

Risk, legitimacy & philanthropy



This learning comes from a retreat in September 2019 as part of the SIX Funders Node — a programme in SIX that supports philanthropic foundations from around the world to work more effectively and authentically.

What do we mean by risk?

There are different types of risk. In 2018, we explored the roles, and associated risks, for foundations in systems change. This summer, SIX brought global funders together on Wasan Island, Canada to dive deeper into the culture of risk in philanthropy, exploring three types of risk:

- **Calculable risk:** the risk we can put numbers on and build tools around.
- **Positive risk:** the gambles or bets we take where we can't predict the outcome.
- **Existential risk:** the big bad stuff. Climate breakdown, crises of democracy, widespread inequality. As humans, we are good at ignoring well evidenced insights about the risks we face, especially those that are slow or invisible.

While risk can be an asset in other sectors, there is little focus on positive risk in philanthropy.

“How do we amplify self-imposed risks? What conditions would put us truly on the line?”

Many funders questioned why, when moving from a role in business to a role in philanthropy, individuals often leave their positive risk frame and mindset behind. In business, risking major investment is weighed against potential gains, and the loss of money is an acceptable risk for a positive outcome. Too often, philanthropy works to mitigate the loss of funds against measurable impact, developing bureaucracy over considering positive risk.

Or, funders think more about risky solutions to simpler issues, instead of focusing on the riskier problems we should be addressing — like climate change or the rise in populism.

While many funders have due diligence tools for calculable risks or risk mapping for their endowments, there are few formal risk frameworks for addressing existential risk or framing risk as an asset — or even a necessity. Foundations are uniquely independent entities with little formal accountability, facing the least risks. If a foundation was to act illegitimately, there are not necessarily ramifications. Very few philanthropic foundations face real risk to the way they operate. Very few can count real enemies. There is little pressure to evolve from the traditional.

“If we're not leverage points, then go home!”

Which risks are truly felt by foundations?

Being in a safe position should be a driving force for more funders to embrace risk including, and beyond, the following:

- **Reputational:** many foundations fear taking risks on account of the potential damage to their image, or even brand. Public scrutiny of foundations is often a persistent worry — and it is important to acknowledge can have steep political consequences.
- **Internal:** foundations face the risk of bureaucracy that impedes their ability to solve complex social and environmental problems — “How we get out of our own way?”
- **Personal:** those working in foundations are often acting within the same safety net as their organisation. This stops individuals putting themselves at stake, and encourages CEO’s to focus on spotting and mitigating risks, rather than taking them.

Many leading foundations want to establish new more explicit ways of talking about risk in their organisations and with their boards — or indeed, self imposing risks that would enable them to address bigger issues and have more transformative impact.

Fear and failure

When we take into account philanthropy’s limited accountability, and the limited resources of the philanthropic sector compared to others, funders identified that the fear of failure in philanthropy is prone to distortion. When philanthropic organisations talk about failure, there is also little focus on what within a foundation’s internal machine that caused a grant to ‘fail’.

“How do we as philanthropists learn to tell stories of failure differently?”

The future of risk in philanthropy

If funders want to have deep, systemic impact, their notion of risk needs to change. This must align with the dialogue on the roles, legitimacy, and the effectiveness of funders, which is gaining momentum within and beyond the sector.

“How do we have more skin in the game?”

In many ways, facing no risk or being risk averse are the sector’s biggest risks. Going forward, the SIX Funders Node will be continuing to work with funders on how they can self-impose risk and create the tools and frameworks necessary to enable risk as a positive asset.