise the intersectional nature of identity and the complex and cumulative ways in which different forms of discrimination (based upon these attributes) combine, overlap, and intersect.

“Equity” involves the promotion of justice and equality of opportunity and outcomes within the procedures, processes and distribution of resources by institutions or systems. Tackling inequity requires an understanding of the underlying or root causes of disparities, both at the point of access and in terms of outcomes, within our society.

“Inclusion” refers to the degree to which diverse individuals are able to participate fully in all aspects of activity, including decision-making. While a truly ‘inclusive’ group is necessarily diverse, a ‘diverse’ group may or may not be ‘inclusive’

These definitions are based on the work of the D5 Coalition, a five-year initiative in the US to advance philanthropy’s approach to diversity, equity, and inclusion (adapted from Grantcraft [2018] ‘[From Words to Action: A practical philanthropic guide to diversity, equity and inclusion](#)’)

The ways in which DEI will be considered within a foundation's strategy will vary from one to another, but there are some core questions that all stronger foundations will ask themselves. These include:

- ▶ How do we enable diverse perspectives and voices to be heard, and how do they inform strategy development and implementation?
- ▶ How can we enhance the involvement of our communities of interest in this process?
- ▶ Do we know enough about the issues/communities/causes we are seeking to support, and have we asked them or been asked to help?
- ▶ Could we devolve decision-making (for example grant budgets) to those with direct experience of the communities or issues we care about?
- ▶ Are our processes and criteria (for example recruitment or funding) in keeping with our vision, mission and values, and do they enhance or act as barriers to achieving our strategy?

# FOR SOME FOUNDATIONS, DEI IS AN OVERT ASPECT OF ITS MISSION, AND CENTRAL TO ITS STRATEGY AND GOVERNANCE

For some foundations, DEI is an overt aspect of its mission, and central to its strategy and governance. For others, DEI may be a relatively new concept, and will either need to be overlaid into an existing strategy or be introduced into a new one. Most important is that this process is intentional and meaningful, and will eventually evolve to become a holistic and strategic approach across all aspects of the foundation:

*“For those foundations in pursuit of DEI goals, it is possible to achieve them without significantly changing their grantmaking strategies... Others have decided that a focus on equity will require an entirely new strategy... If foundations want to go beyond the rhetoric, they will need to seriously examine not only who they work with and how they work, but also what they choose to work on”*

Grantcraft (2018) 'From Words to Action: A practical philanthropic guide to diversity, equity and inclusion'

# A STRONGER FOUNDATION DESIGNS ITS STRATEGY TO MAKE THE MOST OF ALL AVAILABLE RESOURCES, AND SUPPORTS GOOD GOVERNANCE IN THOSE IT FUNDS

Given their independence and relative lack of direct accountability (see Pillar 7), the choices available to foundations in how they deliver their strategies are more comprehensive than for any other kind of organisation. A stronger foundation considers all the resources it has available – ‘the whole toolbox’ – and whether and how it intends to deploy these within its strategy and governance in pursuit of its mission.

## ► STRATEGIC POWER

A stronger foundation may not use all available tools at all times, but is intentional in its decision to use or not to use each one. At present, grant-making is perhaps the defining tool of the foundation sector and, for many foundations and in many situations, this will continue to be the most suitable and effective use of resources. Other funding tools include ‘funding plus’, investments<sup>2</sup> (for example the extent to which investment decisions are aligned to the mission of the foundation, or efforts to mitigate the climate crisis) and repayable finance.

As well as how to maximise the benefit derived from its spending power, primarily through grants, a stronger foundation might use its own voice, and amplify the voices of those they fund. They might highlight individual and aggregated experiences of grantees or communities of interest, undertake research into particular issues, or underwrite legal costs of strategic litigation. Foundations can also use their power to convene, gain access to the corridors of power, and create platforms for groups that are not usually heard or listened to. See Pillar 3 of ACF’s [report on impact and learning](#).

Every tool in the foundation toolbox has advantages and limitations, and will only be effective if used in the right way in the right context. For example, its public profile, track record, geography, staffing and reputation are all likely to have a role in considering how to deploy some tools and not others. Some tools also require expertise and legitimacy in order to use them well. Many of these other tools require different skills and resources to grant-making, and a stronger foundation will take this into account. Such challenges may be overcome by working alongside other foundations (see Pillar 7 of the [impact and learning report](#)).

Within a stronger foundation’s strategy, the strategic deployment of power – including sharing it with others – will be at the forefront. A stronger foundation recognises the power it holds and seeks to ‘build, share and wield’ it wherever possible. Foundations have significant power, derived principally from their financial clout and their independence, and the variety of ways that they can deploy it. The US-based National Committee for Responsive Philanthropy (NCRP)’s ‘Power Moves’ framework is a flexible self-assessment tool that provides a three-stage approach for how stronger foundations can “build, share and wield” their power with communities “with the least wealth, power and opportunity” to achieve a more equitable society and leave a lasting impact (NCRP [2018] [‘Power Moves’](#)).

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<sup>2</sup> ‘Investment’ is the subject of a future Stronger Foundations report, due to be published in mid-2020

## ▶ GOVERNANCE POWER

In addition to foundations' potential to be a bold and positive force for good in society, in terms of governance there are three principal ways that foundations can use their power.

**Firstly, they can share governance power.** For example by enabling people drawn from the foundation's communities of interest, or those with direct experience of the causes they care about, to become trustees or comprise expert advisory groups. They might also devolve funding decisions and designate responsibility to a group of local or cause-specific experts, people with lived experience of the issues, or community groups, who will make recommendations or decisions for funding.

**Secondly, they can build governance power in others.** As was highlighted in meeting 3 of the Strategy and Governance working group, there is a major governance challenge in the charity sector. Of the 168,000 registered charities in England and Wales, there are an estimated 90,000 trustee vacancies, and three quarters of charities find it difficult to recruit trustees. Research from [Getting On Board](#) found that only 14% of boards feel well-equipped to meet the needs of their organisation. The vast majority of charities are small, and have few or no paid staff, relying on unpaid volunteers. Charitable foundations are required to assess the governance and resilience of the charities they fund. Some stronger foundations might enable strengthened governance of grantees as part of their funding offer, either as an additional (purpose-specific) amount awarded within a grant to enable space, time and advice (e.g. for strategy or governance external experts) for trustees and senior managers to think, or through the provision of funding-plus support.

