

The Inventive Foundation:

creating new ventures in Europe



Diana Leat

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Preface

Historically, in many countries, most charitable foundations have been reactive, responding to applications made by a range of organisations, large and small. However, there have been and currently are exceptions to this way of working. Some foundations seek to operate in a different way, more strategically and proactively. They seek to understand particular markets for social, environmental and cultural goods and identify needs, gaps in provision, the potential for collaboration and opportunities to build on next practice and support innovation. Foundations with this mindset can potentially act as a positively disruptive force; they can intervene to make and shift markets so that they are more responsive to the needs of the vulnerable. One of the ways in which they can do this is by taking the initiative – based on their knowledge of what is needed and what might work – to establish a new social purpose organisation.

Many foundations support new organisations, nothing new or worthy of enquiry there. What we are concerned with here is different; it is ‘where a foundation has been involved in the conception and creation of something new which the foundation also backs financially and supports in other ways.’ Although there are numerous examples of foundation initiated and supported organisations, there is little discussion of this aspect of their work. Acknowledging this, the Barrow Cadbury Trust, Calouste Gulbenkian Foundation (UK Branch) and the Paul Hamlyn Foundation came together to steer and support this study with the intention of sharing and reflecting on their practice drawing on learning from other European foundations. (Notably, the report includes a good geographical spread of European case studies).

Where a foundation not only acts as midwife but as parent too it creates a new and different relationship and bond with the organisation and presents a range of new challenges and dilemmas. These are intelligently and elegantly explored by Diana Leat in this publication with the aim of promoting greater awareness, knowledge and a pan-European conversation.

Some foundations appear reticent about this aspect of their practice perhaps primarily because of anxiety about legitimacy and fear of criticism/hostility from existing organisations operating in the field. However, the creation of a new organisation is one potential tool in a foundation's tool-box and may, in particular circumstances, be the best way of intervening given the resources available. Key questions are:

- ✦ does the foundation have legitimacy, a mandate and adequate resources – both tangible and in terms of networks – to create the change;
- ✦ does it have sufficient knowledge of the field;
- ✦ do experts support the need for intervention;
- ✦ can it make a robust case for the organisation/will it be able to garner sufficient support for its work; and
- ✦ can it live with the consequences for other, existing, organisations in that field?

Starting a new organisation presents a number of risks for foundations. For example, they may fear taking responsibility for failure (as compared with conventional grant-making where 'failure' tends to rest with the applicant organisation/grantee rather than with the foundation). However, that does not mean it is a tactic that should be avoided but, rather, one to be adopted intelligently and with eyes wide open. Not least because foundations, as Diana indicates, are often well-equipped 'to act as institutional entrepreneurs', because of their 'prior knowledge of a field, creativity, optimism and developed social networks', because they 'may have the perception and incentive to create and champion new practices' and because they 'have the resources to, at least, instigate change.'

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Key Findings

This study explores the work of the entrepreneurial or inventive foundation involved in the conception and creation of something new which the foundation also backs financially and supports in other ways. The study is not representative of the variety of foundations' entrepreneurial behaviour. Cases were selected to include larger and smaller foundations, across different European contexts. The study was funded by Calouste Gulbenkian Foundation UK, Barrow Cadbury Trust and the Paul Hamlyn Foundation.

- ✧ The most general conclusion is that foundations are well positioned to be institutional entrepreneurs. They have knowledge, broad networks and resources. They are not so 'embedded' that they cannot imagine new ideas, but are sufficiently embedded to acquire resources and open doors to put new ideas into practice. But there are also challenges for the foundation wanting to act as an institutional entrepreneur:
- ✧ Foundations are generally afraid of appearing arrogant and interfering. Their preference is to avoid duplication and competition; only when no existing organisation is meeting, or could meet the identified need did the foundation consider creating something new.

- ✦ Creating a new organisation requires careful thought and study, but considering what is needed – versus what is on offer – could be instructive both in identifying needs/gaps and in assessing other applications.
- ✦ Fear of ‘ending up with the bill forever’ is a significant reason for not creating something new. Sustainability of the new organisation and foundation exit are high on the agenda from the start.
- ✦ Once a need is established foundations have a choice between starting a new programme within the foundation and creating a new organisation. Foundations give 4 main reasons for creating an independent organisation (rather than a new programme):
 1. Longevity – the hope is that the new organisation will attract other funders
 2. Independence, legitimacy and reputation – hoping that the organisation will have its own independent reputation/legitimacy
 3. Avoiding longer term commitment from the foundation; and/or the appearance of additional operational costs
 4. Political considerations – the foundation is not seen to be imposing its agenda. A fifth reason, rarely mentioned, is that creating a new organisation enables the foundation to create new knowledge to learn from and to share
- ✦ Overcoming the liabilities of newness is challenging. Internally trustees have to back something unknown, untried, non-existent. The new venture suffers from the same problem externally. One way of overcoming these problems is to create and test a model within the foundation itself or some other established organisation. Hosting (providing back-office services) is another approach. With some exceptions, foundations avoid naming the new venture after themselves.
- ✦ Early involvement of partners is seen as encouraging wider ‘ownership’ of the organisation and reducing the danger of

it being seen as ‘X foundation’s baby’. But involving partners also has costs in terms of loss of control and often a slower timetable.

- ✧ Foundations stress the need for budget flexibility and adaptability. In grant-making the grantee typically lives with the consequences – and costs – of both unforeseen circumstances and of change; when the foundation acts as an institutional entrepreneur the foundation more obviously and directly has to deal with the complications of turning plans into reality.
- ✧ Time and patience are other major challenges. This sounds obvious but in many ways grant-making enables foundations to set their own terms of commitment. Foundations that engage in ‘DIY’ do not have the luxury of hypothetical timetables.
- ✧ Finding the right staff and board members is crucial to the likely success of the new organisation. This is often more difficult than anticipated, especially where something is truly innovative in re-combining skills and concepts and/or where the substantive skills to do the work are not combined with the managerial skills to sustain the fledgling organisation. Whether to take a seat on the Board is generally a dilemma for the foundation.
- ✧ Building sound infrastructure for the new organisation is emphasised but again requires investment now for results that are not immediately apparent.
- ✧ New organisations need a strong communications strategy and capacity but foundations may struggle with the high profile a new organisation needs, may not wish to help for fear of appearing to ‘own’ the new organisation, or may fear encouraging dependence in the longer-run.
- ✧ Foundation exit is generally planned and built in from the start but foundations admit that, in reality, the precise timing and nature of exit can be negotiable: new organisations are like children with their own ages and stages. Set cut-off dates are for books, not real life.

CHAPTER 1

Introduction

Background

This study arose from discussions between a small number of foundations involved in the process of creating new organisations who wanted to share experiences with and from other foundations across Europe. The aim of the study was to encourage discussion and learning around the roles of foundations in generating new, and where appropriate, sustainable organisations. The study was designed not as ‘a guide to start-ups’ but rather as a collection of stories exploring why this path (ie generating a new organisation) was taken, the dilemmas, challenges, roles, relationships, costs and benefits, and what worked and what might have worked better.

Note on the Study and the Presentation of Cases

In the course of this study it became increasingly clear that it is rare that there is only one claim to parenthood. Creating social institutions that survive is generally an effort that requires more than one actor. As the old saying goes: ‘Success has many parents. Failure is an orphan.’

In focusing on the roles of foundations in the creation of new organisations the implication is not that the foundation did this alone as single hero or heroine but rather that (with others) the foundation played a significant role that included much more than money.

Because of the complexity of organisational creation, and for other reasons including space, the inclusion of names of individuals has been avoided. In some cases individuals were hugely important but these also tended to be cases where roles are complex and

contested. Another reason why names have been avoided is that in a minority of cases understanding the roles of individuals would require a glossary, biography and history section as long, if not longer, than the case itself. Yet another reason for avoiding individual names is that individuals often wear more than one hat and play different roles depending on the organisation they speak for at any given moment.

Foundations Don't Create Organisations Do They?

In recent decades the dominant assumption among foundations has been that foundations make grants or operate their own programmes. Grant-making foundations have favoured supporting existing organisations – whether responding to the pattern of grant applications or proactively deciding on a goal and then finding existing organisations to carry it out.

Grant-making foundations are often keen to stress that they 'don't play God', they do not impose their values and goals on society, and they don't compete with or add to competition among existing voluntary organisations. Grant-making to existing organisations has the effect of not only allowing foundations to appear reactive/ 'democratic' but also of enabling foundations to avoid long term responsibility for an organisation: the foundation is not mother, father or midwife but merely plays the role of a kindly, rich aunt or uncle who helps out when needed.

This approach to the roles of foundations has at least two major flaws. One is that it restricts the foundation to doing only what existing organisations are already doing or are prepared to do; that may be fine in a diverse, developed non-profit market perfectly related to need (if any such exists) but it may be overly restrictive in less developed non-profit environments, or those which do not adequately reflect needs and/or new thinking, or are overly satisfied or overly competitive (something to which highly developed

institutionalised non-profit sectors may be prone).

The second problem with the notion that foundations work only through existing organisations is that it is not true. The history of foundations clearly shows that for at least 100 years foundations have on occasion chosen to create new organisations in order to achieve their goals. At various times, Rockefeller, Carnegie and Ford, for example, all created new organisations of varying size and degrees of independence. In some cases, the new organisation was clearly and deliberately separate from the foundation; in other cases the new organisation acted for a longer or shorter period as a programme of the foundation.

In the past it seems that many foundations were very happy to admit to, even trumpet, their creations; today things are not so clear. Partly because of the way in which foundations are required to report their activities and partly because of organisational reticence in admitting to organisational creation, today it is difficult to see how widespread the practice of creating new organisations actually is, what forms it takes, and the nature of the challenges and obstacles. (There are interesting questions about when and why foundations became less comfortable with creating new organisations – have foundations been ‘captured’ by potential grantees? Have they become overly focussed on grant-making?). This study seeks to look more closely at this now neglected aspect of foundation practice, bringing it out of the ‘shadows’ into daylight.

Generating New Organisations: Exploring the Territory

Although it is possible to find examples of foundation generated organisations, there is little explicit discussion of this type of activity. Attention to foundations’ activities as entrepreneurs have been crowded out in recent years by ‘venture philanthropy’. Ever since an article by Letts, Ryan and Grossman (1997) discussion of venture philanthropy has been fashionable but venture

philanthropy is somewhat different from the phenomenon we are interested in here. Venture philanthropists back very new organisations or ideas started by entrepreneurs. The social entrepreneur and the venture philanthropist roles have tended to be muddled but, as in business, the venture capitalist/ philanthropist and the entrepreneur undertake different roles and activities, and face different challenges.

Parallels with Venture Philanthropy

The European Venture Philanthropy Association (EVPA) describes venture philanthropy as ‘most appropriate as a source of finance and support to SPOs that are seeking a ‘step change’ in their operations’ (2008). In other words, venture philanthropy is concerned with supporting existing organisations, whereas the focus in this report is on foundations creating organisations that do NOT already exist. While there may be some similarities in tasks and process – for example, getting the right management team and Board, putting sound financial processes in place etc – the starting point is very different.

The relationships too may be different; for example, EVPA notes that ‘VPO’s need to be very conscious of the perception that they are trying to impose their own agenda’ – but for the foundation creating a new organisation there is a sense in which the foundation is doing just that: creating its own agenda (although, as discussed below, some would question this).

Parallels with Direct Charitable Activities (DCAs)

Direct Charitable Activities (DCAs) or ‘Funder plus’ activities are other widely discussed approaches relevant to this study. It may be useful to see generating new organisations as one, arguably in some respects extreme, strategy within the broader group of DCA or ‘funder plus’ activities. A Foundation Center study of DCAs (2007) provides some interesting general observations that may be relevant to the process of generating a new organisation.

The study suggests that private foundations may choose to engage in DCAs because they have identified an important need they wish to address, and, in conducting research, find that there is no non-profit currently addressing the issue; in other cases, the foundation may see itself as in the best position to innovate and implement an idea directly. Reasons given for direct action include a belief that the foundation can run a programme more cost-effectively than a professional charity, with a minimum of overhead, thereby maximizing the impact of its funding. One other finding is worth noting: although DCAs exist as an opportunity for all private foundations, historically larger, fully staffed foundations have been most likely to carry them out.

The closest study relevant to our own is Grantcraft's guide to working with start-ups (undated). This guide is full of interesting material but it is more general than this study in that it covers organisations generated by foundations as well as new organisations generated elsewhere but supported by foundations.

The Grantcraft guide contains a fascinating interview in which the commentator suggests that start-ups generated by others and those generated by funders have different financial profiles and need different things. Foundation generated start-ups are described as 'start-ups on steroids', 'they start all bulked up. They tend to be more financially mature right out of the gate, except in the area of fundraising. They haven't had to go through the hoops of getting people to invest in them' (26). The interviewee continues: 'I don't believe in strategic plans in the start-up years. Strategic planning is about focus, and the last thing you want to do is focus a start-up. People buy into a plan, board members in particular. People who like routine like plans, but start-ups need something different. Start-ups need entrepreneurs who can think big and take advantage of opportunities.' 'Ideally, a funder will let a start-up be a start-up. Let them make mistakes. Let them kind of stumble a little bit, because the fall isn't so great if they stumble, and they're learning as they go.'

Parallels with the Enterprise and Social Enterprise Literature

In exploring the questions above we found the enterprise research literature most helpful in providing some interesting observations and frameworks for considering what goes on when foundations generate new organisations. Although much discussion tends to see social entrepreneurship as about a process of generating economically sustainable organisations, the term may be used more broadly to include the process of modifying institutional structures or creating new ones.

Previous research on social enterprise formation suggests that there are four broad stages: (i) opportunity recognition and development/ intention formation (ii) start-up (iii) growth (iv) consolidation (and here we might add 'exit').

According to social enterprise theory, the process begins with recognition of an opportunity/need. This happens when entrepreneurial alertness exceeds a certain level – this in turn depends on creativity and optimism, relevant prior knowledge and experience and good social networks. Opportunity may be seen where there are gaps in the market/provision and/or where there are resources and capabilities that could be (additionally) employed for new purposes. The literature also stresses the importance of prior knowledge of markets, prior knowledge of ways to serve markets and prior knowledge of customer problems. Arguably, prior knowledge of a field, creativity, optimism and developed social networks are all characteristics of foundations. If this is true then foundations are, in theory, well equipped to act as institutional entrepreneurs.

There is a debate as to whether opportunity recognition comes from 'accidental discovery' or systematic search. Some argue that 'accidental' discovery of opportunities is most likely when the entrepreneur is in 'passive search' – receptive though not engaged

in formal search. Again it could be argued that active foundations are always in passive search.

Social networks are important to opportunity recognition. Social entrepreneurs tend to have large numbers of 'weak' ties (or acquaintances) acting as bridges to information sources not included in strong tie networks – arguably another characteristic of active foundations.

Another observation from the social enterprise literature is that there are significant commonalities between independent start-ups and internal corporate ventures. This may suggest that there are similarities in foundations between the processes of starting a new organisation and a new programme.

One of the big puzzles in the social enterprise literature is what is known as the 'paradox of embedded agency'. This refers to the fact that dominant, established actors in a given field may have the power to force change but often lack the perception and motivation; while peripheral players may have the perception and incentive to create and champion new practices, they often lack the power and resources to effect change. Foundations, it could be argued, often combine the best of both worlds. They are 'peripheral players' (in the sense that they have a foot in many camps but a tent in none) but also have the resources to, at least, instigate change.

There is one other observation from the social enterprise literature that may be worth considering in relation to foundations generating new organisations: a critical mass of established firms can be a barrier to new entrants such that entrepreneurs are likely to play a more prominent role in markets not already occupied by large firms. In the foundation case does this mean that foundations are less likely to start new organisations where there are well-established voluntary organisations?

The social enterprise literature has less to say about the other three stages – perhaps because it seems to be accepted that these are more individual and idiosyncratic.

If we look at the typical entrepreneurial process in terms of roles then these might be: envisioning, engaging, enabling and enacting (Sykes 2002). What is interesting here is that because foundations have the capacity to act as both entrepreneurs and venture funders then maybe they do not need to ‘engage’ (others) and ‘enable’ (deals) ie because they can do it themselves; alternatively it could be argued that engaging and enabling are equally important but in different ways and for different reasons (e.g to establish legitimacy of a new venture or to ensure engagement of other funders for sustainability).

First Thoughts from the Field

Before embarking on the case studies we undertook a series of exploratory interviews with a range of foundations. These interviews were designed not only to identify cases for possible inclusion in the study, but also to explore broader views on whether foundations should be involved in generating new organisations, when and why this happens and the potential challenges and benefits.

Roles and Purposes

As several people noted, start-ups are a means not an end. And one person added ‘the ends may be various, emergent and messy’. Another said: ‘Being a grant maker is not a description of an outcome oriented organisation – grant-making is about outputs. If you want to get to real change then you need other tools in your box. Starting a new organisation is one.’ ‘Once you really know a field, there’s a good chance that if you are a bit creative you can come up with a solution and that may mean starting something new.’

Wariness

One reason for wariness about creating a new organisation is that it may be seen as a criticism of existing players. Another reason is a fear of being seen to be responsible for a new 'baby' for years to come. From the new organisation's perspective there may also be wariness about being seen to be a foundation's creation: will that make the new organisation less 'authentic', and will it create problems in obtaining funding from other funders?

'Double talk'

One person noted that foundations may be reluctant to publicise their involvement in a new creation but, at the same time, 'the foundation tacitly requires that the grantee must never forget their roots'. Another noted that 'foundations want to be remembered for the future credit but not necessarily for the future funding'.

Types

Interviewees provided a range of examples but also drew distinctions between different types of start-ups generated by foundations. At least 5 types were identified:

- ✧ Foundation led creation of a new and separate organisation
- ✧ A (new) foundation programme/foundation as actor
- ✧ Seed funding for an organisation that does not yet exist
- ✧ Foundation funding for a new programme/project within an existing organisation with a view to later separation
- ✧ Rejuvenation – encouraging an organisation to reinvent itself

One variable here seems to be degree of foundation control – or perhaps it is more to do with foundation responsibility? Thinking about types also raises the issue of timing; for example, what starts as a foundation programme may later become a stand-alone new organisation.

