

# PHILANTHROPY:

## The continued journey to real impact and better practice

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Are evaluation, strategy and social impact frameworks the key to achieving change?



## Forward

Building on the Philanthropy: Towards Better Practice (2018) Report, this report provides guidance to better grant maker practice and highlights some critical challenges and opportunities facing the philanthropic sector. Supported by Dr. Jodi York, the Asia Pacific Social Impact Centre, University of Melbourne, and Kate McKegg, Knowledge Institute, this Report revisits the progress the Australian philanthropic sector has made against the 5 pillars of best practice and, through the contribution of the members of the Philanthropy Impact Pioneers Program, does a deep dive practical into the challenges of genuinely engaging and holding ourselves to account for the impact of that work.

Our aim is to deepen insights around better practice and to drive meaningful change by continuing to emphasize the importance of evaluation, strategy and social impact frameworks to lay the foundations to move toward better philanthropic practice now and into the future.

Of the 70 Foundations I approached to join us on this journey, I am indebted to the 9 ambitious, courageous, and generous PIPP members who accepted this invitation to join the Menzies Foundation.

My thanks to:

- Anonymous
- Australia Post
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- Colonial Foundation
- Equity Trustees
- Fay Fuller Foundation
- Jack Brockhoff Foundation
- Ten20 Foundation

We hope you enjoy the insights and that they inspire action.



Liz Gillies

CEO, Menzies Foundation

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## Executive Summary

With a greater focus on impact, strategy and evaluation, the philanthropic sector could make a more significant contribution to support impact initiatives to address Australia's greatest social challenges.

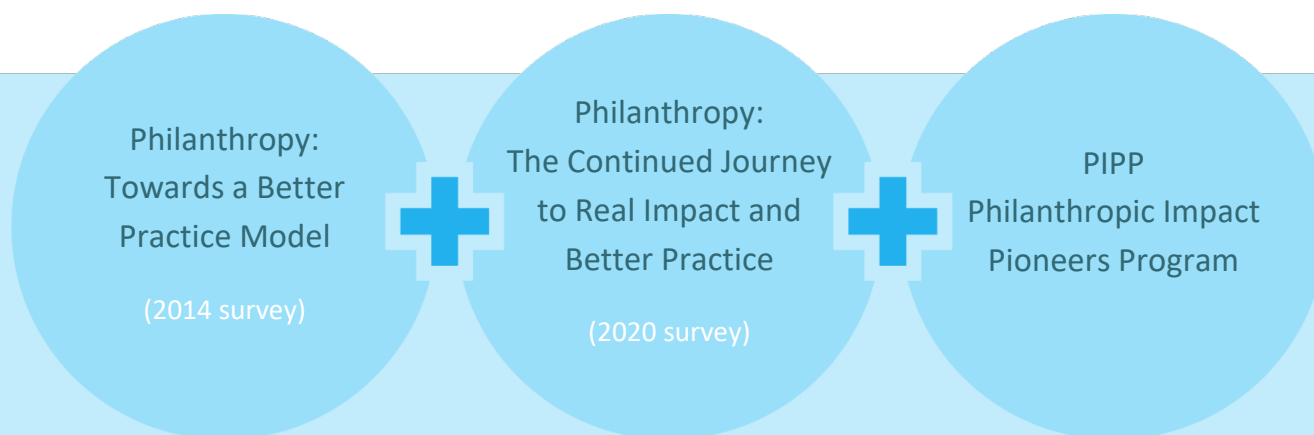
Never before has there been a more important time for grantmakers and grantseekers **to better understand best practice and reflect on how we might do things differently** to maximise impact.

However, creating a roadmap to achieve greater impact is, for many, a daunting prospect. Where do we start? What are the things we must do to drive meaningful change? How can we step onto that path and do what is needed? Is it even possible?

Building from the Philanthropy – Towards Better Impact Report, launched in 2018, the Menzies Foundation, in partnership with the Asia Pacific Social Impact Centre, University of Melbourne, anchored a collaboration of 10 Foundations to consider this challenge. The Philanthropic Impact Pioneers Program (PIPP) focused on the development of impact and evaluation frameworks to support better practice. This Report documents this journey and shares these insights to support the development of better philanthropic practice for impact.

Here is a snapshot of the journey so far:

- Where we were
- What we know 5 years later
- What success looks like



## What now?

## Where were we

The underlying message from the [Philanthropy: Towards A Better Practice Model Report](#) (2018) was “There is an opportunity for philanthropists to bring the same strategic thinking and acumen to philanthropy that they have to other professional endeavours, and to shift the conversation “from what do you want to buy with your philanthropy dollar to what do you want to achieve with your philanthropy dollar.”

The 2018 Report identified that the seminal areas in the grant making process likely to catalyse this change across the sector are better strategy and better evidence, or more specifically, greater consideration of evaluation, strategy and impact of philanthropic activities and development of the frameworks to support those critical areas.

The data showed that grantmakers and grantseekers were united in their commitment to address serious social problems and work collaboratively to support social change. However, while many understood the importance of knowing the strategic impact of the projects they support, in reality, many struggled to understand how to build impact frameworks, or develop evaluative frameworks that would enable monitoring of performance and gathering of insights to ultimately drive better practice. 88% of philanthropic respondents in the 2014 data indicated a lack of confidence in assessing the social impact of their grant making programs, and consequently this was identified as an area of significant opportunity for improvement in the sector.

In addition to identifying evaluation, strategy and impact as key areas that will support impact, the data also revealed the importance of giving deep consideration to the five pillars of best practice:

- Clarity of grantmaking philosophy;
- A commitment to support capacity building and not-for-profit resilience;
- Support for scaling, replication and collaboration
- Increasing the strength of the relationship between grantmakers and grantseekers.
- Deepening confidence, expertise and resources for embedding approaches to evaluation and social impact

When renewed focus is given to each of these pillars, it supports discourse between grantmakers and grantseekers, supports development of better practice and sets grantmakers and grantseekers up to maximise opportunities for impact from philanthropic programs.

Ultimately, the 2018 Report gave grantmakers and grantseekers the information they needed to make improvements, it established a benchmark and suggested what changes the philanthropic sector might make to create better practice and achieve greater impact.

## What do we know 5 years later?

Following widespread engagement with [Philanthropy: Towards A Better Practice Model](#), the Philanthropy Impact Pioneers Project was launched in 2018. This second wave of research involved re-running the 2014 survey, and establishing the Philanthropy Impact Pioneers Program (PIPP), a 12 month deep dive action research program with philanthropic foundations which delved into evaluation, impact and strategy, and the frameworks needed to be effective across these three important areas. Insights from this deep dive research program provide a practical lens into the 2019 survey results, telling us 'why' things have or have not changed, why certain challenges exist and ultimately laying out a path from which others can learn.

### What we learnt

#### Grant Making Philosophy

- Fewer funders identify as catalytic than in 2014. Conventional funders are still the most common and tend to remain conventional over time.
- Funding programs require the most common form of support, however grantmakers are increasingly aware of the importance of funding evaluation, collaboration and capacity building, There remains a mismatch between the perceived importance of this type of funding and actual funding on the ground
- The 2019 survey data showed higher levels of non-monetary support, which requires higher levels of engagement between grantmakers and grant seekers, and forms a critical component of a more strategic philanthropic approach
- More philanthropists are making multi-year grants

#### Scaling, Replication and Collaboration

- There is increased interest and engagement by philanthropists in considering support for the scaling and replication of initiatives and fostering collaboration but this is not translating to an increase in this type of activity on the ground

#### Capacity Building and Not-for-Profit Resilience

- Philanthropists are more likely to fund not for profit capacity building and this is strongly welcomed by the not-for-profit sector.

#### Strength of Relationships between grantmakers and grant seekers

- The nature of relationships between grantmakers and grantseekers has improved, however, there is still significant room for more improvement. Grantmaker perceptions of their relationship quality exceeds that of grantseekers on every aspect.

#### Approaches to evaluation and social impact

- There is an increasing understanding of the crucial importance of evaluation and social impact frameworks but still a lack of confidence from both philanthropists and the not-for-profit sector on how to do this optimally and unfortunately, a reluctance by philanthropy to fund and engage with the challenges and complexity of evaluative practice.

## Why has little changed? Why is strategy, evaluation, impact so challenging? We find answers in our deep dive PIPP program

To get a better understanding of why the philanthropic sector struggles to engage with strategy, evaluation and impact the Philanthropic Impact Pioneers Program did a deeper dive into the development of impact frameworks for each member of the consortium.

With support from global leaders in evaluation and social impact research expertise, the collaboration members focused on developing a deeper understanding of the importance of strategy, evaluation and social impact in the context of their philanthropic approaches, and worked with best practice frameworks to support these critical elements. This included consideration of each PIPP member's performance against the 5 pillars of best practice.

Applying learnings and new tools to their own organisation's 'journey to impact' the participants identified their current position, what gaps existed and what steps needed to be taken to create a social impact framework for their respective organisations.

**What we found:** along this 'journey to impact' the PIPP participants were united in their enthusiasm, however in practice - due to being time-poor and strapped for resources – they found ongoing engagement extremely challenging and difficult to maintain. They also discovered that significant upskilling is required and different strategic relationships with grantseekers must be developed to be truly effective, but this was challenging given many grantseekers were wary of having more honest conversations and relationships with grantmakers fearing they would be cut off from funding and resources upon which they heavily depend.

Most participants were unsure how to use their resources to achieve their vision and mission, and when introduced to the key tool to help them solve this challenge – the **Theory of Philanthropy tool** (which combines strategy, evaluation and social impact to articulate a grantmaker's role in supporting change and guiding funding choices) - many found it difficult to set aside time for the important deep thinking required.

**However, those who succeeded in completing their Theory of Philanthropy found it transformative to their practice and a powerful tool for engaging their board, aligning their grant and non-grant activities, and using evidence to inform strategy.**

**Regardless of how far the PIPP participants progressed with their Theory of Philanthropy, the cohort agreed that although 'Theory of Change' is a useful tool to support funding choices, in the philanthropic context, the Theory of Philanthropy is very useful in clarifying where you are as a funder and defining both where you want to go and which of the many paths are most appropriate for you to get there.** (See section 6 for more details on the Theory of Philanthropy).

The cohort quickly learnt this process takes significant investment in time and funding, a willingness to step into uncertainty, a capacity to grow their own capability in understanding and ability to interrogate their own practice.

A fundamentally important revelation from the PIPP deep dive was a lack of understanding and lack of curiosity around evaluation and social impact at board-level. Many participants observed that board-level interest in evaluating practice is weak. Many boards were satisfied with anecdotal evidence that their work was impactful, without looking to evaluation and data insights to draw definitive conclusions.

Some PIPP participants characterised boards as a 'handbrake' to progress, however when **boards placed a higher priority on evaluation, philanthropic activities were strategically focussed and the board was engaged in what needed to be done to achieve increased impact.** The PIPP deep dive revealed that even within committed organisations, this can be a challenging conversation and a slow mindset shift.

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*“Lack of board level interest in social impact is one of the biggest challenges I face internally. It’s all about the number of dollars we distribute rather than about understanding what impact that is having.”*

*PIPP participant*

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*“Anyone can give money away, but evaluation offers the opportunity to move the conversation from ‘we’re giving money to charity’ to ‘how are we deepening impact?’”*

*PIPP participant*

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The learnings from the PIPP deep dive illuminate the data uncovered in the 2014 and 2019 surveys and provide a deeper understanding of why many grantseekers and grantmakers find evaluation, strategy and impact so challenging. It tells us a lot about why traction on the ground is slow despite an overwhelming willingness to achieve greater impact, and it provides the philanthropic sector with insights to facilitate an industry-wide conversation and start taking real steps toward better practice.

## What does success look like?

Ultimately, to successfully navigate a path through this complex landscape and to achieve better outcomes and increased impacts for communities, a mindset shift is needed to focus on ultimate impact of philanthropic programs. The research (2014-2019) illustrates that to drive this shift philanthropists need to:

- **Actively listen and collaborate with grantseekers to create measures of success that are meaningful and important to all parties.** This creates an evidence base to understand the grantmaker impact and guide strategic decisions.
- **Talk openly with grantseekers about their projects.** Involving them in the decision-making around measures of success, social impact, and fund allocation within the bid will bring better results for beneficiaries.
- **Develop a theory of philanthropy.** This shows what a grantmaker organisation should be doing in its chosen sphere, and whether their practices and culture are aligned to deliver their intended impact.
- **Build evaluative capability and develop a learning mindset.** This will help grantmakers understand how evidence and learning either are, or are not, embedded in their organisation, and support the development of social impact frameworks to support a more strategic, impactful platform.