**Thirdly, they can encourage and enable their own staff to apply for trustee positions in other charities, particularly those that are small and grant-seeking.** This not only gives foundation staff exposure to the realities of fundraising and operations, but enhances their understanding and appreciation for good governance, improving their ability to undertake proportionate and effective due diligence. It is also likely to benefit the charities too in terms of appointing trustees with expertise in funding and a knowledge of the foundation landscape. Foundation staff should be cautious, however, of not embodying the 'coercive isomorphism' that some in the sector have identified, where charities are shaped and altered to act and resemble those with power (see [this blog](#) by ACF trustee, Fozia Irfan).

**SOME STRONGER FOUNDATIONS  
MIGHT ENABLE STRENGTHENED  
GOVERNANCE OF GRANTEES AS  
PART OF THEIR FUNDING OFFER**

# A STRONGER FOUNDATION RECOGNISES THE IMPORTANCE AND IMPLICATIONS OF TIME

For most foundations, time is one of their greatest assets. Many have been in existence for decades and even centuries, and have a long track-record and experience supporting civil society. Foundations' financial independence means they are usually able to take the long view, have great patience for achieving impact, and are not as directly affected by political or economic fluctuations as most other kinds of organisations.

## ► STRATEGIC TIMELINES

Many that are working on social justice, environmental issues and societal change are able to seek changes over many years, even generations, while those working on scientific discovery can think about long-term projects, from early concept to mainstream application. Those whose funding supports capital projects can see these through, from early design to the final brick.

Most foundations have flexible, long-term endowments, enabling trustees to accelerate spending when they wish to more readily meet the needs of people today, or take advantage of unexpected opportunities to achieve change. They

can also plan to preserve their assets for use in the future, ensuring that future generations are able to respond to new challenges and circumstances, some of which cannot be predicted now.

Time is likely to be viewed differently for the minority of other kinds of foundations, such as those that fundraise each year, corporate foundations receiving an annual budget, time-limited foundations or the small number with permanent endowments. However, whatever a foundation's specific context, nearly all will be in a position to consider short-, medium- and long-term implications within its strategy.

## ► HORIZON SCANNING

Horizon scanning is an important part of developing and implementing strategy, and the ability to do this well is a feature of a stronger foundation. In Meeting 7 of the Strategy and Governance working group, we heard from the Parliamentary Office of Science and Technology (POST) about its approach to horizon-scanning. While highly sophisticated and based on extensive evidence, its forecasts are generally constrained to the next one or two parliaments.

Stronger foundations, given their usually far longer time horizons, can

seek to model many of the principles demonstrated by POST – seeking a broad range of views, examining academic and grey literature, using data to follow societal trends, and ensuring its staff have expertise to interpret it all – while thinking longer-term, beyond the remit of national or political interests, and without the requirement to be ideologically neutral. They may also consider various responses to future scenarios, such as major market fluctuations, epidemics, or the impact of the climate crisis.

## ► TIME IN THE CONTEXT OF GOVERNANCE

A stronger foundation will also consider time in the context of governance and staff teams, and the importance of retaining institutional memory, while not being beholden to the past. There are advantages and disadvantages to foundations that many of them have boards that include trustees who have served for longer than the nine years that the Charity Governance Code suggests is usual. Terms longer than this, the Code states at 5.7.4, should be “subject to a particularly rigorous review, takes into account the need for progressive refreshing of the board [and is] explained in the trustees' annual report”.

On the one hand, long-serving trustees can take the long view and see it through, maintain institutional memory to avoid replicating mistakes and learn from failure and success, reduce duplication, consider inter-generational implications, and (particularly for family member trustees) contribute a personal and familial passion for the foundation's reputation and its causes of interest. It can also avoid the risk of a 'not on my watch' attitude that sometimes reduces appetite for risk-taking on boards with time-limited trustees, which can affect also investment decisions.

On the other hand, there is a risk to any charity that a board of trustees who have all served very long terms may lead to stasis, groupthink, lack of momentum, complacency and, as a result, reduce the effectiveness and impact.

For many stronger foundations that involve family trustees, they have introduced a blended approach, where boards are comprised of a mix of long-serving family trustees alongside a significant group, equal number, or majority of non-family trustees who serve for a fixed term.

## ▶ HISTORY AND LEGACY

A stronger foundation takes account of its history, but is not beholden to it, and does not resist change simply on the basis of having always worked in a particular way. Some foundations can become stymied by uncertainty about what a long-since deceased founder may have wanted or how their wishes might be interpreted in a modern context. Some may have been established to pursue causes that are no longer considered necessary or relevant. There may be concerns expressed internally or externally about the source of a foundation's money that have come to the surface due to shifts in social attitudes or changes to laws (see for example the [literature](#) around 'decolonisation of philanthropy').

A stronger foundation considers all of this in its strategic thinking, and also thinks deeply about its longer-term legacy:

- ▶ What does it want its lasting contribution to be?
- ▶ Has it considered the origins of its wealth and whether there is a need for healing or reparation?
- ▶ If the priorities of the past are no longer as relevant, how might it shift its focus to meet the needs of the present and future?

## ▶ CONSIDERING THE END GAME

A small number of foundations are established with a finite timeline (for example as a legacy for a major sporting event, a government-funded initiative, or for as long as the founder lives) or operate in perpetuity (a 'permanent endowment') due to a requirement by law. The vast majority operate with indefinite timelines, with total flexibility about the rate at which they spend their endowment, because they have an endowment that is not permanent, they receive an annual or multi-year income from a business, or because they rely on a year-to-year fundraising programme.