Barriers and Challenges

The following were cited as potential challenges and barriers to foundations creating new organisations:

- ✦ Not wanting to be seen to take the lead or stick your neck out
- ✦ Opposition from existing organisations
- ✦ The amount of work involved
- ✦ Risk of failure
- ✦ No applicant/grantee track record – nothing on which to make a decision regarding support (mentioned as a potential barrier for staff and especially trustees)
- ✦ The length of time before results will be apparent

Dangers

One person noted the dangers of a start-up as a form of ‘vanity publishing’: ‘Suppose a philanthropist or a foundation says we need x organisation. They don’t do the research and create an organisation for which there is little need – that’s the equivalent of vanity publishing. That’s why here in this foundation we must see other people coming to the party. We start with a few foundations who recognise the problem, so we immediately move away from vanity, and then after some scoping we quickly try to bring in people who are experts.’

Ongoing Responsibility

Foundations interviewed at this early stage of the study were conscious of the potentially different relationships and feelings of ongoing responsibility with organisations they had started. But not everyone felt that an organisation created by a foundation should have special consideration: ‘There may be some trying to make sure the baby gets a chance to become an adult – but in other ways I’m happy to be as tough on as any other (grantee)’.

‘I believe an organisation needs to grow up and stand on its own feet – but it’s the same really as any fledgling organisation needing

time and so on to grow’.

Other Issues

There is another challenge little mentioned in the early interviews: spotting the need or the opportunity. This is much discussed in the business start-up literature and is a theme worth pursuing in relation to foundations.

Key Questions

It was not possible in a study of this size comprehensively to map the scale and scope of foundation involvement in generating new organisations. Instead we wanted to explore why foundations decide to create new organisations, the processes and the issues arising in a range of different settings across Europe. We wanted to include countries with differently developed non-profit sectors, and we wanted to select cases in different fields of activity, and generating organisations of different types. And we wanted to present the findings of the study as a collection of stories on which readers may make their own judgements.

Why?

One major question we wanted to address was when and why foundations are likely to become involved in creating a new organisation. Is it because:

- ✧ no existing organisation is doing x
- ✧ no existing organisation appears to have the desire and/or the capacity to do x
- ✧ there are too many organisations doing bits of x – but not talking to each other enough and/or missing the gaps
- ✧ a fresh, neutral start is seen as needed
- ✧ or are there other reasons?

The first two reasons may be particularly important in certain ‘industries’ and in certain parts of Europe. In some countries, at some times, starting a new organisation may be seen as a highly controversial choice and a damaging comment on existing organisations; in other countries there may be no choice but to create a new organisation. However, it might also be argued that a well-established voluntary sector does not obviate the need for new organisations – if existing organisations have become too set in their ways to address new challenges and ways of doing things or have become overly occupied with competing among themselves.

Another key question is how a foundation recognises and constructs the gap/need for a new organisation. As noted above, this is a key theme in the business literature and one we were keen to explore given the way in which it touches on foundations’ wider roles as ‘field scanners/surveyors’ and policy entrepreneurs.

Starting Points?

We also wanted to explore the starting point, the environment and the sequence of events. Here there may be some important distinctions:

- ✧ foundations acting alone
- ✧ a group of foundations acting together
- ✧ foundations working with/through an existing organisation to create a new separate project

The starting point and sequence of events raises the tricky issue of the division between a project of the foundation and a new separate organisation. It is possible that some new organisations start as a foundation project, or under the wing of an established organisation, and only later become legally separate (although not necessarily financially independent). Starting points raise another difficult issue: when a foundation ‘rescues’ an ailing organisation and is involved in substantially re-making it, does this count as organisational generation?

Foundation Roles

We were also interested in exploring the roles played by the foundation, what prompted/led to adoption of those roles, what considerations were involved, and the dilemmas and challenges, the costs and benefits of adoption of each role.

Processes and Steps

Then we wanted to look at the processes and steps involved at each stage, as well as the other key players and their roles.

Challenges and Issues

We were interested in the challenges and issues in practice, including, for example, anxieties about legitimacy and power, criticism/hostility from existing organisations, anxieties about sustainability, ongoing responsibility and exit, anxieties about the practical challenges and costs of starting a brand new organisation, fear of responsibility for failure (as compared with conventional grant-making where 'failure' tends to rest with the applicant organisation/grantee rather than with the foundation).

Management and Governance

Finally, we were interested in identifying the roles played by foundations in both the management and the governance of the new organisation, and what were the dilemmas and considerations in making these decisions. We wanted to know how issues of independence and sustainability were dealt with; and what lessons the foundations learned and what advice they would give to others

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CHAPTER 2

Case Studies

1

Bertelsmann Foundation and Phineo (Germany)

The Parent – Bertelsmann Foundation

Bertelsmann Foundation is an operating foundation founded in 1977 by Reinhard Mohn. Its income is derived from shares in Bertelsmann SE&Co.KGaA. Based in Gutersloh it also has offices in Washington and Brussels. The Foundation's mission is to serve the common good 'based on the conviction that competition and civic engagement are essential for social progress' (www.Bertelsmann.de). It describes itself as a think tank and catalyst for change. The foundation spends around 60 million Euros per annum under two main headings: Helping People and Strengthening Society.

The Offspring – Phineo

Phineo became independent in 2011. Its mission is to support civic engagement for the purpose of common welfare. This is done by making recommendations to social investors including philanthropists, foundations, and businesses, about non-profit organisations and projects to suit their philanthropic plans. Phineo works with a specially developed quality assessment process and when it finds an organisation/approach that it rates as particularly promising it awards a 'Phineo impact label'. Based on this work, over the last three years Phineo has expanded its activities to include formats for capacity building for non-profit organisations and a strategic consultancy service. Phineo describes itself as a bridge linking those with money to non-profit organisations working for public good.

Spotting the Need

In the 1990s one of the discussions at Bertelsmann Foundation (BF) concerned ways in which potential philanthropic donors could be motivated to give more and more frequently. In theory the field was ripe for more giving; people in Germany who had made money after the war were now in their sixties and were beginning to think about charitable giving; at the same time, there was a growth in discussion of corporate social responsibility in the business world.

BF was already being approached by potential donors asking how to go about giving. With a good lawyer and accountant the legal and financial arrangements were relatively simple. The problem was that potential donors had no means of identifying options for giving and knowing which organisations they could trust. BF became more and more conscious of this issue through consultations with new donors and through its own surveys of the potential for giving in Germany.

At around this time one senior member of staff started looking at impact/evaluation training courses. After taking a course in evaluation, she realised that such studies were within the reach of larger foundations but smaller foundations and new donors were unlikely to be able or willing to commit the resources necessary to assessing organisations and their activities. 'There was a gap – donors needed a way of evaluating charities and charities needed a way of showing their value'. The breakthrough for BF came when the staff member attended a conference at which New Philanthropy Capital (NPC) gave a presentation. NPC had been created in London in 2002 to fill exactly the sort of gap BF had identified. 'When I heard their presentation I said aha – that's a project for Bertelsmann'.

Developing a Plan

The first thought was that the new organisation should be a project within BF but some staff feared that the project would run for 5 or 10 years and then end. Staff wanted the new organisation to be more permanent, and, importantly, they wanted more people and organisations to be involved in its operation – it should not be simply a ‘Bertelsmann Foundation project’. The down side of creating a new organisation was obviously that it would take longer and require more work. On the other hand, BF had done this sort of thing before; ‘it’s in our DNA to do it like that. Our founder was an entrepreneur who understands that to build companies that fit the environment they need to be very autonomous’.

More generally, staff at BF believed that foundations should consider the option of creating a new organisation more often. ‘If you are from a grant-making background then it may be hard to go into such an adventure, it may feel more complicated and risky even if it isn’t really. Because we were an operating foundation that didn’t apply. But you do need to look very carefully at the resources you have to do it’.

From very early on it was clear that the new organisation – now christened Phineo – would be incubated within BF but would be separated from the Foundation and made fully independent as soon as possible.

Developing a Model and Incubating the New Organisation

NPC was the basic model but it needed to be adapted to the German context. The basic requirements were that the new organisation should be long lasting, open to other players in order to ensure legitimacy and long term financial security, and should very clearly not be seen as a BF project.

For three years BF tested and refined the basic NPC model. Some staff working on the project were members of the BF team and others were recruited especially to work on the incubation of Phineo.

BF wanted Phineo to have a strong evaluation strand and it also spent some time enhancing and adapting the IT elements. In addition, BF tested the market – did people want what Phineo had to offer, would they use it and how could Phineo best serve their needs. While parts of the non-profit sector were supportive of the basic idea many were anxious that impact analysis and transparency might be dangerous. Some of the larger charities were concerned that if other organisations were given a higher profile funds might be diverted. Impact analysis could mean losers as well as winners.

One of the major tasks in this period was to involve new partners both in funding Phineo and on the Board. This was described as 'very very hard work'. The idea was new and untried and, in addition, the very notion of impact analysis was not accepted by all. 'We were touching a taboo in Germany – you don't ask if charities actually do good – so we needed a wide group of partners'.

But recruiting a wide group of external partners depended on internal support and resources: 'It's such a big investment, it takes so long and there are so many risks so you must have Board and staff champions – and a team to make it happen and who are knowledgeable enough to be convincing to other partners.' Some potential partners questioned why BF did not want to fully fund Phineo and run it alone. Yet another complication was that BF thought it important that Phineo have some roots in the for-profit sector with organisations such as KPMG, banks etc 'so that was a further complication because here if x is your partner then y won't be'; and some foundations were reluctant to fund because they did not want to 'subsidise Bertelsmann'.

Getting partners involved took time. The BF Board had said that they would only commit 50% of the money for Phineo when other partners had been recruited. ‘That made it hard because we had no independent organisation to point to. The work we had done here (at BF) was very very helpful because we could say ‘Look at NPC and look at the plans and analysis we have developed here’ – that’s where the incubator role is so useful’. ‘If I hadn’t had the work done at BF it wouldn’t have worked – that’s certain.’

The partners finally recruited for the first phase were a small proportion of the 100 or more approached. ‘We got them because of the work we had done and because we came out of the Bertelsmann Foundation. That meant I had access to CEOs – no-one lower would have had the guts to take that risk. When we talked to people lower down we didn’t get the money.’

But finding the right balance in the relationship between Phineo and Bertelsmann remains a tricky issue. ‘I worry about the child being tainted by his parents. Success comes from having a broad group of strong partners – not just BF. So we use the BF name more or less – it gets you in some places but it’s dangerous in others.’

Independence

After 3 years the model had been refined, the other partners were in place, a new legal structure was created and Phineo was ready to leave home. New offices were found in Berlin and a team of 13 people who had worked on the project in its incubation at BF were formally transferred to the now independent Phineo. ‘It was a bit of brain drain but there weren’t any issues. It was fine and many wanted to come and be part of something innovative.’

When the idea of Phineo was first conceived BF did not stipulate any total budget: ‘We didn’t know how much we would need or what the other partners would pay’ (more recently BF has agreed an annual budget for Phineo which is reviewed every few years

but, in effect, has no time limit – ‘a very unusual decision for BF but if we want to carry on working the way we do we have to have on-going support’). When Phineo left home BF continued to give Phineo IT and HR support in addition to funding. ‘That’s part of the BF style – we don’t want to burden them with administration at the beginning’. ‘That’s another argument for spin-offs – you can get economies of scale’.

One difficult issue was communications. ‘The exception to wider support is communications because we don’t want to stand in the front row – but it’s a debate, it’s always a debate between us (the BF staff team involved), Phineo and corporate communications here (at BF)’. The BF staff team and Phineo are clear that if Phineo is to succeed it must be autonomous, and be seen to be autonomous; the corporate communications department say ‘this is such a big project and it’s working so well and government likes it so why can’t we use it more in our communications’. The BF staff are adamant that BF must be very low key while, at the same time, recognising the pressure for the foundation to demonstrate its worth. ‘It’s exactly the same as with your children. Of course, you are proud of them but you have to take a back seat – and just as with children they (the off-spring) don’t say “I’m performing so well because my parents did this or that”. Occasionally, BF and Phineo will bring out a jointly branded publication but these are very clearly designed by Phineo and are seen as such’.

There are now 8 key shareholders who own Phineo. These are a mix of for-profit and nonprofit organisations. The shareholders do not pay equally – some pay nothing and some pay anything from 100k Euros to 1 million Euros. BF makes one of the largest contributions but has only 15% of the votes. Partners include KPMG, PWC, Stiftung Mercator, Stifterband and NPC. The partners/shareholders were very deliberately targeted. For profit partners were seen as particularly important because they have money and also because Phineo sees itself as a bridge between money/business and the social/non-profit sector.

The view is that a diverse group of partners is crucial not only for legitimacy but also because it signals cooperation between unlikely players and emphasises that Phineo is building a new concept. But for BF: 'A minority role has many benefits but it means you can't impose. If you have a very, very clear idea of what you want then it doesn't work. You have to be prepared for trial and error, and experimenting and learning.'

A leading member of the Bertelsmann Foundation Executive Board chairs the Phineo Board. This was not a contentious matter. BF is one of the largest funders and 'she is the most knowledgeable so there was no debate.' To date BF has invested around 7 million Euros in Phineo. At present (2013-14) BF gives around 1 million Euros to Phineo per annum. It has no set date when it will cease to fund Phineo – this is partly because 'achievement of the mission will take a generation' and partly because Phineo will always be dependent on donors because it is supplying public knowledge: 'Intellectual property is a real problem for Phineo – a strategic debate. We (the foundation) say the knowledge produced by Phineo has to be public and if a donor wants additional special information then they have to pay for it.' Staff at BF realise that this means that: 'It is a long term commitment. Like children they never really leave you.'

Phineo is now growing. That has its own challenges for Phineo: 'There's a trade-off between the confidence of solid funding and maintaining the feeling of a start-up – being innovative and keeping that.'

Phineo is now incubating a new pro-bono service organisation 'so now I'm on the other side (of the start-up process) and there are good arguments to keep it (the new organisation) internal because there are so many synergies. However, there are many good arguments to set it up independently with a separate brand – and probably we will do this.' 'Being a start-up puts you in a good position to do a start-up yourself because you can go to funders

and say ‘you know us, we get things done – and now you have an opportunity to invest in something new’.

On reflection, Phineo believes that in its own case the critical ingredients were: ‘a working model to show backers; being able to quote other stakeholders as on board; the power of the foundation as an entrée; and being aware of the danger of being seen as the foundation’s baby’.

2

City Bridge Trust and London Sustainability Exchange

The Parent – Bridge House Estates

With its origins dating back to the 11th century, Bridge House Estates is possibly London's oldest charity but it was only in the 1990s that it began general grant-making now under the working name of City Bridge Trust (throughout this case the Trust will be referred to as CBT). The Mayor and the Commonality and Citizens of London (often referred to as 'the City of London Corporation' or 'City Corporation') is the trustee of Bridge House Estates and responsibility for the grant-making activity is vested in the City Bridge Trust Committee, made up of elected members of the City Corporation. CBT gives total grants of around £15 million per annum. It describes its mission as addressing disadvantage by supporting charitable activity across Greater London through quality grant-making and related activities within clearly defined priorities.

The Offspring: London Sustainability Exchange (LSx)

LSx works in partnership across sectors to 'reduce London's environmental footprint, improve the lives of London's disadvantaged communities; improve the health of Londoners; improve the knowledge and skills of our communities to achieve these goals'. Over 10 years after its conception LSx continues to exist as a now fully independent entity.

Spotting a Gap

In the 1990s concerns about the environment were beginning to surface. John Major's government began talking about sustainability and in 1997 when Tony Blair came to power his

government made it a requirement that local authorities implement Agenda 21 (the recommendations of the Rio Earth Summit in 1992). As one observer commented: ‘in some circles – though by no means in all – sustainability was a buzzword of the late ‘90s’.

The Trust received applications on this topic but many of the applicants were very small organisations that did not fit the Trust’s criteria. Staff at the Trust believed there was scope for work at a more strategic level and in 1998 decided to commission a feasibility study to look at what would be necessary to make London a sustainable capital.

Developing a Plan

After two years of cross sector consultation and discussion, the feasibility study concluded that there was a need for a new independent charity co-ordinating, informing and advising the public, private and voluntary sectors about issues and good practice in sustainable development.

CBT brought together a consultative group drawing in a range of interested voluntary, public and business sector bodies to refine ideas of what was needed (including Forum for the Future, London Councils, Business in the Community, Groundwork, London First, London Voluntary Services Council). At this stage some of the voluntary sector participants may have hoped that the result would be a coalition from which everyone would get a bit of money.

In the event a new organisation was considered necessary because none of the existing organisations were delivering what was needed, and none were seen as having the capacity to act in a network building and, crucially, a cross-sector role.

CBT staff took the findings of the feasibility study to the Grants Committee with a request for a grant of £1.6 million over 5 years to create a new organisation.

The purpose of the proposed new organisation – which they called London Sustainability Exchange – was ‘to encourage the attitudes, investment and behaviour needed to make London a more sustainable city, so that it achieves environmental, economic and social standards that match or exceed those of other world or capital cities, and is acknowledged as a leader in this field’ (paper to Committee November 2000).

But this was not to be another voluntary organisation providing tangible services in the conventional way. The thinking was that sustainability ‘needs to be promoted, developed and understood as an integrated whole. Applying sustainability principles to economic, social and environmental policies is complex. There is no easy or absolute solution and no single sector should operate in isolation.’

The roles of the new organisation were described as including:

- ✦ communicating sustainability to the public, private, voluntary sector and the business city
- ✦ Acting as a focal point for policy makers and practitioners, providing up to date information through cutting edge Information and Communications technology
- ✦ Advocating standards and sharing examples of good practice
- ✦ Working together with existing networks and groups involved in sustainability
- ✦ Building up partnerships
- ✦ Exploring integrated or partnership approaches to sustainability in London
- ✦ Enabling change through training and other forms of capacity building across the sectors

It was strongly emphasised that the Exchange would not duplicate the work of existing organisations, but would add value and work in partnership with those wishing to develop principles of sustainability.

Why Create a New Organisation?