## The five pillars of best practice

Global best practice approaches reinforce the importance of thinking about the strategies, frameworks, policies and processes needed to maximise opportunities for impact. As indicated in the *Philanthropy: Towards a Better Practice Model Report (2018)*, best practice grantmaking is built around five fundamental pillars, and sections 1-5 of this report revisits those pillars and tracks progress against a best practice approach.

In each section of this Report, we summarize the survey findings and PIPP insights related to each pillar.

Report sections:

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# Section 1: Grant making philosophy

## Why is it important?

A foundation’s grant making philosophy is critically important as it impacts and influences decisions around the way a foundation funds, what it funds and the impact that it has. For the philanthropic entity, clarifying the grant making philosophy is a very important first step in developing the proposition for impact.

The core elements of a grant making philosophy are:

- Funder type - **Conventional/Venture/Catalytic**;
- **Types of Support** funded;
- **Non-Monetary Support** offered;
- **Length of Grants** offered.

The following summarizes the survey findings and insights from the deep dive research program around these core elements.

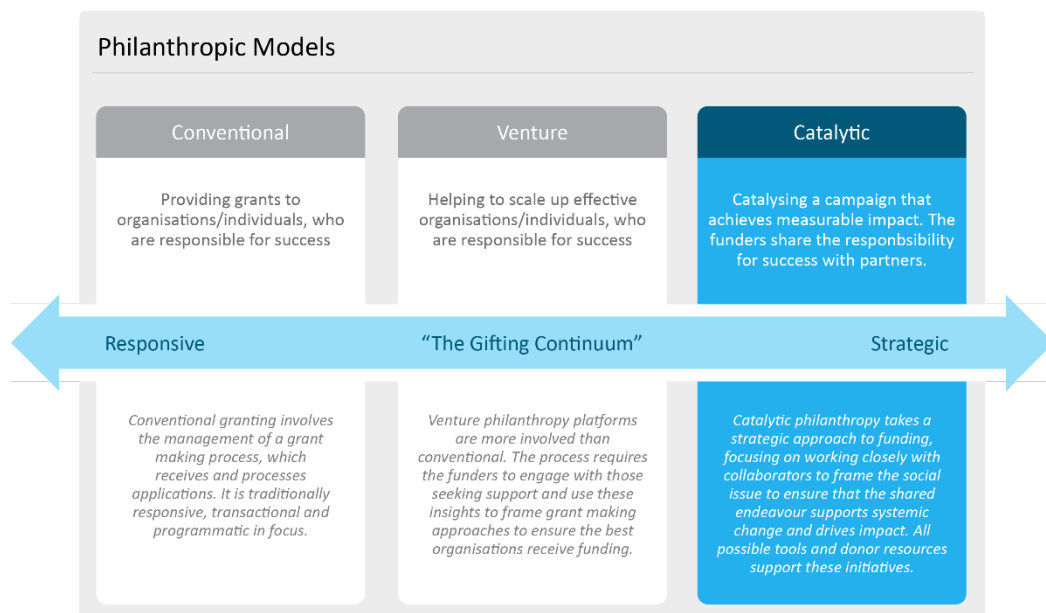
## Funder type - Conventional/Venture/Catalytic

*What we learnt - Fewer funders identify as catalytic than in 2014. Conventional funders are still most common and tend to remain conventional over time.*

How a grantmakers classify themselves impacts the types of projects they are likely to fund, the type of relationships they wish to develop with grantseekers and the ultimate impact of philanthropic activities. Respondents were allowed to choose multiple approaches, so the categories will sum to more than 100%.

	2014	2019	
<b>Conventional</b>	32%	31%	Static
<b>Venture</b>	28%	27%	Static
<b>Catalytic</b>	22%	19%	↻
<b>Declined to state</b>	32%	31%	Static

The data revealed philanthropists are most likely to identify as conventional, while corporate funders are most likely to identify as venture or catalytic. **To drive widespread impact, the sector must be clearer on articulating their grant making philosophy and more philanthropists could consider adopting a more catalytic approach.**



## Types of Support

*What we learnt - Grantmakers are increasingly aware of the importance of funding evaluation, collaborations and capacity building, however there remains a mismatch between the perceived importance of this type of funding and actual funding on the ground.*

Another critical element of grantmaking philosophy is the types of support grantmakers are likely to fund. We asked respondents to indicate the types of support provided and received. Here is what we discovered:

- Grantmakers consider evaluation, collaboration, capacity building and programatic support to be the four most important types of support. This represents a significant development from 2014 when programatic support was most important for grantmakers.
- Evaluation, collaboration, capacity building, research and professional development have all increased in importance to funder, but with proportionate increase in how often these categories are funded.
- Program support remains the most common form of support. Over 50% of grant makers fund it frequently and 41% of grantmakers receiving it frequently.

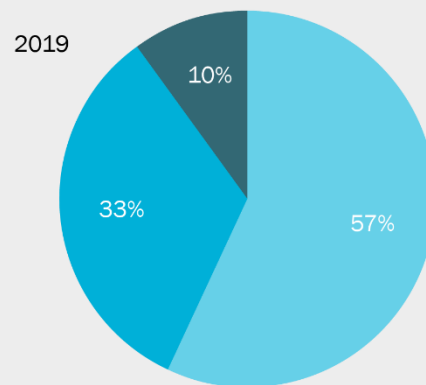
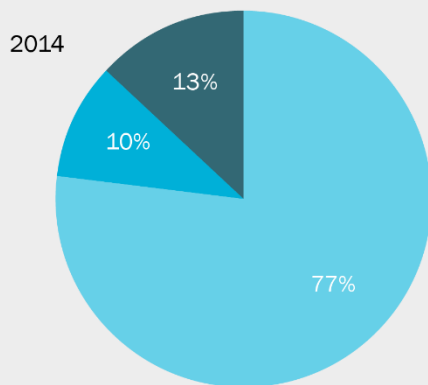
The data also revealed a disparity between what grantmakers report funding and what grantseekers report receiving. Of note are the areas of evaluation, collaboration, professional development, capacity building, and immediate need which philanthropists claim to fund more often than in 2014. However, most grantseekers report they rarely receiving this funding.

### Data: Importance Vs actual funding

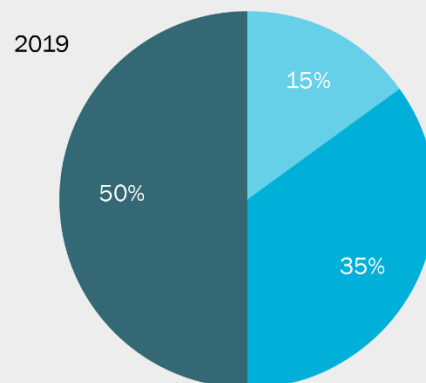
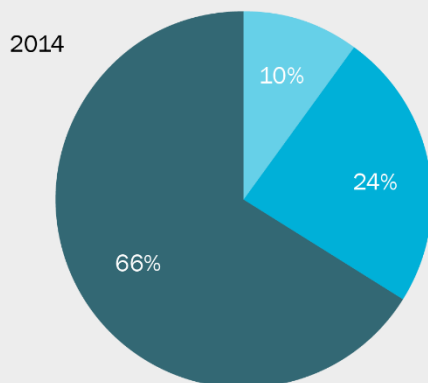
Type of support (2019)	Grantmaker			Grantseeker		
	Rarely	Sometimes	Frequently	Rarely	Sometimes	Frequently
Evaluation	47%	29%	24%	75%	18%	7%
Collaboration	42%	34%	24%	72%	16%	12%
Research	42%	34%	24%	65%	21%	14%
Capacity Building	22%	42%	32%	52%	37%	11%
Professional Development	42%	39%	18%	89%	11%	0%
Operational Support	39%	39%	21%	52%	41%	7%
Program Support	16%	34%	50%	18%	41%	41%
Untied Support	58%	32%	11%	45%	43%	12%
Capital support	74%	21%	5%	69%	29%	2%
Immediate need	42%	37%	21%	71%	20%	9%

## Grantmakers – types of support provided

### Untied Support



### Program Support



#### Legend

● Frequently   ● Sometimes   ● Rarely

## Non-Monetary Support

*What we learnt - The 2019 survey data showed continued high levels of non-monetary support, which requires higher levels of engagement between grantmakers and grantseekers, and forms a critical component of a more strategic philanthropic approach.*

Key findings:

- Most grantmakers (90% in 2014 and 83% in 2019) provide non-monetary support and it is increasingly common for grantmakers to offer multiple forms of non-monetary support.
- The second most common form of non-monetary support received by grantseekers is 'introductions to leaders in field', received by 39% up from 27% in 2014. There are more grantmakers making introductions than there are grantseekers being introduced, which is persistent from 2014. This raises the question of whether there could be a lack of shared understanding of what qualifies as an introduction that can be acted upon by a grantseeker.
- Alignment between grantmaker and grantseeker perceptions have improved for five of 11 types of non-monetary support.
- As in 2014, Grantmakers report encouraging facilitation and collaboration, providing strategic planning advice or and aiding in the development of performance measures. This exceeds the proportion of grantseekers receiving this support by more than 20%.

### Grantmakers – non monetary support

Type of non-monetary support	% grantmakers funding		+ or -
	2014	2019	
Encouraged facilitation/Collaboration	57%	60%	↑
Strategic planning advice	43%	40%	↻
Use of funder facilities	43%	40%	↻
Introduction to leaders in the field	38%	43%	↑
Provided seminars/Forums/Conferences	28%	43%	↑
Communication/Marketing/PR assistance	23%	51%	↑
Development of performance measures	23%	23%	-
Financial planning/Accounting	17%	14%	↻
Board development/Governance	17%	29%	↑
Staff management training	15%	11%	↻
IT assistance	9%	11%	↑

### Grantseekers - non monetary support

Type of non-monetary support	% Grantseeker receiving		+ or -
	2014	2019	
Provided seminars/Forums/Conferences	41%	32%	↻
Encouraged facilitation/Collaboration	31%	29%	↻
Introduction to leaders in the field	27%	39%	↑
Use of funders facilities	23%	42%	↑
Communications/Marketing/PR assistance	23%	32%	↑

Strategic planning advice	22%	19%	
IT assistance	16%	32%	
Board development/Governance	14%	32%	
Financial planning/Accounting	14%	23%	
Staff management training	7%	19%	
Development of performance measures	7%	6%	

## Length of Grants

*What we learnt - More philanthropists are making multi-year grants.*

On the journey to impact, the length of grants becomes critically important as increased engagement between grantmakers and grantseekers usually requires longer timeframes to be effective. When comparing the 2014 and 2019 data we found:

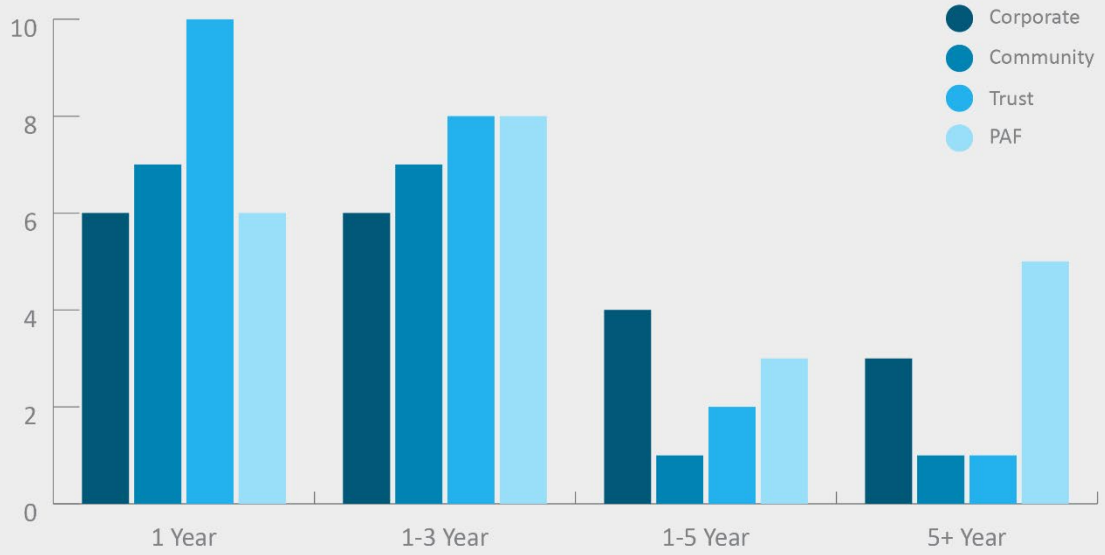
- short grants of 1 and 1-3 years remain the most common, but **overall longer term commitment is increasing**. Those making or receiving 1-5 year commitments has jumped from 20% to 33%. Grants of 5+ years remain rare (14% of respondents), yet 72% of grantseekers described them as ‘very important’.
- **funders are using an increasing diversity of grant length approaches** compared to 2014. Those offering only one grant size or length fell from 71% in 2014 to 57% in 2019. A third of grantmakers now offer two to three different grant lengths, compared to only 23% in 2014.