Within this majority with flexible lifespans, stronger foundations will periodically review whether they still need to exist and, if so, for how long. It may be highly unlikely for some that they will ever achieve their mission or that their vision will be realised (for example a world without poverty, or access to the arts for all). But reviewing their relevance, and society's need for their existence, is a healthy exercise that can highlight what needs more focus or less attention. It may also prompt discussions about rate of spending, for example whether the endowment should be eroded to supplement income in any given year

to meet rising needs or make the most of an opportunity.

The climate crisis is also driving many foundations to consider the very basis of a perpetuity model, given the scientific evidence that without significant change of course they are 'funding on a finite planet' (which was the title of ACF's 2019 conference – the opening speech by ACF's CEO, Carol Mack, is [here](#)). Some may decide the most appropriate response is to accelerate spending to mitigate climate change and cut emissions, while others might take the view that there will be a need to help deal with implications of net zero society/adapt to impacts of climate change that has already happened. What matters is that these decisions are intentional.



# A STRONGER FOUNDATION IS AWARE OF THE EXTERNAL CONTEXT AND ITS ROLE IN THE WIDER ECOSYSTEM

As discussed in Pillar 5, foundations can take the long view and be agile in responding to emerging opportunities. They are, in this sense, able to both ‘stick’ and ‘twist’, pursuing long-term objectives while pivoting to best meet the needs of today.

In order to maximise this key asset, be alert to opportunities and risks, and able to maximise their impact, a stronger foundation is alive to the political, financial and social contexts in which it operates, and plans its strategy accordingly.

Undertaking a PESTLE analysis is a good place to start. This incorporates the following dimensions into strategic planning:

- ▶ Political (e.g. local, national or international political shifts and policies)
- ▶ Economic (e.g. investment markets, the local economy, and workforce issues)
- ▶ Social (e.g. societal and demographic shifts/trends, media attention, public opinion, reputations)
- ▶ Technological (e.g. the use of digital tools in operations, digital literacy in the community, and issues related to cyber security)
- ▶ Legal (e.g. the operating environment for foundations, legislation affecting charities, and the implications of Brexit)
- ▶ Environmental (e.g. issues related to the climate crisis, supply chains, carbon footprint)

Foundations will interpret their relationships to these domains in different ways, but all foundations are likely to be affected by them.

## ▶ BLIND SPOTS

Foundations, given their contexts, areas of interest and varying capacity, are (like any organisation) vulnerable to their blind spots. Even the largest foundations can’t predict the events, trends and turbulences that are likely to enhance, accelerate, stymie or block their strategies.

Stronger foundations, therefore, are likely to be those who are conscious of their blind spots and are proactive in seeking to minimise them. This includes ensuring that a variety of voices and evidence are heard as part of strategy reviews, and is another reason that they value a diversity of experience and expertise on their board and governance practices.

**STRONGER FOUNDATIONS ARE LIKELY TO BE THOSE WHO ARE CONSCIOUS OF THEIR BLIND SPOTS AND ARE PROACTIVE IN SEEKING TO MINIMISE THEM**

## ▶ LIVED EXPERIENCE

Foundations that regularly ensure they hear from and respond to the views of people with lived experience of the issues they care about, will be better informed and more alive to emerging threats and opportunities. During the Stronger Foundations working group sessions, we heard from a number of organisations that place lived experience at the heart of their own way of working and as a core part of their offer to others (for example Prison Reform Trust and Peer Power). These organisations are among those leading the way in demonstrating how the involvement of lived experience in service design and delivery can enhance effectiveness and achieve greater impact.

Incorporating lived experience into decision-making and feedback is hugely beneficial but, as the research below highlights, this must be done well and avoid tokenism or detriment to those asked to offer insights from their expertise.

## Lessons for funders from the Lived Experience Movement

The Lived Experience Movement's 2019 report 'Lived Experience Leadership: Rebooting the DNA of Leadership' (written by Baljeet Sandhu) was based on interviews with 30 Lived Experience Leaders, who are defined as 'change-makers, innovators and leaders who have activated their lived expertise to inform, shape and lead their social purpose work (often in combination with their learned and practice experience) to directly benefit the communities they share those experiences with'.

It found that, where funders were taking account of lived experience or funding projects that incorporated a lived experience dimension, they were doing so in a way that was tokenistic, in that it missed opportunities for this to be meaningful and impactful. In some of these instances this had a negative impact, for example by not financially valuing the lived experience, or by funding organisations that were not genuinely in touch with the issues and communities of interest and therefore were unable to deliver.

For example, there were:

*'Ongoing requests and demands for their time made by larger organisations, private sector organisations, funders, and public sector leads, without any offers of support or resources in return'.*

As one interviewee noted:

*'Hearing "can I pick your brains" time and time again...it's a lot of weight and pressure and it can feel like you're carrying a flag for your entire community.'*

Another noted that some funders request time and expertise, but do not compensate people with lived experience in the way they would expect to do for corporate consultants:

*'My biggest challenge is not being recognised or valued financially for the expertise and knowledge that I bring... The cause might be good but quite often it's people with wealth and resources who call me to go somewhere to help them develop whatever it may be that they are developing.'*

Another reflected that foundations don't always select the most effective or best informed organisations, but those with the most capacity to put together an attractive funding bid:

*'Funders are ploughing in money on a daily basis to organisations who don't understand the problems they're trying to tackle...They spend the first part of the project trying to figure it all out and by the time of delivery little has really been discovered.'*

[www.lexmovement.org](http://www.lexmovement.org)

## ► COLLABORATIVE THINKING

To enhance their 'PESTLE' analysis and awareness of blind spots, stronger foundations seek to identify others already working on similar areas, think collaboratively, and consider how they can add value rather than duplicate.

**Data platforms:** In recent years, several platforms have emerged that have substantially enhanced foundations' ability to identify other funders working on issues they care about or in locations they have an interest in. These platforms can also be used to identify funding cold spots, both thematically and geographically. The most significant of these is 360Giving and its GrantNav tool, which enables anyone without charge to search 360,000 grants from 128 grant-makers (both charitable and statutory) to more than 200,000 grant recipients. The 360Giving [Insights](#) tool enables grants data to be presented in a range of formats, from charts and tables to heatmaps.

