Esmée Fairbairn FOUNDATION

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Time for Growth

Findings from an endowment challenge programme for ten UK community foundations

Time for Growth was an exciting challenge established by a £1 million grant from Esmée Fairbairn Foundation to Community Foundation Network, the national association of UK community foundations. Ten community foundations each received £100,000 in operational (core cost) support in order to enable them to achieve a combined total of £20 million in new endowment investment over a three-year period. By the end of the challenge, all but three had achieved their £2 million target and the total raised in new endowment was nearly £19.5 million. This is a significant achievement and will have a long-term sustainable impact for these foundations and the communities they serve.

"Time for Growth has done just that – it has given (the foundation) more time to grow and develop and to build those longer term streams of income that will make it truly self-sustaining."

COMMUNITY FOUNDATIONS
Independent local foundations working to strengthen local communities. They provide a unique channel for donors of all kinds to fund communities on a lasting basis by managing donor funds and building endowment. From these funds they make grants to charities and community groups.

ENDOWMENT
Financial assets (e.g. land, buildings, investments or cash) used to create a fund within a community foundation to provide investment income which is used for charitable purposes. It means that gifts made through a community foundation are available in perpetuity.

DONOR ADVISED FUNDS
A fund held by a community foundation where the donor or their representatives may recommend eligible projects and organisations for grants from the fund, for final ratification by the community foundation's governing body.

THEMED FUNDS
A fund set up by the foundation with many donors to a specific cause, such as children or women.

"I can confidently say that the injection of £100,000 into the core costs of the organisation has had an impact far greater than its monetary value."

Background to Time for Growth

Time For Growth challenged ten community foundations in the UK (for a full list see the back page) to achieve £2 million each in new endowment investment over a three-year period. Selected through a competitive process, the foundations were broadly representative of UK foundations in the middle years of their development, and covered both urban and rural areas. Each received £100,000 in core cost support. By the common finish date of 31 December 2004, they had raised between them new endowments worth £19.5 million, with more in the pipeline.

Their progress towards this target provides a unique opportunity to examine how different foundations could employ a range of techniques, appropriate to their own circumstances, to reach their individual £2 million targets.

Time for Growth was intended to be a time during which the pressures of seeking core costs to support investment for fund development would be lifted from these foundations, enabling them to concentrate on building their endowments and securing long-term sustainability.

Why endowment building?

Making an endowment allows donors to make a lasting difference in their communities. It provides an ongoing source of independent funds for grant making to meet the donor's wishes. Community foundations are also able to draw on a small percentage of the endowment income to meet their core costs in investment management, grant making and fund development.

Where the new funds came from

- 21% of the new endowment has come from individuals, a figure that rises to over 35% if legacies are included.
- Legacies were an important source, rising from 1% in the first year to 41% in the final year of the challenge.
- Corporate donations accounted for 11% of the overall endowment raised.
- A number of the foundations were successful in achieving asset transfers, from both dormant and active charitable trusts.

Donor advised funds and themed funds are important in developing new endowment. 65% of new endowment was in named funds and overall, restricted funds account for 84% of all the new money raised.

Understanding the environment

The need to research the local economy effectively is vital, particularly to identify its buoyant sectors (both in terms of the business sector and geographically). Reaching owner-run businesses and small and medium sized enterprises has now become the target of some of the foundations. Strategically, this required the positioning of the foundations to provide appropriate messages and products for these varied audiences.

Connecting to the community and its donors

Community foundations need to position themselves appropriately in and for each different community. It is also important to identify quickly whether a potential donor has a very local or a broader vision, and to adapt the message accordingly. Even areas with small local populations can achieve significant endowment growth if they know their community well and are able to tailor appropriate responses to specific local issues and needs.

The financial environment

Community foundations reported that the general economic environment had an impact on how donors perceived their ability to give. All the foundations noted that the fiscal environment could be made more conducive to philanthropy through measures such as increased tax relief, greater incentives for endowed funds, split interest trusts and lifetime legacies.

Cultural issues

Because community foundations are still relatively new, even individuals of high net worth will think in terms of the traditional 'donation' or equate the ask with traditional 'fundraising' when approached by a community foundation. It may take a long time to achieve major donation to endowments; the donor culture in the UK may be a barrier to rapid endowment development.