### Why grant length matters?

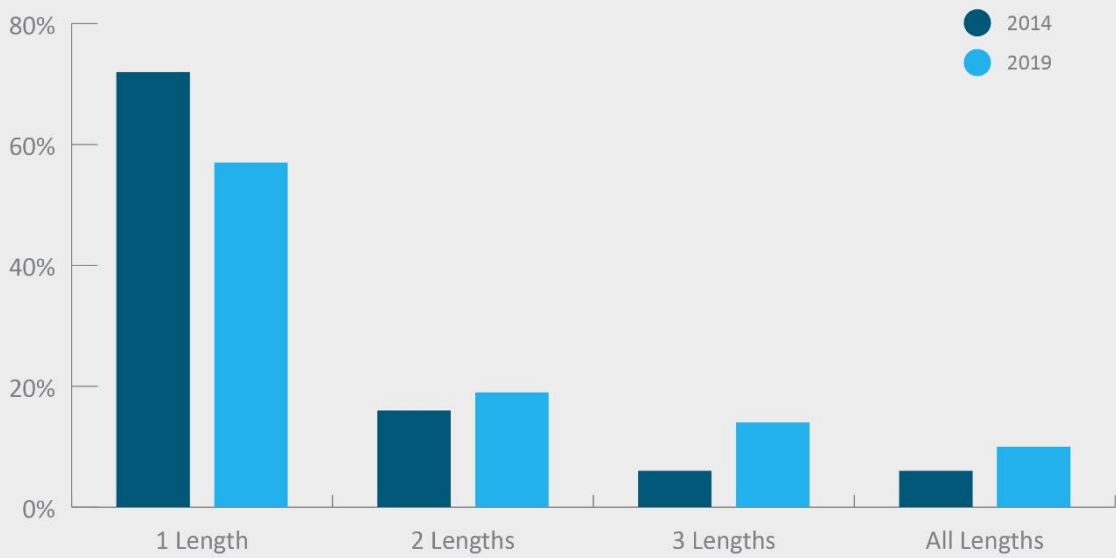
The shift from short to longer grant lengths is important. If the trend continues it demonstrates that philanthropy is recognising the importance of longer-term relationships, the ultimate outcome of which is higher levels of impact. Short grants are more aligned to traditional, conventional grant making, are usually less strategic and often have more limited impact. However longer grants are often more strategic, encourage deeper relationships, are indicative of greater commitment and result in greater impact. Longer grants indicate that people have a desire to work at the more strategic end of the spectrum.

However, our research revealed that in some cases where organisations viewed themselves as more strategic, they were not maximising value - although the relationship was long-term, it was still largely transactional. This serves as a warning for the industry that longer grants are not a proxy for impact. More is needed than simply time when it comes to taking a more strategic approach.

### Philanthropy - Length of Grants



### Grant Length Diversity



## PIPP insights | Grant making philosophy

The following quotes from the PIPP cohort illuminate the survey findings and provide deeper insight into those results.

**Confusion around terminology is a barrier to progress:** “There’s been a big learning journey around terminology ... there’s just so many terms, strategic philanthropy, catalytic philanthropy, I mean, what does it all really mean? Traditional philanthropy, what does it mean? I can see this changing though, especially when we see the gains made across the sector where we no longer talk about ‘programmatic responses’, instead it’s about ‘systems change’”

**When philosophical language and terminology was understood, it catalysed action and impact:** “I have an ambitious board, who are very open to being catalytic and prepared to give me quite a lot of rope in which to build platforms that push, or allow the exploration of some of these bigger ambitions in philanthropy. Through a catalytic approach we are playing at the individual level, at the organisational level, at the system level, and looking at the interdependencies between, and amongst those things, to achieve real impact.” (Catalytic philanthropist)

“We don't try and dictate how the grantees are actually going to run the business, we're allowing them to do that. But we look at the quality of the people that are running things and from that make an assessment about if they have the skills to do what they say they want to do.” (Venture philanthropist)

“The organisation has moved significantly past a traditional approach of 'sponsor this and sponsor that' to working more collaboratively. We are still assessing the understanding of this mode of operating in this space and the benefits it has for our organisation, for the sector and for other organizations.” (Moved from traditional)

**A number of Grantmakers indicated that non-monetary support is a key part of their value offering.** One described it as “creating a community of people who are connected to us, that might be receiving tax advice, financial planning advice from us, or something else.” Another said “We often provide core funding, usually unrestricted, but we usually provide matched funding as well so we’re helping build the networks of our partners, so their work can continue after we’re gone.”

**PIPP participants understood the link between length of grants and increased engagement on the journey to impact.** Three PIPP respondents described “using a mix of shorter and longer grants” in their Theory of Philanthropy, using phrases like “big long-term bet”, “longer at [our] discretion”, “strategy dependent” and “as long as necessary”. However in support of the survey data showing shorter grants are still common, one described avoiding making multiple multi-year commitments as part of its financial management approach, ensuring that it is always able to meet its future commitments.



## Section 2: Scaling, replication and collaboration

### Why is it important?

A key tool for higher impact philanthropy is leveraging existing efforts and resources for greater impact. This means both scaling and replicating successful projects as well as aligning the efforts of multiple organizations into collaborations for social change.

Key aspects for scaling impact and advancing philanthropic practice include funding collaboration, disseminating new ideas, scaling or replicating successful projects and leveraging funder relationships to greater effect.

**What we learnt - There is increased interest and engagement by philanthropists in support for the scaling and replication of initiatives and fostering collaboration but this is not translating to an increase in this type of activity on the ground.**

We asked grantmakers how often they engaged in scaling, replication and collaboration activities. The data reveals there has been little change in overall appetite. In 2014 the funding of these activities polarised towards 'frequently' and 'rarely', in 2019 the data shows the frequency of funding has increased by less than 10% and there is now polarisation around 'sometimes' funding these activities.

- In 2019, approximately three-quarters of grantmakers funded scaling, replication or collaboration at least some of the time, regardless of whether they consider themselves conventional, venture or catalytic funders.
- As in 2014, grantmakers had the greatest interest in frequently funding the dissemination of a new idea or innovation through 'communications, marketing and distribution' and in 'leveraging relationships with other grantmakers to raise money so the grantee can expand their impact'. These two activities are a lighter touch and less strategic in the types of support required for scaling and collaboration platforms. Replication of successful projects in new locales was least commonly funded, with 29% of grantmakers rarely doing so.

### How often do grantmakers fund scaling, replication and collaboration activities?

	Rarely			Sometimes			Frequently		
	2014	2019		2014	2019		2014	2019	
Funded costs associated with collaboration or managing partnerships among grantees	56%	27%	↻	18%	52%	↗	26%	15%	↻
Funded the dissemination of a new idea or innovation through communications, marketing and distribution	35%	22%	↻	15%	47%	↗	50%	28%	↻
Funded the replication of projects in new locales	44%	29%	↻	18%	55%	↗	38%	16%	↻
Leveraged relationships with other grant makers to raise money so that grantees could expand their impact	41%	18%	↻	12%	35%	↗	47%	38%	↻

## The contradictions of collaboration

Although collaboration is critically important to all parties (identified as the single most important form of support to provide, with a mean importance of 5.48 of 7; and ‘encouraging collaboration’ being the most important form of non-monetary support), overall in 2019 support for fostering collaboration has declined.

The data indicates that philanthropists perceive that there are significant barriers such as costs, resources, time constraints, coordination and logistics, or as one pioneer stated: “collaboration, simply put, is harder than we thought.”

The word ‘collaboration’ was mentioned by grantmakers at nearly every opportunity: 167 times in 55 responses, compared to 81 mentions of impact and 65 mentions of evaluation. But 27% of grantmakers surveyed rarely fund it, and only 15% say that they frequently fund the costs of managing collaborations and partnerships. Only 16% mention it in their top priorities. **The mismatch between the level of importance for collaboration and actual funding of it, highlights a great opportunity for the sector.**

Meanwhile, funder impressions of how well grantseekers collaborate remained lukewarm from 2014-2019. The bulk of grantmakers (42%) neither agree nor disagree that NFPs were good at fostering collaborations across their own sector or outside of it. Only 29% of grantmakers think that NFPs are good at fostering collaborations, down from 34% in 2014.

Grantmakers on grantseeker collaboration	Disagree			Neither			Agree		
	2014	2019		2014	2019		2014	2019	
NFPs are good at fostering collaborations across the NFP sector to promote community development	27%	29%	↑	39%	42%	↑	34%	29%	↻

Despite this view, the desire to collaborate is shared by grantseekers. A major concern raised by grantseekers is that application processes often compel grantseekers to compete with each other, rather than creating opportunities for collaboration and partnerships. Shifting this dynamic was identified by 41% of grantseekers as the number one innovation opportunity in the philanthropic sector, and by 21% as the number two innovation opportunity in the NFP sector (second to digital innovation). Aiding collaboration was named by 13% of grantseekers as a way grantmakers could support greater impact.

*“We could foster collaboration between funders and grantees in various ways, such as by recognising when funding can be beneficial from one group delivered by another - or both - and perhaps connecting organisations together more, so that programs can be strengthened by each other.”*

*“Providing opportunities for not-for-profits to work together on similar ideas, rather than funding a piecemeal approach. Funding subsequent stages of projects, to share great initiatives with more organisations, geographical areas and with more people. Rolling out further those projects that have proven positive results.”*

## PIPP insights | Scaling, replication and collaboration

**Although collaboration is critically important to all parties, support for collaboration in 2019 has declined. What is standing in the way of better collaboration practice?**

**Participants understood the importance of collaboration:** “The essence of best practice in philanthropy is multi-sector collaboration where you build a container of new thinking that takes the best of NFPs. You have to be highly strategic to understand building that space, and you need a board who wants to deeply interrogate and understand the issues at play.”

**Collaboration featured prominently in the Theory of Philanthropy** of one-third of PIPP participants as a key source of learning and valued outcome of engaging closely with other funders “We are trying to create communities of collective interest, to go beyond running a grant programme, we’re trying to promote, raise the profile of, help educate, connect, network.”

**For some it was a critical tool to build relationships and make the most of limited resources:** “We’ve got a really strong sense of collaboration, it’s the main tool we use with our donors. We bring that into everything we do, with other foundations, with not for profits with everyone. It’s in our DNA.”

**However for others collaboration is challenging and many faced roadblocks to doing it well:** “I think the rest of the philanthropic sector has to work hard at collaboration because so many are so internally focused all the time.”

“We’ve found where we get people coming together, there’s a lot of goodwill and there’s a lot of willingness to do things, but then when we try and break away to do a little pilot projects, we get bogged down in those initiatives which are small pebbles and aren’t really contributing to big movements forward.”

“There is difficulty in managing and governing collaborations, particularly in the face of unequal power dynamics. Some of those multi-disciplinary teams are just a series of actors around a problem that all can bring resources. How do you project manage that? How do you drive decision making and governance around that? What sort of capacity building do you need to do more broadly versus what do you just work locally at? These questions will become more critical especially in the face of the power dynamic of money and resources desperately needed by people on the ground to do the work.”

**Participants were divided on scaling and replication.** Two participants explicitly de-emphasised it in their Theory of Philanthropy, while for others it was critical to their entire model. Those who sought it described it in terms of “increasing impact, delivering systems level intervention, funding modelling and infrastructure, backing proven models, and using shared KPIs.” The basis on which these organisations scaled included “developing interventions, developing with a system play in mind, and selectively funding projects with potential to scale.” The value of scaling was described in terms of building system insights, starting multisector collaborations, and leveraging stakeholder systems. However, **replication and explicit collaboration were rejected by some in favour of co-funding or follow-on funding that allows them to support interesting and promising projects without taking responsibility for driving or supporting collaborations to thrive.**

## Section 3: Capacity building and Not-for-Profit resilience

### Why is it important?

Not-for-profit capacity building is a critical component of the not-for-profit sector ability to achieve and enable impact. By building their own internal capability, not-for-profit organisations arm themselves with the skills to better handle and reduce the impact of unprecedented challenges facing the not-for-profit sector which are bookended by increasing demands for services in a reduced funding environment.

*What we learnt - In 2019 Philanthropists were more likely to fund not-for-profit capacity building, and this is strongly welcomed by the not-for-profit sector. Both philanthropists and the not-for-profit sectors indicate that new forms of collaboration provide the greatest opportunity to support innovation.*

*The 2019 data show that capacity development is of high and growing importance to grantmakers, there is a greater commitment to doing it and funding has improved for all types of capacity development (shifting from 32% never funding in 2014 to 29% often funding in 2019).*

### Funding priorities and opportunities

We asked grantmakers and grantseekers to tell us their top priorities in their own words.