Several people emphasised: ‘The biggest question has to be: why are you creating a new organisation’. So was the possibility of developing LSx as a programme within CBT considered? One staff member answered: ‘No I don’t think so, though now I suppose we might consider that. We wanted to give it independence. It doesn’t belong to the Corporation – in this case that was important politically – it wasn’t the Corporation telling people what to do. But it was probably also important in terms of future funding’. And another person commented: ‘The Committee wanted this to be strictly time limited so a programme within CBT wouldn’t have worked.’

Getting Support

The first step for CBT staff was to get the funding proposal agreed by the Committee. The funding proposal faced at least four problems. First, sustainability might be understood in some circles but, in the late ‘90s, it was still seen as vague and faddish by many. Second, the proposed organisation did not exist – there was nothing to see or to assess, except the plans in the proposal; the Committee was used to considering applications from organisations that already existed and had a track record. Third, the organisation was not going to ‘solve a problem’ or take action in a direct way – it was going to ‘communicate’ and ‘network’ and ‘build partnerships’. Fourth, the sum of money requested was very large relative to the normal run of grants. For all of these reasons it is perhaps not surprising that, as one person remarked, ‘some members of the Committee found it really hard to get their heads round it. They didn’t really get the concept or what exactly this organisation was going to do.’

Financial Backing – with Conditions

But ‘sustainability’ was in the air and was being championed by

the then Chair of Policy in the Corporation. At around the same time as the proposal went to Committee the Corporation created a new post concerned with environmental matters. These factors worked in favour of the proposal. Nevertheless, and unusually, the proposal was taken to a vote and, with some difficulty, the Committee agreed to an initial grant of £500,000 (I.e. the proposed first year only) which was to be 'subject to stringent monitoring and evaluation' and 'close communication with the successful organisation'.

It was agreed that if the Committee were satisfied that sufficient progress had been made in the first year a further four years tapering support would be available. Each year's grant was to be conditional on a satisfactory independent evaluation, and, in addition, the Corporation's Environmental Coordinator should sit on the new organisation's board and advise the Committee of progress. The Chief Grants Officer of CBT refused to sit on the board believing that this would be 'too close, too complicated'.

The Committee's year by year approach worried the staff who feared that they would not persuade good applicants to bid without a reasonable period in which to achieve results. A guaranteed five year frame was seen as especially important given that the whole field was under-developed and the sort of strategic, cross-sector work envisaged was ambitious and would take time to get going.

A Difficult Birth

Trust staff were clear that a new organisation was needed – but how to get to that outcome? After some consideration the Trust decided to put out a call for proposals from charities willing to act as 'midwife' to a new, independent body or from those willing to operate the Exchange as a discrete project within their own operational and management systems. 'In either case the Trust wishes to see creative partnerships with other organisations working in related areas' (Committee papers November 2000 Annex 2).

The invitation to bid made the terms of the grant very clear – a first grant of £500,000 and a further four years of tapering support, annually renewable, and dependent on evaluation and close monitoring of progress. Applicants were asked to provide a timescale for the whole five years and to explain what would be the outcome at the end of each year.

The invitation also emphasised that the Trust's resources for the project were finite 'and that its role in supporting the initiative is that of a pump-prime funder and it cannot consider ongoing revenue funding after the initial start-up period. It is therefore critical that applicants demonstrate sound business planning and have considered from the outset an exit strategy which should be built in as part of the proposal' (Ibid).

With the application papers complete, in June 2000 the Chief Grants Officer invited 14 experienced organisations to a briefing meeting to explain the application process and to discuss the findings of the feasibility study. A few months later two consortia of charities presented their proposals to an interview panel.

CBT had already supported a number of the organisations in each of the two consortia and both gave interesting presentations. The panel decided to award the grant to the consortium led by Forum for the Future. If the Committee still harboured doubts about the project, the Chief Grants Officer encouraged them: 'You have awarded a significant grant to a strong organisations backed by key partners in the public, private and voluntary sectors. It is likely to attract significant publicity from the relevant local London and specialist press and it will be seen as a milestone in advancing sustainable development which, as you are aware, is a critical issue both nationally and on the London agenda. Officers will keep you closely informed of all progress' (Ibid).

One observer commented: 'The whole model was very clever. You minimise the risk of the unknown and the new by a thorough

feasibility study, and then you establish the new organisation within a well resourced and respected incubator.’

Early Years

LSx’s first years were acknowledged by all to be difficult. For the CBT Committee ‘it was really hard to understand what LSx was about – at first, LSx described itself as sort of hub – for the first few years everything was described in terms of concepts. There was nothing much that was hard and fast and tangible. Once LSx began to get involved in some practical projects then it was easier to get it across to them’ (the Grants Committee).

In addition, of course, the new organisation had to be created, a CEO and trustees recruited, governance arrangements agreed within Forum for the Future, and all the necessary organisational systems and processes put in place. And then LSx had to begin to carve out a role and establish its value in and across the sectors.

The structures and processes ‘were very tightly managed because Forum for the Future trustees wanted that assurance; there had to be good governance because Forum was incubating LSx for independence; money was tightly controlled because Forum had to account for that; and the vision was in the bid so that was managed. Tensions? Yes of course, just like any other line management there’s a balance between clear vision and room for creativity. Hiring a good CEO is critical.’

The early years were complicated by a rapidly changing and, in many ways, supportive policy environment. When Ken Livingstone was elected Mayor of London he created the London Sustainability Commission. Sustainability was now high on the agenda and had big money attached to it. While support for environmental concerns and sustainability within local government was welcome, it meant that LSx had to re-think its own role focusing less on galvanising support and more on filling gaps and making links.

For the staff of CBT this was also a difficult time. ‘I remember trying to pin them (LSx) down to some clear objectives, deliverables, milestones ...’ ‘I think we felt a bigger responsibility (for LSx) because it was a big sum – and also because it was our child we’d taken to Committee.’

Launched in 2002, by the end of 2003 LSx was delivering some tangible results and making some valuable relationships. The LSx CEO was a member of the London Sustainability Commission, and was using LSx’s independent voice to help drive change within the Mayor’s remit.

Growing Up

As promised an independent review of LSx was produced at the end of 2003. The overall conclusion was that LSx ‘has established a strong brand reputation in a relatively short time. Its remit is well understood and its publicity, largely through its website, is accessible and well used. It is well regarded as a signposting organisation and has demonstrated that it has the power and authority to convene’ (quoted in Committee papers 29 Jan 2004). The problems of measuring the impact of a catalyst and broker were acknowledged and it was suggested that LSx should develop an audit trail for policy advice, so that the impact of particular pieces of work can be tracked’.

The review notes that any new organisation faces particular risks to do with attracting personnel and gaining acceptance. LSx, it was reported, has overcome both these risks and the Trust is commended for a ‘strategic’ ‘imaginative and creative’ piece of grant-making.

Leaving Home

It was always intended that Forum for the Future would act as the incubator of LSx and stand back as soon as LSx became an

independently constituted charity with its own board. In early 2004 LSx instructed lawyers to proceed with incorporation and apply for charitable registration. At around this time too the original CEO left and a new one was appointed.

Again this was a difficult time. LSx had to apply for its own charity registration but the Charity Commission raised questions about whether environmental sustainability was a charitable purpose. The new CEO had been appointed to LSx but then there seemed to be questions about whether LSx should be folded into Forum for the Future or even closed altogether. CBT continued to press LSx for evidence of tangible results to take to the Grants Committee.

From LSx's viewpoint: 'The mechanism for influence became clearer; that we needed to provide examples of sustainability in practice in order to demonstrate value, thereby informing policy makers. This also made seeking funds slightly easier, once people could see the benefits of working with LSx.'

One person remembers: 'There was nothing comfortable about that time. LSx was not a comfortable fit in Forum for the Future; LSx had begun to define itself with practical projects – this was not in Forum for the Future's business model – but in some ways that was good, we wouldn't have left if it had been comfortable. Every step of the way was difficult ...'

By the end of 2004/5 LSx had begun to secure other sources of funding independent of CBT. In 2006 CBT made its final grant and, as planned, LSx was successfully launched as a fully independent organisation no longer attached to Forum for the Future and no longer financially tied to CBT.

From Forum for the Future's viewpoint letting go was timetabled. 'From the start there were very clear pathways to independence. In the end getting to independence was rather practical – TUPE and things like that. There was 'no wobbling' on letting go; the

timetable was clear and the money would run out’.

Forum for the Future sees 5 years incubation as having been about right in this case: ‘But it depends on what the organisation is set up to do. You have to be REALLY clear about what good would look like, and then you often need to be very adaptable’.

From LSx’s now independent viewpoint ‘the really important lesson is using an existing NGO as incubator. It was running rather like an internal project within an organisation. CBT were very smart in designing that in from the beginning’.

‘Would LSx have survived as a stand alone from the beginning? I’m not sure because it’s all about brand and confidence; the LSx launch party was big and it was about big brand and confidence. Without Forum it would have been harder to leap onto the scene like that’.

From CBT’s viewpoint: ‘The biggest lesson is think strategically about how you can have influence on what you want to do. How do you multiply and magnify rather than doing it all yourself’.

3

Fondazione Cariplo and Social Housing (Italy)

The Parent – Fondazione Cariplo

Fondazione Cariplo is the largest foundation of banking origin in Italy, and one of the largest foundations in Europe, with a corpus of over 7 billion Euros. Cariplo spends around 150 million Euros per annum in various programmes in arts, culture, education, scientific research, healthcare and support to disadvantaged people.

The Offspring – Fondazione Housing Sociale (FHS)

FHS was born in 2004 to further develop a social housing programme already run by Cariplo. FHS is one part of a complex structure involving an integrated system of local and now national funds, built around some key institutional investors (the main Italian foundations, insurance companies, banks, pension funds, etc.), local investors (small local foundations, local public bodies, private real estate investors, cooperatives, etc.) and management companies strictly regulated by the Italian Central Bank.

The work of FHS falls under four main headings:

- ✦ The promotion of ethical financing initiatives, in particular real estate funds for social housing
- ✦ Testing innovative non-profit management models
- ✦ Developing project designs for sharing and potential replication
- ✦ Creating public-private partnerships to develop initiatives in co-ordination with existing public housing policies

Taken as a whole FHS is part housing project, part ethical investment real estate project, part urban regeneration project, part

neighbourhood building project, part welfare housing project, part environment project, part mission related investment, part cross-sector co-operation project and part service provision project. The account given here necessarily simplifies what is an extraordinarily rich, multi-faceted initiative.

All of the work of FHS is based on a strong philosophy that social housing is not simply about provision of a place to live but is rather about a way of living in which multiple services are available and shared and community is built.

Spotting the Need

During the 1990s the housing market in Italy was changing in several important ways. While Italians have traditionally favoured home ownership this was becoming more difficult as house prices rose without a proportionate rise in family incomes. In addition, the pattern of housing demand was changing with more single people, single parent families, immigrants, off-campus students and temporary workers. The Public Housing sector was focused on the very poorest, and was unable to meet the new demands of the 'intermediate' segment of the population – those groups outlined above who could afford to pay something but could not afford rising open market rents. Unlike some other European states Italy had a very poorly developed social housing sector.

During this period Cariplo was already working in the field of social housing calling for proposals and giving grants. But it became increasingly clear to those involved that grants could only have limited impact and were not going to be sufficient to address the real problem. Furthermore, the social housing initiatives Cariplo wanted to encourage were too complex to be managed only through grant-making.

This grant giving phase is still alive and is seen as important in giving Cariplo valuable knowledge and networks in the housing

field. The call for proposals still exists, focusing on the most disadvantaged (former prisoners, refugees, migrants, etc.) grants are provided to increase the provision of ‘temporary social housing,’ supporting the start-up phase of small-medium size projects, with a high ‘social purpose’ Over a decade Cariplo gave around 39 million Euros in grants to around 200 projects.

Cariplo believes that grants to existing organisations and creating new projects both have a place in a foundation’s tool kit. ‘When we give grants we get new knowledge and networks and we learn from their experience, and we also help public and non-profit actors in our territories grow. But we want dramatic improvements and when we don’t find an opportunity for that in a field then we set up our own project.’ ‘We as a foundation have the capacity to convene and to catalyse. Our mission is to change society. A new project is a breakthrough – a new way of doing things’.

The Birth of FHS

Having seen the need to develop social housing the foundation’s first step was to ask Milan Polytechnic University to prepare a feasibility study of an autonomous sustainable system to provide a range of types of social housing that would not need ‘feeding with grants.’ In 2003 the feasibility study was delivered and a year later Cariplo in partnership with Regione Lombardia and ANCI Lombardia (public bodies) created FHS to develop the ideas presented in the feasibility study.

FHS describes its mission as to experiment with innovative solutions for structuring, financing, constructing and managing social housing initiatives that are economically sustainable and not dependent on grants. Social housing is defined as ‘the set of dwellings and services, actions and instruments addressed to those who are unable to meet their housing and related primary needs on the open market for economic reasons or due to a lack of appropriate supply options’. Whereas public sector housing is

primarily for those with incomes below 12,000 Euros, FHS focuses on those with incomes between 12,000 – 50,000 Euros, people who can afford to pay something but have difficulty meeting their housing needs on the open market.

FHS is independent of Cariplo and is governed by an 8 person Board of directors drawn from among the main partners (of whom Cariplo is one). In the early years Cariplo supported FHS with set-up and operating costs; more recently it has given FHS 10 million Euros in share capital the income from which covers a percentage of FHS operating costs, the rest being covered by professional fees received for technical services (architectural, service design, business planning, etc.).

Creating an Ethical Fund

One of the first tasks of FHS was to generate an effective and sustainable business model for social housing initiatives. It did this by creating the first real estate ethical fund in Italy (Fondo Federale Immobiliare di Lombardia – FIL, former ‘Fondo Abitare Sociale 1’). With nothing more tangible than a theoretical model and some market analysis to show potential investors, this was not easy and took months of ‘dialogue, presentations and relationship efforts’. Investors were offered a return of 3% above inflation (with a cap of 4%) on a long term, 20 year investment. At the time this was seen as a very low interest rate (but is now seen as relatively attractive) and investors ‘needed to see it as an experiment with a social benefit part’. Nine high-profile public and private organisations were successfully persuaded to invest and the first fund closed at 85 million Euros.

Those involved in creating FIL believe that the name and reputation of the foundation gave them access and an important tool in persuading investors; in addition, ‘in Italy if you persuade one bank then others become more confident and follow and then you use that for other institutional investors’.

Early Challenges

The whole social housing project represented a major challenge to the established real estate market. The established market was based on an average price of 2.5k Euros per square metre. For the FHS model to be viable the price per square metre had to be no more than 1.3k Euros. 'It was a big fight. The developers were against it, parts of the media were against it. The developers wanted to keep on doing business as usual. We kept saying, no, only at 1.3 k per square metre otherwise there is no project'. The reputation and brand of Cariplo 'helped hugely in getting a resolution. It could speak with government and with banks. But it couldn't take a strong confrontational position. It is known as very fair so people see its position as in the general interest'.

Consolidation and Growth

The success of FIL was later used as a basis for setting up a national Integrated Funds System (SIF) by the National Housing Plan. This integrated funds system consists of a national fund of funds (FIA), managed by an investment agency headed by the first director of FHS and staffed by a number of people hired from FHS, with equity of 2 billion Euros. The FIA invests in local real estate funds to build social housing units at affordable prices, intended for families unable to meet their housing needs in the market, but with incomes higher than would entitle them to public housing. From a policy viewpoint one of the advantages of increasing the supply of rented social housing is that it makes labour migration more flexible.

FHS approached the development of social housing as a partnership between public and private actors. At local level local investors were recruited to pay into a local fund to which the (now) national fund also contributes up to a maximum of 60% of total equity. FHS plays a co-ordinating and advisory role. Raising local equity is a challenge and is described as very, very difficult in the

current financial environment especially outside metropolitan areas and in southern Italy; another challenge is ensuring return on investments (3% is now seen as relatively high). Yet another challenge is going through the authorisation processes which is ‘public administration – slow, difficult and a lot about local rules...’

FHS sees its role as ensuring everything is done properly, sharing knowledge and spreading competence in order to ‘create a market not just a collection of projects.’

Originally FHS tended to focus on greenfield sites but more recently has been working mostly on brownfield renovations. Sites/buildings may come from local government giving a concession, selling a site, or exchanging a site for shares in the fund. Some sites/buildings come from private sellers anxious to sell in a very difficult market. The national social housing fund is seen as the only place where, at present, money is available for purchases and development.

Every project is planned as an urban project involving redefinition of public spaces, traffic issues and a functional mix of new dwellings; a social project providing commercial services with community impact, high impact social services and sometimes special residential services; and a financial project involving planning and project management. Ideally, all of these elements have to be planned and agreed between local stakeholders and investors at the outset and built into the implementation agreement prior to closing the agreement, and agreement on the tender for final building design and development, property allocation and property and community management arrangements.

Clearly, getting to this stage involved a wide range of different skills, and ‘is a huge co-ordinating task and it is almost impossible to get all agreed at the start but you need to be very clear about the nature of the mission and you need to drive the process.’ ‘At the start it took us about 4 years to get to agreement but now we are

managing to do it in 2 years. As you go on you have a customary list of 'to-do's' and a clear timetable and so on. Now we're working on standardisation of the processes for replication – we want to spread the model'.

FHS summarises the diversified skill sets underlying its integrated approach under two main headings: finance, and planning and development. There are 8 key elements in the FHS approach:

1. Economic and financial planning
2. Social administration of the properties
3. Definition of a reference profile for the new community that ensures a balanced social mix, coordinated with the city's housing policies and applicable regional legislation
4. Services design – inclusion of local and urban services that strengthen relations with the wider neighbourhood and collaborative resident services that may promote a sense of community and well-being
5. Architectural design with a focus on definition of spaces for socialising and interacting both in and outside of buildings
6. Concern for the environment and sustainable life-styles
7. Community start-up and guidance
8. Co-ordination with relevant local policies

A Range of Styles

None of the above fully captures the creativity of the work of FHS. One development in a suburb of Milan is a purpose built development of 123 dwellings. The building was the result of an international architectural competition designed also to raise the profile of social housing. The decision to mount an international competition for the plans was not an easy one. The real estate project had been full of delays and set backs so when final authorisation was obtained people wanted to move ahead as fast as possible. Cariplo and FHS resisted the pressure to run ahead and insisted on the architectural competition: 'We wanted it to be innovative in terms of social impact. We wanted thinking out of

the box in public, private and semi-private spaces.’ Although there were worries that the competition might be a waste of time and money, the view now is that it was well worth it.