"Time for Growth has turned the community foundation from a well-intentioned but not very professionally run organisation into one where staff collectively and individually know what they are about and this has also happened in parallel for key trustees."

Strategies and activities used in Time for Growth

As their work developed, each foundation found a mix of strategies and activities appropriate to their local areas and environments. The successful foundations clearly understood both the organisational weaknesses that needed addressing and how to reach out to key potential donors.

Planning

All the foundations produced a development plan, which became a constant reference point. It was vital to review and revise the plans to reassess priorities and opportunities, and assess progress. Equally, it was important to ensure that the Board had ownership of the plan.

"All trustees were given their own copy [of the plan]. Individual staff and/or trustees took responsibility for leading in certain areas, while the plan provided the agenda for discussion at Board meetings and the focus for reporting (both activity and results)."

Focus on donor services

Overall, there was a key shift in most of the foundations to review and reposition themselves as providers of high quality services to donors. Developing a real connection with the donor is now seen as part of the ethos of all of the foundations. They became more flexible and responsive and increased the range of products on offer to potential and current donors. The following strategies were valuable:

- offering flexibility in the ways donors can invest by recognising and preparing bespoke proposals to meet each donor's needs
- personal approaches
- planned contact with targeted invitations
- linking potential and existing donors with similar interests
- making closer links with the donor and even visiting them in their own homes
- working not only with 'big gift' donors, but also with those who start small and as the relationship builds, then make more significant donations.

Some foundations found that focusing on financial aspects — such as value for money and investment returns — was a productive strategy with some donors. This marks a shift towards meeting the donor's need to ensure that their investment in the foundation will be well used. Encouraging flow-through funding is a useful means of demonstrating what a foundation can achieve with a donor's money. Flow-through can be seen as an 'entry level' for new donors, enabling relationships to be built and the professionalism of the foundation in managing funds to be demonstrated.

Stability and continuity

Continuity is important for major fund development initiatives, but cannot be guaranteed. One issue which emerged is an apparent shortage of individuals with the wide range of skills and experiences in the UK to take on the demanding role of Chief Executive of a community foundation.

"It is important to keep staff and trustees motivated and engaged with the progress of our endowment building. Our activities and results are communicated to all trustees through various means.

Our new Chair has led the planning process, which has involved every trustee. The fact that we will continue with a very ambitious programme, and increased fund development resources to further increase our endowment over the next three years is a testimony to how committed the Board and staff are to increasing the endowed funds that we have available to address issues in our local community, in perpetuity."

FLOW THROUGH FUNDING
Funds distributed annually from revenue – not from endowment. Community foundations can manage these funds on behalf of donors who may come from all sectors – public, business, charitable trusts or individuals.

"The focus on donors and investments now 'marries' the focus we once had on local need. This key shift in our thinking has enabled us to get the message across on endowment and sustainability."

"We set about a two-year programme of events, which in total provided full coverage of the county. In total we ran ten drinks receptions in country houses and high quality hotels.

As a result we met and briefed over one thousand people. Each event was planned and co-ordinated by a local committee of volunteers who drew up the invitation list and helped with organising events.

As a result of this programme we have secured 300 individual or family members of the foundation. This was an ambitious undertaking and one which in hindsight could have been undertaken with a more structured approach to both invitations and follow up."

Staffing and skills

Changing job descriptions to make staff more donor focused was valuable. Grants managers had jobs amended to incorporate a new donor service and development role. In some foundations, specific fund development staff were recruited, to provide support to the Chief Executive.

Marketing

Marketing was a key tool for fund development, both in relation to developing more effective marketing strategies and also in the review and development of new marketing materials. Overall, the approach has become more professional with a clearer understanding of marketing and market segmentation and less of a 'scattergun' approach. Market research and drawing up a 'donor map' of their areas has been undertaken by most of the foundations. The positioning of the foundations in relation to their key potential donor markets has improved significantly. Creating a higher general profile and generalised PR became less relevant for fund development as Time for Growth proceeded.

Developing the role of the Board

All the foundations worked to increase their Board's commitment, understanding and ownership of fund development. Board members became more aware of their role in opening doors to contacts and more actively engaged in fund development. In most cases, the Boards have taken on a leadership role, but Time for Growth has also seen the development of the Board/staff team, working together to achieve the targets.