As in 2014, grantmakers have a more pragmatic focus, expressing priorities in terms of what they want to shift in the world (health, education, environment), and a growing acknowledgement of the importance capacity building - which is a change from 2014 when the second top area of priority was particular recipients such as at-risk youth and specific projects such as microfinance or community grants. **This new focus on capacity building is a positive development** and suggests grantmakers are more strategic in their intent to support not-for-profit organizations to fulfill their missions.

Grantseeker priorities are much more centred on strategic and managerial aspects which are critical to their ability to execute their agenda such as: capacity development and organisational sustainability. The second priority was operational aspects such as improved systems and use of technology, while third area of priority was relational factors such as increased quality and quantity of donor relationships, which were virtually absent from grantseeker priorities in 2014.

2019 grantmaker top 3 funding priorities	2019 grantseeker top 3 funding priorities
1. Program Areas, specifically, Health, Education and Environment	1. Strategy & Management
2. Strategy & Management	2. Operational Improvements
3. Financial stability	3. Relationships
2014 grantmaker top 3 funding priorities	2014 grantseeker top 3 funding priorities
1. Program Areas, specifically, Health and Education	1. Capacity Building
2. Specific beneficiaries (e.g. at-risk youth)	2. Improved government support quantity/distribution
3. Specific grantmaking practices (e.g. microfinance)	3. Sustainability

# Opportunities for innovation

*What we learnt - Grantmakers and grantseekers nominated their top three opportunities for innovation. Both philanthropists and grant seekers sighted collaboration as an important focus to unlock innovation, in conjunction with an increased focus on higher order strategic intent.*

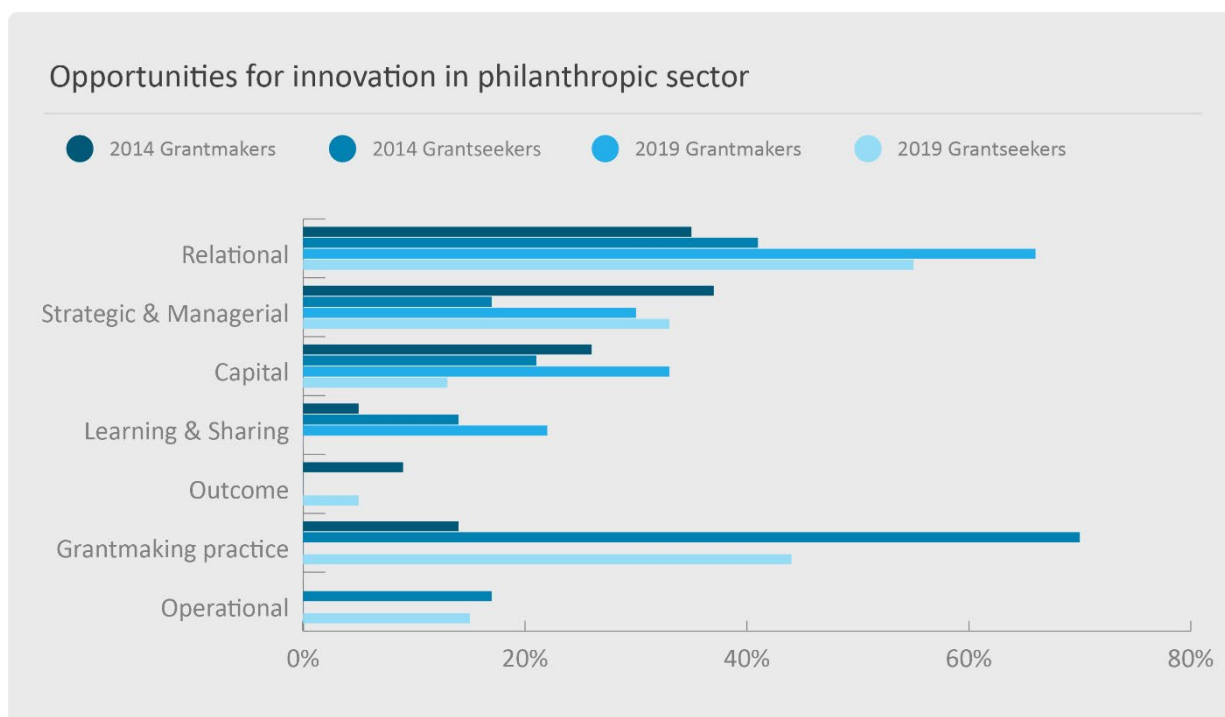
## Innovation opportunities in the Philanthropic sector

Grantmakers view:

1. **Stronger Collaboration:** 67% identified collaboration (and related activities) as the major opportunity in the philanthropic sector (up from 35% in 2014)
2. **Focus on Impact investing:** 33% mentioned impact investing (and related activities), up from 26% in 2014
3. **More strategic:** 30% mentioned improved strategy (and related activities) which is consistent with 2014's 37%
4. **Stronger focus on Evaluation:** was much more visible amongst the opportunities, mentioned by 27%, up from 5% in 2014.

Grantseekers view:

1. **Stronger collaboration:** 56% mentioned collaboration and related activities such as partnerships, improved relationships as major opportunities in the philanthropic sector (up from 41% in 2014)
2. **Improved grantmaking practice:** including longer and larger grants and more flexible conditions: named as key opportunity by 44%, down from 77% in 2014
3. **More strategic and improved management practices:** 33% mentioned this as an area for opportunity, up from 18% in 2014, aligning with grantmaker view.



## Innovation opportunities in the NFP sector

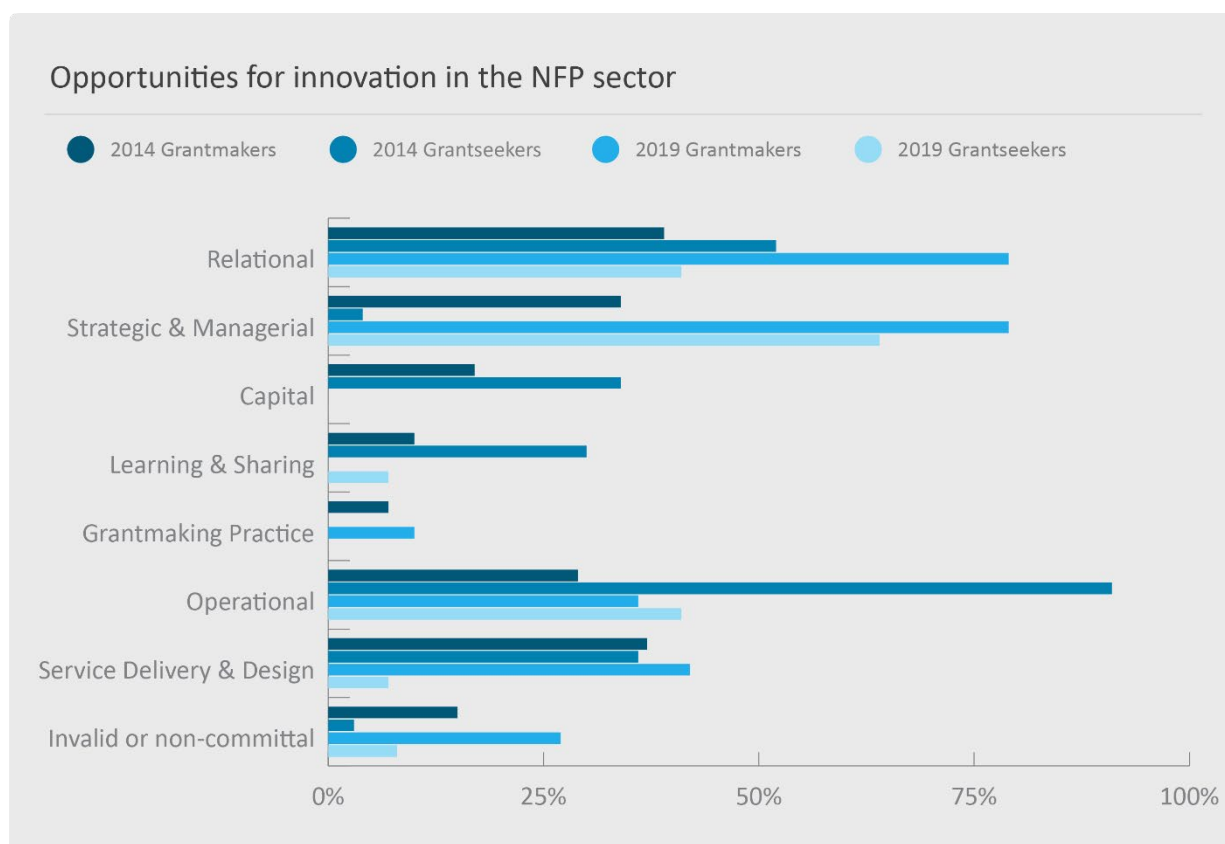
In terms of opportunities in the NFP sector, grantmakers and grantseekers are more aligned now than in 2014. The biggest areas of change has been a 41% increase in grantmakers citing collaboration (and related activities) as a key area opportunity for innovation, and 60% more grantseekers viewing strategy/capacity building as the key area of opportunity in the NFP sector.

Grantmakers view:

1. **Collaboration:** 80% mentioned collaboration and related activities, up from 39% in 2014
2. **More strategic and improved management practices:** 52% mentioned strategic and management activities, up from 34% in 2014
3. **Operational factors:** 30% cited factors such as improved use of technology and digital media.

Grantseekers view:

1. **More strategic and improved management practices:** 64% of grantseekers how they deliver their strategy as the key area of opportunity, up from 4% in 2014, driven by opportunities presented by digital innovation
2. **Relational and operational factors:** both cited by 41%. Operational factors that underpin how effectively and efficiently they operate (i.e. through use of technology, data) declined steeply from 91% in 2014.



## PIPP Insights | Capacity building and Not for Profit resilience

**The PIPP reflected the findings that capacity development is of high and growing importance**, with capacity building already core to the work of one-third of PIPP grantmakers. One of the cohort had a specific grant stream that funded “distinct, one-off pieces of work that help build an organisations capability to do their job better and understand what evidence they need to be able to improve their work”. Another codified what they learned in a learning platform, plus spent time “trying to cultivate the conditions for that to work, and to co-create that with communities and other partners” as evidence for capacity building and learning facilitation as a reproducible outcome. Another convened grantees to “share their experiences with one another through events to help them with capacity building around their own evaluation capability, or with a place to help the foundation we funded to tell their impact stories.”

**The PIPP strongly agreed that capacity building is critical to a resilient NFP sector being impactful and encouraging government funding:** “if we don’t have a rigorous, strong and resilient sector, which is collaborating and working efficiently to unlock demand and supply, then we might as well all go home. We’re going to continue to replicate the fragmented sector, the duplication of effort, the competitiveness around government funding. All of the things we know perpetuates the challenges that the sector faces.”

**In line with the 2019 survey, PIPP participant priorities rest around what they want to shift in the world (health, education, environment), followed by how they want to do it (strategy).** All of those completing a theory of philanthropy specified core areas of need such as health & wellbeing or poverty, half of those specified complex problems, such as healthy aging, social determinants of health, pathways to education and elderly social isolation. **Framing problems in this way can make it easier to identify (or be identified by) and engage partners who are working on aspects of the same problem.**

**Collaboration and knowledge sharing was a key area of opportunity / innovation for PIPP participants:**

“Sharing knowledge is another way to shake up traditional power arrangements by taking knowledge of proprietary arrangements and closed rooms and putting it in the public domain.” One put this approach at the centre of their practice, leaving as their organisational legacy an “open source, online learning, intermediary organisation that brings together a number of different web streams to support communities in the work and link local and national systems to make sure that community voice and learning is front and centre, to informing social policy on this work.”

**However, even though innovation was the bread and butter of some funders, participants felt it was often poorly received across a philanthropic sector that still favours programmatic responses and acquittal reports.**

**Leading in this area was high risk and high reward: it generated knowledge, but attracted negative attention:**

“The way the existing system is set up is not particularly collaborative. Boards are set up to only protect their own organisations, and therefore that drives their decision making behaviours, and the culture of the organisation. This is challenging when you’re trying to create a space for different conversations, trying to get everyone to work differently together.”

## Section 4: Strength of relationship between grantmakers and grantseekers

### Why is it important?

Strong relationships between grantmakers and grantseekers are pivotal in the journey to impact. Ongoing [global research](#) identifies three important dimensions which have the biggest impact on how grantseekers feel about grantmakers: Quality of interactions with Foundation staff; Clarity of communications of a Foundation's goals and strategy; Expertise and external orientation of the Foundation. (For more information on these areas, see: [Philanthropy: Towards A Better Practice Model](#))

Additional factors also critically important in their impact on relationships between grantmakers and grantseekers are: **Tolerance for risk**; and **Quality of grant applications**.