The building incorporates various environmental and technological innovations as well as a range of commercial units and public spaces for use by the wider neighbourhood. There are also a number of garden plots for tenants to cultivate as they choose. The buildings themselves include a variety of features designed to encourage community sharing and building (a communal kitchen and laundry, a common ‘party’ room, a hobby room and so on). Some units are offered to voluntary associations who provide relevant services to residents and the wider neighbourhood.

Applicants to live in the building were brought together months in advance of completion in order to know each other and assess their willingness to participate in ‘building a community’ and were selected to include a range of ages and family units. Now that the tenants have moved in the building managers are working with them to identify projects of common interest (such as car pooling, book sharing, joint purchasing, etc). As one person at FHS said: ‘We’re never satisfied. The dominant idea is that social housing is low cost – but we’re doing something different, something really high quality: quality of buildings, spaces and services to improve quality of relationship and quality of life ...’

Another development is a renovation of an old and very beautiful building in the centre of Milan. The building was privately owned and rented out to tenants. For FHS this was an experiment ‘working on an existing building with people already living there with whom we had to negotiate the changes.’ The building is in a culturally diverse area and, when completed, will include a range of existing residents, migrants, young people and some people with disabilities. This building does not have the common spaces of the previous example, but 7 million Euros has been invested in renovating a park behind the building for the use of the wider

neighbourhood. The two commercial spaces in the building have been let to a fair trade coffee outlet and to a clothing recycling/fashion store – a start-up itself. The choice of tenants for the commercial spaces is part of a wider goal of social regeneration of the neighbourhood. The management of this building is another experiment; Fondazione Cariplo wanted to encourage non-profit organisations to become more involved in social housing so it invited four different organisations to form a consortium (with a grant of 1.5 million Euros) to set up a social enterprise to buy part of the building and to manage the whole building.

Even more ambitiously FHS is involved in development of a targeted 1000 dwellings for young people in Milan. Cariplo is a major investor in the scheme. So far 210 dwellings (apartments/flats) spread throughout the city have been acquired from a local public entity. The aim is to link the young people in an on-line community among all of the tenants: ‘creating a community with no common space but can be ever changing’. The project is described as ‘a head-ache to manage, but very important because many of the flats can’t be sold so if we could develop a model it would be very interesting to replicate’.

Next Steps

Now that people are living in the buildings FHS is focussing on developing and implementing the social aspects of the projects and the financial sustainability of that. ‘That’s more difficult than just attracting investors because it’s about people, community and quality of life. We have to be very constant and precise in monitoring the implementation of the projects’.

In this phase, there is another advantage: ‘We now see the social housing developments as laboratories for many of Cariplo’s other grant areas – putting in extra ingredients and seeing what happens’. The greatest challenge is ‘trying to replicate the whole model and staying focussed on the social content. It’s about finding the right

models that are sustainable and replicable’.

The project has been complicated and, at times, contentious. But those involved believe that it has been worth the work and the difficulties. Foundations, Cariplo believes, should be ‘more entrepreneurial – there are too many tourists in philanthropy’. ‘If you don’t think out of the box then philanthropy just plays the role of rescue team’.

4

Mozaik and EkoMozaik – Bosnia Herzegovina

The Parent – Mozaik Foundation

Mozaik Foundation, based in Sarajevo, was established in 2002 as a foundation to co-ordinate donations and make grants in Bosnia Herzegovina. It was then called the NGO Foundation and one of its first donations was 170k (Canadian) dollars from the Canadian government. The new organisation quickly realised that one foundation would not work. In 2004, with the help of Harvard Business School, the foundation embarked on a major strategy planning exercise and as part of that process changed its name to Mozaik Foundation.

The Offspring: EkoMozaik

EkoMozaik was established in April 2009, when a contract was signed with the Municipality of Sekovici (Eastern Republika Srpska, 10,000 inhabitants) allowing Mozaik to use a 750,000 € ex-military complex free of charge for a period of 20 years. EkoMozaik is a social business designed to provide jobs to the most vulnerable population, both Serbs and Bosniaks. EkoMozaik produces honey from its own bee-hives (and makes bee-hives), seedlings, salad vegetables and flowers in its greenhouses, and other vegetables in the fields. EkoMozaik ltd is 100% owned by and linked with Mozaik through a corporate governance system developed in partnership with the International Finance Corporation.

Mozaik: From Grantmaker to Social Entrepreneur

Until the 2004 review almost 100% of the foundation's resources were raised from abroad. The strategy planning exercise focused on the key question of financial independence and sustainability.

By the end of the planning exercise the foundation had decided to change its name to Mozaik and to broaden its focus beyond the non-profit/civil society arena. 'We realised that civil society organisations are not only and not always the best vehicle for achieving change. A lot of civil society organisations specialise in meeting donor demands rather than meeting needs.' Another result of the review was development of a multi-layer strategy that would, among other things, aim at building partnerships with governments, business, media, citizens, donors and other non-profit organisations. Thinking longer term was unusual at this time when most organisations in the country were just looking for the next donation.

Mozaik began to develop its own approach to development beyond giving grants: Community Driven Development. It was based on principles of partnership and mobilisation of local resources to address local issues, educating and mobilising for long term impact. 'The idea was to mobilise the community to work on a project for common good. It was a way of building trust, working in communities where until recently people had been killing each other.'

Mozaik also began thinking about building an endowment. In a region where immediate needs ruled fundraising talking about an endowment was difficult, and in some ways not helped by the fact that Mozaik was receiving substantial funds from USAID: 'why give 5 Euros to an organisation with thousands and for nothing immediate?'. Charles Stuart Mott Foundation saw the possibilities and gave the first half million Euros to be used as a 2 for 1 matching fund.

The organisational budget increased from € 0.32 million in 2004 to € 0.7 million in 2008. Locally mobilised resources contributed 50% to the total cost of community-led activities. By 2008 Mozaik was already known and recognised in the country, especially by municipal authorities. Links were made into almost all layers of society and the leadership of the foundation was starting to think

about the next five year plan.

In 2008 Mozaik leadership met again to discuss strategy. Financial sustainability, they realised, was different from having short term funds. Mozaik knew that donors might move on, and funds from political parties were hazardous in that ‘once you get funding from one political party you are marked as their baby – so you have to work very hard and carefully to get money from all of them or from none.’ In short, increased fundraising might do little for Mozaik’s sustainability nor for its independence. The alternative path – investing in social businesses – would be a much riskier undertaking, but would result in greater benefit for local populations and, at the same time, help to maintain Mozaik’s independence.

Before creating EkoMozaik, Mozaik had already been involved in the creation of one social business and another non-profit start-up. The other social business was Mašta Agency (Imagination), a marketing agency owned and housed by Mozaik. The business was started because Mozaik realised that it was spending considerable sums of money on marketing, design, events etc. for products and services that were not always quite as they would have wished: ‘really we were doing the work and they were getting the credit’. So they decided to create their own company and sell its services to others in the open market. The Mozaik Board loaned Masta 8,000 Euros for start-up costs which it paid back more than twice over in less than a year.

Mozaik’s other start-up was Populari – a public policy think tank. Populari was started because Mozaik believed that its work had to be informed by sound research. ‘Populari informs our work and our cases inform their work. We need public policy people but we are activists’. Initially, Populari and Mozaik worked closely together but then separated, although Mozaik continues to sit on Populari’s board.

Finding an Opportunity to Fill a Need

EkoMozaik was born, in part, from extreme frustration. ‘Every time we went into a community and asked what people most needed the answer was jobs. We’d say ‘sorry we can’t do that’. But we were feeling more and more frustrated that we claimed to be about needs but we couldn’t work on the number one priority. We and our donors were happy to work on rights, democracy and so on but those depend on jobs in a stable economy’.

Mozaik wanted to provide employment. It also wanted to break away from long term dependence on donors. And it believed that it had developed expertise and networks that equipped it for a real business challenge. ‘We wanted a business that would provide jobs to pull people out of poverty in a sustainable way, we wanted to empower women in a sustainable way; we wanted to do reconciliation in a sustainable way’. But what sort of project could combine those goals?

Once the decision was made to start a social business the search for partners started. Soon after Mozaik met with representatives of the Czech Embassy in Sarajevo to discuss potential cooperation. After some discussion the Czech Ministry of Agriculture agreed to fund development of an organic bee-keeping business with an initial gift of € 400,000. Mozaik committed an additional € 100,000 to the project and € 150,000 were borrowed from Sparkasse BiH on favourable terms. So Mozaik had a business idea and some money but where to locate the largest bee-keeping business in the country?

Mozaik contacted several small municipalities in the country looking for help with a location. As noted above, in April 2009, a contract was signed with the Municipality of Sekovici (Eastern Republika Srpska, 10,000 inhabitants) that created the biggest public private partnership in the region and enabled Mozaik to use a € 750,000 ex-military complex free of charge for 20 years. In part the willingness of the Municipality to work with Mozaik may have

been due to the fact that Mozaik had already started a Youth Bank in the area – ‘so they knew us and trusted us.’ Now, at last, Mozaik had the ingredients for a new social business.

Starting a business in this region is complicated. Bosnia Herzegovina ranks 163rd on the World Bank index of ease of doing business; the structure of government is complex and overlapping, procedures and permissions take months if not years and corruption is endemic at all levels. Once you have a business and employees the problems do not end there. There is a saying in the region that it is easier to divorce someone than to fire them.

Developing the Organisation: Early Years

At the start EkoMozaik focused on growing lavender and keeping bees to make honey. The hives were made on site with wood from the forest; EkoMozaik is now being asked to supply hives for sale. Staff set about clearing the land. So far 20 acres of 39 acres available have been cleared and prepared for growing. An additional grant of \$2million was obtained from USAID to build a 501,700 square metre greenhouse. With this facility production of salad vegetables, other flowers, and seedlings began.

The location was a wonderful gift but it was not without problems. First, it was a barracks and land but the land had to be cleared of forest and prepared for planting before it was of any use. Second, the site was high in the mountains along a rutted dirt track road that is only negotiable by tractor when the snow comes. One by-product of the EkoMozaik development is that for the first time the two local political parties have cooperated to arrange maintenance of the track. Third, while the height means that the air is pure it also means that the snows can be heavy and winter temperatures very low (minus 30 degrees in some years). Two years ago there was one metre of snow on the greenhouse roof creating a real danger of collapse; ten staff worked day and night to reduce the weight of snow on the roof. Fourth, when EkoMozaik first set up

there was no mobile phone or internet coverage. Fifth, the very rural location and the altitude make simple things like getting fuel and supplies difficult and expensive, and of course add to EkoMozaik's own transport costs, as well as making it difficult to find staff who are prepared to live in the area. Last, but not least, Sekovici is a wholly Serbian community; 'you wouldn't expect an organisation in Sarajevo to invest in a Serbian community so it was a very very big statement for us to do that'. This also later created some ill-feeling among the Serbian women workers when a Bosniak agronomist was appointed – 'they didn't like it but then they realised he was there to help grow the business and it's ok now'.

The early years were difficult. One problem was finding expert staff – an agronomist and an accountant etc. – who understood the purposes of the project and were prepared to work in such a remote location. The women employed from the village also found it difficult to understand what was expected from them. The village has around 90% unemployment and for many of the women this was their first job. In addition they were told that this was a 'social business' run by a foundation – this may have sent the message that this was charity/aid and so did not need to be treated like a 'real' job. In the early days pilfering was sometimes a problem.

Once the site began to produce honey and other produce the problem was to find buyers. 'People didn't know us, they didn't trust us. It was really really hard'. The liability of newness was compounded by other factors. The altitude and non-use of pesticides and artificial sugars mean that EkoMozaik produce is very high quality but because of the methods used and transport costs it also tends to be more expensive than some other produce.

The fruit and vegetable market is also, by its very nature, difficult. Salad goods have a short shelf life and there may be considerable waste. Both honey and other produce are subject to the vagaries of weather affecting both production and consumption. The market in Bosnia Herzegovina is further complicated by at least three other

factors. First, buyers are reluctant to sign contracts and some take the goods but do not pay. Second, there is a degree of corruption. Third, in recent years there has been a move for ‘people to go back to their roots, so growing stuff is now more popular. Most people grow at least some things for themselves and there are more local markets.’

Slowly, however, EkoMozaik began to find buyers including one chain of local supermarkets.

Consolidation

By early 2014 EkoMozaik has worked through many of its earlier difficulties. It is still finding it difficult to recruit an agronomist and, of course, altitude and climate remain challenges. This year the winter has been particularly mild and there are fears that bees leaving the hives too early will die for lack of food.

EkoMozaik is slowly becoming better-known – particularly for the quality of its honey and seedlings. Open Society Fund BiH has given € 50,000 to improve the production and marketing of bee-hives. It has recently been asked to experiment with growing a rare type of onion that has never been raised in a greenhouse before, and there are high hopes of a major contract for salad stuffs. A new marketing manager has recently been appointed but marketing remains a challenge. There are other logistical problems including getting the greenhouse heating right, as well as developing a management style appropriate to the culture and expectations of the employees. Balancing social and financial (for-profit) goals remains challenging.

As an employment project EkoMozaik is undoubtedly successful. At the peak of the planting and growing season it employs over 160 women from the local area. One interesting effect of this is that men are less likely to leave the family to seek work in Russia and Montenegro.

Mozaik remains upbeat about its 'baby'. 'Creating jobs has been an amazing tool to get local Mayors on board and the media love it. We can now go to places as the people who created EkoMozaik'. The location has been difficult but 'if we can make this work there then we can do it anywhere'. Mozaik is now using the lessons learned from the challenges of EkoMozaik to inform and develop its other work. Perhaps most importantly 'It has made us really think about what the real problems are and how to address them – not just accepting what other organisations do'.

5

One Foundation and Headstrong (Ireland)

The Parent – One Foundation

One Foundation was started by Declan Ryan in 2004, with Deirdre Mortell as co-founder and CEO. One Foundation was founded on the principle of ‘giving while living’ and very early on a decision was made to spend out over ten years. Over the ten years of its life One Foundation started several new organisations including Social Entrepreneurs Ireland, Stand Up for Children and Headstrong. All of One Foundation’s work was informed by a strong venture philanthropy approach with the founders involved in all decisions. The foundation’s key areas of interest were minority communities, disadvantaged children and families, mental health and social entrepreneurship in Ireland. One Foundation closed its doors as planned in December 2013.

The Offspring – Headstrong

Headstrong is a national body based in Dublin. Headstrong’s Vision is:

‘Our Vision is an Ireland where young people are connected to their community and have the resilience to face challenges to their mental health. Its mission is to change how Ireland thinks about young people’s mental health through the Jigsaw Programme of service development, through Research and Advocacy.’

Headstrong describes its aims as to improve mental health & wellbeing outcomes for young people in Ireland by:

- ✧ Working with Health Services Executive and others to get state mental health services working better for young people
- ✧ Working with communities on mobilising around mental health and well-being for their young people
- ✧ Providing innovation funds and technical supports to support

and incentivise changed ways of delivering youth mental health services. Funds are matched from within the community / local agencies

Once developed Headstrong emphasised three elements in its role: service development – Jigsaw – a Headstrong developed innovative programme that works with communities to offer timely, accessible and appropriate youth friendly mental health support; advocacy on young people's behalf and empowering young people to advocate for themselves; and research for future programme development and advocacy.

One Foundation invested 6.2 million Euros over the first 5 years of Headstrong's life, with a further 4 million allocated for 2012-14 (see below).

Identifying a Need

When One Foundation began it saw itself as very much a venture philanthropy organisation, focused on supporting and growing already existing organisations rather than starting anything new. Very early on One was aware that there was a growing youth mental health problem in Ireland but 'mental health didn't tick the (scaling and growth) boxes so we put it on the back burner to start with'. By 2006, at the height of the Celtic Tiger economy, the statistics clearly showed that there was a mental health crisis among young people – but no one was talking about it. None of the staff at One had a mental health background and everyone was unsure what to do. But there was a feeling that something had to be done. So One hired an Irish economist who had worked on mental health advocacy in Australia. They began by mapping what was being done in Ireland and discovered that almost all services were provided by the state with very few non-profit providers on the scene.

In January 2006 the government published a new mental health

policy document: “A Vision for Change”; the document was seen as forward looking but the section on youth mental health was among the weaker parts of the whole. From One’s perspective mental health-focused non-profit organisations operated in silos divided by illness such as schizophrenia, depression, eating disorders, and so on; as a result, a broad mental health agenda had been slow to develop. One Foundation recognised that youth services and schools were paying increasing attention to youth mental health as suicide became an increasing concern, but many seemed unsure what to do and how to respond.

‘We would have preferred to fund someone else to address this – but there wasn’t anyone so we had to do it’. The One Foundation Advisory Group met and asked themselves ‘How much do we really care about mental health? Do we care enough to jump over the barrier – we had always said we don’t do start-ups?’.

By this time One had become involved in promoting social entrepreneurship in Ireland and when this took off One realised that ‘we were holding it back and we had to let it go’ and so it was spun out to become a new, separate organisation. Now it was argued that One was already involved in a start-up, so why not this one in youth mental health where the need was increasingly obvious?

But still there were anxieties: there was no existing, similar (non-profit) provision so One would be not just starting an organisation but a whole field; how would it feel to be a founder rather than ‘just a piece of the pie’; would it be possible to bring in other funders; and, crucially, could One create a model that would work? One already knew that it had a ten year life and that meant that the focus on exit was there from the beginning, addressing some anxieties about on-going responsibility and exit, but creating others in relation to the short timeframe for exit.

There were other issues. One had the business/start-up skills, but

little knowledge and expertise in the field. In addition, there was nothing to 'see': 'Most of the time One was investing in something you could already see. With Headstrong there was nothing, they had to invest in an idea.' And it was a radical model: 'If I look back I'm not sure I would have invested in us – it was such a wild idea.'

Opportunity Development

Having decided to go ahead, One Foundation commissioned a feasibility study, looking for a model based on international best practice that would fit the Irish situation. The person appointed to undertake the feasibility study was very deliberately hired with a view to him becoming CEO of the nascent organisation – he had the experience and the ideas. The hope was that hiring a potential CEO as the person to undertake the feasibility study would build joint ownership of the project from the start. 'he knew about mental health, we knew about start-ups and managing – but it had to be something we both owned'. Both One and the CEO agree that the early meetings (what one person called 'the dating process') 'were very 'awkward. I spoke Latin, they spoke Swahili – and neither of us really got the other'.