**Funding networks:** There are a variety of active funding networks available to foundations to enable collaboration, peer learning, match-funding, and collective action. These include the [ACF member networks](#) (which are both thematic and

operational in focus, e.g. international funders, criminal justice or corporate foundations), regional networks (e.g. London Funders, Scottish Grant-makers, Yorkshire Funders Forum), and international networks (e.g. European Foundation Centre). All of these involve foundations of across a wide range of size and remit. There are others, such as the Finance, investment, resources management (FIRM) Network and the [Social Impact Investors Group](#), both convened by ACF to support finance directors of large foundations and social investment leads respectively.

**Pooled and aligned funding:** Increasingly, foundations are seeking to work together through joint funding initiatives. Many of these are pooled funds (where money from a group of foundations is shared in a joint pot managed by a third party or nominated lead funder) or aligned funding (where a group of funders each supports grants on their own terms but as part of a joint endeavour). There are many examples of funder collaborations with government or statutory entities, often through matched or pooled funds. There has more recently been an emergence of innovative agreements between funders and government, like the [Social Bridging Finance](#) model from Scotland, which aims to ensure the long-term sustainability of successful service delivery pilots.

**Making use of autonomy, while also trying to be more alike:** For some foundations, there may be value in undertaking a ‘competitor analysis’ to gain a better understanding of how its peers and possible collaborators work, how effective its own niche is and how it might be strengthened. Research from the Community Foundation Tyne & Wear and Northumberland’s ‘10-year Third Sector Trends’ programme (published in 2020) found that gathering intelligence about the wider ecosystem is vital to ensure that foundations also make use of their autonomy, as the author Professor Tony Chapman says:

*“While foundations cherish their autonomy, they do not make choices in isolation because they take their responsibilities to society seriously. They keep their eyes open to see how other foundations are working, where they are giving, what they hope to achieve and how they assess whether valuable achievements are produced. And they talk to each other, sometimes informally and discretely, sometimes formally – to help them make tough decisions on what to back and what to dismiss.*”

*“By keeping the ties loose, relationships are stronger. This is because autonomy is important to foundations. And it is not surprising that they want to protect that autonomy given that they are in a stronger position in this respect than many organisations in the private or public sectors.”*

The research found that in some cases “trusts and foundations achieve more by retaining their autonomy. While partnership and co-production can work well...funders rarely contemplate pooling money” and the report concludes that ‘good-neighbourly’, ‘cooperative’ and ‘complementary’ behaviour among funders likely benefits the sector more.

Yet as Bradford Smith, President of the Foundation Center, noted in Meeting 2 of the Strategy and Governance group:

*“Instead of foundations asking ‘how can we use our resources to be unique and make a unique contribution?’ they should ask ‘how can we be more alike, use our resources to make a difference, or add value?’”.*

**FOR SOME FOUNDATIONS, THERE MAY BE VALUE IN UNDERTAKING A ‘COMPETITOR ANALYSIS’ TO GAIN A BETTER UNDERSTANDING OF HOW ITS PEERS AND POSSIBLE COLLABORATORS WORK, HOW EFFECTIVE ITS OWN NICHE IS AND HOW IT MIGHT BE STRENGTHENED**

# A STRONGER FOUNDATION IS ACCOUNTABLE, OPEN TO FEEDBACK AND RESPONSIVE TO CHALLENGE

For most foundations, independence is a key asset. They are not constrained by the same scrutiny or pressures that most other kinds of organisations are subject to – for example the preferences and choices of customers, the votes of shareholders, the ideology of government or a democratic mandate. This freedom can be liberating and empowering – enabling foundations to back unpopular causes, test new ideas, take risks, resist popular opinion, be evidence-led, and stay the course. It can also be their Achilles’ heel – their independence can make foundations seem detached, privileged, aloof and elitist. A lack of challenge or critique can lead to complacency, and a squandering of their precious resources.

## ▶ ACCOUNTABILITY BEYOND COMPLIANCE

A relatively small number of foundations, primarily those who undertake public fundraising or who are connected to a corporation, are subject to direct lines of accountability that are akin to those of a public body or company. Yet for many foundations asking the question “to whom are we accountable?”, the answer may well be “nobody”. Beyond regulatory compliance – for example the requirement as UK charities to report annually on activities and finances to the charity regulator (and, for many, Companies House) – the majority of foundations are not required or pressurised to justify their choices, behaviours, governance, staffing, operations or investments to any external audiences.

In Meeting 4 of the working group, it was suggested that lack of accountability should be viewed as an asset rather than a limitation, if this were accompanied by transparent practice, demonstrable impact, and responsiveness to critique and challenge. Another view was that a stronger foundation should be its own ‘harshest critic’ and, as part of its organisational culture, seek to consciously and regularly challenge itself, with the board playing an active role in this. The independence enjoyed by many foundations may also be a driver for risk-taking, backing high-risk but potentially high-impact projects that government or business could not justify supporting, and supporting unpopular causes that others subject to more scrutiny or public pressure could not.

## ▶ STAKEHOLDER FEEDBACK

It is essential therefore that stronger foundations make efforts to enable feedback on their practices. They should encourage, facilitate and respond to criticism, and allow feedback to be offered in ways that are anonymised and do not compromise those offering it.

**On an ongoing basis**, stronger foundations will seek out a variety of views from stakeholders, from

unsuccessful applicants to long-term grantees, other funders and partners in the public and private sector. They should consider whether, given their freedoms and independence, they are taking enough risks and using all the tools available to them (see ACF’s [report on impact and learning](#)). [GrantAdvisor UK](#) enables foundations to be reviewed anonymously by applicants and grantees, and gives them the opportunity to respond to praise or criticism, in a public forum.

**To inform a strategic review**, stronger foundations are likely to consult widely and enable stakeholders to feed in views that will be listened to and taken into account. They are also likely to publish a summary of the views received, and a statement on how the foundation has responded to criticism, or why it chose not to.

**On an annual basis**, stronger foundations will seek more formal feedback from stakeholders. There are many approaches to this, from digital surveys that can be designed in-house, to more in-depth commissioned research. An example of the latter is the [Center for Effective Philanthropy’s](#) grantee perception reports, which provide in-depth analysis of a foundation’s operations and behaviours and benchmark these against other foundations.