### What we learnt

*When comparing 2014 and 2019 data, the nature of relationships between grantmakers and grantseekers has improved, however there is still significant room for improvement.*

- ✓ *Grantmakers and grantseekers are positive in the words they use to describe their relationships with one another.*
- ✓ *Quality of dialog has improved.*
- ✓ *Two thirds of all respondents agree that grantmakers are knowledgeable about the NFP sector.*
  
- ✗ *On nearly every dimension of the strength of the relationship between grantmakers and grantseekers, grantmakers rate themselves far more highly than grantseekers do.*
- ✗ *Grantmakers continue to miss opportunities to listen to and learn from NFPs.*
- ✗ *Grantmakers tolerance for risk is lower than in 2014*

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*“Foundations have the added challenge of channelling conflict without letting their wealth and influence overpower the discourse. There is much evidence that grantees will not speak with candour in front of potential funders. Other stakeholders may be swayed by a foundation's inherent stature and defer to its wishes, whether spoken or merely implied.”*

- [Leading Boldly](#) – Heifetz, Kania, and Kramer

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## Quality of interactions

Interactions that are perceived as high quality by NFPs are characterised by fairness, approachability and responsiveness. Some key determinants of interaction quality are: perceptions of an unbiased grant selection process, realistic expectations of the grant, accessibility and availability of grantmakers for phone calls, email exchanges and in-person meetings.

### What's changed?

As in 2014, grantmaker perceptions of their relationship quality exceeds that of grantseekers on every aspect.

Quality of interactions	GRANTMAKER (2014 %)			GRANTSEEKER (2014 %)		
	Disagree	Neutral	Agree	Disagree	Neutral	Agree
Aspect						
Build strong relationships	9% (4)	14% (12)	78% (84)	30% (32)	26% (30)	44% (38)
Communicate regarding grantee needs	10% (9)	14% (12)	76% (79)	24% (40)	23% (22)	53% (38)
Communicate regarding grantee goals and strategies	15% (4)	15% (12)	60% (84)	32% (37)	14% (22)	54% (41)
Filter grant applications through an EOI process before full applications are sought	34% (48)	14% (12)	52% (40)	18% (35)	40% (33)	42% (32)
Have a streamlined small grants application process	24% (24)	14% (13)	62% (63)	23% (32)	43% (26)	34% (42)
Provide sufficient feedback and clarify if my application is unsuccessful	17% (13)	7% (7)	76% (80)	51% (58)	37% (21)	12% (21)
Provide assistance during the term of the grant	21% (25)	9% (10)	70% (65)	32% (35)	34% (38)	34% (27)
Are available to me by telephone, email or face to face meetings	6% (6)	7% (0)	87% (94)	24% (31)	23% (22)	53% (47)
Are approachable when problems arise				15% (20)	34% (32)	51% (48)

Since 2014, we have seen convergence in agreement between grantmakers and seekers around:

- **Strong relationships:** the gap between those in philanthropy and the NFP sector who agreed that relationships are strong has narrowed by 12%
- **Communication about grantee goals and strategies:** there has been significant improvement regarding perceptions regarding clarity about grantee goals and strategies (gap has narrowed by 37%)

**Grantmakers rate engagement, relationships, and clarity of communication most highly** of any area of practice with a significant proportion agreeing that grantmakers:

- provide support and assistance to grantees during the term of the grant (70%).
- openly communicate the goals and philosophy of our organisation (60%).
- Ensure that the outcomes of our grant making are easily accessible and shared publicly (76%).

However, grantseekers do not share this opinion. Grantmaker agreement exceeds grantseeker agreement by more than 20% on every aspect except communicating about grantee goals and strategies and filtering grant applications through an expression of interest process.

Grantseekers were generally positive about the grantmakers they interacted with, 66% agreeing that grantmakers are fair in their dealings, knowledgeable about the not-for-profit sector, and available by telephone, email or face to face meetings during the course of the grant.

However, grantseekers are ambivalent about the relationship quality, with less than 50% agreeing that grantmakers:

- build strong relationships with their organisation.
- thoroughly understand their organisation.
- provide assistance during the term of the grant.

The gap in the average grantmaker and grantseeker assessment has improved on some factors:

- dialogue has improved in the last five years with the proportion who agreed that they had an open dialogue with grantmakers increasing from 39% in 2014 to 49% in 2019.
- most grantseekers (78%) agreed that grantmakers are approachable when problems arise.

In general, grantmakers and grantseekers are positive in the words they use to describe their relationships with one another: 77% of grantmaker comments about grantseekers were considered positive; 72% of grantseekers comments about grantmakers were considered positive.

### Grantmakers on interaction with grantseekers



### Grantmakers on interaction with grantseekers



## Clarity of communications

The second key dimension of relationship strength is clarity of communication around a grantmaker's goals and strategy. This is demonstrated by having a clear insight into the application process, and also through clear and consistent articulation of philanthropic objectives which enable applicants to assess how they best fit, if at all, within a grantmaker's priorities.

In 2019, as in 2014, grantmakers have a more favourable view of the clarity of communication between grantmakers and grantseekers (by minimum of 17% on every aspect). Lack of alignment is particularly stark regarding clear and consistent grantmaking guidelines and processes: 80% of grantmakers claim they have these, yet only 31% of grantseekers agree and 46% disagree.

### What's changed?

Aspect	GRANTMAKER (2014 %)			GRANTSEEKER (2014 %)		
	Disagree	Neutral	Agree	Disagree	Neutral	Agree
Open communication of goals and philosophies	9% (0)	3% (14)	88% (86)	24% (50)	20% (14)	56% (36)
Information regarding grant making readily accessible and shared	18% (18)	12% (9)	70% (73)	18% (36)	29% (21)	53% (43)
Grant making guidelines and processes are clear	17% (3)	3% (19)	80% (78)	46% (20)	23% (23)	31% (57)
Consistent grant information across all platforms	21% (6)	7% (17)	72% (77)	21% (23)	29% (25)	50% (52)
Clear insight into the grant application process	17% (6)	14% (17)	69% (77)	29% (38)	34% (19)	37% (43)
Fair in dealings with grantees				6% (7)	17% (21)	77% (72)
Open dialogue with grantees				33% (38)	18% (23)	49% (39)
Put grantees under unreasonable pressure to modify priorities				66% (65)	29% (20)	5% (15)

The gap in the average grantmaker and grantseeker views is significant, but improved on most factors. Of particular note:

- **convergence in agreement** in: open communication of goals (18% gap reduction, driven by a 20% increase in grantseeker agreement) and information regarding grantmaking readily accessible and shared (13% gap reduction).
- **shift towards disagreement** is seen across consistent information across all platforms (gap growing from 19% to 28%) and grant making guidelines and processes are clear (all respondents increased levels of disagreement).
- despite overwhelming agreement with most aspects, grantmakers were markedly less positive in 2019, swapping ambivalence for disagreement in every aspect except Information regarding grant making being readily accessible and shared.

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*“Providing opportunity to discuss potential projects prior to submission would save time on both ends to determine if it is not what the funder is looking for, or providing feedback to establish why funding was not received - to help determine if should apply again”.*

*- Survey respondent*

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*“Ensuring it is a prerequisite to talk to a philanthropic grant officer prior to applying for funding would enable not-for-profits to spend their time on applications more likely to succeed.”*

*- Survey respondent*

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Clarity of communication,  
particularly in ways that manage expectations,  
was the single most common way  
named by grantseekers for grantmakers  
to improve their interactions.

## External orientation and engagement

Expertise and external orientation of the grantmaker is a critical dimension of relationship quality. Grantseekers value most highly those who demonstrate an understanding of fields and communities of funding, and who have an ability to advance knowledge and affect public policy. They also value grantmakers that have a vision for change and expertise to make that happen.

To understand how well-informed, well-connected and actively information-seeking grantmakers were in their own opinion and in the eyes of grantseekers, we delved into the areas of: partnerships, engagement with the NFP sector, engagement with the philanthropic sector, and listening to and learning from grantees and beneficiaries. This is what we found:

Aspect	Disagree		Neutral		Agree	
	2019	2014	2019	2014	2019	2014
We keep abreast of the latest research and information about the not-for-profit sector. <b>[grantmaker opinion]</b>	15%	14%	15%	14%	70%	72%
We attend industry seminars, conferences and events held by the not-for-profit sector. <b>[grantmaker opinion]</b>	15%	11%	18%	19%	67%	70%
Grantmakers we interact with are knowledgeable about the not-for-profit sector. <b>[grantseeker opinion]</b>	21%	16%	14%	13%	65%	51%

## Listening & learning

### How grantmakers listen to and learn from grantees or beneficiaries.

Aspect	Rare		Sometimes		Frequent	
	2014	2019	2014	2019	2014	2019
Year						
Sought advice from a grantee advisory committee about policies, practices and program areas	29%	39%	49%	39%	23%	23%
Invited grantees to address board members	23%	32%	34%	45%	43%	23%
Sought external input on grant proposals from representative communities or grantees	34%	39%	34%	39%	31%	23%
Sought feedback from grantees in regards to grant making practices via personal conversations, surveys, focus groups etc	26%	26%	46%	45%	29%	29%
Sought external input on trust or foundation strategy from representatives of recipient communities or grantees	40%	42%	40%	29%	20%	29%
Assessed the needs of the communities or fields served (eg: surveys, interviews, focus groups)	40%	42%	49%	45%	11%	13%

### In a worrying sign for the philanthropic sector, listening and learning from grantees is low and dropping.

- 39% of philanthropists rarely sought advice from a grantee advisory committee about policies, practices and program areas or assessed the needs of the communities or fields served (e.g. surveys, interviews, focus groups).
- 42% of philanthropists rarely sought external input on trust or foundation strategy from representatives of recipient communities or grantees.
- Grantmakers reporting they listen and learn rarely or never increased for five of six aspects.
- Those frequently inviting grantees to address the board dropped by 20%.

## Tolerance for risk

A higher tolerance for risk is an indication of preparedness to work in impact and is critical to working in innovative ways around social and systemic change. Grantseekers opinion of grantmakers tolerance for risk was more ambivalent in 2019 than it was in 2014:

Grantmakers that I interact with have a tolerance for risk			
Year	Disagree	Neutral	Agree
2019	46%	37%	17%
2014	48%	30%	22%

## Quality of grant applications

Grantmakers were asked to rate various aspects of grant applications received from grantseekers. Overall:

- Grantmakers were generally positive about the scope and justification of grant applications, however the proportion of grantmakers who think applicants 'have a good grasp of the emerging opportunities in the not-for-profit space and present innovative and exciting projects' is shrinking. Agreement has dropped by 9%, while disagreement has jumped from 9% in 2014 to 26% in 2019.

Grantmakers had mixed opinions about the quality of grant applications. They were most positive about **diversity, fit and strength of the cases made by grantseekers** (agreement on these factors is steady or increasing, and disagreement is less than 15%). However on most other factors, there was a significant shift towards disagreement.

### Scope and justification of grant applications

Aspect	Disagree		Neutral		Agree	
	2014	2019	2014	2019	2014	2019
Year						
Organisations seeking support present a strong case for supporting the not-for-profit	6%	6%	15%	23%	79%	71%
The importance of the not-for-profit sector and its centrality to the community's social and economic life is well argued	12%	13%	23%	19%	65%	68%
Those seeking support have a good grasp of the emerging opportunities in the not-for-profit space and present innovative and exciting projects for our consideration	9%	26%	27%	19%	64%	55%

### Quality of grant applications

Aspect	Disagree		Neutral		Agree	
	2014	2019	2014	2019	2014	2019
Year						
We receive a diverse range of applications seeking support for not-for-profit projects	27%	10%	15%	14%	58%	76%
Applications are generally a good fit with our granting guidelines	9%	10%	30%	24%	61%	66%
Applications make a strong case for support	9%	14%	18%	17%	73%	69%
Applicants provide a succinct organisational profile that profiles the applicant's mission, strategies and achievements	15%	24%	24%	14%	61%	62%
Applicants provide financial statements that are clear and easy to analyse	13%	38%	24%	24%	63%	38%
The trust has strong relationships with those not-for-profit organisations seeking support	6%	34%	33%	7%	61%	59%
Acquittals are completed in a timely manner	18%	38%	33%	14%	49%	48%
Applicants provide good communications copy, photographs and other materials which can be easily adapted for use in our annual report and on our website	15%	41%	21%	21%	64%	38%





## PIPP insights | Strength of relationship between grantmakers and grantseekers

**Clarity of communications particularly around the application process was of high value to PIPP participants.** A number of the PIPP cohort favoured moving to a staged grant making process that involved an initial screening of applicants. This was perceived as being more efficient because fewer poorly aligned applications were received.