The feasibility study produced a model that One, and the consultant/potential CEO saw as worth trying. It was agreed that this would indeed need to be a new organisation rather than a programme within One because it needed to interact with other services independently of any funder, and it would need to be there for the long term whereas One's life was very limited.

'The fact that One had a ten year life was very, very defining – we wanted to make permanent changes so we needed to look at how we could lock things into the landscape. And in many ways having that limit saved us a lot of pain and heartache although it did not mean we could by-pass the sustainability issue.'

Making It Happen

Headstrong was born early in 2007 with an initial investment from One Foundation of 1.3 million Euros. One Foundation's vision was that one day, mental health, like physical health, would be considered central to an individual's wellbeing, and services would be appropriate and available in whatever form and location was most beneficial. Headstrong described its mission as to significantly improve the life experiences of people touched by mental health problems in Ireland.

One saw its investment in Headstrong as being designed to:

1. Produce better information about mental health
2. Reduce stigma (through advocacy and public education)
3. Enhance services (at local community level, Board paper 2008)

Headstrong saw itself as the only youth mental health focused organisation and positioned itself between the mental health nonprofit organisations, state services (HSE – primary and secondary care), and youth services, collaborating with all.

One Foundation played a very active, hands on role in Headstrong's birth. One set up the company, arranged charitable status, hired the CEO (the original consultant – but only after an open advertisement) and then worked closely with the CEO to hire the first staff. In addition, One seconded a member of staff to work with the CEO on putting in place the necessary governance and management structures and processes. One Foundation's co-founders both sat on the Board and played a 'very active' part, helping with, among other things, funding networks and plans, as well as recruiting (with the CEO) other Board members. One potential danger of this was that the foundation's One and Headstrong 'hats' were sometimes unclear.

Early Years

‘The most difficult thing at the start was trying to sequence the actions so they were do-able – you needed to do them all, but there was only one person at that stage’. ‘Building relationships takes time but we were in a hurry. When other people looked at us they saw rich people in a hurry – so we had to build trust and that took time’. ‘It was a spider’s web of relationships and services.’

As relationships developed there were new challenges for One Foundation. One was keen to keep the management of Headstrong on track – keeping them urgent and focussed on young people, not getting sucked into the state services culture. We had to help them stay in the middle.’

From Headstrong’s viewpoint One had to understand the complexity of the existing systems, that change would take time and that putting money on the table could not ‘buy’ agreement to change.

From the outset One Foundation was conscious of the dangers of Headstrong being identified as a ‘One Foundation project’ thus potentially deterring other funders from contributing. ‘We were aware of the risk but decided we wouldn’t worry. We would put in as much as was needed at the outset and then insert conditions each year about other funders coming in – they had to have the state come in in year one ... We couldn’t possibly wait until the end to ask them in otherwise they would say ‘no way, it’s yours’. ‘We were always aware of the risk – but we weren’t afraid of it.’

Over time, Atlantic Philanthropies, O2 and both national and local government all came to the table.

By 2007 Headstrong had a turnover €1.1m, 10 staff (9 FTE), and one site in Galway. In 2008 Headstrong received another grant of over half a million Euros from One Foundation in order to prepare a 3 year Business Plan for 2009-11.

One had played the role of entrepreneur and venture capitalist. From Headstrong's point of view: 'Philanthropy has a tremendous capacity to build. Without One we couldn't have built the model so people could see it'.

Consolidation

Headstrong's goals and expected progress for 2007-9 were to:

1. Establish local youth mental health demonstration services in at least 5 communities in Ireland. More specifically, they wanted:
 - ✦ Jigsaw Galway implemented and on track (first site)
 - ✦ 2 further sites approved as full Jigsaw sites ; and 2 further pipeline sites approved
 - ✦ Produce a short manual and multi media resources on the Jigsaw model to facilitate faster replication
2. Forge a new national partnership for action on youth mental health. More specifically to:
 - ✦ Secure institutional support for the Jigsaw model from HSE, mental health professionals, and Office of the Minister for Children
 - ✦ Become Ireland's leading source of expertise on youth mental health by raising profile, undertaking research and developing resources and materials
3. Secure a significant Government-philanthropic partnership to implement this plan. More specifically Headstrong hoped to:
 - ✦ Secure support from One Foundation and others
 - ✦ Build a fundraising programme

Consolidation for new organisations, much like adolescence, is inevitably a difficult time of experimenting and proving competence and capacity. For Headstrong this was a particularly

difficult time because it coincided with the dramatic fall of the Irish economy. For One Foundation this was a difficult time because, so close to its end date, it had to re-write all its exit plans in the light of changed economic circumstances. 'After some badly bruised knees we started to work it out and we worked well together'.

Independence and Exit?

In 2013 Headstrong should have been on the final strait to independence. One Foundation's final 1 million Euros investment (before One wound up in December 2013) was due to be agreed in July triggered by future funding from the national government.

In July 2013 Headstrong received an informal commitment of further government funding. A grant of 1.6 million Euros from the Irish Government was confirmed in December 2013, thus triggering, as agreed, a final grant of 1 million Euros from One Foundation. In addition, the government's Mental Health Operational Plan included a commitment to an operational review of Jigsaw including options for sustainable funding models. The review is seen as good news for Headstrong but like all voluntary organisations in Ireland it has to continue to live with year by year government funding decisions.

6

Soros Foundation Latvia and Cultural Brigades

The Parent – Soros Foundation Latvia

The Soros Foundation Latvia (SFL) was founded in 1992 as one of the foundations established by George Soros in all countries previously part of the Soviet Union and its satellites. The strategy of the SFL changed over time, but the focus has remained on promoting open society values – the rule of law, democratic governance, transparency, respect for human and minority rights, strong civil society, and individual liberty, guided by the overarching idea that an open society is one where nobody has a monopoly on the truth. However, SFL has also always emphasised the need for affirmative action in supporting and defending the weak, the marginalized, in pursuing public good and ultimately building a good society where everyone not only has equal opportunities but also security. Since 1992 SFL has invested over USD 80 million for the creation of an open society in Latvia.

The foundation describes its work in three main phases. In the first phase the goal was to help individuals understand that they can affect and are responsible for their own lives and their community; in this phase grant rounds were very open: ‘It was let a 1000 flowers bloom approach’. In the second phase the emphasis was on building structures and institutions for a vibrant civil society. In this phase SFL was heavily involved in educational programmes, creating public benefit institutions and developing links between Latvia and the world through, for example, travel grants as well as translation of some key works into Latvian. The foundation was also involved in developing contemporary arts, library programmes across the region, supporting philanthropy development, and human rights initiatives. During this period the Soros Centre for Contemporary Arts – Riga, later the Latvian Centre for Contemporary Arts (LCCA) was set up.

The third phase aimed at strengthening the public policy process by providing fellowships to young researchers for policy analysis, providing expertise to the government in the policy-making process, advocacy and monitoring. It was in this third phase that the Centre for Public Policy, PROVIDUS was established by SFL. In this period SFL was also involved in the encouragement and development of community foundations in Latvia.

Some of these new organisations were created as programmes within the foundation and then spun off (as with Providus and LCCA). Another way of creating new organisations was by ‘counselling and funding the creation of new NGOs in key areas of public interest’. Yet another approach was to encourage individuals with passion and give them money. In some cases SFL worked with others to create new institutions.

The foundation is now moving into a fourth phase of ‘transition’ in which all Open Society foundations that are now part of the European Union are being ‘spun off’. SFL received its last tranche of money in October 2013 which it has invested in the hope that this will fund its administration. SFL will be changing its name and looking for funds.

The Offspring(s) – Cultural Brigades

The Cultural Brigades initiative was begun in 2010 and was designed to build ‘creative, sustainable entrepreneurship based in arts and culture which deals with social issues and contributes to raising the quality of life in communities’.

It was funded by a grant given to SFL from the Open Society Emergency Fund, created to help communities in need during the economic downturn, on the basis of a proposal developed by staff at SFL. The initiative was implemented by the Latvian Centre for Contemporary Art, an SFL ‘spin-off’ and an organization with past experience in projects engaging the arts for social change.

In the event there were two calls for proposals for Cultural Brigades funding. In the first phase 14 awards were made and in the second phase 31 awards (17 in regions and 14 in Riga). In the first round the competition was entirely funded by SFL and confined to the city of Riga. In the second phase, other municipalities beyond Riga were asked if they wished to contribute on a 50:50 basis. Five towns agreed to do so. In both rounds expert selection panels were recruited to make decisions regarding winners of the awards. In the first round every selected proposal received about 7,000 Euros and in the second round awards varied depending on the decisions of the local panels.

Although the emphasis varied slightly between rounds every proposal had to be in the field of arts and culture, had to have a business plan with some hope of sustainability, and had to have a 'social' or a community element.

By the end of the programme in 2013 44 awards had been made and 40 Cultural Brigade initiatives were still operating.

Spotting an Opportunity in Crisis

Social entrepreneurship was part of SFL's third phase areas of activity. This came to be seen as especially important in light of the economic crisis of 2009 which hit Latvia especially hard, resulting in emigration, public funding cuts of 30%, and effects on everyone's salary. It became increasingly clear that the old jobs were not going to come back, so the issue was how to build a new future for people.

One of the very obvious effects of the economic crisis in Riga was the number of empty shops and buildings. The arts and artists had been hit especially hard by the crisis but were beginning to 'fight back' and discuss ways of surviving. When in 2009 the Open Society Foundation head office in New York announced a call for proposals for an emergency fund for Europe SFL saw the

opportunity creatively to marry arts and culture, empty city spaces and entrepreneurship with a social and community element.

All 20 Open Society foundations in the region submitted project proposals to be assessed by the Emergency Fund Working Group. 'It was a bit confusing because they asked for sustainability but some crisis projects don't need to be sustainable. So it took months and that didn't help with partners who were ready to go.'

'Latvia was particularly affected by the economic crisis. The arts had provided a lot of economic growth and then were very badly hit. The creative community started putting on events as a way of coping and using empty spaces. We saw that artists were examples of a way of coping and being creative about crisis. We wanted to spread that more widely, but we still wanted to get artists and creative people involved. Then we said it has to be sustainable – not grant dependent; and then we added empowerment and inspiration to others. The original brigades were pilots. The idea was that it would be a virus that would spread. So it was a competition open to all, open space, accessible.'

SFL drafted a proposal to develop 'cultural brigades' (brigade in Latvian means team in English) which would, revive morale, unify people in cultural fields with a long term vision, involve others, reinvigorate city streets and neighbourhoods, provide a seed bed for new enterprises, and involve a clear 'social'/non-business element. Every project had to be located in the city of Riga. The proposal was for two rounds of competition but there was some concern about the risks involved and doubt about the sustainability of the projects, so it was agreed that the Emergency Fund grant would be for one round in the first instance, and if this went well another round would be funded. After an evaluation of the first round both rounds were funded and the initiative was awarded around 370,000 Euros in total.

Putting the Plan into Action

The first step was to make people aware of the programme and encourage them to apply. Seminars and events were organised both to publicise the programme and to bring people together and help them with putting together feasible proposals. ‘We did a sort of speed dating between people with ideas and with landlords of empty properties. Giving practical help to applicants before they applied got publicity, and even business newspapers wanted to write about the individuals in brigades projects’. In some cases applicants were helped to adapt ideas so that they might be more sustainable, in other cases they were helped to see how they could strengthen the social element. In one workshop a cultural historian and a paper artist met and developed a paper making business idea building on an old, famous town, love story legend. ‘The workshops were about getting people involved and helping them come up with ideas and business plans, and creating a buzz and a community’.

The expert panels met and selected ‘winners’. Those awarded a grant varied hugely and some had a stronger social element than others. For example, one project was for a shoe making business. Shoe making is an old Latvian craft. The project is now a very successful business and those involved are inspiring role models but ‘its low on the social element – but it was clear it would work and we needed some early successes’.

Another project was a rug-making workshop. Beautiful rugs are made entirely from waste products (old t-shirts, scrap from a leggings and a lingerie factory) and the people employed are older women who for various reasons would find it hard to enter the mainstream labour market. Five women are employed at present paid a small salary and a percentage on sold rugs. ‘Of course, we can’t be 100% efficient because we have a lot of health issues and because I don’t want my ladies working 10 hour days – and sometimes we stop for a yoga session or something – that’s

important'. One particularly striking range of rugs is made up of different coloured squares; each square is made from one t-shirt. This range has just been accepted for a design award and will be sold in an up-market craft shop in Riga (with a 70% mark up).

One early project was a plant exchange point, which later included a cafe, and then a plant hotel. 'It ran for 2 years and we were amazed at the range of people it attracted. In the end it closed partly because it was fined 700 Euros for a music licence; the fine led to huge publicity, and there were pro bono lawyers working to save it'.

Another project makes glasses, bowls etc from old bottles and now has a small shop and showroom on an increasingly fashionable street in Riga (where several other Cultural Brigades projects have also located, thus changing the profile of what had become a rather run down street).

The Cultural Brigades programme attracted huge local publicity. Publicity for the initiative helped everyone. One project was not news but a whole programme was, and 'the media love them because they like talking about and sharing what they do whereas some entrepreneurs are very secretive until they've made it a success'.

In interviews with Cultural Brigades projects it was striking that all say that the publicity and being part of a team with huge newspaper coverage was as important as the money. In one case (a music school for adults) the entrepreneur said 'Really we could have got the money but what we really wanted was the brand, the marketing'.

The Second Round

The second phase was a little different from the first. In the second phase there was more emphasis on the social and community element because of increasing questioning about whether it was the job of a foundation to be creating businesses.

The second phase was also different in that it set out to expand beyond Riga and to involve five local municipalities. Municipalities were invited to come into the programme with 50:50 co-funding in order to both raise awareness and to encourage a sense of ownership. ‘We wanted to have a region in the East and the West etc – but not all were able to co-fund, get organised, and make decisions because there wasn’t much time, so then we sent out an open call. We were very surprised because the small municipalities were more interested’. Whereas Riga was not as interested (partly because it had its own small competition, and partly because it probably saw the scale as too small), small municipalities were particularly interested because they wanted to develop their experience in this area and because ‘it was a bigger deal to them – and they had lots of empty space’.

The second phase was not only bigger in geographical scope but also built on the publicity generated by the first Brigades. There were 92 applications in Riga and another 50 from the regions. ‘We even had people calling to ask where is the competition’. In the first round the maximum grant was 7000 Euros. In the second round grants varied depending on local costs and on the size of the total pot available in that area.

In some areas it was a condition of the grant that the project be located in the Old Town in order to contribute to re-generation. In some ways this made it harder for projects both because such places were not thriving and because the types of building/space required were not easily available.

For the municipalities there have been a number of advantages in being part of the Cultural Brigades and several intend to continue with programmes of their own.

In some places Brigades projects have provided a base for other new community initiatives. Another advantage has been that buildings are being used and taken care of and new people are being attracted to visit and work in the area. Some municipalities have worked hard to encourage the projects and in one town organised 'clean-up Saturdays' throughout the summer in order to clear an old building for use.

The Cultural Brigades programme has also helped some municipalities to re-think their image and cultural positioning. 'Brigades enabled tourism to get support for the idea of workshop spaces in some old buildings because I could immediately say I know 15 artists wanting space'.

Municipalities gained from the visibility of the brand of the Cultural Brigades, and gained experience to run their own programmes. One important lesson has been the need to put in more support from the city including help with getting permits and with marketing using the city's existing networks.

More generally, the Cultural Brigades programme has introduced the notion of social enterprise to Latvia. For the last 5 years SFL has put on a Social Enterprise Forum – a 3 day event – for Riga and others. Part of the Forum is about exploring the notion of social enterprise in creating liveable cities, inspiring social entrepreneurs and explaining the notion of social business to municipalities. 'The Brigades have pioneered social enterprise and made it real'.

Support

It was always part of the Cultural Brigades plan to have an on-going network of brigades who could support each other. At the beginning there were workshops and events where 'brigadiers' could meet, and now they do it themselves, calling each other as and when needed. As one person said: 'Being alone with your crazy idea and we created support – it's a bit like alcoholics its easier to do it together'. Use of the network varied over time: 'It was really like feeling part of a family – at the beginning we were all at the same stage, the same problems, and then we had a lot more contact'.

In the second phase of the programme the nearby (Riga) Stockholm School of Economics Mentoring Club – partly funded by SFL – collaborated with the Brigades programme. These pro bono mentors could be called upon for support. Their value seems to have varied in part in relation to the brigadier's ability to conceptualise his/her problem in order that the right mentor could be identified. Some mentors understood 'the social bit, others didn't get it'.

Throughout both phases of the programme SFL and LCCA have tried to continue to help participants to obtain further funding if necessary (and still run a Facebook page to support them). Although the SFL grants were one-off there was 'never any criterion to be independent in 5 years'; and some projects always wanted to stay small, whereas some wanted from the start to be part of the mainstream market.

As noted above, apart from technical and emotional support the Cultural Brigades programme provided the incalculable support of publicity and public relations. 'The whole brigade movement is well branded – it's a sort of quality sign. It gave the benefits of one to all of us. Just saying you were part of the programme gave you an advantage'.

7 Realdania and Klimaspring

The Philanthropic Association – Realdania

Realdania grew out of a mortgage credit association. At the time of the sale approximately 1.4 bn Euros were designated for philanthropic purposes; this forms the foundation's endowment (Realdania is a membership organisation but behaves very much like a grant-making and operating foundation).

Realdania has various purposes. It supports projects in the built environment within the following five programmes: room for all; the potential of outlying rural areas and the open land; living built heritage; cities for people; innovation in construction.

Realdania aims to create value through development and change, dialogue and knowledge, partnerships and networks. In order to secure Realdania's long-term ability to have significant impact, the association's investment department manages a mix of commercial and philanthropic investments. Realdania takes a diversified investment approach across various classes of assets to ensure stable returns, and manages the assets so that their value is preserved in the long run.

Today Realdania spends between 70 and 140 million Euros a year (depending on its investment income) on a mixture of grants to existing organisations and projects it generates, supports and, to a greater or lesser degree, manages.