Board members became involved in many more activities, from away days and self-evaluations, to succession planning, marketing reviews, task groups and 'buddying' groups. Boards became more directly connected to the strategic and business planning process, thereby taking real ownership of the plans. Obviously Boards need to balance essential developmental work with their traditional governance role. Annual Board performance reviews would assist Boards in looking at how they achieve this balance. The role of the Chair as a leader is crucial.

Expanding the donor base

Although some foundations were more successful than others, all expanded their donor base, both in range and numbers. All of the foundations became aware of the need to engage with donors in a meaningful way by showing donors what their money was achieving through, for example, 'seeing is believing' visits, and by responding to a donor's particular interests with information on specific community issues.

Approaches to individuals

All of the foundations have success stories to tell about approaches to individuals. Some approaches which worked particularly well include:

- using Board and other contacts (especially existing donors) to make personal introductions
- small events, particularly at interesting venues, with invitations from a 'host' (preferably a close contact of the foundation and with a profile that makes the invitation likely to be accepted)
- demonstrating the difference the grants make — through visits and annual meetings at which grant recipients speak about their work
- 'Friends' groups or networks. The targeting for membership is crucial; it is all too easy to make the mistake of inviting into membership individuals and companies who should instead be targeted for major gifts.

Cold calls to individuals were found to be unsuccessful, as were general mailings.

Approaches to companies

The key is to have contact with the senior people in a company or local business. It was important to get to know the company (for owner-managed businesses) or senior people (where it is part of a larger company) and judge the specific circumstances. Without this, approaches rarely work. The community foundation needs to be seen as the 'professional' in the field of philanthropy. As one foundation noted: "any general approach which gives the impression that the community foundation is a charity seeking a donation will not be successful".

- Introductions through trustees or contacts of the foundation are important, and contacts from other corporate donors can be highly beneficial.
- Cold approaches to companies are usually unsuccessful.
- Professionalism in approach and good donor support mechanisms are critical.
- Payroll giving has mainly been unsuccessful and working with Chambers of Commerce has received a mixed response.
- Some foundations found recruiting a 'Business Champion' very useful.
- Some foundations built long-term relationships with businesses through a more proactive partnership approach.

"One of our donors is an elderly woman who has made the foundation her residual legatee. We are the people who will remember her and remember her wishes after her passing. We're not an organisation that is simply going to bank the cheque, do something with the money and move on. Each time I visit her, I learn a little more about her community and what is right for the advised part of her fund, and what would not be in keeping."

Trust takeovers – dormant and active – asset transfer issues

These sources of new foundation endowment may not be 'new philanthropy', but their transfer to community foundation assets can make these assets more productive for the community.

- Professional advisers are seen as a good source of information on appropriate trusts.
- It was noted that this is a long-term process and that all approaches must be specifically tailored to the needs/interest of the specific trust.

"We have met directly with representatives of all of the sizeable local trusts. During Time for Growth, several mergers have resulted. Also, we are on the radar screens of those who are not yet ready to merge, but who have mooted the possibility of future merger. A handful of these trusts each manage assets of six-figures. We will regularly meet and keep them apprised of our progress while sharing news of successful mergers."

Work with professional advisers

Professional advisers (such as lawyers, accountants, bankers, financial advisers) are an important source of information on, and contacts with, individuals of high net worth. For professional advisers, community foundations represent an important philanthropic service for clients.

In general this work was valuable, but a lot of local money is not managed locally; many people of high net worth use advisers based in large cities. This may require some consideration as to how community foundations are promoted through national networks of advisers and prominent large firms.

Legacies

Legacies provided a significant source of endowment for some foundations. Legacy donations are clearly tied closely to links with professional advisers, but it also helps to be able to show that the foundation is an appropriate place for a legacy, that it will ensure the donor's wishes will be respected and that the legacy will have long-term, enduring benefits. Although legacy work is time-consuming and does not provide 'immediate' gains, it is a worthwhile long-term strategy.

Using a challenge

Five of the foundations attempted this approach with mixed results. One felt that it adversely affected their other initiatives and led to a slowing down in their endowment growth. However, the first foundation to achieve its £2 million target did this in spectacular fashion, with a challenge that had to be completed in eighteen months.