“Screening applicants by phone has been more about efficiency and ensuring applications meet the guidelines, to increase chances of approval. I’d like to get to a point where it’s a really focused and clear to applicants what we’re trying to achieve with the money going out the door and that we’ve got some way of knowing whether it’s actually making a difference or not within the within the rules, strengths and resources that we have.”

What PIPP told us about external orientation and engagement: PIPP participants’ indicated that the Theory of Philanthropy Tool addressed **how and why** they engaged with the broader philanthropic sector, as well as the value of engagement to their organisations. **How** included: national and international conferences, peak body, funder groups and informal one-to-one relationships. Intensity of engagement varied: they used such phrases as “broad, informal, roadshows, as needed, as often as possible when useful.” **Why** they engaged included: learning, networking, increased opportunity for collaboration, leverage, professional development. Some impacts for their organisation of engaging with the philanthropic sector included collaboration opportunities, improved practice by learning, and better access to information and potential partners.

**Sharing, listening and learning amongst PIPP participants was in line with the survey data.** As might be expected from those who volunteered to go through a shared learning process, some participants were enthusiastic about learning from others in the sector and contributing to knowledge and practice in the field. However not all participants had given thought to the value of listening to grantees and beneficiaries. **Some saw the value of this, but most found their boards unreceptive to hands-on learning.** “There is a pervasive but often unvoiced tension between philanthropy professionals who would welcome this conversation and want to have it and the directors and trustees of philanthropic entities who are making decisions, and that puts a ceiling on these sorts of conversations.”

**However for PIPP participants who do share, listen and learn, the strategic value of understanding the lived experience of a problem was profound:** “We commissioned a lived experience piece. Data told us what the issues were, and we wanted to actually ask the people what they thought the issues were, this was gold! We discovered the biggest issue was around how they interact with the health system, how they’ve only got 6 minute GP appointments, they’re isolated and have no one to share their diagnosis with. It’s all the extra stuff that comes with an illness, by focussing on the social, economic, and environmental determinants of health, we achieve greater impact, as opposed to just giving thirty million dollars to find a cure for a disease.”

**PIPP participants had a clear understanding of the level (and kind) of risk their boards were willing to take.** Board composition, the origin story and purpose of organisation played a big role in risk appetite. PIPP participants also knew how much they were able to influence that risk appetite, with what sort of information or approaches. Most accepted that there is risk associated with innovation, and have prepared their boards to expect some failures as critical to learning.

## Section 5: Approaches to evaluation and social impact

### Why is it important:

**Evaluation is a catalyst for change, underpinning the philanthropic sector's ability to more deeply interrogate, drive insights and improve its own practice.** Evaluation is a vital element of the grant making process and needs to be supported to enable grantees to do it well. Critical in supporting building evaluative capability is a robust strategic social impact framework supported at governance level. The role of the Board is often underestimated and our research highlights the gains that can be made when boards take a strategic focus on clarifying what the philanthropic strategy is, and then engaging in what needs to be done to achieve that.

*What did we learn There is an increasing understanding of the crucial importance of evaluation and social impact frameworks but still a lack of confidence from both philanthropists and the not-for-profit sector in how to do this optimally and unfortunately, a reluctance by philanthropy to fund and engage with the challenges and complexity of evaluative practice.*

Evaluation has increased in importance (funding up 21% since 2014; capacity development is up nearly 40% in the last 5 years), however funding frequency has not increased proportionately (up 10%, with 43% of grantmakers never funding it and 75% of grantseekers never or rarely receiving it).

Organisations with strong evaluation capacity have greater competency in designing, managing, implementing and using evaluation. They have a culture of valuing evidence, valuing questioning, and valuing evaluative thinking. Those unwilling to prioritise building a culture of learning and evidence-based decision-making found it difficult to become more impactful and effective. Organisations with some evaluation capacity, can work out objectively how well the organisation is doing (e.g. delivering suitable services and implementing effective processes). Additional findings regarding evaluation from our research include:

However:

#### Aims of Evaluation

Despite overall importance of evaluation increasing by both grantmakers and grantseekers, when drilled down to specific aims, all were considered less important in 2019 than they were in 2014. All parties were more comfortable evaluating things they have more direct control over and receive more direct benefit from, than they are with more complex and difficult to measure questions.

#### Use of Frameworks

Grantmakers and grantseekers are similar in their degree of organisation-level evaluation: about half have an evaluation framework, but only 10% have confidence in their current evaluation framework.

### Evaluation Practice

Grantseekers have consolidated evaluation practice since 2014, are more experienced, confident and skilled at evaluation and social impact measurement than grantmakers.

### How They Seek Out and Use Information

Despite increased importance of strategy and evidence, cultivation of an evidence base and the use of evidence by grantmakers is low and has not noticeably improved in 5 years.

### Social Impact Measurement

Understanding the social impact of grantmaking is increasing, however Boards are seen as a key area of resistance to evaluation. Funding the development of tools and/or capacity for measuring and managing social impact is key to improving social impact.

#### Most Important to Grantmakers

1. Outcomes of funded work (82%)

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- =2. Implementation of funded work (67%)
- =2. Strengthen future grantmaking (67%)

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3. Original objectives achieved (63%)

#### Most Important to Grantseekers

1. Original objectives achieved (88%)

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- =2. Outcomes of funded work (81%)
- =2. Social impact of funded work (81%)

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3. Economic impact (77%)

## Purpose of evaluation

Our data reveals the visible pattern is one of divergence: all aims of evaluation were less important in 2019 than in 2014 for both philanthropic and not-for-profit respondents. Every aim except one was more important to grantseekers than it was to grantmakers.

The biggest differences were around economic impact of funded work and strengthening public policy in the field, which have a newfound importance to grantseekers and is consistent with the emerging focus on influencing their external operating environment, including government.

### Purpose of evaluation

	GRANTMAKER (2014%)			GRANTSEEKER (2014%)		
	not important	somewhat important	important	not important	somewhat important	important
Original objectives achieved	0% (3%)	37% (6%)	63% (91%)	0% (1%)	12% (3%)	88% (96%)
Implementation of funded work	4% (0%)	29% (6%)	67% (94%)	0% (6%)	27% (5%)	73% (89%)
Outcomes of funded work	8% (0%)	10% (3%)	82% (97%)	0% (1%)	19% (5%)	81% (94%)
Contribute to knowledge in the field	4% (13%)	40% (3%)	56% (84%)	0% (14%)	27% (10%)	73% (76%)
Social impact of funded work	4% (22%)	40% (6%)	56% (72%)	0% (6%)	19% (7%)	81% (87%)
Strengthen organisational practices in the field	11% (19%)	45% (16%)	44% (65%)	4% (15%)	38% (11%)	58% (74%)
Economic impact of funded work	19% (25%)	55% (16%)	26% (59%)	0% (22%)	23% (16%)	77% (62%)
Strengthen public policy in the field	15% (28%)	55% (16%)	30% (56%)	0% (23%)	34% (23%)	66% (54%)
Strengthen our future grant making	11% (13%)	22% (13%)	67% (74%)	0% (22%)	31% (22%)	69% (56%)

## Use of Evaluation

An evaluation framework is a tool used to organise and link evaluation questions, criteria, outcomes or outputs, indicators, data sources, data collection and methods. Grantmakers and grantseekers were similar in their use of evaluation frameworks in 2019, showing an increase of satisfaction with the frameworks they have compared to 2014.

Evaluation of own practice	GRANTMAKER			GRANTSEEKER		
	Disagree	Neutral	Agree	Disagree	Neutral	Agree
Aspect (2014 in brackets where applicable)						
Alignment to strategy	15%	19%	57%	8%	23%	69%
Enables assessment of recipient benefit	26%	30%	44%	12% (27%)	19% (14%)	69% (59%)
Enables assessment of social impact	15%	44%	41%	12% (31%)	23% (21%)	65% (48%)
Informs our decisions about the work we do	19%	22%	59%	12% (25%)	19% (12%)	69% (63%)
Embedded into our grants/projects from inception	22%	22%	56%	12% (25%)	27% (15%)	61% (60%)
Has been developed in collaboration with stakeholders				12%	27%	61%

### Evaluation frameworks:

- **52%** of grantmakers did not have an evaluation framework.
- **10%** of grantmakers had an evaluation framework they were confident in.
- **23%** of grantmakers hoped to develop an evaluation framework within the year.
- **32%** of grantmakers have an evaluation framework that they are not satisfied with, and are actively working to improve

Although improved understanding of the importance of evaluation was evident, grantmakers were far less confident in the use of social impact frameworks to deepen their understanding of the impact of their work.

### Social impact measurement: Grantseekers are much more developed than grantmakers:

- **57%** of grantseekers reported **having** social impact framework for assessing impact of their activities across the community.
- **23%** of grantseekers were hoping to develop social impact framework within the year.

In comparison with:

- **74%** of grantmakers **do not have** a social impact framework
- **35%** of grantmakers are hoping to develop one in the next year, while 39% were not

### Use of evaluation and social impact frameworks to drive strategy

**If evaluation is to guide strategy, evaluation must be designed and undertaken with that purpose in mind. Our research reveals some positive steps in this direction, however there is still work to be done.**

- Grantmakers lack confidence in how much their evaluation framework informs strategic and grantmaking decisions, with less than 60% agreeing with every aspect.
- Grantseekers have consolidated their evaluation practice since 2014 and are more experienced, confident and skilled at evaluation and social impact measurement than grantmakers.

## How philanthropy seeks out and uses evaluative information

**A crucial component of evaluation capacity is learning from information to adapt practice and communicate with stakeholders. Without this step, much of the potential value of evaluation goes unrealised.**

Despite increased importance of strategy and evidence, cultivation of an evidence base and the use of evidence by grantmakers is low and has not noticeably improved in 5 years.

- **2/3** of grantmakers rely primarily on acquittal reports (up 6% from 2014)
- Yet only **50%** of grantseekers agree that ‘acquittal reports are useful tools for evaluating the benefits’ (down 13% from 2014)

By comparison **grantseekers are making better use of evaluation information to guide their practice**: the proportion not using it to inform strategic direction has dropped from 26% in 2014 to 8% in 2019.

Use of evaluation information	GRANTMAKER			GRANTSEEKER		
	Disagree	Neutral	Agree	Disagree	Neutral	Agree
Aspect (2014 in brackets where applicable)						
Acquittal reports used/valued	26% (28%)	11% (19%)	63% (53%)	12%	38%	50%
We communicate our performance/outcomes to stakeholders at least annually	30% (19%)	4% (16%)	67% (65%)	4%	12%	84%
Evaluation information informs our future strategic direction	26%	15%	59%	8% (26%)	19% (11%)	73% (6%)

### Social impact measurement

We asked grantmakers and grantseekers about the use and usefulness of social impact frameworks. An analysis of open text responses shows: **understanding the social impact of grantmaking is increasing, and understanding the value in social impact frameworks is also increasing, however little is changing on the ground** with many citing boards as key area of resistance to evaluation and therefore achieving social impact. Our research also reveals that funding the development of tools and/or capacity for measuring and managing social impact is key to improving social impact. Here is what we found.

- Grantseekers were much more developed in social impact measurement than grantmakers. However, grantmakers see more value in social impact measurement than they did in 2014, while grantseekers were less positive and more ambivalent on the topic than they were five years ago.
- **More than half of grantmakers agree that social impact measurement is important** (up from 44% in 2014), 37% believed social impact frameworks are valuable (up from 29% in 2014), **yet 74% do not have social impact frameworks in 2019**, and half of these have no expectation of changing that in the next year. Another 26% have a social impact measurement framework they are not satisfied with. It is noteworthy that no grantmakers reported having confidence in their social impact framework.
- When asked **what philanthropy needs to do in the next decade to improve social impact**: 52% cited collaboration, improved partnerships and improved communication; 26% cited operational changes, most notably better use of evaluation and improved systems and processes; 21% named sector-level changes such as improved alignment between funders and use of common metrics. These have all significantly increased from 2014, when these were only named by 8-12% of grantmakers.

- **56% of grantseekers have a social impact framework**, and most are actively working to improve it in the next year. Grantseekers were only 43% positive in 2019 (down from 88% in 2014), however this can be explained by more using one in 2019.
- When asked **what NFPs could do in the next decade to improve social impact, the most critical areas were:** strategy and operational factors (26%), collaboration and associated activities (21%), and development of tools and/or capacity for measuring and managing social impact (12%).

