

# My Foundation

Factory Briefing

September 2011

Who are the people behind new trusts and foundations in the UK? Can we use this information to build better, stronger links between grant-making organisations and their non-profit partners?

Factory's New Trust Update, a monthly publication providing detailed information on newly established trusts and foundations, has been investigating and analysing grant-making organisations, and the characteristics of people involved in establishing them, for over 20 years. The sector continues to grow, with new family and corporate foundations being established each month<sup>1</sup>.

We've used our experience of talking to the founders of such organisations to produce this briefing paper.

Factory's New Trust Update profiles 17-22 newly registered trusts and foundations each month, providing unparalleled insight into the organisations based on the findings of interviews and in-depth research into trustees.

Trusts featured in our New Trust Update reports during 2009\* had a combined **income of over £340m** for the year.

\*the most recent year in which full accounts are available at the Charity Commission

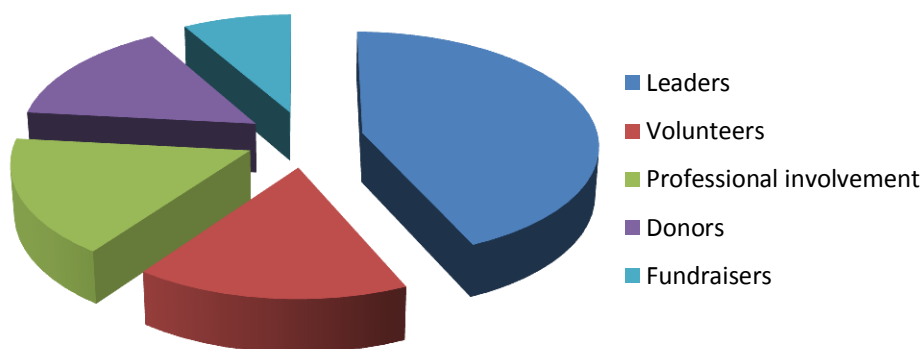
<sup>1</sup> For more on growth see, for example, Family Foundation Giving Trends 2010, Cathy Pharoah and Charles Keidan, Alliance Publishing Trust 2010.

## The Research

Our findings are based on interviews with, and correspondence received from, the founders of more than 100 grant-making organisations established since April 2010. These interviews form part of the research that goes into New Trust Update each month.

### Who establishes grant-making organisations?

The majority (68%) of founders of grant-making organisations reported some previous experience with the non-profit sector. The pie chart below shows the various ways in which founders had **previously been involved in charities**.



As we can see, the largest group of those with experience in the non-profit sector have served in the leadership of other organisations, either as trustees or as chief executives.

One in six founders had experienced the non-profit sector as volunteers, with similar numbers experiencing the sector as donors or professionals. One in twelve had worked as fundraisers.

## So, why the new trust?

We found a range of motivations for establishing new trusts and foundations, but a definite pattern in the types of answers given. The most commonly cited reasons for establishing trusts were:

- Desire to have some involvement or control over where the money goes
- Desire to provide funding for new or underserved causes
- Formalisation of philanthropic activity and tax-effective giving
- Motivated by personal experiences
- Concern over administration costs or efficiency of other charities
- Fundraising for specific organisations

We noticed correlations between the type of answer given and the type of previous experience in non-profits that founders reported.

Of all the reasons listed above, a desire for personal involvement and control over donations ranks among the most common motivation for establishing a new trust. This finding reflects our experience in other countries, where the global expansion in the numbers of foundations is linked to these motivations of involvement and control. We found that founders with no previous experience of non-profits were most likely to give this reason for establishing a new grant-making trust.

Of slight concern is the finding that 80% of founders who expressed concern over the efficiency of other charities had some previous experience in the non-profit sector. However, this is less worrying when we take into account the fact that the majority of respondents were experienced in the sector, which has somewhat skewed this result.

Participants who had previous experience in the leadership of non-profits were most likely to establish a new trust to provide funding for causes they felt were new or underserved by other donors.

Finally, most of those participants who reported having donated previously to charities were concerned with tax-effective giving or formalising their philanthropic activities and cited this as the reason for establishing a new trust.

## Summary of key findings

- New trusts and foundations continue to be established in the UK, despite the difficult economic circumstances
- The majority of new trusts studied were established by people with experience in the non-profit sector
- A desire for control over where money is spent, or personal involvement in charitable activities, is the most commonly cited reason for establishing a new trust
- This was also the most common reason among founders with no previous experience of non-profits
- Non-profit leaders were most likely to establish a new trust to serve a new or underserved cause
- Previous donors were most likely to establish a new trust for tax-effective giving

## My Foundation

For fundraising organisations, the trust “market” can sometimes seem like a homogenous group of grant-makers. This research underlines the heterogeneity of trusts, and the variety of motivations that can lead an individual to establish a trust.

Personal involvement and control emerge as a key motivation. This sounds like a tautology – of course people set up their own foundation in order to control their own philanthropy. But behind this simple statement is an opportunity that a few, so far very few, fundraising organisations have grasped; that of giving genuine involvement and control back to the donor. This means creating genuine partnerships with philanthropists to resolve social, health or environmental issues, or to meet cultural or educational needs, together.

This research also underlines the importance of in-depth research into the people behind a trust. Good research can yield insights that can help build the basis for a solid partnership between philanthropist and fundraising organisation. Research can help determine whether a new philanthropist is more likely to be swayed by opportunities to get involved in a charitable activity, or whether they are most concerned with the efficiency of your organisation.

### For New Trust Update subscribers

If you subscribe to NTU, review the Research Notes that we include with each new trust in your monthly report to identify biographic information on trustees and founders, and any Interview Notes. Use the findings presented here to inform your approaches to trusts, bearing in mind the data on motivations given above.

### *Factory's New Trust Update*

New Trust Update is Factory's monthly researched report on newly-created grant-making trusts and foundations in the UK. We research and report the trusts rapidly, so that subscribers are the first to get a detailed profile of the new trust.

For subscription details contact Will Whitefield, Senior Researcher ([willw@factory.com](mailto:willw@factory.com))

### *For more information on Factory*

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*Research by Laurie Krohn.*