"Recruiting entrepreneurs as trustees has also fostered a level of optimism, injected a factor of relative youth... and developed an increasingly can-do attitude more akin to community foundations in the USA."

"We believed then and still do now that endowment fundraising is based on building long-term relationships with donors. We also felt that we could more readily make contact with, and get to know better, potential donors through a broad-based membership campaign."

Relationship development

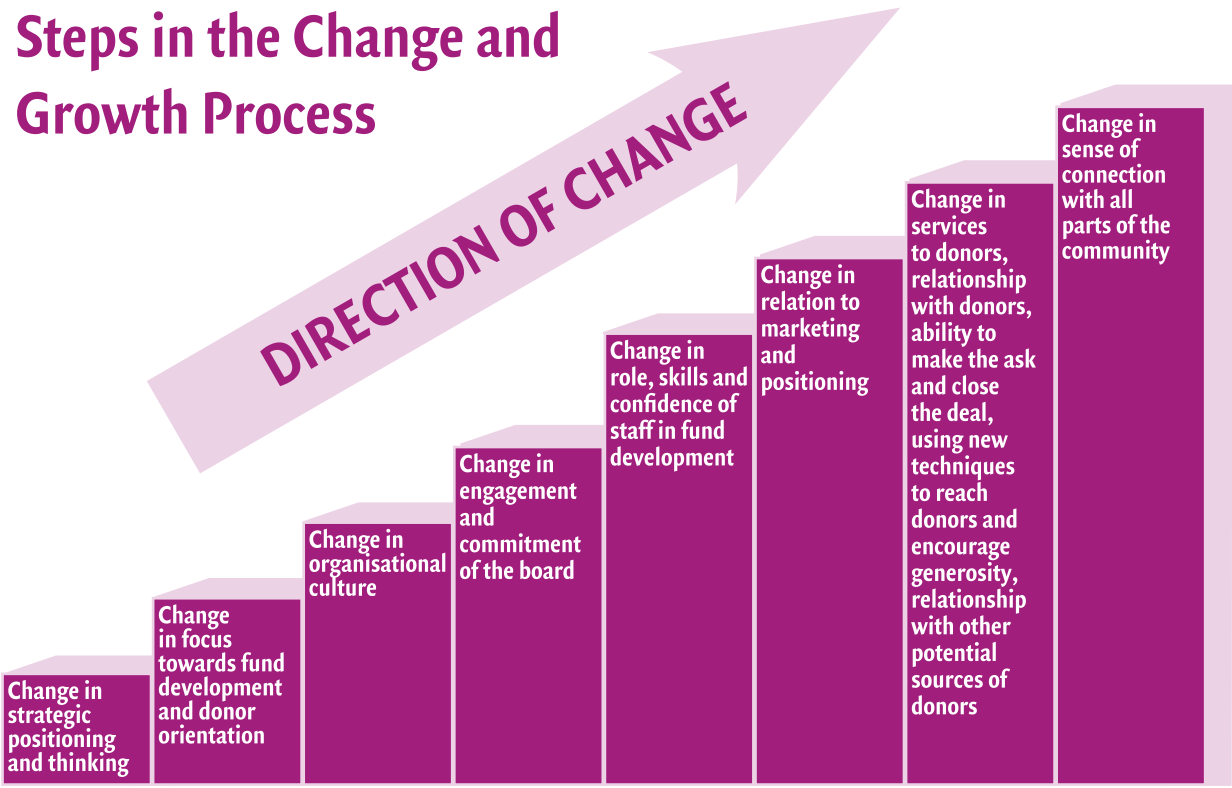
There are many ways in which relationships can be developed, including through events, both those organised by community foundations and other networks. However, it is clear from this challenge that smaller events are more successful.

Identifying drivers for change and growth

The top four 'drivers' of change and growth for community foundations were:

1. changing the organisational focus towards fund development and donor orientation
2. change in engagement and commitment of the Board
3. change in the culture of the organisation
4. change in role, skill and confidence of staff in fund development.

The diagram below demonstrates the steps that are needed to enable change and growth to occur, drawn from the priorities identified by the ten Time for Growth foundations, extrapolated from the significance and importance rankings.



Changes that contributed to success

Five critical changes and shifts took place during Time for Growth.

