Grantmaking in a disorderly world: the limits of rationalism

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Abstract

This article reflects on the real world relevance of rational approaches to grantmaking. The characteristics and environment of foundation work are outlined, then both traditional and newer funding practices are analysed. Unpacking implicit assumptions of a rational approach, eight costs to foundations and their grantees are identified. The final sections of the paper consider what grantmaking for a complex and disorderly world might encompass.

In conclusion, while rational approaches to grantmaking provide a comfortable aura of certainty, funders need to adapt to a little discomfort.

Keywords

Philanthropy, foundations, funders, grantmaking, performance measurement
Introduction

Despite the growing body of research into nonprofit organisations, research and understanding concerning endowed grantmaking foundations are still lacking (Anheier and Leat 2006).

A dominant theme in normative practice literature in recent years has been making foundations ‘better managed’ and ‘more strategic’, behaving more like businesses (Bishop and Green 2009; Krlev, Münscher, and Mülbert 2013). This emphasis on rational procedures (planning, strategy, and performance measurement) is one manifestation of Power’s (2009) ‘audit explosion’, or the rapid growth in the patterns and intensity of audit and related monitoring practices.

As social complexity intensifies, people increasingly perceive the world in terms of roles and categories to reduce differences and gain agreement. This encourages ‘linearity and certainty bias’ (Patrizi et al. 2013: 50). Rationality and measurement serve to calm stakeholders’ anxieties and support an image of efficiency and accountability (Bolman and Deal 2003). Dominant rational approaches to grantmaking assume it is possible to predict and create a knowable future. However, contexts in which foundations work change often and unpredictably.

Dilemmas inherent in much foundation work include that the ‘problem’ is unclear and shifting, with vague or competing definitions. Often any one ‘problem’ is intertwined with others. Both foundations and grantees may not understand cause and effect in a particular situation, and even when sure of desired effects, they are uncertain how to obtain them. Similarly, they may be unsure what success means, and/or have no way of knowing their degree of success.
Furthermore, approaches to grantmaking and goals of grantmaking have changed along different (if not opposing) trajectories at different speeds. While approaches have become more specified and rational, many grantmakers’ goals have moved from simple to complex. Larger foundations today are less interested in ‘supporting X or Y organisation’ and more interested in achieving sustainable, systemic change in X or Y field (Anheier and Leat 2006; Fleishman 2007). Whether there is any causal link between increased goal complexity and the adoption of rational approaches remains unclear.

A recent study of foundations’ approaches to performance measurement (Leat, Williamson, and Scaife 2014) questions rational approaches to grantmaking. Difficulties in measuring performance are created by the complex social and environmental problems being addressed, the diversity of variables, the often long time frames involved, the relativity of success, and grantees’ and foundations’ lack of control over changing circumstances. Similar concerns have recently been raised by ‘strategic philanthropy apologists’ (McCambridge 2016).

The problem is that even when working in unstable contexts, foundations persist in adopting rational procedures and/or retrofitting actions to a rational model. The modern view is that good grantmaking is planned, consistent, and controlled; good grantees are planned and planning organisations; a good grant proposal sets out project goals, costs, and timescale; and a good grant demonstrably achieves intended effects outlined in the proposal within the time and budget allocated. However, we argue that much grantmaking has become over-rational and over-specified.

This paper next reviews some characteristics of endowed grantmaking foundations’ (Anheier and Toepler 1999) work and environments. We then examine traditional and new funding models and their fit with the character of foundation work. Costs of rational approaches are
discussed before we conclude by proposing new principles of grantmaking for a disorderly world.

**Overview of grantmaking approaches**

*Characteristics of foundations’ work and environments*

Grantmaking foundations work in ‘gaps’ left by government and the market – where there are no votes nor profit (McInlay 1998) because the area is too specialised, or beneficiaries have no voice, little money, or are unpopular. In some cases, the area is also complex, messy and underdeveloped, requiring ‘innovation’ rather than the application of known solutions. Genuine innovation costs time and money and, because of high failure rates, garners little corporate, government and public support, especially if the area/issue is contentious (e.g. stem cell research, criminal justice).

Where unconstrained by legal requirements, most philanthropic foundations in Anglophone countries choose to work through their grantees (Jonas 1989). The advantages of making grants to other organisations (as distinct from operating programs themselves) include lower transaction costs, accessing multiple sources of knowledge and expertise, and hedging against risk through diversification. But the greater specification required by rational approaches may erode those advantages. In some cases, grants come perilously close to contracts with associated legal and tax implications. Working through grantees also adds complexity because foundations have limited control and limited information about what is being done to what effect.