The Offspring – Klimaspring

Klimaspring supports companies which focus on developing and marketing climate change adaptation solutions to the Danish and international markets. Its primary focus is on ways of dealing with extreme rainfall in dense cities, helping companies to develop solutions that are scalable and sustainable. Klimaspring describes itself as operating where water meets the city and the (privatised)

water industry meets the construction industry. The aim is cross-sectoral development that not only handles more extreme rainfall but also uses water as a valuable resource to create better cities. Klimaspring creates consortia and supports them to put forward grant proposals to Realdania within the budget of the Klimaspring initiative; and as, if not more, importantly, Klimaspring continues to advise and support throughout the whole process from embryonic idea to market.

Klimaspring is ‘owned’ by Realdania which provides all of the money for it. It is implemented by Smith Innovation – an innovation company founded in 2009 and partly developed out of a Realdania initiative. Klimaspring has a total budget of around 100m DK (60m from Realdania plus contributions from the companies involved). It is accountable to the Realdania Board and is governed by a small steering committee made up of people from Realdania.

Klimaspring is intended to run for five years from 2013 to 2017, and aims to produce around 5 marketable, scalable approaches to adaptation to extreme rainfall in cities that also enhance the quality of city life.

Spotting a Gap

In July 2011 Copenhagen experienced extreme rainfall (rainfall that might only be expected in 100 years), flooding parts of the city and surrounding area. The cost to the city was estimated at 8 bn DK. As one person at Realdania commented: ‘Now the climate change sceptics could not deny what was happening. It was a burning platform – or more accurately a flooding platform’. Other Danish cities had experienced similar events which in combination with long term climate prognoses suggested that the problem would recur.

In the following months various new initiatives sprang up around

climate adaptation but many were building site specific, some were more broadly neighbourhood specific, and others were research/university driven. From Realdania's perspective none of these initiatives were really touching company mindsets and involving companies in creating sustainable solutions. The focus of Klimaspring was on adapting to extreme rainfall in ways that would improve life in cities, as well as developing scalable, commercially viable solutions.

The idea for Klimaspring was developed by staff within Realdania supported by Smith Innovation and agreed by the Board in August 2012. 'Why the idea? Because of the events of July 2011 and because, as we saw it, none of the existing projects were engaging with companies.' Once the campaign had been agreed by the Board Realdania staff and Smith Innovation continued to develop the details and propose an implementation plan. 'Why didn't we do it in-house? Largely because we didn't have the resources in-house but also because we mostly work that way. Contracting out is about getting the best person for the job, and it's more flexible because we can scale up or down more easily'. Why was Smith Innovation chosen to take Klimaspring forward? 'They are all about innovation and start-ups, they exist to help companies innovate. We knew them and they knew us so the transaction costs were as low as they could be'.

Making Plans

When the campaign was taken to Smith Innovation it was 'Still quite open but the desired end result was clear – it was about dealing with extreme rainfall and creating extra value in the city. How we got there was much more open'.

The City government suggested that Realdania might like to join with them on an initiative in a single area but Realdania were very clear that this was to be about scalable products for the national and international market and hence not a project attached to a

specific part of Copenhagen. However, discussions with the City did clarify for Realdania that they wanted this project to be about adapting to extreme rainfall and adding to the quality of life in cities: 'it was a brave idea – much harder than just thinking about pipes underground'.

Part of the wider gap as Realdania saw it was that none of the existing climate adaptation initiatives were designed seriously to involve companies. One person commented: 'Realdania is better able to get close to companies than other bodies – some organisations talk about it but don't really understand what is going in companies' heads; for example, government departments have such different mind sets and rules'.

Klimaspring was designed to overcome the fundamental problem of innovation which involves simultaneous development of product, process, sales and organisation. Given that so many different skills are involved – and in the case of water in the city so many different jurisdictions – innovation involves cross-disciplinary cooperation and consortium formation.

The plan that was finally implemented is based on dialogue throughout the process. One fundamental idea is that Klimaspring makes it easy to get started but standards get higher and harder to meet as the process develops.

In the start-up design phase Klimaspring brings people with ideas together from across skill sets and sectors; it helps to assemble the right consortium and facilitates the process that will determine the project's main idea and partners. A company gives its time, while Klimaspring is responsible for facilitating the process of exchanging and testing and combining ideas to come up with a viable 'project'. Klimaspring may also introduce new participants and skills if it considers this necessary.

Three workshops cover understanding and ideas, markets,

competitors and organisation. If an idea is taking shape Klimaspring helps to summarize the results, so that the participants and Realdania can decide whether they wish to take the 'preject' on to the development phase. The thinking behind the 'preject' phase is that too often grant makers expect applicants to have already developed the idea and to have all the answers before they have even begun the project. The 'preject' process allows time for throwing ideas around, exploring, adding, subtracting and so on. 'One of problems with many innovation models is that you have to know the results in order to apply – so we have the preject phase not to find solutions but to find the problem and the right partners'. 'The whole process is quicker than waiting for good ideas to stumble on our doorstep – and the whole process means that the ones that get to be projects have a greater probability of success.'

If Realdania accepts the 'preject' proposal then, as a part of the Klimaspring budget, it offers financial support for the development process directly to the participating companies. The criteria for financial support are that the proposal relates to adaptation to extreme rainfall in cities, is commercially viable, scalable, has national and international potential and is likely to achieve market maturation by 2017.

For the companies: 'They spend 4 working days in workshops. And then they have a project proposal and then they have to decide if they want to invest'. There are no fixed rules for financing by the companies themselves, but those involved must have a commercial interest in a successful outcome. 'The move from preject to project means a step up in time scale and money. A project requires 6 – 12 m DK and the company is expected to have to put in half. You do make a real investment but it's a good deal: the product belongs to the firm, as do the profits.'

In the testing process, advice and funding for testing and approvals can be given for completed development projects. Klimaspring can also fund additional costs to test the new solution for the first time

in a specific construction project (all the basic construction costs are covered by the firms). It will also give advice on marketing and scalability. In the final phase Klimaspring gives help to prepare a business plan for the exit phase and provides access to potential co-investors.

The value of Smith Innovation is seen as being not only in creating consortia and helping people hammer out viable projects but also in ongoing support. 'If Smith weren't there some of the projects and later projects might fold or lose energy – having Smith is part of the clever money, the knowledgeable money.'

Another advantage of the model is that participants benefit from being part of a network of innovations and knowledge becomes collective within Klimaspring and more widely: 'it's taking knowledge from each project and making it general knowledge, getting it out there.'

Challenges

Klimaspring operates with a tight budget and 'lean' staffing – around 2.5 full time equivalent staff over 5 years. But the timescale itself came from Smith Innovations not Realdania: '2017 came from us (Smith) – you need a clear budget and you need a sense of urgency. I believe in the idea that innovative collaborations are dreams with a deadline.'

Finding good ideas is, Klimaspring argues, not difficult. 'But it's very hard to find companies that will take it all the way. We look as much as at the company as the idea. If a company isn't going to go all the way and be the owner then our job is to find the company that will and that can be tricky'. One issue is the strong emphasis on scalability 'but the construction industry is not used to that'. Another challenge relates to selecting companies that will contribute to longer term, wider change. 'Building niche/clusters/networks of companies, research institutions and government

and so on that have knowledge of how to develop these sorts of solutions is a very important part of Klimaspring's goal. So we look at the likelihood of the company being part of that, and whether it will contribute to challenging thinking in the field.

Interestingly, intellectual property is not seen as a major issue: 'If your idea is so well developed and fixed in the early stages and you do not want to share it with potential partners then it's not for us'. Similarly, there is no suggestion that the foundation is subsidising commercial companies; the argument is rather that if Klimaspring can show that innovation across disciplines is worth it then that will change the mind set of industry. Another argument is that there is always a high cost of being first in creating a new market so Klimaspring performs a valuable role in reducing some of that cost and opening up the market for others.

One major challenge is that the problem of water crosses so many boundaries, authorities and responsibilities. One of Klimaspring's roles is to help consortia negotiate the increasingly complex governance of water issues. 'We are trying to make structural change and that is hard to do within existing structures or by firms operating on their own. We try not to be paralysed by the complexity of governance – just saying this is what we are going to do can be a start'.

Realdania's clear branding of Klimaspring as a Realdania campaign was 'less a challenge and more a relief as ownership and decisions were clear cut – but it could have been difficult if we wanted co-financing. It could also have been a problem with the companies if Realdania wanted to be a part of or branded in the end-products but as this is not the case, companies consider that 'Realdania' is an important tag for their development activities'.

In general Realdania always considers how it can avoid 'ending up with the bill forever'. In the case of Klimaspring that risk has been managed by the timetable and the emphasis on marketability

of projects. It remains to be seen, of course, whether the projects selected will achieve their market goals.

Klimaspring is an interesting model, somewhat different from some of the other cases included here. 'Could it have happened without an external party to finance and put together and support external parties: no. Could it have happened without Realdania? In theory but it's hard to see who other than Realdania would have done it'.

8

Stefan Batory Foundation* and Institute for Public Affairs

** Stefan Batory Foundation (SBF) was one of several organisations and individuals credited with the birth of the Institute for Public Affairs, but it is widely agreed that without SBF the Institute would not have drawn breath.*

The Parent – Stefan Batory Foundation (SBF)

Stefan Batory Foundation is an independent Polish foundation established in 1988 by George Soros and a group of Polish democratic opposition leaders of the 1980s. Its mission is to ‘build an open, democratic society – a society of people aware of their rights and responsibilities, and who are actively involved in the life of their local community, country and international society’. SBF’s priorities include: improving the quality of Polish democracy; strengthening the role of civic institutions in public life; and developing international cooperation and solidarity. SBF describes itself as primarily a grant maker, but it also runs some in-house programmes. SBF receives donations from a range of sources. Its annual budget is around 15.5 million PLN.

The Off-spring: Institute of Public Affairs

IPA was created in Warsaw in 1995 by SBF, along with other key individuals. Its main areas of study include European policy, social policy, civil society, migration and development policy as well as law and democratic institutions.

The IPA has a team of in-house researchers/policy analysts and a network of associate experts from academia and other areas. It publishes the results of its projects in research reports, policy

papers and books, which are broadly disseminated among members of parliament, government officials and civil servants, academics, journalists and civil society activists.

IPA works with key international institutions such as the European Commission and Parliament as well as OSCE, Council of Europe and Community of Democracies and is active in many international networks and associations, including Policy Association for an Open Society (PASOS) and European Partnership for Democracy.

The Institute has five major programmes focusing on: Europe, Social Policy, Civil Society, Migration and Development Policy, and Law and Democratic Institutions.

It has an annual income of 1.5 to 2 million PLN annually; this year (2014) it should reach 2.5 million PLN. Starting with around 7 staff, IPA now employs 30 staff working on about 80 projects per year.

Spotting the Opportunity

One of the key themes in explanations of the steps leading up to creation of the Institute was the notion that all new democracies need new political elites. The fear was that without policy expertise and a place to develop such expertise an emerging democracy ends up with ‘policy dilettantes’.

It seems that a number of leading Polish intellectuals, some of whom were involved in SBF along with key individuals at the Institute for Human Sciences in Vienna* saw this gap individually and simultaneously and, by both planning and good fortune, started to discuss creating some sort of centre for public policy to address the need for policy expertise.

* (set up by Krzysztof Michalski in the 1980s after martial law was declared in Poland. Supported by the Pope and by Soros, ‘it was very much a creation of the 1980s so it was not a think tank but a place for academics to write books etc. There was no place for think tanks in the 1980s’)

At the time there was little competition to provide policy expertise. Other possible centres tended to focus on economic rather than wider public policy issues. The Universities were busy teaching the huge new influx of students; in addition, according to some, academic circles were slow to change and still taught in 'old-fashioned' ways with old fashioned ideas.

But if there was little competition there was no shortage of obstacles to the creation of a new centre for public policy studies.

One obstacle was that there was very little understanding of a distinction between policy and politics. In Polish the word for 'policy' and 'politics' is the same so if you had ideas on policy then you had to be political. As a result there was equally little understanding of the work and role of a think tank. (The linguistic problem is the reason why the Institute is called the Institute for Public Affairs).

Another obstacle was that there was no experience of fundraising for organisations independent of the state, and there was no tradition within Poland of corporate and big donor giving. 'The State did everything and even if people wanted to give to charity they would give to children.'

Yet another problem was that George Soros saw the role of the SBF as making grants to existing organisations and individuals. 'He was very clear. The job was to get the money out of the door'. Only in the most extreme circumstances would it be appropriate for SBF to create a new organisation. Arguably, this was an extreme circumstance but, at that time, Soros did not see think tanks as a powerful tool for change. (He later changed his mind and accepted that 'those stubborn Poles' had a point).

Despite these obstacles, and as a first step, in January 1992 SBF decided to add to its small collection of operating programmes one on Social Policy Reform. The focus of this programme was

monitoring the effects of the economic transformations on social life and the impact of social policy on these changes. This was funded by SBF and the Institute of Human Sciences, Vienna (which in turn was funded by the Ford Foundation and The Pew Charitable Trusts). Then on January 1 1994 SBF created another new programme on Public Administration Reform. The focus of this programme was ‘support of reform and modernisation of structures of the State; undertaking activity oriented at working an overall vision of Polish public administration reform and, especially, at decentralisation of the State and development of local government’. (SBF Annual Report 1995).

This was the base from which IPA was born.

The Birth of IPA

It seems that organisational births are often difficult, complex and contested matters. Is the mother, the mid-wife or the adoptive father the real saviour of the baby? Add to that the fact that although we often talk of organisations as created by other organisations we tend to forget that organisations are made up of individuals who simultaneously are involved in other organisations. There were a number of players with somewhat overlapping roles from a small group of organisations involved in the birth of the IPA as a new being in the world.

The two SBF programmes outlined above were running but the clamour for a new independent think tank continued to grow. At this time one of SBF’s problems was that it was growing very, very fast. Between 1991 and 1995 its income increased from 700k PLN to over 15 million PLN. ‘We simply could not go any faster’. This rapid growth was creating managerial and organisational pressures and something had to be done to ease the pressure: ‘I wasn’t building a Byzantine empire, we wanted modesty’. Then there was another event.

In 1994 Solidarity lost the elections and the post-communists came to power; the fear was that the reform process would be slowed down. One result of these events was that some of the key players pressing for creation of an independent think tank re-doubled their efforts and tried to speed up process. Not only was there a new urgency to the need for an independent think tank but there was also a danger that the policy experience that had been built up in the previous administrations would be lost – where would the experience of ex-ministers be captured?

The chair of SBF, its director and other supporters of creation of an independent think tank saw the opportunity to solve several problems in one stroke. A new organisation – the IPA – would be created and the existing SBF programmes would be transferred to it, along with a core grant of 0.5 million PLN. Money also came from the Ford Foundation.

IPA began with three key strands – anxiety about the social costs of transformation, an interest in constitutionalism (because Poland was discussing a new constitution), and a third strand focused on CEE co-operation and international relations. This third strand was added partly because of the input of a Polish ex-diplomat who brought ideas, experience and a well developed network of foundation contacts from Germany and elsewhere. The director of this strand was very clear from the start that international relations should not be seen as just one among several programmes and later this strand was spun off from IPA to become an independent centre.

As one person closely involved summed up the ‘birth’: ‘It was a coming together of ideas, people and money. People at SBF and those we were close to saw the gaps of a newly emerging democracy. We knew the people who needed policy thinking and the people who could give it, and we had both the money and the networks to find more money’.

The new Institute suffered from all of the usual ‘liabilities of newness’ as well as the lack of understanding and acceptance of the concept of an independent think tank. Its roots within SBF had enabled some of the programmes to produce reports and establish some preliminary credibility and legitimacy. The individuals known to be involved in its creation also gave it intellectual and political credibility. But, at the same time, association with SBF was a mixed blessing: ‘if you were associated with Soros people thought you didn’t need money which wasn’t true – but it was true that SBF was the largest grant maker in Poland at the time.’

There was never any discussion of naming the Institute after SBF (or any of the other foundations involved). ‘It needed to cut any ties with SBF. That wouldn’t have been helpful. ‘The most important thing was that it was independent – that was what Poland needed: independent organisations.’

‘Later I realised how sensitive perceptions of relationships with foreign donors were. The Right wing especially attacked with the aim of undermining credibility. We always paid attention to diversifying the donor base, and now it’s more a matter of self esteem’.

Those involved in creating IPA were very aware of the need to build for sustainability. There was a saying used by one of the founders. ‘In Polish it’s a play on the word ‘stand’. It means ‘Once you start building an institution you have to stand it in such a way that it will stand’.

Consolidation and Growth

SBF continued to provide funding to IPA, as did Ford Foundation (and some German foundations funding the international programme). The SBF chair had a seat on the Board of the IPA (which it had largely created by gathering key supporters together).

One of the early issues, perhaps inevitably given the ground-breaking nature of the concept of the Institute, was finding senior staff. As one person noted: 'There was a problem about people: there was no tradition of policy studies in Poland; it's still a problem to some extent... There's a gap between policy needs/skills and academics – it's especially true in Poland. Academics will tell you about the problem but they find it hard to say what to do. And because policy organisations are quite weak it's hard to build a career so people leave – or don't choose it'. 'That creates a financial vicious circle. When you can't produce products that are not just academic but also have practical value then donors would rather spend on children and charity'.

As noted above, the founders of IPA were keen to build on the policy experience of ex-ministers. 'We wanted to involve new politicians in the Institute but later that became a source of problems because they had their own agendas ...'

In addition, there were some early misunderstandings about the accountability of IPA to SBF in the early days: 'The original staff probably thought they had better things to do than write grant applications and write reports' but SBF obviously had to account for its spending. As a result the chair of SBF felt he had a conflict of interest and resigned from the Board (though continued to be involved and supportive in other roles).

The mid to late 1990s were a difficult funding environment for new Polish organisations. US and other donors started to reduce their funding and encourage organisations to become more independent. On the other hand, the law was changed to allow people to designate 1% of their personal income tax to registered charities tax free and IPA attempted to take advantage of that.

IPA continued to struggle with establishing its value and place because each Party continued to want to put in place its own programmes with its own staff. Until very recently the Civil Service

continued to be vulnerable to political influence.