1. **Vision, confidence and self-belief have shifted significantly in the Time for Growth community foundations.** This is apparent in the way that Boards are engaged and now view their potential for fund development and also in the willingness of staff at all levels to be engaged in new processes.
2. **Resources for and investment in both people and systems have made a real difference.** The employment of specific fund development staff has been significant. Possibly even more critical has been developing the role of the Chief Executive in fund development and the growth of their skills both in

strategically positioning their foundations for endowment growth and in 'hands-on' connections with donors and potential donors.

3. **The financial resources from Time for Growth were mainly applied to staffing.** Chief Executives were released to focus on fund development. In some cases specific fund development staff were employed. Other funds were spent on marketing materials and systems updates, particularly to achieve closer operational synergy between grant making and fund development and also to provide better services for donors.
4. **The human factor in relation to developing links with donors has been critical.** All the foundations understood that it is through personal contacts that the most useful approaches are made and the success of an approach to a potential donor assured. This has been a significant change, with some foundations now entirely discontinuing cold approaches to either businesses or individuals.
5. **The position of the community foundations shifted in their communities as a result of Time for Growth.** They are increasingly seen as the vehicle of choice for philanthropic investors. Some foundations were able to take over significant charitable trusts, building a greater endowment in the short term and creating an environment where other independent local trusts may consider the increased effectiveness of pooled funds and community foundation administration of their funds.

"Time for Growth helped our Board of Trustees became stronger, working together effectively and governing a professional, successful, focused, respected charitable organisation able to make a real difference in our community."

"Without very 'hands on' Board engagement, success in fund development will not be achieved. Board members have to be willing to 'make the ask' as well as open doors for the Director."

The long-term legacy

- For the ten foundations, there has been significant learning, including about what does and does not work.
- The provision of core funding allowed some risk-taking, leading to new directions for the future.
- In most cases the changes are robust and the growth of the foundations should continue.
- The work accomplished during Time for Growth can form benchmarks for other community foundations and contribute towards standards-setting and the further development and sharing of good practice.
- Several of the community foundations have already developed their next strategic development plan and others are in the process of this work.
- Growth in foundations within the community foundation movement will ensure its position as a significant player in philanthropy in the UK.
- If the growth rate started through Time for Growth continues, in aggregate over the next five years the foundations will have increased their grant making capacity to the equivalent of the original grant.
- The foundations have embedded a donor services culture in their organisations and increased professionalism.

"I think it is significant that we are now focusing on building one-to-one relationships with advisers, and then buy-in from their company, as opposed to our previous strategy of simply taking on the Professional Adviser Network concept from the United States; this is a step too far for our advisers at present."

Replicability and transferability

Through learning events during Time for Growth, the foundations were able to share experiences and adapt their learning to their local circumstances. Although fund development is challenging, these foundations have proved that it can be done, even when the external environment is not necessarily conducive to philanthropic giving. Three years is a short time span in which to achieve £2 million in new endowment. Community foundations are about relationship development with potential donors and this process can and should take time. A real focus on the needs of the donor and a responsiveness to those needs pays dividends.

The wider application of Time for Growth

The learning from Time for Growth and the achievement of the challenge has been UK-wide, but its relevance reaches beyond the UK. Time for Growth provides a model which has been proven to work and succeed. The process of support for core costs, for ensuring that learning was shared, has universality. The foundations themselves feel that this was significantly more successful than a traditional challenge of offering a cash incentive on achievement of a certain money figure.

A significant amount of money was raised by each foundation, which will have long term benefits both in terms of the sustainability of the foundations but also in terms of new money available for community benefit via grants programmes. It is an achievement that should make a real difference for the long term.

The ten participating foundations

- County Durham Foundation
- Cumbria Community Foundation
- Derbyshire Community Foundation
- Essex Community Foundation
- The Fermanagh Trust
- Heart of England Community Foundation
- Hertfordshire Community Foundation
- Scottish Community Foundation
- South Yorkshire Community Foundation
- Community Foundation for Wiltshire & Swindon

For the full evaluation report by Christine Forrester, supported by the Calouste Gulbenkian Foundation, visit the Esmée Fairbairn Foundation website:
www.esmeefairbairn.org.uk

Further information

Community Foundation Network
www.communityfoundations.org.uk

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