*Imposing order*

Part of any manager’s job is to create meaning and order amid uncertainty and disorder. As Weick (2004) notes, one way of coping with complexity and ambiguity is to presume a logic
by which events cohere. This sense-making includes developing frameworks, categories and plans, which facilitate action by acting as ‘…binding mechanisms. They hold events together long enough and tight enough in people’s heads so that they do something in the belief that their action will be influential’ (Weick 2004: 49). Thus grouping things into ‘programs’ focuses time and attention, and creates connections. By labelling something a ‘cost’ a different approach is indicated compared to something labelled ‘an opportunity’. In both cases, the assumption of logic and order reduces ambiguity then precipitates action in an ongoing cycle.

**Two grantmaking approaches**

Grantmaking is a highly differentiated activity, yet one term is used to describe all approaches. The traditional approach resembles gift giving (McIlnay 1998) where funders determine both the size (not necessarily the full amount requested) and duration of the grant (usually one-off/short-term). Often loosely specified as ‘a contribution to xxx’, acknowledgement of receipt and a thank you note are expected but nothing more. Grantmaking is characterised by gentle benevolence wrapped up in good intentions and support for ‘charitable works’. This is a gift, not a contract.

The traditional approach manages the high ambiguity of foundations’ work through loose network structures characterised by low task formalisation and centralisation. Methods are highly individual and variable with few definitive rules or processes, making it difficult for both grantmakers and grantees to plan, implement and coordinate. However, variability ‘has the benefit of enabling people to stumble onto adaptive actions they had not thought of’ (Weick 2001: 44). In other words, traditional grantmaking is arguably relatively well adapted to the ambiguity, opportunism, and serendipity of foundation work – but ill-adapted to an audit culture.
Newer, more rational approaches to grantmaking come closer to ‘investment’ than gift giving, and the term ‘investment’ is often explicitly used by foundations today. New approaches require – from both foundations and applicants/grantees – detailed timelines and budgets, specification of outputs and outcomes, risk assessment and performance measures (Ebrahim and Rangan 2014).

**Drivers of rationalism**

So who or what has driven these changes? In the wider nonprofit world moves towards greater rationalism are explained in terms of nonprofit organisations’ resource dependency, and isomorphic pressures. But independent endowed grantmaking foundations see themselves as distinct from the wider nonprofit sector precisely because they are financially secure and not resource-dependent. Foundations are shielded from outside pressures, being immune to demands from external funders, the public or donors (many foundations are established through wills, although more philanthropists are ‘giving while living’).

What relevance, then, do theories of isomorphism have in explaining endowed grantmaking foundations’ tendency to conform to rationalism? Coercive isomorphism may explain the adoption of rational approaches in countries such as the UK and the US where regulatory requirements are becoming stricter. However in many countries, foundation regulation remains minimal and focused on processes such as percentage distribution, while membership of foundation associations is a small percentage of the total population. The foundation world represents a case of weak institutionalisation, demonstrating considerable variability (DiMaggio 2002).

Mimetic isomorphism happens when one organisation simply copies another, and partly explains foundations borrowing vocabularies and approaches from the dominant US foundation sector (McDonald and Scaife 2011) even if not required. Social media,
international travel and conferences encourage mimetic isomorphism more as fashion and novelty than necessity.

Normative isomorphism may also explain changes in the foundation world. Professional staff provide a more instrumental viewpoint (compared with the expressive emphasis of family members) and experience from other fields and cultures. But despite increasing education and training, no grantmaking profession with agreed norms and standards has yet been established. Philanthropic membership associations may propose codes of practice but do not credential or licence practitioners. Foundation trustees are another potential source of normative isomorphism, especially when not associated with the founding family and/or offering perspectives from business with its long-established culture of rationality (Anheier and Leat 2006).

Thus changes in grantmaking approaches occur partly in response to wider external culture change (the audit explosion) and new societal standards. Professionalisation of the philanthropic sector encourages normative isomorphism, and the fuzzy goals and ambiguity of grantmaking may drive mimetic isomorphism. In the face of both internal and external uncertainty foundations may simply choose to act more like government and business: ‘When uncertainty makes it hard to prove one approach better than another, imitation saves time and may buy legitimacy’ (Bolman and Deal 2003: 298).