#### What grantmakers said re: how a social impact framework is valuable:

- Alignment of own efforts
- Assessing their effectiveness
- Communicating with donors
- Guiding implementation of their theory of philanthropy
- Expressing the contribution of the funded work to systemic change.

#### What grantseekers said re: how a social impact framework is valuable:

- Informing strategy
- Increasing success with funders
- Assessing the benefit of their work.

What does philanthropy need to do in the next decade to improve social impact?



What do NFPs need to do in the next decade to improve social impact?



**“The sector needs stronger and more robust evaluation across mid to large grants, more knowledge sharing amongst the sector, and greater alignment with government impact data and reporting and to invest in systems/process so NFPs can do the work that results in change. NFPs are crying out for support in these areas, but they cannot progress and develop capacity without funding. The power to shift that lies with grantmakers.”**



# PIPP insights into approaches to evaluation and social impact:

## The importance of the right data and the ability to understand it

**A key underpinning capacity to collection and use of evidence is a sense of competence with data.** Industry insights gained from the PIPP deep dive research program revealed that PIPP participants lacked confidence in their organisation's ability to compile and analyse data about their own performance. Most were missing frameworks and metrics through which they could collect consistent evidence about outcomes and social impact to inform their strategy. **67% of PIPP participants did NOT have impact metrics** when they began in 2018, but were hoping to develop them within the year.

Resources and infrastructure for evaluation was an area in which PIPP felt particularly weak. They also spoke extensively in conversations about the toolsets and data they were using, and whether they were appropriate to the task.

## Governance

**Governance plays a pivotal role in bridging the gap between intent and action when it comes to evaluation and social impact.**

**Our survey data tells us that grantmakers know what changes are needed to enhance social impact, so what is standing in their way?** In addition to the lack of skills and capacity addressed in the evaluation section, some factors named by PIPP participants spoke of **lack of understanding and lack of curiosity around social impact from boards**, senior leaders and the asset management side of their business, and concern about alienating donors.

Many observed a widespread misplaced focus by boards and trustees, and that board-level interest in evaluating practice is weak. Many boards were comfortable with anecdotal evidence regarding impactful work, as opposed to looking to evaluation and data insights to draw definitive conclusions. Some PIPP participants indicated that Boards can impede progress, while **in instances where governance placed a higher priority on evaluation, philanthropic activities were strategically focussed and the board was engaged in what needed to be done to achieve increased impact.** However, our research revealed that even within committed organisations, this can be a challenging conversation and a slow mindset shift

Our research reaffirmed the importance of governance (boards and trustees) to lay the path for grantmakers and grantseekers, by focussing on clarifying the philanthropic strategy and engaging in action to achieve that. Grantmakers and grantseekers cannot expect to be strategic if their board isn't strategic, and to catalyse change, our research stressed the criticality of strategic thinking at governance level.

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*“Stepping into the unknown is challenging and nerve-wracking, which leads to a reluctance to step into new spaces where we have to articulate new ways of thinking and being. That’s why we rely on boards to have an aptitude and appetite for this, they have to ask hard questions, they have to operate in new and different ways to allow people to work strategically. If a board wants to focus on a small grant program and providing beds to age care, this won’t solve major challenges in the aged-care sector. That journey of the Board taking that responsibility and stepping into that really highly strategic orientation is one of the enormous gaps and areas for opportunities.”*

*PIPP participant*

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*“If we are interested in strategy, who is responsible for strategy? The Board. If the board isn’t happy to step into that role of adaptive, strategy in complexity, how will we ever move forward?”*

*PIPP participant*

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*“Lack of board-level interest in social impact is one of the biggest challenges I face internally. It’s all about the number of dollars we distribute rather than about understanding what impact that is having.”*

*PIPP participant*

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*“Anyone can give money away, but evaluation offers the opportunity to move the conversation from ‘we’re giving money to charity’ to ‘how are we deepening impact?’”*

*PIPP participant*

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## Additional industry insights from PIPP around evaluation and social impact:

**Evaluation capacity and commitment were quite unevenly distributed within PIPP.** At one end of the spectrum, one has embedded developmental evaluation in its largest program, and another is in the process of embedding well-resourced evaluation across all programs. At the other end of the spectrum, two had no formalised approach to evaluation. In the absence of a formal program some of the approaches are described as regular meetings, interrogating their own decision making, and quarterly review of KPIs. The data collected include mutually negotiated KPIs, acquittal reports, degree of co-funding, demographic data, gender splits, relationship scores, and outcomes. These approaches are evolving for a portion of the participant organisations who are working on improving acquittal report quality, beginning internal evaluation, building longitudinal data, reviewing existing historical data, developing evaluative thinking, introducing new capability, and improving the consistency with which it is applied.

**Expertise in evaluation:** while one participant explicitly saw no need for increased evaluation expertise and was content with a managerial focus on KPIs, for many evaluation meant bringing new staff or consultants with specialist skills in evaluation to make progress: “historically it has always just been part of the grants manager and grants coordinators roles, which is the reason why it hasn't been properly initiated, because processing 700 grants a year you just don't have time for the high level thinking that it involves.” Building skills, bringing in specialists allowed organisations to look at impact in a more sophisticated and nuanced way, using a systems lens to deepen the way they look at their work.

*“How do we go deeper and broader and scale it? What kind of research and evaluation is needed and what kind of expertise do we need to help ourselves and donors. What are the key places where we should be investing in order to really bring about social change?”*

**Participants found it challenging to evaluate non-grant activities:** “Measuring grants, investments is becoming easier and easier now, but how do you effectively understand the impact of what you spend on non-grantmaking or investment activity?”. For some this meant reviewing existing historic information to understand “what past grantmaking has done” to inform future grantmaking so they could be a “bit more strategic in making larger grants and then trying to put a framework in place to tell the story about what the foundation is achieving”.

**Looking at past grantmaking through the lens of Theory of Philanthropy was a critical tool and source of clarity for some, improving communication application quality and review processes.** PIPP sought to be “clear to applicants what we're trying to achieve with the money going out the door and that we've got some way of knowing whether it's actually making a difference or not within the within the rules, strengths and resources that we have.” Some hoped through this internal and external clarity the priorities of decision makers would be better aligned: “if I can start to show them, in a way that it makes sense to them, what it is they're doing with the money, board members will understand the importance of funding evaluation.”

**Resources and infrastructure for collecting and using information for evaluation was an area in which PIPP felt particularly uncertain, speaking extensively about the toolsets and data they were using, and whether they were appropriate to the task.** Participants felt the data they had access to is often piecemeal and of uncertain quality. PIPP members had a higher interest in pursuing better practice and a commitment to stronger engagement with evaluation tools and techniques.

*“We are trying to bring our CRM, and our data management systems up to scratch, in order to be much better at disseminating information to each of our different relative audiences.”*

## Section 6: The PIPP: a case study in the drive to better philanthropic impact frameworks

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*“Through the power of being able to access expertise, and strong peer to peer networks and reflect on practice in a structured and insightful way, the PIPP provides the foundation to make a real difference to philanthropy’s contribution to Australia.*

*Only by asking deep questions, understanding and being aware of what we want to do, what we are doing, the impact and how we are delivering on those things, will we actually drive change and performance.”*

- Liz Gillies, Menzies Foundation CEO

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### PIPP deep dive, Theory of Philanthropy and Evaluation Capacity Assessment

A key element that will drive philanthropy to be more accountable for its performance, and ultimately act differently, is a bigger focus on **impact**. For this reason, the Philanthropic Impact Pioneers Program (PIPP) - a group of ten grantmakers focused on improving their philanthropic practice through a combination of expert advice and peer learning - was established to focus on evaluation and impact frameworks.

Led by the Menzies Foundation and the Asia Pacific Social Impact Centre at Melbourne Business School at the University of Melbourne, the program aimed to help participants drive change around impact of their philanthropic programs, and to document how a cohort-based action learning program could support grantmakers seeking to be more strategic, evidence-led, impactful and effective in their philanthropic practice.

An expert research team provided intellectual rigour and offered practical insights into how to solve challenges that emerged during the program. Through a series of workshops over 12 months, the PIPP participants applied learnings and two new tools - Theory of Philanthropy tool and Evaluation Capacity Assessment tool - to their own organisation’s ‘journey to impact’. Using these tools they identified their current position, what gaps existed and what steps needed to be taken to move towards a social impact framework and therefore, greater social impact from philanthropic activities.

#### Participants:

70+ were invited, nine brave foundations accepted the challenge:

- Anonymous
- Menzies Foundation
- Ten20 Foundation
- Australia Post
- Besen Family Foundation
- The Jack Brockoff Foundation
- Australian Communities Foundation
- Equity Trustees Charitable Foundation
- Colonial Foundation
- Fay Fuller Foundation

## What PIPP did?

Over 12 months, participants worked towards the development of social impact frameworks for their organizations. Using several new tools the members framed their respective journeys to impact and worked with the research team to identify priority areas to focus on to achieve greater impact. The tools utilised were:

1. **Theory of Philanthropy Tool** – articulates how and why a foundation will use its resources to achieve its mission and vision. The theory-of-philanthropy (ToP) approach is designed to help foundations align their strategies, governance, operating and accountability procedures, and grantmaking profile and policies with their resources and mission. The tool comprises 30+ questions, and the answers provide clear insights into areas that contradict or misalign, enabling organisations to build relationships between what was being done on the ground and what the overarching strategic direction might be. ToP is a deep interrogation of what you are doing – which is representative of what PIPP was about. Theory of Philanthropy is a fundamental shift from the common approach across the sector, where many lean on the ‘theory of change’ logic models.
2. **Evaluation Capacity Assessment** – is a questionnaire which enables you to ‘take stock’ of your organisation’s current evaluation capacity, as well as highlight the areas where your organisation is doing well and where it could improve when it comes to evaluation capacity (it takes approx. one hour, repeated annually). Participants were asked to reflect on various contextual, organisational and people factors to understand their organisation’s current evaluative capacity, and how and where to develop it. The tool has been adapted from Building Your Organisation’s Ability to Do Evaluations, produced by the New Zealand government’s Social Policy Evaluation and Research Unit.
3. **Impact Asset Snapshot** – is a brief annual stocktake of the tools and documents that currently support your strategy and evaluation, as well as identifying those you are targeting for change in the next 12 months.

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*“Foundations that seek to address complex problems directly, need a new set of tools. They also need leadership with a tolerance for uncertainty and the determination to pursue their objective for long periods of time, through many apparent advances and setbacks.”*

**Strategic Philanthropy for a Complex World** – Kania, Kramer and Russell

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## What we discovered: summary of insights from the PIPP journey

The PIPP experience is an illumination of the survey findings and tells us a great deal about ‘why’ philanthropy is struggling to build more effective impact practices. It provides a deeper look into what’s happening on the ground, what the challenges are and what the sector needs to do to change the swing of the pendulum.

Key PIPP insights include:

### 1. Theory of Change vs a Theory of Philanthropy – the most useful place to start interrogating

Theory of Change logic models are commonly used in the sector to explain how and why a desired change is expected to happen (e.g. more early childhood contact hours might lead to improved educational outcomes). Grantmaking frequently contribute to a change process and not responsible for making the change happen themselves. PIPP participants discovered Michael Quinn Patton’s Theory of Philanthropy tool serves a similar purpose for philanthropists interested in understanding the often-unspoken ‘how and why’ within their organisation’s work of supporting change, and clarifying best next steps.

In the article, [A Foundation’s Theory of Philanthropy: What It Is, What It Provides, How To Do It](#), Patton explains that a Theory of Philanthropy (ToP) ‘articulates a foundation’s role in supporting change’ – this is significantly different to a Theory of Change which hypothesises how change occurs in the world. ToP allows an organisation to articulate internally and externally why and how they work. It creates an opportunity to put everything on the table at once and ‘make explicit what is often only implicit’ so they can pose significant questions, identify and resolve gaps or contradictions. **In short, a Theory of Philanthropy combines strategy, evaluation, and impact to support grantmakers to articulate the role they wish to play in supporting change and guiding funding choices.**

### Common Pitfalls of using theory of change and rules of thumb for taking a systemic approach

Pitfall	Rule of Thumb
Neglect Context	Understand Context
Change Others Only	Know Yourself
Think in Linear Terms	Think Systemically
Seek Safety in Certainty	Learn and Adapt
Change is Technical	Recognise Change is Personal

## How Theory of Change differs to Theory of Philanthropy

	Theory of Change	Theory of Philanthropy
Focus	Hypothesizes how change occurs in the world.	Hypothesizes how a specific foundation contributes to change.
Specificity	Problem specific: Specifies how a specific change occurs – reducing poverty, closing the achievement gap, enhancing health outcomes.	Foundation specific: Specifies how and why a specific foundation directs its resources to support specific changes.
Basis	Based on scientific evidence about how the world works and how change occurs in a specific arena of concern and action.	Based on donor intent, mission, vision, values, and priorities as determined by stewards of the foundation’s assets and analysis of external environment and context.
Evaluation Questions	To what extent and in what ways does the intervention derived from the theory of change lead to the desired outcomes and impacts? What, if any, unintended consequences occur? How can effectiveness be improved? What is the cost-effectiveness of the intervention?	To what extent and in what ways is the foundation fulfilling its mission? To what extent are its mission, values, strategies, staffing, grantmaking procedures, grantee relationships, operating procedures, governance, investment approach, and organizational structures and processes aligned to contribute to the change it supports? How can impact be enhanced?
Utility	Increases impact on significant problems and generates knowledge to improve outcomes, support decision-making, and spread impact.	Increases a foundation’s effectiveness, self-knowledge (“makes the invisible visible”), coherence, and transparency externally; generates learning and capacity for future impact. And adaptation to change.