## ▶ TRANSPARENT PRACTICE

Stronger foundations are confident in their decision-making and able to tell their story, even if aspects of their mission or approach may be contrary to popular or political views. Being transparent enables greater clarity for those seeking funding, and openness can facilitate natural lines of accountability, routes to challenge and, in turn, improves practice.

Foundations can be transparent in a range of ways, (as the forthcoming Stronger Foundations report on transparency and engagement will set out in more detail) including:

**Vision, mission and values:** As described in Pillar 1, stronger foundations have a deep understanding of their vision, mission and values, and share these on their website and in other materials.

**Strategy:** It is helpful for demonstrating the foundation's aims, priorities and for establishing lines of accountability to share strategies externally. Many stronger foundations already do this, alongside mechanisms for ongoing stakeholder feedback.

**Governance:** While all foundations, as charities, are required to list their trustees in their accounts and with their charity regulators, stronger foundations also publish information about their trustees on their website. They are also likely to provide information about how the board is comprised, how new trustees are recruited, and on what basis they serve (e.g. for how long). Those at the forefront of DEI practice are also likely to publish rolling information about board and staff demographics.

**Funding decisions:** Ensuring that grants are made available on an open data basis enables participation in public platforms such as 360Giving. This can help improve applicant understanding, enable higher quality research about foundation practice and trends, support other funders and government to identify cold spots, and support foundations to analyse their own practices. It is already possible to screen out funding that is sensitive or where transparency would put people or communities at risk (e.g. certain kinds of human rights funding, or domestic violence shelters).

**Investments:** There is increasing interest and scrutiny about how foundations invest their money, and the origins of foundations' wealth. Stronger foundations are likely to provide information about their investment mandate, and their approach to ethical investment (including negative screening, Environmental, Social and Governance (ESG) considerations, and social investment) (see also ACF's forthcoming reports on transparency and engagement, and investing).

**Learning from failure:** ACF's [report on 'Impact and Learning'](#) (February 2020), noted that 'a stronger foundation learns from failure'. Failure is a contested term, and some might argue there is no such thing as failure, only opportunities to learn or ideas for taking action. Leadership, and the organisational culture it enables, has a vital role to play in opening space to talk about failure. Staff should feel confident and supported that they can talk about their work honestly and openly, and a stronger foundation has a culture that does not attribute blame but seeks to learn and takes action to improve, puts learning at the centre of its analysis.

Talking externally about failure can bring a variety of challenges, but is a worthwhile pursuit, and a stronger foundation shares its learning from failure with others. Doing so creates an environment that facilitates learning and sharing of best practice. In turn, focusing on continual improvement changes the narrative from one of failure to one of hope and action.

**STRONGER FOUNDATIONS ARE CONFIDENT IN THEIR DECISION-MAKING AND ABLE TO TELL THEIR STORY, EVEN IF ASPECTS OF THEIR MISSION OR APPROACH MAY BE UNPOPULAR**

# PART 2

## RAPPORTEUR'S REPORT OF THE STRATEGY AND GOVERNANCE WORKING GROUP

*An introduction by Jo Wells and Steph Taylor, joint chairs of the Strategy and Governance working group*

It is hard to do justice to the breadth of discussions held within the Strategy and Governance working group – those two areas being both inherently wide-ranging whilst also touching upon so many themes such as diversity, transparency

or intentional investing covered by other ACF Stronger Foundations' working groups. Nearly all the members of the group were speaking both as staff or trustees of ACF members, but also as trustees of other funders and operational charities, bringing a rich and broad experience and insight. And some clear themes that we felt should be an essential part of a foundation's strategic thinking and governance emerged.

Firstly, there was a challenge in relation to level of ambition and intentionality. That a greater sense of ambition vis a vis mission and wider consideration of all the available tools for foundations to deploy beyond grant-making, could free up thinking, and enable greater collaboration and alignment with others working in connected areas – this wasn't to suggest that foundations should lose essential humility but that real clarity of purpose and vision over longer-time horizons, utilising the independence so many of us have, was a huge and perhaps under-utilised strength.

Secondly, the place of a foundation in relation to the context (local, national, global) it situates its work in, in a fast and rapidly changing world was key. This requires boards to continually reflect on their relevance and harvest the rich and varied knowledge that exists outside our organisations, not ignoring bigger issues like climate and Artificial Intelligence (AI) that often feel outside of scope. Ensuring that there was the space within governance and strategy to reflect on the significance of these and other issues arose as a core part of our responsibilities and of intentional decision-making.

Thirdly, many questions were raised in relation to power: where does power lie both within a foundation itself but also in terms of its relationships with those it funds and crucially those it ultimately

seeks to serve. How do the answers to those questions play out in strategic decision-making, who gets to inform decisions and the extent to which those with responsibility for governance and strategy actually listen to others to inform their perspectives both inside and outside the sector? How do we value lived experience in our work, and how does the lack of diversity on boards in the foundation sector at present, limit our understanding of the impact we have on others?

None of these questions has a simple answer or a one size fits all approach, but what was clear from our discussions is that if foundations aren't engaging with these and other issues covered by this report, then our potential for true and sustained impact will be limited. One of the over-arching observations of the group was that the extent to which these questions and others are grappled with comes down in large part of the culture of an organisation and those who govern it – a culture of conscious challenge including enabling others outside to provide constructive feedback – alongside clarity of mission and values, is the balance that good governance and strategy must seek to find.

# MEETING 1

# INTRODUCTION

At this first meeting, the group explored the many ways that strategy and governance can be interpreted in a foundation context. Charity governance has been an issue in the spotlight in recent years. Many foundations are increasing their efforts to strengthen the resilience of the boards of charities they fund, and considering how their own governance structures can deliver best practice and demonstrate their missions.

The foundation sector is comprised of charities and other grant-makers with a huge variety of governance structures. These include boards mostly or entirely comprised of members of a founder's family, staff from the private corporation that resources the foundation, and others with significant representation from the communities they serve.