**Discussion of rationalism in grantmaking**

**Assumptions of rationalism**

Underlying rational approaches are beliefs that ‘good and successful’ projects result from thoughtful grants to ‘good’ organisations. After a year (or maybe three) a project should prove itself and produce benefits; then find more/other funding, or become self-sustaining
(Jones and Webber 2012). However, this process of rational specified funding is based on largely unarticulated and problematic assumptions, including:

- issues/problems can be isolated and treated, if not permanently cured
- the future will be a continuation of present trends, and current actors will be part of the solution(s)
- external factors either will not impact the organisation and its plan(s) or are both foreseeable and controllable
- clear objectives, planning, and control processes are important indicators of ‘good’ or capable organisations
- sustainability and future funding is something for which ‘good’ organisations can plan and have planned
- good nonprofit organisations have within themselves the capacity to achieve what they set out to achieve

These grantmaking assumptions are implicitly adopted by many foundations, then carried over into measuring outputs/outcomes. ‘Good’ grants to ‘good’ organisations will produce the outcomes specified in grant applications. Measuring grants/grantees performance is about determining whether they produced those outcomes. A foundation’s own performance is measured by the outcomes from its grants, and/or the effectiveness of its decision-making processes. Thus if specified outcomes follow a grant, then the grant and the foundation were effective. Equally, if a grant does not produce the specified outcome(s) then there was something wrong with the application, the grantee organisation, and/or the foundation’s processes for assessing the application.
So does it matter if foundations work from rationalist assumptions? Even if such assumptions do not always strictly apply in the real world, do they still provide a useful framework for action? As DiMaggio (2002: 250) notes:

> The good thing about the quasi-religious quality of rationality-enhancing techniques such as performance assessment is that even when techniques fail, the ritual of their application…may move people to self-improvement and cooperative action.

This argument that rational planning and performance measures are both probably impossible and, simultaneously, possibly useful (DiMaggio 2002) has force; but rationalism also carries potential costs for foundations and their grantees. Eight of these costs are discussed below.

**Eight costs of rationalism**

The potential costs of rationalism outlined below have been identified from both the literature and from the authors’ direct and indirect experience in grantmaking practice.

1. **Problems with maps and plans**

Plans have important symbolic roles as indicators that all is under control and/or improvement is imminent. However, plans also affect what is noticed and attended to. Slight deviations are seen as distractions. Plans also limit understandings of skills and abilities to those current.

Maps and plans give direction, but the risk lies in mistaking the map for the territory. Many current approaches to foundations’ work propose ever simpler, rational, maps – with little awareness that although useful, maps are no more than stylised simplifications of reality.

2. **Taking risks**

One cost of rationalism frequently explored in the literature is risk aversion.
Endowed foundations are uniquely placed to bring genuinely creative, innovative ideas to the intransigent problems of our age. Free of market and political constraints, they are uniquely able, if they choose, to think the unthinkable, ignoring disciplinary and professional boundaries. They can take risks, consider approaches others say can’t possibly work – and they can fail with no terminal consequences (Anheier and Leat 2006: 10).

By adopting rational approaches, foundations jeopardise this core, distinctive argument for their legitimacy. Risk-taking may involve giving grantees untied funds, whereby foundations cede control over how grants are applied (Leat 2012; Scaife et al. 2012).

3. Implementation, implementation, implementation

Rational approaches to grantmaking focus more on plans and less on the multifaceted and unpredictable realities of implementation. There may be a harmful ‘…autopilot effect, which occurs when foundations distance themselves from strategy as it unfolds, thereby failing to learn from implementation’ (Patrizi et al. 2013: 52).

Patrizi et al. (2013) further caution against tracking implementation against original plans/proposals; unaware these may not work, and what is done instead might be equally important.

4. Emphasis on processes

Rationalism can lead to an overemphasis on process in grantmaking, such that application forms correctly filled in or reports received on time become the focus. This assumption that ‘process correct grantmaking’ is ‘good grantmaking’ is akin to supposing a clean and tidy kitchen will result in a good meal.
Grant applications often require a lengthy planning process, which incurs a significant time cost and can mean project variations require protracted renegotiations.

5. **Over-valuing measurement**

Considerable evidence shows evaluations and impact measures have little effect on subsequent grantmaking (Barraket and Yousefpour 2013; Leat et al. 2014; Moxham 2014). Decisions about funding additionally involve personal relationships, reputation, trust and emotional engagement (Benjamin 2010; Carman 2009).

Measurement also pays scant attention to indirect/unintended effects (either good or bad), counterfactuals (what would have happened anyway), and opportunity costs. Grants for amelioration can achieve short-term impact for immediate beneficiaries; however grants focusing on policy change may achieve longer-term impact for a wider beneficiary group. Performance measurement emphasises short-term results and discourages long-term commitments for greater impact (Leat 2012).

6. **Cause and effect, attribution and contribution**

Rationalism requires cause and effect thinking, and foundations like to show that a grant produced (or more modestly, contributed to) a benefit/outcome. This leads to an inflated or deflated sense of foundations’ contribution, blaming or praising themselves and their grantees for sins and successes for which they are only partially responsible. In reality, the ‘success’ or ‘failure’ might have happened anyway; and outcomes are the product of a complex confluence of people, events and luck (Patrizi et al. 2013; Pawson, Wong, and Owen 2011). This co-productive nature of a benefit or outcome is an increasingly important issue as performance and intellectual ownership become more valuable and contested.