## Understanding the 'why' that underpins the 'how'

Despite understanding the value of Theory of Philanthropy, and a confidence amongst the cohort in the vision and mission of their organisation, most PIPP participants were unsure how to translate the vision and mission of their organisations into their philanthropic practice in a way that is strategic, evidence-led, impactful and effective.

Most lacked Theories of Philanthropy that articulated how and why they use their resources to achieve their mission and vision. They also found it quite difficult to set aside the time for the important but non-urgent deep thinking needed to develop a Theory of Philanthropy despite having joined the PIPP to do so. This insight presents a significant challenge, and opportunity, for the sector. Organisations must prioritise this thinking from the outset and when they do, the benefits are significant.

**Those who dedicated time and succeeded in creating a Theories of Philanthropy, found it transformative to their practice and a powerful tool for engaging their board, aligning grant and non-grant activities, and using evidence to inform strategy.**

### Vision and Mission

- 89% of PIPP participant organisations had an articulated vision and mission.
- 56% felt confident in these.
- 33% were actively working to improve them in the present year.

### Theory of Philanthropy

- 41% of PIPP participants thought guiding practice with a Theory of Philanthropy was very important
- yet only two PIPP participants had one when PIPP began.
- 75% had one by the end of 2019, only 13% were confident in it.

### Organisational Strategy

- 8% of PIPP participants had an organisational strategy to guide their work.
- 22% felt confident in these.

### Policies & Documentation

- Not critical for small organisations, but valuable to manage continuity through personnel change.
- 100% of PIPP had policy and documentation, but none were confident in it, 38% doubt accuracy and relevance.



## 2. Evaluating capacity and evaluation frameworks

Evaluation is much more than measurement, it is an ongoing learning process and is fundamentally critical to achieving impact. Evaluation capacity involves people factors (readiness, knowledge and skills), organisational factors (resources, learning, technical infrastructure and processes), and contextual factors (values, principles, purpose, history) to determine an organisation's ability to collect, create, and be guided by evidence in executing its strategy.

Establishing an evaluation capacity baseline enables foundations to plan how to build evaluation capacity within the organisation through addressing strengths and shoring up weaknesses.

Through completing the Evaluating Capacity Assessment participants gained insights about their organisation and what patterns were consistent across the group. **Through this process we discovered some of the reasons underpinning why evaluative capacity and focus on social impact is improving amongst grantmakers, but not quickly:**

- **Data:** none were confident in their organisation's ability to compile and analyse data about their own performance. Most were missing frameworks and metrics to collect consistent evidence about outcomes and social impact to inform their strategy. 67% did NOT have impact metrics.
- **Communication:** none were confident in their ability to communicate effectively about their own performance, more than half were unsure what their stakeholders wanted to know.
- **Governance:** while most board members or trustees perceive themselves as strategic, PIPP participants observed that Board appetite for engaging with and guiding practice using evidence is low. These organisations are facing a slow process of influencing internal culture. Theory of Philanthropy and evaluation capacity development are critical tools in this process.
- **Evaluation framework:** 63% did NOT have an evaluation framework for their own practice (comparable to the larger population), but were expecting to develop one in the next 12 months (substantially higher than the 23% of grantmaker survey participants).

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*“The difference .... ‘is between having a compass and a map. A map assumes that you’re going over terrain that somebody has been over before.’ A compass, on the other hand, keeps one oriented toward the ultimate goal regardless of the unanticipated obstacles and detours that may appear during the journey.”*

Strategic Philanthropy for a Complex World – Kania, Kramer and Russell

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PIPP participants used the Evaluation Capacity Assessment tool to reflect on each contextual, organisational and people factors to understand their organisation’s current evaluative capacity, and identify where and how to develop it. Here is what we found:

## Contextual

Most felt positive about these factors which impact how an organisation can develop its evaluation capacity

### *Values and principles:*

Most felt strongly that these provide a sense of direction.

### *Purpose and history:*

All felt they were developing yet systems, policies and procedures were weak.

### *Enabling environment:*

Most felt good about their command of the legislative and policy environment.

### *Evaluation Capacity*

#### *Building Purpose:*

This was the weakest area. Despite understanding the value of demonstrating the impact of the Foundation’s work, many members were challenged in distilling and communicating this value to the organisation.

## Organisational

This was the weakest area of evaluation capacity overall.

### *Commitment of leaders to developing evaluation capacity:*

Most lacked confidence that clear expectations were set for performance and results. Most felt board and trustees of their organisations were only beginning to develop in this area.

### *Learning Culture:*

Weakest area was data collection systems and availability of time to reflect on evidence.

### *Communication and information sharing:*

None felt this was highly developed.

### *Resources and Infrastructure:*

Was the weakest area of evaluative capacity.

## People

People were rated more highly than the organisations themselves.

### *Readiness:*

Despite motivation to know they were making a difference, there was lack of clarity around systems required and board and trustee engagement with evidence.

### *Skills & Knowledge:*

Despite being supported to put learnings into practice, most lacked confidence in the skills and knowledge to collect and make sense of the data.

### *Level of involvement:*

Low willingness to talk about the quality and value of the work, talking was seen as a distraction from doing.

### *Opportunity:*

Most were positive, saying people were open to accepting coaching and peer learning when it was available

## Additional learnings

In addition to the specific learnings around [Theory of Philanthropy](#) and Evaluation Capacity Assessment, additional findings from our deep dive research program - which further illustrate the challenges, and areas of opportunity, facing the sector - include:

**Ongoing engagement is challenging to maintain:** when establishing the program, there was an assumption that the enthusiasm which brought PIPP members to the cohort would fuel their ongoing engagement with the process, and with peer learning once rapport was established within the group. However, this was more challenging in reality with several missing workshops and only two-thirds of participants completing both the Theory of Philanthropy and Evaluation Capacity Assessment which were intended to underpin the design of future sessions. Despite enthusiasm and commitment to the program, participants found it challenging to engage frequently in active discussions with their peers outside the workshops, either in person, by phone/video, or via the online channel set up for sharing information and lessons learnt. Recruiting survey participants was also challenging and required repeated contact. Although many are interested in the results of the research, few wanted to participate.

**This work is challenging, time consuming and confronting:** the work of becoming more strategic, evidence-led, impactful and effective is a process, not an off-the-shelf solution. There is little point in measuring with no understanding of what matters to your organisation and how the evidence collected will be used to inform decisions. Theory of Philanthropy and Evaluation Capacity Assessment shed light on gaps, discrepancies and inconsistencies. While these support enhanced practice, it required time and deep thought from the participants, and not everyone will be prepared for that level of commitment. Adopting and adapting PIPP learnings to any organisation's 'journey to impact' will require a closer relationship and more active convening approach than the PIPP was designed around.

**Prepare for participant attrition:** there is a narrow window in which a group is large enough to have useful diversity and strong enough to handle some non-attendance while still being small enough to have high levels of trust between the participants. The PIPP cohort suffered from an unanticipated loss of numbers through organisational changes which presented challenges to resolve while the program was in progress including either disbanding, continuing in a smaller form, or recruiting new members.

## Conclusion

This report presents an updated snapshot of Australian philanthropic practice, continuing the journey from the 2018 Philanthropy: Towards Better Practice Report (2014 survey), to the Philanthropy: The Continued Journey to Real Impact and Better Practice (2019 survey), and is further supported by a 12 month deep dive (PIPP) research and capacity building program with philanthropic participants.

As we strive toward greater impact from philanthropy, our research reveals progress is slow across the sector and there is an urgent need to focus on impact and evaluation if philanthropy is to support real change into the future. The PIPP deep dive research program gives us insight into why progress is slow, showing that the complexities and challenges are so great that even those focussed on specifically working with experts to achieve impact, found it difficult. Grantseekers are time poor, strapped for resources and wary of having more honest conversations and relationships with grantmakers lest they get cut off from resources on which they depend. It is within the power of grantmakers to connect this present with the aspirational future by being more strategic, evidence-led, impactful and effective in their granting and non-granting activities

### What does success look like?

Analysing our extensive research program (2014-2019) across the two surveys and the PIPP deep dive research, it is clear that to successfully navigate a path through this complex landscape and to drive the shift towards achieving better outcomes and increased impacts, the following is critical:

- **Articulate a Theory of Philanthropy:** Theory of Philanthropy provides a sense of where you are and where the inconsistencies lay in your strategy. It shows what a grantmaker organisation should be doing in its chosen sphere, and whether practices and culture are aligned to deliver intended impact.
- **Build competence and capability around evaluation and impact:** evaluation helps an organisation understand how evidence and learning are (or are not) embedded in their organisation now, and plan for building evaluation capacity into the future. We must build greater competencies and capabilities in the sector so philanthropy deeply understands evaluation and impact.
- **Improved engagement at governance level:** the sector needs boards that step into the strategic realm and have an appetite and an aptitude to interrogate strategy.
- **Collaborate more deeply:** grantseekers and grantmakers must do all of the above in collaboration with each other, as partners on the journey around highly strategic projects that seek to address the big challenges in our communities. Grantmakers must actively start listening and collaborating with grantseekers to create measures of success that are meaningful and important to all parties. This creates an evidence base to understand the impact and guide strategic decisions.

The insights from this report provide a clear roadmap for the sector to progress towards overcoming challenges, and maximising the opportunities, to drive real change as we travel towards improved impact in philanthropy.

## Appendix: Research methodology

This report compares data from the Philanthropy: Towards a Better Practice Report (2018) with the 2019 survey data to build a benchmark of how practice had developed for grantmakers. 190 grantmakers and 377 grantseekers were invited to complete surveys. 84 grantmakers and 97 grantseekers started the survey, 33 grantmakers and 46 grantseekers completed all of the survey.

In addition to the survey comparisons, we provide insights from the practical research program (PIPP), which in most areas are an illumination of the survey findings and provide insights into the real world challenges facing the philanthropy sector, and which contribute to the lack of progress or change in some areas. The PIPP cohort took part in workshops and interviews to gauge where they felt they could apply the Theory of Philanthropy tool and understand the sticking points.

### Analysis:

Qualitative analysis of interviews and free text survey answers followed a process of direct interpretation where the researcher looks at a single instance and draws meaning from it without looking for multiple instances. Analysis was undertaken in two stages 1) within-case analysis to obtain an in-depth understanding of each of the cases, and 2) cross-case analysis to identify additional patterns in the data and see how the studied cases are similar and different.

Interview transcripts were thematically coded using a software called NVIVO and free text survey answers were coded within the cloud-based Qualtrics platform in a two-stage process.

1. key themes/concepts from the statement were identified
2. the resulting codes were grouped into categories as follows:

### Categories used in this report

- Area of need included areas: health, environment, economic development and the like. These are independent of particular recipients; if recipients were identified they were coded separately.
- Grantmaking practice picks up comments specific to the grantmaking, such as grant size, length or conditions.
- Outcome specifies the outcome of funding, such as comments about being impactful or transformational.
- Strategic & managerial themes addressed grantmaker organisational practice, included such things as strategy, capacity building, and innovation.
- Recipient was specification of particular groups, such as women or LGBTI. These are independent of areas of need like health or homelessness; if needs were specified they were coded separately.
- Relational picked up statements about how interactions happen, whether with grantseekers, with other funders or with government. These included sentiments like collaboration or benevolence.
- Capital captures specific ideas about how grantmakers use their capital, including impact investing, pooled funding, and participative grantmaking.
- Learning and Sharing captures specific ideas about how grantmakers build, use and share their knowledge. This category includes evaluation, knowledge building and systemic examination of persistent problems.
- Service design and delivery captures specific ideas about how NFPs deliver their mission. This category includes community development, use of big data and AI, and multi-stakeholder strategy development.
- Operational captures feedback about how effectively and efficiently organizations operate. This includes improved use of technology, data and digital media.