**MANY FOUNDATIONS ARE INCREASING THEIR EFFORTS TO STRENGTHEN THE RESILIENCE OF THE BOARDS OF CHARITIES THEY FUND, AND CONSIDERING HOW THEIR OWN GOVERNANCE STRUCTURES CAN DELIVER BEST PRACTICE AND DEMONSTRATE THEIR MISSIONS**



Working group members consider what strategy and governance mean to them

When thinking about governance, the group highlighted the importance of regulatory compliance, having a blend of key skills and diversity, the relationship to the staff team, the role of power, investment decisions, and the setting of strategy. The group considered how strategy can be both informed by the governance of the foundation, and determine how the board is recruited, comprised and operated. Its strategy can be a way to communicate the foundation's mission and set out its goals, as well as provide a mechanism for the foundation to be held to account. It can enable a foundation to be proactive, as well as be better prepared for responsive action.

Two priority aspects of strategy and governance that emerged from the first meeting were accountability and timelines. It was recognised that, for many foundations, their lack of traditional accountability (e.g. to customers, shareholders, government, democracy) was both a strength and a potential weakness, and that this should be explored in future sessions. Likewise, the importance of time, and the ability of foundations to work beyond political or market cycles, is an asset that should be explored further.

# MEETING 2

## STICK OR TWIST?

**The group's second session looked at the merits and limitations of long-term strategies. For how long should a foundation pursue a long-term strategy? How can it identify that it might be the right time to stop or change course? How can it remain agile and open to unexpected opportunities?**

Bradford K Smith, President of the US-based Foundation Center, joined via video link to share his observations of how foundation strategies have played out in the USA. Brad recently wrote a provocative piece about how conservative foundations have had a significant impact in the USA by providing long-term unrestricted funding for organisations that share their beliefs; their efforts culminated in the appointment

of Brett Kavanaugh as a Supreme Court Judge, whose influence could shape US society for decades to come (see here for more analysis of this [here](#)). Bradford also posited that collaboration is hindered by foundations sticking rigidly to their strategies, and that they should aim to ask how they can be more alike, rather than how can they make a unique contribution.

Sparked by Bradford's input, the group had a lively discussion about the impact of the individual leaders, the importance of legacy, and whether foundations should be more ideological in developing and delivering their strategies. They should also give specific consideration to planning for the long- and short-term, and develop a strategy that encompasses both consistency and flexibility.



Members of the working group discuss what strategy and governance mean to them

The group identified a range of advantages for foundations and those they fund to taking a long-term strategy, such as developing expertise, learning from mistakes, and fostering meaningful collaboration. But there were also limitations and pressures for short-term planning, including the need (both regulatory and reputational) to demonstrate impact, the turnover of staff and trustees, and the risks of sticking with a plan in the face of mounting evidence that it isn't working.

Ultimately, the group noted that one of the foundation model's greatest assets is its ability to both "stick" and "twist" – to take the long view, supersede political and economic turbulence, invest in riskier 'long-shots' and to be live to emergent opportunities, flexible in delivery, responsive to critique and ready to change.

# MEETING 3

## WHAT COMES FIRST, STRATEGY OR GOVERNANCE?



Jo Wells and Steph Taylor, the working group's joint chairs

This meeting considered the question 'Does strategy lead your governance or does your governance lead your strategy?'

Penny Wilson, CEO of Getting on Board, shared her perspective with the group. Penny presented trends and issues on governance, for example the limitations of recruitment platforms and the possible misguided approach to trustee skills, before directly addressing the question framing the session. With regards to the question "What comes first, strategy or governance?", Penny put forward her view that strategy comes first, and that governance is an effective tool to support and implement that strategy.

Penny posed a series of questions to the group, including:

- ▶ Are you comfortable that you have the right expertise on your board?
- ▶ Is it ok for foundations to be different cases?
- ▶ Is there a role for foundations to strengthen governance in the wider sector?
- ▶ What are the best ways for foundations to support grantees with governance challenges?
- ▶ Is it ok for foundations to advocate open trustee recruitment for their grantees if they are not practising it themselves?

Penny's presentation resonated with many, and several other issues came to light in the ensuing discussion. The group identified that board culture, internal power dynamics, and the balance between strategy and compliance at board meetings were all issues that influenced how foundations approached their strategy and governance.

Having teased out some of the issues, group members were given time to explore their own foundation's governance practices, through visual representations. The group then shared their creations, which ranged from boxes surrounded by arrows to a centipede upon a leaf.

Looking more specifically at different foundation contexts, the group considered the influence of the proximity of the source of the foundation's income to the direction of the foundation from the perspectives of family, corporate and publicly-funded foundations. Emergent themes included the need to evolve over time, the impact of proximity or distance between the foundation and the founder or donor, and the importance of establishing a clear vision, mission and values in guiding the foundation. Members highlighted the varying levels of accountability, choice and decision-making within different kinds of foundations.

**BOARD CULTURE, INTERNAL POWER DYNAMICS, AND THE BALANCE BETWEEN STRATEGY AND COMPLIANCE AT BOARD MEETINGS WERE ALL ISSUES THAT INFLUENCED HOW FOUNDATIONS APPROACHED THEIR STRATEGY AND GOVERNANCE**

# MEETING 4

# ACCOUNTABILITY BEYOND COMPLIANCE



The fourth meeting considered the topic of 'accountability beyond compliance'. Accountability has been a key point of discussion in several of the working groups and emerged as a cross-cutting theme.

To start the meeting, the group considered the broad question "what does accountability mean to you"? There were many and varied responses to this question but overall responses clustered around the concepts of legitimacy, transparency and being answerable.

