

Re-thinking funding models

By Vanesa Weyrauch and Leandro Echt | August 2017

Funding is a key concern for every think tank due to how it affects its sustainability, the way people work, the type of research that is conducted, as well as the potential for having sustained policy influence.

Even though there is an ample offer of capacity building activities that focus on how to do effective fundraising, little has been done in terms of systematising diverse existing funding models, along with their implications and consequences on think tanks' performance, relevance, identity and sustainability.

There is also increasing interest from think tanks in understanding how to develop or strengthen domestic support for their work or creating new sources of income, often recognising that they rely too heavily on international cooperation or on conducting isolated projects under a consultancy model. However, very few organisations and individuals in developing countries can allocate time and funds to produce and/or discuss existing knowledge on these issues.

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This course systematises what is known about the funding models that currently prevail in the South and analyses its implications and consequences so as to provide participating think tanks with better evidence to identify and implement changes. More specifically, it seeks to:

- Raise awareness on the different ways of generating and using funding and their implications for the organisation and its members.
- To socialise new ideas and innovative practices in terms of better managing diverse funding models

What is a [funding model](#)?

Let us start with an exploration of what a funding model is, as a building stone to begin our journey towards re-thinking our own one. A useful definition holds that “it is a methodical and institutionalized approach to building a reliable revenue base to support an organisation’s core programmes and services” (Kim, Perreault and Foster, 2011). The most important bits of this definition are probably the first two: a methodical and institutionalized approach. Coincidences, good luck and/or sense of opportunity to run into money do not constitute a funding model. This might seem obvious, but how many think tanks go beyond an organised fundraising process/unit that applies certain systematic methods to gather

needed funds? How many of them have developed a sound and thoughtful funding strategy that guides fundraising efforts and ensures that there is a reasonable consistency between sources of revenue, quality and relevance of research, and policy influence capacity? Are fundraising efforts often guided by strategic planning and long-term thinking? How internally driven are these efforts vis a vis responding to the external demands and opportunities?

Indeed, the second part of the definition, the institutionalized approach, highlights the connection between funding and the organisation’s mission, which is pursued through its programmes and services. This is where the concept of business model can become useful since we need to clearly understand what one offers to core stakeholders (business model) to then detect who can support this effort (funding model).

A business model incorporates funding into a broader system of interdependent components within an organisation. It is defined as ‘the manner by which the think tank delivers value to stakeholders, entices funders to pay for value, and converts those payments to research with the potential to influence policy’ (Ralphs, 2011). It is important to keep this general approach in mind (in fact, see Box 1 for an illustration of different types of policy research organisations and associated business models).

Box 1 – Spectrum of Policy Research Organisations (Enrique Mendizabal based on Stephen Yeo)

The following table maps policy research organisations according to their ‘mode of work’ and the basis for their claims or messages. This is a useful way of comparing how universities, think tanks, advocacy NGOs, political parties and other types of organisations work. These are ultimately different business models, of which the funding scheme is a key component.

Use this as a way to think more deeply about: what are the values you bring to different stakeholders? Can you clearly define them? Who pays for these values? Are these payments leading to the desired policy influence?

Message based on / Mode of work	Ideology, values or interests	Applied, empirical or synthesis research	Theoretical or academic research
Independent research			“Oxbridge”
Consultancy or contract	Internal think tanks, ideological centres, interest groups, NGOs, lobbies	Applied research centres in universities	
Influence or advocacy	Political parties	Chief scientific advisors, Academic/Opinion leaders	

Source:
[On Think Tanks: on the business model and how this affects what think tanks do](#)

Back to defining a funding model, there are three main features that can help to reflect about it (Kim et al, 2011).

- **Source/s of funds:** international organisations, local or international aid agencies, charitable foundations, government agencies, private companies or individuals, to name a few examples. Many organisations' fundraising efforts revolve around one or two of these types of donors, although others have a more varied composition.
- **Types of decision makers** that different sources of funds have: government officials, fund administrators, boards of trustees, wealthy philanthropists, etc. The relationships and modes of engagement should clearly be tailored to each case since their interests and expectations vary significantly; thus the value proposition is different to each group.
- **Funder motivation:** ranging from altruism or personal commitment to a particular public cause to self-interest or geopolitical grounds, donor motivations are varied and can be a useful way to think about a funding model – even if they are not so easy to identify because they are not always explicit and clear cut.

In line with the definition we have provided, a successful funding model is one that creates sustainable revenue in a way that enables the organisation to best pursue its mission. We can break up this idea into five basic components, which will keep coming up along the course so that you can assess your current degree of success:

- **Reliability:** Funds that come and go 'randomly' can never help the organisation in the medium and long term. In this light, unusually high growth is no indication of having an efficient funding strategy, nor does some seasonality in revenues mean the opposite.
- **Diversification:** Not surprisingly, putting all the eggs in one basket is not advisable. Diversifying does not only mean trying to have many donors, but also different types of donors whose downturns should not be expected to coincide. Also, too much diversification might entail high dispersion in terms of project objectives and research topics as well as administrative burden in managing multiple small grants or research projects.
- **Acceptable Conditions:** Whatever administrative, contractual and/or programmatic conditions are attached to funds, they should enable (rather than prevent) the think tank to do their policy work to the best of their abilities. Ideally, donors and grantees should strive to avoid overly bureaucratic or restrictive requirements, although admittedly working with large donors might be worth it despite the administrative efforts it imposes.

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- **Independence:** A basic condition of a good funding model is for it to guarantee that a think tank remains independent to govern itself and define its policy research agenda: deciding how to run the organisation, which issues to pursue, etc.
- **Transparency:** Finally, a growing concern related to funding models has to do with being able to track the origin of funds that think tanks receive and the main conditions attached to them. Many organisations remain behind the curve in this respect.

Why re-think your funding model?

Even if uncertainty, tensions and questions regarding funding will always be a part of a think tank's DNA, it is important to re-think your current funding model more deeply every once in a while. This entails first making your model clearer and explicit for members of the organisation as well as relevant stakeholders.

These are good reasons shared by Morris (2006) for focusing on what your funding models looks like and, based on that, decide which changes should be made:

- A. Ensure that the organisation has a fairly logical and internally consistent approach to its operations and this approach is clearly communicated to its stakeholders;
- B. Provide an architecture for identifying key variables that can be combined in unique ways, hence a platform for innovation;
- C. Develop and strengthen a vehicle for demonstrating the economic attractiveness of the organisation, thereby attracting donors and other resource providers; Zott (2010).
- D. Provide a guide to ongoing organisational operations, including parameters for determining the appropriateness of various strategic or tactical actions that management might be considering;
- E. Facilitate necessary modifications as conditions change

Our proposal is to walk you through the unravelling of the pillars of your current model to identify strengths and opportunities on which you could further build and also detect those weaknesses and threats that require particular attention. Webinar

1 will focus on further exploring different types of funding models and their implications on core functions of any think tank: research, policy relevance and communications. Then, with Webinar 2, we will delve into new potential ways for generating new income, including their advantages and risks/costs. We will also explore a set of policies and strategies to soundly manage the diverse sources of funding. During the entire course the online forum will be available to exchange experiences, challenges and ideas. Finally, and inspired by all these brainstorming and exchange of knowledge and experiences, you will have the opportunity to devise a lean action plan to strengthen your current funding model through a specific exercise. Trainers will provide feedback on the latter and hopefully this will be a first baby step to improving your current funding model.

Additional material on funding models for think tanks can be found here:

[On Think Tanks Theme: Funding and Supporting Think Tanks](#)