‘There was money from SBF for the first 3 years, then it tapered off. The first 3 years were very stable and that’s very important because you can plan and you can prove yourself with products. The first foundation is a guarantor in the chain of credibility. It’s all based on trust.’

While SBF funds were being tapered, Ford Foundation continued to give and later IPA received further funds from a consortium of US foundations to build an endowment. The ‘endowment’ (600,000 Euros) grant came with conditions attached and, given current interest rates, was hardly more than a ‘reserve and contingency fund’. But this grant had an interesting silver lining: it required a very visible upgrade in financial accounting and SBF (as the administrator) was very thorough. We thought it a nuisance at first but it turned out to be good because it has enabled us to manage European grants far better.’

IPA now wins funds from various arms of the EU, but these tend to be project specific grants. Raising support for an independent think tank continues to be challenging. But the IPA believes it has achievements to be proud of. For example: ‘I kept saying the costs of avoiding catastrophe (in getting the Constitution right) are not high. Now, I’m not saying the Constitution is as good as it was because of us but I have a suspicion that we helped. The Centre was perceived as a point of reference.’

‘There was a synergy of different programmes at the beginning within the Institute – something unique and after 20 years it still exists. There was good soil, good water, good seeds and the tree is flourishing.’

‘The challenges now are to establish its own programmes, not to repeat the old; to be creative and to listen. The problem is that politicians (think they) know better than anyone else. Another

problem is transmitting knowledge, skills and so on when the project/grant ends. Life is not divided by end of project dates.

Today (early 2014) the hope is that IPA's grant application to the EEA Funds will be successful (EEA – European Economic Agreement bringing together Norway, Iceland and Lichtenstein).

The verdict: 'SBF played a very special role here – not just the money but also an intellectual role bringing credibility through its staff, board and networks. Trust in individuals was important because Poland as whole had no track record. What could people in New York know about this project in Warsaw – they had to trust in the individuals they knew and respected. And people wanted the Institute to be seen not as a branch of the SBF. SBF didn't want to play an overwhelming role, and they didn't. If you look at people involved early on they weren't people you could steer.'

9

Stavros Niarchos Foundation and Stavros Niarchos Foundation Cultural Center

The Parent – Stavros Niarchos Foundation

The Stavros Niarchos Foundation (SNF) was created from the estate of Stavros Niarchos, the Greek shipping magnate. The foundation is primarily a grant maker, giving donations in 11 countries from 3 offices in Athens, Monaco and New York. Fifty per cent of grants must be allocated in Greece. The foundation will be 18 years old this year (2014). Its Board is composed of 3 family members and two other people.

SNF works to support projects that exhibit ‘strong leadership and sound management’ and to achieve ‘broad, lasting and positive impact’. It also ‘seeks actively to support projects that facilitate the formation of public-private partnerships as effective means for serving public welfare’. It describes its approach to grant-making as ‘hybrid’ combining strategic long term and short term relief oriented initiatives.

SNF does not reveal its assets and income, nor its annual expenditure but it has given grants totalling 1.07 billion Euros since its creation in 1996. Grants are given in 4 main programmes: education, medicine and health, arts and culture and social welfare. In January 2012 SNF announced a new programme worth \$130 million designed to combat the consequences of the socioeconomic crisis in Greece. In October 2013, the Stavros Niarchos Foundation announced a new long-term initiative, Recharging the Youth, to help create new opportunities for Greece’s younger generations. The Foundation is committing €100,000,000 to help the future prospects of young people, who are severely impacted by critically high unemployment rates, currently exceeding 60%.

Despite SNF's description of itself as primarily a grant maker in the late 1990s it began to explore an idea that ultimately led to the creation of a foundation inspired and managed construction project – the Stavros Niarchos Foundation Cultural Center (SNFCC). SNF has formally committed 566 million Euros to the building of the Center – this is SNF's biggest single gift to date.

The Offspring – SNFCC

The Stavros Niarchos Foundation Cultural Center will provide a new home for the National Library of Greece (NLG) and the Greek National Opera (GNO) as well as a 170,000 square metre park. The buildings have been designed by Renzo Piano and include a variety of experimental and eco-friendly techniques. When completed SNFCC will be donated to the Greek state for operation and up-keep. But the SNFCC is not just buildings and a park, it is above all designed to introduce a new concept of the role and functions of a library, an opera house and a park as public places of entertainment, learning and pleasure. In the current economic context it is also seen as a symbol of hope and pride for the Greek nation.

Spotting an Opportunity

In the early years of the SNF in the late 1990s board and staff were searching for a project that would make a clear statement about the foundation's values and commitment to the Greek nation. Meetings were held with various Ministries to discuss the needs of Greek society. One early possibility was providing a new home for the NLG which had outgrown its existing accommodation. The problem was that there was no available site for such a building. For several years discussions and the search for a site continued. Then in 2005/6 the government offered a site to SNF on which they might build the new library. At the same time, discussions were being held on the possibility of building a new home for the GNO. Therefore, when the State suggested that the SNF develop the new

Library project at a former horse racing track site, (an area of over 170,000 sq.m) the SNF decided to provide the funding to construct new buildings for both the NLG and the GNO, as well as a Park to surround them. 'Athens is very short of green spaces and Greece doesn't really do parks. We wanted to introduce a new idea of parks as public spaces for learning, exercise, music, playing, doing things together as a family, and so on.'

So what started as an idea for a new national library evolved into the creation of a cultural center incorporating NLG, GNO and a huge park. SNF saw the opportunity not just to create some beautiful buildings and a park but to re-define the way in which the public related to the library, opera and the environment. The opportunity was, for example, to expand the focus of NLG from an exclusive research facility to an all-inclusive public resource with a lending library and a wide range of educational and cultural programmes. Similarly, the opportunity was to create a park that 'would epitomise the core values of the Center: sustainability, access to the arts and education, as well as fun and entertainment'.

It was agreed that the complex would be named the Stavros Niarchos Foundation Cultural Center: 'That was very clear to us. It's the only thing we're asking – an acknowledgement. We're not asking for anything else.' Another reason for using the name of the Foundation 'is to motivate others, to encourage others to think about what they could do for their region'.

Creating a Plan

SNF began detailed discussion with the Greek government to establish a public-private partnership to bring the SNFCC to fruition. Various ministries were involved – Education for the library, Culture responsible for the opera house, the Ministry of Finance responsible for the land, and the Ministry of Environment for planning permission. After careful thought and study the SNF decided to pay for all costs associated with the construction

and equipment of the SNFCC up to the point of delivery. Once completed the SNFCC would be handed over to the State for management and on-going operation. The State and the SNF signed an agreement outlining the terms of the grant, which was then ratified by law.

When the buildings and park are complete there will be 3 autonomous organisations on the site: NLG, GNO and SNFCC. NLG and GNO will be managed and funded as they have been in the past (ie by the relevant ministries); SNFCC will be responsible for maintaining the whole site, including the park, and for organising functions in the park. NLG and GNO will pay service fees to SNFCC; and SNFCC will also be supported by the State as well as raising other revenue from commercial services on the site (cafes, restaurants etc).

From the very beginning SNF was clear that it was starting something new that it would not hold onto. Exit was built in from the start 'because we are not an operating foundation and because it would be wrong for SNF to interfere in Greek cultural policy'. 'There is a limit to our commitment. We build it and deliver it and then we're out of it.'

The plan was known to carry some risks. The Greek State has a poor record in its maintenance and use of, for example, Olympic Games facilities, and there were fears that SNF would pay for the construction and then find that the State failed to fully honour its part of the bargain.

The planning stage also involved an international architectural design competition. An international competition was important for various reasons including the fact that this was a public project and so needed to be seen as open and transparent. Another consideration was that SNF wanted an architect with experience of such a large project, and preferably one who understood the needs of a national library and/or a national opera house. Renzo

Piano won the competition.’ Renzo Piano is an Italian so he knew how to play with the landscape and the light and he is someone who doesn’t want his building to stand out – the plan is burying the buildings under the park. Kallithea – the municipality in which the site is located – means ‘good view’. Piano wanted to restore the ‘bella vista’ – the building is under a man made hill so the view to the sea is restored’.

Putting the Plan into Operation

The plans were developing fast but then the environment changed dramatically with the realisation of the scale of the economic crisis in Greece. ‘Should we go ahead with spending over half a billion Euros on a cultural center? People are going hungry and we’re creating an opera ... There were hours of discussion in the Board’. Finally, it was decided that the project was needed more not less in the current circumstances. ‘Greeks used to be known for their culture, education, civilisation. We need to restore that. We need to feel proud again. We need to create hope’.

There was also an argument that ‘We can take a risk that government and business can’t. That’s what foundations are for. People think we are crazy, organisations are shutting down all around – but how do you get out of a crisis if no-one will invest’. More tangibly and immediately the project also created business and jobs in Greece.

With agreement to continue the project the newly created SNFCC board (separate from but appointed by SNF) set about awarding the construction contracts. The economic crisis had hit building firms hard and no one Greek firm could be found to handle the contract. Instead the contract was awarded to a joint venture between an Italian and Greek company. Over 140 consultants are employed on different aspects of the construction; most of those involved are international firms but each employs a local contractor. The total number of employees on the building site is

expected to be around 1,500. Another consequence of the crisis has been a rise in VAT further increasing the cost of construction.

In addition to the external contractors involved in the project, the SNF staff in Athens share the work-load alongside their other duties. 'No-one will ever understand the love, dedication and time devoted to this. It's like a secret love – from inception to delivery and then we'll leave our baby. We often joke about what we will do with our time when it's over.'

In what must have been a bitter-sweet moment for SNF, Renzo Piano came to the opening ceremony of the building site on the same day that the Greek Parliament was voting the economic agreement with the Troika. 'There were severe disruptions in the city centre and on the other side of the city this amazing, hopeful dream.'

Once work began on the site in October 2012 there was a further problem – archaeologists discovered skeletons and artefacts from an ancient burial ground dating back to around the seventh, eighth and ninth century BC. 'Anywhere you dig in Greece you will find something but we were lucky because the find is in a place where no building was planned so it's not really holding us up.' The finds will now be placed in a basement exhibition area museum in the Visitors' Centre in the park (another addition to the plan).

Putting the plan into operation required constant thought and attention to ensuring a smooth transition and high quality operation of the Center after the hand over to the State. Monthly progress and planning meetings are held with the various Ministries involved and further refinements have been made to ensure satisfactory transfer and subsequent operation. The project has also continuously had the support of the Prime Minister's Office, despite changes in political leadership throughout the years.

SNFCC appointed its first staff in 2012. When the Center is

delivered to the state all SNFCC staff will have already been appointed by the SNFCC board. After the hand over these staff will be transferred and will be responsible for the maintenance and operation of the site, all facilities and park events. Part of the agreement with the State is that these staff are kept for at least 5 years. ‘This is important because we have to make sure the staff are there and that they understand the values and the vision – this is about much more than simply moving the library and the opera to a new site.’ For the same reason all of the maintenance contracts and operating manuals will be drawn up before transfer to the State.

Other controls are built into the agreement. If the State does not maintain and manage the Center satisfactorily then SNF has the right to withdraw its name and, in theory, ask for its money back. ‘It would be a political time bomb if we withdrew our name so that is a strong sanction.’ SNF also retains power to approve the naming of internal spaces, and can audit the use of funds after the transfer. ‘There are a lot of control mechanisms, a lot of protection built in – it’s all about ensuring the values and the vision are maintained.’

Challenges

A construction project of this scale presents numerous challenges. These challenges have been complicated by SNF’s strong desire that everything possible is done to ensure that the project meets the highest building and environmental standards. For example, in order to avoid removing excavated earth and then having to bring in new earth to make the hill, the existing earth has been sifted on site for re-use. Some measures save money, some cost more in the short term but will reduce the costs of running the Center in the long term.

All agree that ‘the building will happen, it will be fantastic, it will be a landmark’ but the real challenge is ‘what happens next.’ One anxiety in what happens next is the State’s capacity and will

to continue to support and develop SNFCC, especially in such difficult economic times. Related to that is the challenge of ‘creating a mass audience – not just intellectuals’. A mass audience is not only part of the vision but is also seen as essential in building political will to continue supporting the Center.

The challenge of creating an audience is partly one of communication. This has its own challenges. SNF has traditionally maintained a low profile; SNFCC needs to have a very high profile ‘so there is a bit of a tension there. It’s not our usual style’. Another problem is, of course, that at present SNFCC is a huge building site with very little – except 11 tower cranes – to see. The newly created Visitors’ Center (not part of the original plan) shows people what SNFCC will look like and, through interactive models, illustrates what it will provide.

Winning a mass audience is particularly challenging because the concept of a publicly accessible national library and opera is new to Athens, as is the notion of a park as a place for learning and fun. GNO has a new creative director who has been ‘taking opera to the people’ and NLG will also have a new director. Staff of both organisations need training in adjusting to the vision of SNFCC and ways of drawing in new audiences. SNF is paying for this training as an important part of ensuring the success of the project. This is in addition to the construction budget which now stands at 566 million Euros. ‘As with all grants the key is to have a sustainability plan and to create all of the circumstances that make the project viable in the long term’. If staff need training to deliver the vision then from SNF’s viewpoint that is an essential part of ‘construction’.

The site some way out of Athens and without a metro close by adds to the challenge of building a mass audience. Shuttle buses will run from the nearest metro and SNF is also working with others to create demand for construction of a closer metro in the future. Another more subtle challenge is how to combine user demands

and preferences with maintenance of the vision of SNFCC. For example, people have asked whether pets will be allowed in the park. The problem is that Athenians do not have a culture of cleaning up after their pets so ‘the alternative is to have signs everywhere which is not how we envisaged the ethos of the park. We don’t want to be directive but ...’

There are challenges related to the budget. Construction costs have risen (partly due to a rise in VAT as a result of the economic crisis) and additional costs have been added such as training courses, other removal/transfer costs and the creation of the Visitors’ Centre and the museum to house the archaeological finds. Some costs cannot be known until the last minute – for example, final decisions about the technology for public use in the library will be made as late as possible in order to ensure that all equipment is ‘the latest and the best’. There is another complication regarding costs especially for NLG. If NLG is successful in attracting a high volume of users its costs will rise because all services are free, but the gap between the anticipated running costs and the actual costs cannot be known in advance (in theory this is a problem for the State and not for SNF).

SNF is well aware of the dilemmas: ‘If you want this to be successful then you have to provide the resources – but you don’t want them to see SNF as an ATM’. The hope is that SNFCC will be properly supported by the State and that it will be able to generate some of its own income from service provision and from fundraising (in which staff are receiving training). ‘In ten years time the expectation is that SNFCC will support itself but, of course, SNF might still provide support for special projects’.

Over and over again those involved in SNFCC repeated that they have total confidence in delivering a beautiful landmark but whether the wider vision will be fulfilled is, at this stage, unknown. Whatever the result, SNF has worked to anticipate possible difficulties and has spent time and money in order to avoid them.

CHAPTER 3

Discussion: Foundations as Institutional Entrepreneurs

‘If you don’t think out of the box philanthropy just plays the role of rescue team’.

‘There are too many tourists in philanthropy’.

‘I don’t know how else a foundation can do disruptive change’.

Entrepreneurial Foundations

In the last 10-20 years foundations acting as venture philanthropists have received considerable attention. While the venture philanthropist works primarily with existing organisations, the inventive foundation is involved in the conception and creation of something new which the foundation usually also backs financially and supports in other ways.

Every one of the cases discussed above illustrates the role of foundations in seeing a gap or a need and bringing together the people, ideas and resources necessary to craft a solution or a response. In all of the cases outlined here the foundation’s role is about much more than money. In some cases the foundation is acting as a bridge between institutions or sectors (as in the case

of SNF and OSFL); in other cases, the foundation acts as a convenor of individuals (as in the case of SBF), and in other cases the foundation bridges both individuals and sectors.

Entrepreneurial foundations may create 'social enterprises/business' or, more broadly, they may create new institutions or adapt existing ones.

A Variety of Foundations, Contexts and Cases

There is no suggestion that this small study is in any way representative of the variety of foundations' entrepreneurial behaviour. However, cases were deliberately selected to include larger and smaller foundations and enterprises, as well as a variety of politically, socially and economically different contexts. In some countries there is a well-developed and established non-profit sector and an acceptance of the legitimacy of philanthropic foundations. In other countries, the non-profit sector is less developed, and foundations may be looked upon with some suspicion. At the time of writing (late 2013/early 2014) public services in all of the countries visited, with perhaps one exception, were under financial pressure – but the degree of pressure on people and services was very different.

The cases not only came from different contexts but also covered a range of substantive fields from local and national arts and culture enterprises to ones concerned with the environment and with reconciliation.

Enterprises also operated in very different markets; for example, EcoMozaik has to be able to sell short shelf life, weather dependent goods while the SNFCC has to, among other things, find ways of ensuring the maintenance of physical plant and of building audiences. Different market and challenges have a variety of implications including different issues around building for

sustainability, time scales and criteria of success.

The cases considered also have different operating styles/goals. Some are about social enterprise in the conventional sense. For example, EcoMozaik, Klimaspring and some of the Cultural Brigades are ‘social businesses’ in the sense that they aim to compete in the market and be self-supporting. Some cases are not only or primarily about creating a social business. It is one of the arguably more dangerous modern myths to believe that every organisation can support itself in the market and, for example, Phineo and Headstrong recognise that their services can never be fully supported by the market.

What the cases have in common is that the foundation is creating something new, or adapting existing arrangements or structures – the foundation is acting an institutional entrepreneur.

Foundations are, in theory, well positioned to be institutional entrepreneurs. Foundations have knowledge, broad networks and resources. They are not so ‘embedded’ that they cannot imagine new ideas, but they are sufficiently embedded to acquire the resources and open the doors to put new ideas into practice. But there are also challenges for the foundation wanting to act as an institutional entrepreneur.

Challenges and Considerations

Cultural Reluctance

The first challenge is the cultural reluctance of foundations to create something new. The dilemma is nicely illustrated in the following two quotations which highlight foundations’ (arguably false) choice between being limited in effect or running the risk of appearing arrogant and interfering.