Through the course of the meeting, the group considered a range of questions:

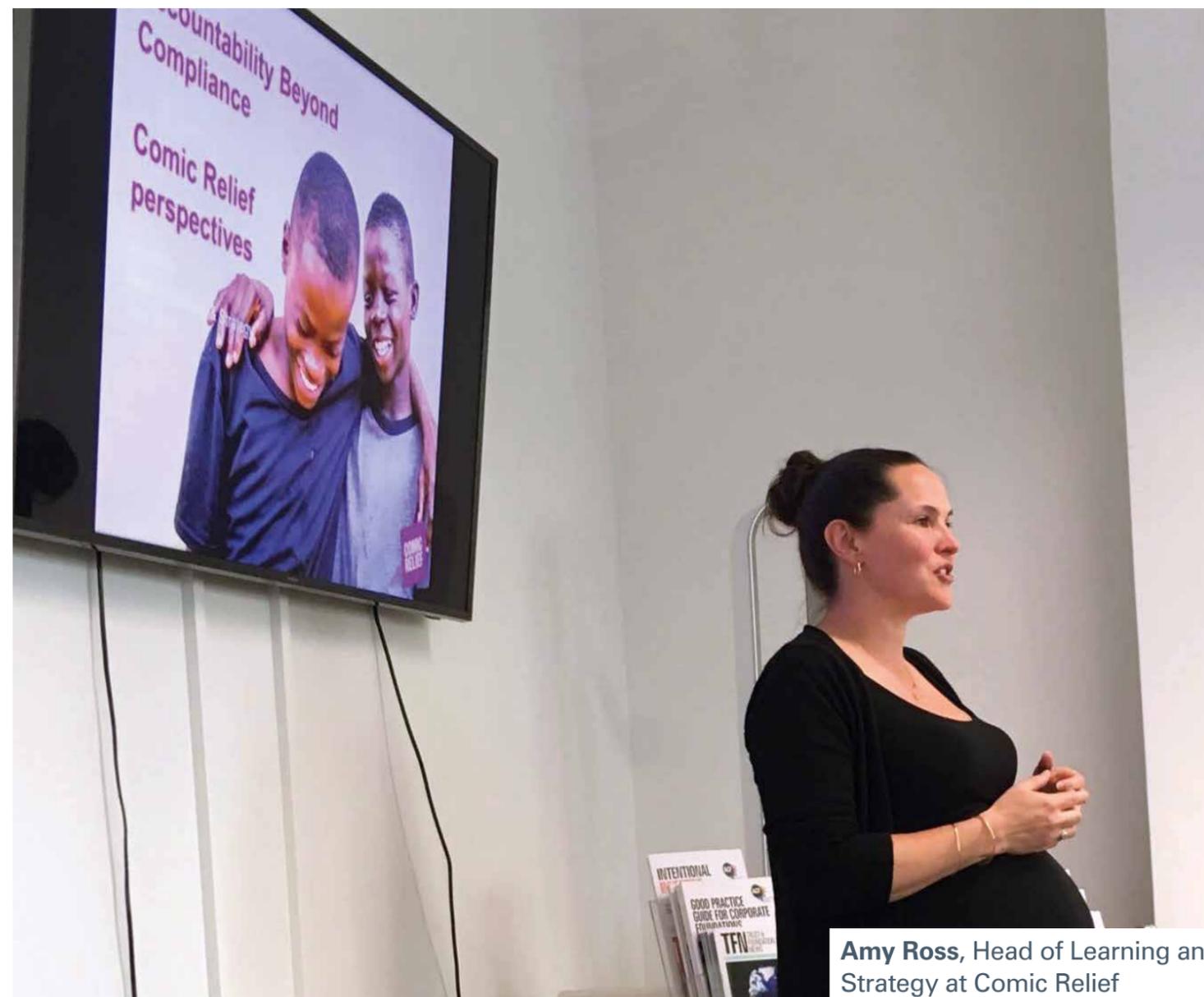
- ▶ Are there different lines of/demands for accountability for different types of foundation?
- ▶ What should you be doing beyond legal compliance? Is there a moral imperative?
- ▶ Does your sense of accountability to these different stakeholders impact upon your foundation behaviour?
- ▶ What, if anything, does accountability mean to your various stakeholders?
- ▶ What are the benefits of being accountable?
- ▶ Is it a good thing for foundations to lack accountability?

In considering these questions the group made some reflections. Some felt there is a moral imperative to be accountable, and that we are accountable to anyone who is interested in or has an interest in what we do. It was suggested that foundations should be their own 'harshest critic' as a starting point (though it is likely to require a change in mindset or culture to achieve it). Others felt that transparency is important (e.g. in justifying decisions), and that demonstrating impact is an important aspect of demonstrating accountability.

**FOUNDATIONS SHOULD BE THEIR OWN 'HARSHEST CRITIC' AS A STARTING POINT (THOUGH IT IS LIKELY TO REQUIRE A CHANGE IN MINDSET OR CULTURE TO ACHIEVE IT)**

# MEETING 4

**WELLCOME TRUST HAD UNDERTAKEN A REVIEW OF ITS ACCOUNTABILITY, AND FOUND THAT IN SIMPLE TERMS IT WAS ACCOUNTABLE TO NO SPECIFIC GROUPS, BUT RATHER TO SOCIETY AS A WHOLE**



**Amy Ross**, Head of Learning and Strategy at Comic Relief

Amy Ross, Head of Learning and Strategy at Comic Relief, and Mark Henderson, Director of Communications at the Wellcome Trust, gave interesting and different perspectives on accountability. Comic Relief, as a fundraising foundation receiving income from the general public and with a high public profile, has multiple lines of accountability – and has a clear requirement to report on impact to a range of key audiences. Considerations of these different stakeholders and donors was a central driver in strategic thinking and in decisions that were made about funding priorities.

Wellcome Trust, conversely, had undertaken a review of its accountability, and found that in simple terms it was accountable to no specific groups, but rather to society as a whole. This had led the Trust to a view that it should take more risks in its grant making, in order to demonstrate how it was making the most of its independence and utilising its lack of accountability to achieve positive impact. As Mark Henderson notes, we should “embrace the limited accountability of foundations not as a bug, but as a feature. We should feel obliged to make active use of the independence it affords us as a tool for creating public benefit” (see [this blog](#) for more details).

# MEETING 5

## THE EXTERNAL CONTEXT

the expertise of leaders with direct, first-hand experience (past or present) of social issues and/or injustices (see [www.lexmovement.org](http://www.lexmovement.org)).