7. **Failure and success are ‘squishy’ concepts**
As Fleishman (2007) notes, failure is a squishy concept. Performance measurement incorporates the values and perspective of the individual judging (Lewis 2014). Both failure and success are open to interpretation:

…with homeless young people putting a roof over their heads might seem like it’s a 100% success, but it’s not because there’s so much more. They have addiction problems, they have personal problems, family problems, and educational problems. So you can’t really say that giving them somewhere to sleep that’s not on the street is a successful outcome (Leat et al. 2014: 34).

8. **Timing is all**

Another problem with rationalism is timing: after how long do foundations assess the benefits/outcomes of grants? Evaluation metrics are often available only when the next decision has already been made, contributing to their reported lack of use (Leat et al. 2014).

Further, many foundations’ funding duration is determined by internal policies or by the grant application, rather than by the issue being addressed. The timing of performance measurement is likewise arbitrarily related to underlying issues but can have a profound effect on the perception of success and/or failure. In the short-term, a grant may or may not be followed by a benefit; in the longer-term a benefit may endure, disappear, become apparent or still not appear.

These eight costs of rationalism manifest in the longer-term, when consequent issues become apparent over iterations of a grantmaking program as the sought-for change and impact disappointingly fail to arrive.
Conclusions and recommendations

**Assumptions for the real world?**

If the potential costs of a rationalist view of planning and production of benefit are to be avoided, a more down-to-earth and useful set of assumptions (Patrizi 2010; Patrizi et al. 2013; Pawson et al. 2011) might be that:

- organisations and programs wittingly and unwittingly impinge on, constrain, subvert and support each other
- linkages with other statutory, voluntary, and private organisations often underlie successful interventions
- open or opening government policy windows, over which foundations and grantees have little control, are important in achieving sustainable change
- individuals may matter more than structures, in their capacity to constantly adapt to demands and obstacles and to build relationships
- achieving sustainable change requires opportunism, serendipity, and luck as well as strategy

If this real world view is accepted, the value of both specified grantmaking and foundation performance measurement becomes more ambiguous and uncertain. We argue that a rational approach to all grantmaking risks becoming misled by its own assumptions, mistaking strategies and maps for reality, and attempting to impose order on a disorderly world. While many grantmakers work with rational, conventional operational models, some are recognising that big changes don’t come from expected or probable sources. Complex adaptive systems that defy cause and effect analysis are the norm.

So what principles might support grantmaking for a disorderly world? What is needed are ‘capabilities to sense the unexpected in a stable manner and yet deal with the unexpected in a
variable manner’ (Weick and Sutcliffe 2007: 67). We recommend that grantmakers preference bricolage and improvisation both in their own organisations and grantees’: using means at hand, adapting and revising constantly, and often trying different approaches simultaneously. Skilled bricolage involves intuition, creativity, and a deep knowledge of available resources; as well as careful observation and listening. This adaptive organising comprises (Weick 2001: 299-300):

- working effectively without diagnosis and blueprints
- agreeing on minimal structures, which can be adapted to circumstances and contexts
- developing a rich set of values and themes which inform actions
- recognising past experience has limited relevance to today’s realities
- building skills and confidence in dealing with non-routine events
- finding partners committed to and competent at impromptu making do
- paying attention to what others are doing and building on those activities
- matching the pace and tempo at which others are extemporising
- focusing on coordination in the present without being distracted by what has happened or what might happen.

While many endowed foundations can choose the volume of their grantmaking and, largely, the terms and extent of their accountabilities, this adaptive approach may be unfeasible for high volume grantmaking in settings with a high level of regulatory accountability. However, 'down-to-earth' principles for grantmaking can offer a relevant framework for public sector grantmakers, who despite working in a more structured environment than philanthropic foundations are nevertheless making grants to effect change in the same disorderly world.
Thus for funders in all sectors (public, private, and philanthropic), it is crucial to consider multiple layers of contextual difference and look not for a single outcome but allow for a range of outcomes. The key question for regulators, policymakers and grantmaking practitioners becomes not ‘what works?’, but rather ‘what works for whom and under what circumstances?’ (Pawson and Tilley 1997: 342).

Rational approaches to grantmaking may provide an aura of certainty in an activity fraught with uncertainty. DiMaggio (2002: 250) comments: ‘the bad thing about sentimental commitments to rationality is that they lead us to expect rational techniques to work in situations to which they are profoundly ill-suited’. Grantmakers need to be comfortable with a little discomfort, accepting both known unknowns and unknown unknowns (Pawson et al. 2011). In a disorderly world, plans need to be worn lightly.

1 For the purposes of this paper, endowed grantmaking foundations are those with a capital base, the income from which they distribute as grants. Their primary activity is grantmaking.
References