‘A foundation is one way to approach philanthropy, but think for instance of ‘venture philanthropy’ or ‘social enterprises’ – making money by doing good. Having an open mind about philanthropy

can help us be more focused'. 'Change is not an option it is a must' (Enric Banda, The Current state of European philanthropy, Effect, autumn 2013).

But the danger is: 'when philanthropic actors think they know better than others – when external agendas and solutions about issues that they have little understanding or experience of are imposed on populations to whom they have not listened ... such arrogance in the development sector goes well beyond the bounds of philanthropy ...' (Theo Sowa, Effect, autumn 2013).

Of course, foundations acting as social entrepreneurs work hard to ensure that they are not arrogant and that they do understand the issues – but there will always be the fear that in treading on existing actors' toes they will be accused of 'interfering'.

The Big Why

Almost every foundation interviewee stressed that 'The biggest question has to be: why are you creating a new organisation'.

One answer was that there is a need: 'If there's a need for something to happen why not set up a new organisation? If you need a new organisation to make it happen then do it'.

There was a more explicit suggestion that: 'If you are a foundation and you have purpose xyz then you have to ask what is the best way to maximise the outcomes this foundation is set up to do'. 'Foundations can be important agents, always looking for the best way and one way may be to set up new organisations'. If no existing organisation is filling the gap and no organisation is equipped to do so, then, and only then, did foundations consider creating something new.

But creating a new organisation was not something foundations embarked on without careful thought: 'The biggest lesson is think

strategically about how you can have influence on what you want to do. How do you multiply and magnify rather than doing it all yourself?

Interestingly the thought process was challenging. On reflection some foundations believed that they tended to be overly influenced by what was on offer from grantees or what others were interested in. 'It has taught us to really think what's needed and not just do what others are doing'. Creating something new was not necessarily the end choice, but just considering what was needed – versus the conventional 'offer' – could be instructive.

Another important element in 'the big why?' was the source of the foundation's mandate to create something new – or as some organisations might see it: 'to interfere in the market'. Do foundations have the right to create new entities which they then expect others to support?

It seems that for many of the foundations included in this study the 'creation mandate' comes from the combination of existence of a need (and lack of an existing organisation) coupled with the foundation's own mandate to pursue the public good. The foundation has a mandate because there is a need and the foundation has a duty to address unmet need.

For some, a significant reason for not creating something new was the fear of 'ending up with the bill forever'. As one person suggested 'It is rare that you can say mission accomplished – and letting go by giving it away is dangerous. If you give expensive gifts without running costs then you risk undermining your own effectiveness.' It seems that this is not just a case of 'caveat emptor' but also donor beware.

In some cases there was another consideration that had less to do with starting a new organisation and more to do with the focus and feasibility of the initiative. For example, in some cases there were

questions about focussing on the arts or the environment at a time of economic crisis. New initiatives may generate internal tensions – as well as new energy.

More Thinking and Preparation

How and by whom the decision to proceed with a new creation is sometimes difficult to reconstruct. People move on, organisations forget and there is not one but many moving spirits thinking along similar lines. But it was clear that part of the thinking process was usually a very thorough research process/market analysis to identify other players including other non-profit organisations, other foundations and local and national government: ‘You need to be clear you’re not duplicating.’ Interestingly, however, one person noted ‘but that ought to be part of good grant-making anyway’.

Obviously, the content, scope and scale of this phase will depend in part upon the nature of the enterprise and in part on the political, economic and non-profit environment. But even in cases of clear cut need, lack of competition, agreed statutory support and so on, it is important to remember that environments can change with frightening rapidity – and that all needs are relative.

In some larger projects there were also detailed feasibility studies to explore long term sustainability and to develop a business plan. Who is involved in the feasibility studies and how new ideas are communicated may be an important first step in establishing need and legitimacy, demonstrating cultural awareness and avoiding the charge of ‘external interference’.

At this stage sustainability and foundation exit were likely to be issues high on the agenda. But one person noted that ‘you don’t have to assume that success is something going on for ever – sometimes success is ceasing to exist because things have changed’.

Finally: ‘You have to be very, very realistic about what you can –

and can't – do.' And, of course, in all cases the foundation's board had to be persuaded that this was a feasible and appropriate role for the foundation (in one case, with or without the donor's full support).

Again it is interesting to reflect on what was less often mentioned. One rarely discussed topic was the opportunity cost of creating something new. Of course, there is an opportunity cost to every grant but given that creation of a new organisation was widely seen as requiring a higher emotional and intellectual investment than a grant, the opportunity cost was likely to be proportionately higher.

Individuals and 'the' Foundation

The cases above have been presented in terms of the foundation – the initial ideas and decisions come from 'the foundation'. In reality, of course, a range of individuals are involved, with some undoubtedly pressing harder than others. Without question entrepreneurial individuals, on the staff and board, played important roles in the new creation. But, as noted above, it is often difficult in retrospect to identify exactly who was involved let alone who played the 'most important' role. It would be fascinating to understand the interplay of the individual entrepreneur and the foundation as an organisation; this is particularly interesting given what some might see as an in-built conservatism in the very nature of a foundation. The problem is that to understand the interaction between individual and foundation in enterprise creation it would be necessary to include some ideas that were suggested but never implemented.

A Programme or a New Organisation?

The line between a foundation programme (in-house) and a new organisation may be a thin one – both institutionally and over time. What starts as a programme may become a new organisation – whatever the original intention (ie some new organisations start

as a programme with the intention of spinning off; some start as a programme and then grow to a point where a decision is made to spin them off). In the cases presented here the main focus has been on initiatives that were always intended to be (come) independent.

Reasons for creating an independent organisation rather than a new in-house programme fell into 4 related categories:

1. Longevity – the hope was that the new organisation would attract other funders
2. Independence, legitimacy and reputation – the organisation would have its own independent and separate reputation/legitimacy
3. Compared with starting a new in-house programme, creating an independent organisation could avoid longer term commitment from the foundation; avoid approvals for new posts; avoid the appearance of additional operational (programme) costs
4. Political considerations – the foundation is not seen to be imposing its agenda (but this may or may not be successful)

Again some argued that many of these considerations applied to all grant-making.

A fifth type of reason which was rarely mentioned was that creating a new organisation enabled the foundation to create new knowledge and to keep control over it. One of the potential disadvantages of making grants is that the grantee develops and keeps any new knowledge. The control over knowledge from foundation-generated organisations might be used simply to add to the foundation's total stock of knowledge and/or it might be used to create 'general knowledge, getting it out there.' At a time when in some countries there are strong reasons for grantees involved in the market to keep intellectual property to themselves, the role of foundations in sharing knowledge becomes more important.

Another consideration worth mentioning is the choice between

creating something new and trying to ‘rescue’ or ‘re-form’ an existing organisation/initiative. One of the cases we intended to include in this collection involved an attempt to ‘re-form’ an existing organisation; with the benefit of hindsight, in this case it would probably have been easier and more effective to start anew. Arguably, the beauty of starting with a clean sheet is that you can design to purpose rather than having to make the best of old structures etc. (But, arguably, starting something new involves taking responsibility for failure in a way that ‘rescue’ does not).

Overcoming the Liabilities of Newness

The ‘liabilities of newness’ refers to the problem suffered by all new organisations to one degree or another – new organisations have no track record, no reputation, few resources and yet, with little evidence, they have to persuade supporters, funders, users etc to trust them. Foundations – and other true innovators – face another problem: that of re-framing issues, working between or outside of existing concepts and practices.

Internally trustees have to be prepared to back something unknown, untried, non-existent – ‘they’re being asked to support a dream’. Externally, the new venture suffers from the same problem. How can it find other backers and customers, establish itself in a field, enter a market, when it has no reputation, no networks, nothing to show? In every case, association with the foundation was seen as crucial in gaining access to people with the capacity to help. As one person said ‘Without the name of the foundation we wouldn’t have got through the door, and even if we had we wouldn’t have got to the people with the authority to make decisions’.

The difficulties of gaining legitimacy and traction in existing markets – whether you are selling lettuces or policy expertise – especially when you are challenging the status quo should not be underestimated. The market may exist but entering it is another matter.

Incubating

One way of overcoming the liabilities of newness was to create and test a model or to produce some preliminary results within some other organisation that already had legitimacy/ support/resources. For example, the Phineo model was developed and tested within the Bertelsmann Foundation; LSx was incubated within Forum for the Future with money and support from City Bridge Trust. The potential downside of this approach is that the organisation may have difficulties leaving the nest and/or establishing its own reputation and legitimacy independent of its 'foster-mother'.

Hosting

Hosting is somewhat different from incubating in that the host and hosted may be autonomous organisations but the host provides certain services (such as premises and perhaps pay roll and financial services etc) to the (new) hosted organisation. There may be advantages for both host and hosted in this arrangement but the downside may be that the young organisation is able to 'ignore' certain tedious realities of everyday life.

Naming

Another approach to helping an organisation gain legitimacy and reputation is to give it the name of the foundation. In the majority of these cases this option was deliberately avoided primarily on the grounds that although this might have some immediate benefits it would make it more difficult for the organisation to raise funds from others in the long run. The counter-argument was that naming was an important guarantor of the future of the organisation (ie the Foundation could withdraw its name if it were not satisfied) – but this probably only applies in particular circumstances.

The ‘Family’ Analogy

Thoughts about the foundation’s role as ‘creator’ and the challenges of getting the new organisation through its early months, as well as issues of ‘incubation’, ‘hosting’ and ‘naming’, were frequently expressed in analogies with parenting. Instead of seeing themselves as ‘midwives’ – a more traditional foundation presentation of role – respondents seemed to use the parenting analogy to (openly or tacitly) acknowledge the work, the long term commitment, the emotional involvement, the power and the responsibility of parenting.

If the foundation as grant maker to existing organisations is the kindly aunt/godmother who calls by with gifts now and again, the foundation as institutional entrepreneur is parent, with all that implies for good and ill. Parent is a very different role from that of god-mother, but it is worth remembering that transition to adulthood requires a cast of characters including teachers, friends, health carers, and so on. The need for a wider support network was emphasised in the need for partners.

Involving Partners

A number of respondents stressed the importance of involving partners in the new organisation as early as possible. In some cases the idea for the new organisation may come from a collaboration, but if not early involvement was seen as encouraging wider ‘ownership’ of the organisation and reducing the danger of it being seen as ‘X foundation’s baby’. But involving partners also had costs: ‘we always choose to be a minority partner. As a foundation we want flexibility so we can’t fund something forever. I see some examples – the name is often an indicator – where it’s clear the foundation wants the organisation tied to it forever. But being a minority partner means that when you want something to happen you have to do a lot of opinion building.’ ‘A minority role has many benefits but it means you can’t impose. If you have a very

very clear idea of what you want then it doesn't work. You have to be prepared for trial and error, and experimenting and learning.'

Respondents also emphasised the importance of understanding 'the logics and laws' of partners which may be very different from the foundation's own. The choice of partners may also be important in sending public messages about the nature and future of the organisation. For example, in one case partners were deliberately selected to include all sectors in order to emphasise the bridge building aspirations of the new organisation.

Budgeting and Finance

Flexibility and Adaptability

One of the recurrent themes in this study was the need for budget flexibility. Circumstances change and unanticipated costs arise – whether these are the result of a global financial crisis or of finding 5th century skeletons on the building site. As one foundation said 'Making it work and getting your offspring to walk and run may take more money than you think – will you leave that to fate?'. 'If it's truly innovative you can't always know price in advance'.

The need for flexibility and adaptability especially in relation to budgets highlights one of the key differences between the foundation as grant maker and as institutional entrepreneur. In grant-making the grantee typically lives with the consequences – and costs – of unforeseen circumstances; when the foundation acts as an institutional entrepreneur the foundation more obviously and directly bears the consequences. (of course, some might argue that the foundations should always share the burden of unforeseen costs).

As discussed below, flexibility and adaptability did not just apply to budgets. 'One lesson for foundations is that you have got to be adaptable and change with the environment. You have to be absolutely clear about what you want to achieve and put in

whatever it takes to make that happen'. Another said: 'This is uncertainty – big time. You need time, patience and flexibility every step of the way – maybe you will see results in 20 years?'

Governance and Management

The Right People

It was generally agreed that finding the right staff and board members was crucial to the likely success of the new venture. Choice of one director or one chair person over another could set the strategic direction of the new organisation; and recruitment decisions could bring out underlying differences in perspective between stakeholders regarding the nature and purpose of the organisation.

In a number of cases it had proved more difficult than anticipated to find the right senior staff to run the new organisation. In some cases this was partly because the organisation was doing something truly new of which few people already had experience. For example, one common complaint in social enterprises was that 'people get the enterprise bit but not the social bit – or vice versa'. Similarly, it was sometimes difficult to recruit someone with substantive expertise (in the key purpose) and experience of running a new and/or fundraising organisation.

New organisations were generally seen to require people with 'drive and flair' rather than simply competence and experience. 'In the private sector a start-up would operate with a slug of money or a lunatic who works all hours. The slug of money model is probably better but you do need someone with entrepreneurial drive too'. In some cases the new organisation managed to combine very different skills between staff and foundation.

A Seat on the Board

Whether to take a seat on the Board of the new organisation was

generally a dilemma. In a minority of cases the foundation chose not to sometimes because ‘it was our baby and it was a different emotional relationship – I would not have wanted to look failure in the eye’. When the foundation did have a seat on the Board of the new organisation this could create difficulties. For example, in one case the foundation’s presence on the Board created tension because the foundation representative ‘never knew which hat he/she was wearing, and there was a feeling that there could never be a completely honest conversation’. In another case the tension arose because the new organisation was accountable to the foundation for continuing grants but the chair of the two boards was the same person.

Whatever decision was made about the foundation’s presence on the Board the wider message was summed up by one interviewee: ‘If you want control, if you want this thing to be in your own image then do it yourself.’ Interestingly, one of the dangers of creating a new organisations is that the offspring can later compete with the parent and vice versa.

Building Infrastructure

The importance of building sound infrastructure for the new organisation was emphasised again and again – even when it had not been achieved. Getting the governance right was essential. But so too was ‘spending money on operational support – getting the right office, to develop corporate identity, to team build, to develop a new strong corporate culture’.

In at least two cases the foundation had been given or had accepted a site at a preferential rate. Neither of the sites were ideal and created new problems in ensuring the success of the initiative.

One of the issues for foundations in investing in infrastructure is that the result is long term. For example, ‘You have to invest in the expertise of staff – but there is a time delay in the pay off’. Foundation boards who attempt to reduce their anxiety at funding

the non-existent unknown by asking for performance measures after one year may risk killing the baby before it can walk.

Clearly, new organisations need time to begin to show results for which ongoing funding and some degree of security is essential. But 'there's a trade off between the confidence of solid funding and maintaining the feeling of a start-up – being innovative and keeping that'.

One way in which some foundations attempted to support infrastructure building was to perform certain back-office services for the new organisation until it was fully established. For the foundation this also had the advantage of economies of scale. However, depending on the visibility of the service it could mean that the new organisation remained identified with its founder.

Communications

New organisations generally need to develop a strong communications strategy and capacity. This is something the foundation may be tempted to provide itself. Communications can be an area of difficulty between foundation and off-spring. The foundation may be used to a low-key approach to communications and may feel less comfortable with the higher profile required by the new organisation. One danger of a low foundation profile is that the foundation is accused of lack of transparency. On the other hand, the foundation may be very happy with the progress of its 'baby' and want to communicate this – but this may be unwelcome insofar as it brands the new organisation as 'x's baby' undermining its perceived independence.

Ongoing Support

On-going support was another aspect of flexibility and adaptability. 'You must have people in the organisation who can go in to help if things get rough. Staff leave and you have to be ready to jump in if necessary. In some cases its because partners change or partners

change strategy – you need to be there to help work through solutions.’ ‘It is a long term commitment. Like children they never really leave you.’

Exit

There was a strong view that exit comes at the beginning of the initiative. Having an exit plan should be part of the discussions about embarking on the venture in the first place. In one case the foundation’s exit was very carefully managed and conditions were built into agreements and contracts. But as stressed above, adaptability and flexibility in the light of changing circumstances and needs were also crucial. So it may be more realistic to suggest that exit must be planned and built from the beginning (eg involving partners early on, developing communications and marketing strategies etc) but that the precise timing and nature of exit may have to be negotiable. It is also worth noting that ‘exit’ did not, in practice, generally mean cutting off all support; some foundations ceased core funding but then remained involved by funding specific projects.

One person noted that exit was likely to involve dilemmas for both parties: ‘When it’s time for independence is it the parents who can’t let go, or do they let go too soon? Or is it the child who can’t let go? And then there’s the runaway child ...’

Last Words

Acting as an institutional entrepreneur is not for the hasty or the faint-hearted. But as one person said: ‘the benefits are that you don’t lose long term impact and you’re not constrained to being only as good as the existing non-profit sector. Without this model we lose a major tool for innovation. As in business we need venture capitalists and entrepreneurs.’ It is also worth noting that several interviewees remarked that being involved in creating a new organisation had given them extra skills for grant-making (eg

being more careful about budgets and time scales, looking more closely at competence etc).

The frequency with which people talked about starting new initiatives in terms of parenting was striking. So perhaps the last word should go to the person who said: 'Setting up a new organisation has to be very well thought about. It's like children – they are there all the time. There are different ages and stages and different tensions but they never really go away. If you had an idea of what's involved you'd never do it – but then you'd never get the rewards either. I love this model – like parenthood it's full of wonderful surprises.'

And it is worth remembering that off spring can be ungrateful and forget the role of their parents in their existence and achievements – but both may be better than the perpetual child who never grows up.

Diana Leat Ph.D.

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The Inventive Foundation:

creating new ventures in Europe

This short report explores the neglected topic of foundations' involvement in the creation of new organisations. In recent years much attention has been paid to venture philanthropy but there has been little focus on foundations as entrepreneurs creating new organisations and institutions.

Based on interviews across Europe, the exploratory study tells nine stories of entrepreneurial, or inventive, foundations and their creations. It explores why foundations take the big and bold step of inventing something new, the processes, considerations and challenges along the way.

The nine cases are very different in socio-political context, in purposes, and in scale. Despite these differences there are a number of common issues which all inventive foundations need to consider including how to let go while at the same time ensuring the future of their fledgling creation. The report does not tell foundations how to be inventive but rather highlights some of the issues they may wish to consider.

Diana Leat



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FOUNDATION