While the Prison Reform Trust and Kilfinan Trust are very different in terms of their communities of interest, scale and geographical reach, both speakers emphasised the importance of working in partnership, putting communities of interest at the centre of their work, having those with lived experience in an organisation, investing time in understanding if and how the needs of communities of interest are represented, and connecting boards with the purpose of an organisation.

After a very lively and broad Q&A with the speakers, the group moved on to consider the question, 'how can trusts and foundations identify their blind spots'? A variety of ways to hear external perspectives was considered, from commissioning grantee and stakeholder feedback evaluations, to establishing a network of communities of interest, to conducting 'foundation peer health checks'. It was recognised that foundations could still be doing more, and even when external perspectives are sought, there are limits on the range of voices being heard and the extent to which those perspectives are given frankly and openly, and that to engage well takes time, complexity, and a supportive culture.



**Nicholas Ferguson**, Founder of the Kilfinan Trust in Argyll and Bute (left) answering questions from members of the working group

**The working group met for its fifth meeting to consider 'the external context'. The group considered the questions: how do boards consider/engage with the external context (including issues such as climate change as well as the communities with whom they engage), and how does this engagement inform strategy?**

We were joined by Paula Harriott, Head of Prisoner Involvement at the Prison Reform Trust, a champion of lived experience and a challenging voice in the sector around power dynamics, and Nicholas Ferguson, Founder of the Kilfinan Trust in Argyll and Bute, and previously chair of BSKyB and current chair of Savills. Paula highlighted the work of the Lived Experience Movement, which aims to ensure that organisations and services are informed by



Working group members

# MEETING 6

## THE BOARD – WHOSE EXPERTISE?

**The sixth meeting of the Strategy and Governance working group looked through the lens of ‘power’ at the question: ‘whose expertise?’. The group particularly focused on the composition of boards and the value of different types of expertise, while exploring how current models of governance can be improved.**

Members first considered how their own organisations interact with their boards. It was noted that each chair and each trustee is different, so the relationship between the board and organisation’s staff will significantly vary, as will the dynamic of the board. Despite variations, members agreed that a breadth of knowledge and perspective is important and that all trustees should have an active interest in the foundation’s work.

The group welcomed Bob Thust, co-founder of [Practical Governance](#), a consultancy which provides governance support to organisations, networks, movements, and partnerships. Its mission is to implement ways of organising and making decisions that unleash social change. Bob stimulated discussion around models of governance by explaining that the predominant approach to governance prioritises risk aversion and self-preservation.

Bob introduced his concept of ‘permeable governance’, which looks beyond the board at different stakeholders and the governance roles or functions each of them can hold. He argued that expecting boards to carry out all functions sets them up for failure. Instead, power should be distributed between stakeholders so that good governance is practiced by the organisation as a whole.

The presentation sparked a debate around how distributing power might enable the board to possess both professional experience and lived experience. It was thought that taking on Bob’s concept of permeable governance could help organisations shift the composition of their boards, particularly towards younger perspectives or local knowledge.

The group acknowledged that regular, free and equal communication between the board and the executive team about strategy direction and decision-making processes, as well as a greater level of transparency between stakeholders, is essential for good governance. Gathering feedback from grantees and unsuccessful applicants, as well as offering feedback in return, was particularly highlighted as an important point of communication which should inform and influence governance.

While governance models will vary depending on the organisation, most trustees are volunteers who meet infrequently. The group recognised that boards often have too little time to reflect in depth on issues around governance and may find it easier to keep doing things the way they have always been done. The group therefore considered it especially important that the board creates a space for reflection, learning, and clarity around the culture of the organisation.

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# MEETING 7

## HORIZON SCANNING

**The Strategy and Governance working group met for its seventh and final meeting to consider the topic ‘what does good horizon scanning look like and how does it inform our strategy and governance?’**

The group welcomed Lef Apostolakis, Communications Manager at the Parliamentary Office of Science and Technology (POST), as the speaker for this meeting. POST carries out horizon scanning on behalf of Parliament to inform policy. Lef talked about POST’s approach to horizon scanning, the evolution of the approach and recent horizon scanning reports, highlighting major themes that are used to frame their approach, including people (demographics), technological change, climate change, resource security and sustainability, inequality, and governance issues (building on its 2015 report *‘Towards 2020 and Beyond’*).

Following Lef’s presentation, the group made the following observations. POST relies on ‘trusted experts’ – foundations need to ask ‘who are our ‘trusted experts’?’ We all have multiple relationships with organisations working on the ground who are experts and don’t necessarily think of our grantees as ‘experts’ for the purpose of horizon scanning, but we should.

In terms of funding others, small charities don’t always have the capacity to do it, but unrestricted funding could enable them to think strategically. One member asked whether foundations have a responsibility to fund grantees to do horizon scanning. Another group member asked whether foundations need to be impartial in their evidence gathering if they are trying to influence, and whether there are occasions when it is appropriate to be ideological?

The group then went on to consider what horizon scanning means for foundations and their strategy and governance, using several of the factors which POST considered in its research. The group identified ‘inclusivity and diversity’ and ‘social cohesion’ as two further factors of relevance to foundations.

Members of the group considered how they might think about using horizon scanning information, whether that is to identify a gap in provision or funding, new ways of doing things, how they can do things better, or identifying the next issues we need to address. Some felt that it is always useful to stand back and consider the external environment, but we often don’t spend as much time on this as we spend on delivering. Working out how we have those conversations, be strategic and prioritise them feels very valuable and unlocks thinking about how we address needs. The world is changing around us and so we must not be hung up on current practice but be nimble and responsive.



The group agreed that enabling foundation boards to understand the importance of horizon scanning and how it can fuel our work and focus going forward is vital but can be a challenge. When boards have the opportunity to reflect in this way, they enjoy it and see the value of it.

**ENABLING FOUNDATION BOARDS TO UNDERSTAND THE IMPORTANCE OF HORIZON SCANNING AND HOW IT CAN FUEL OUR WORK AND FOCUS GOING FORWARD IS VITAL BUT CAN BE A CHALLENGE**