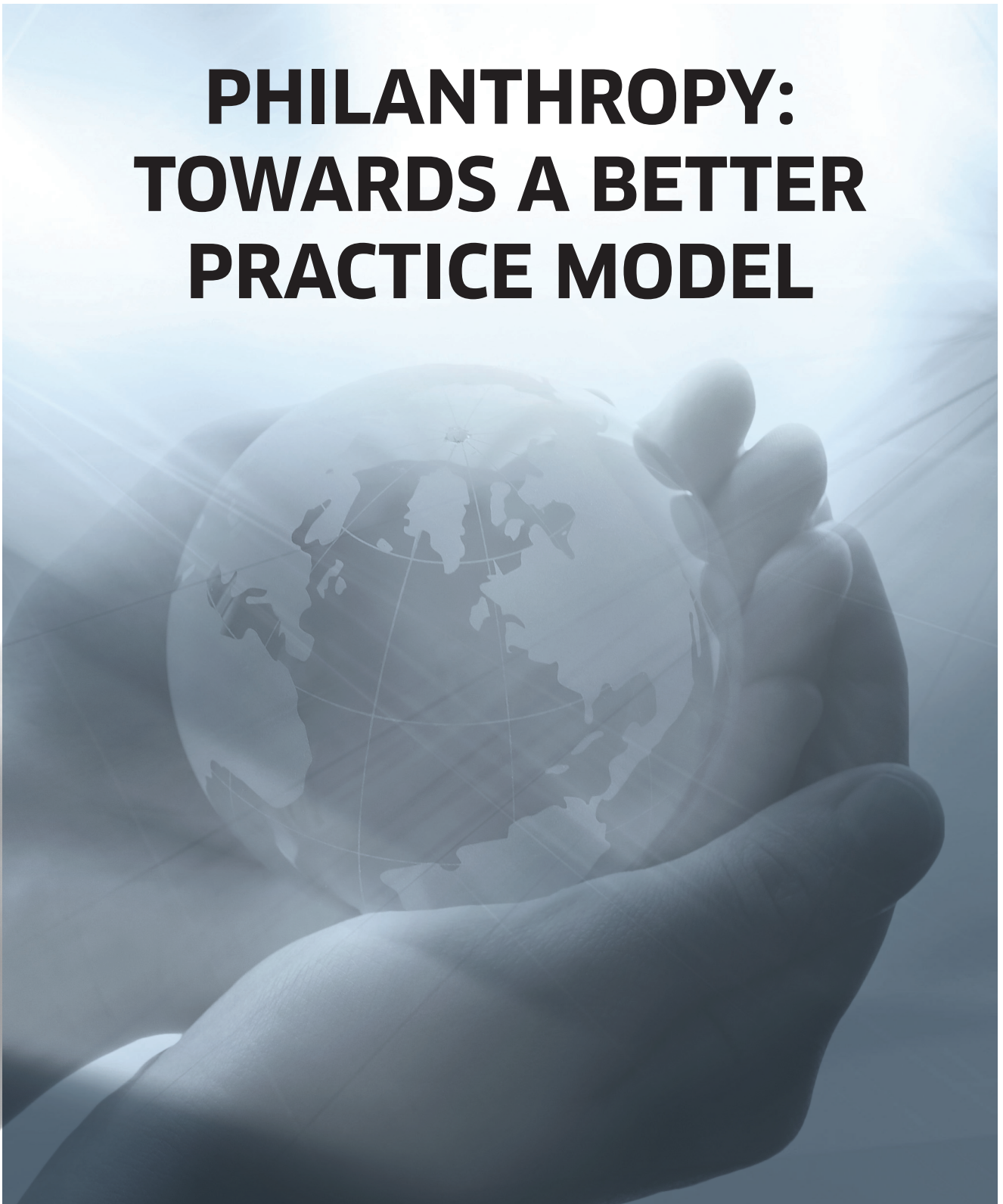


# PHILANTHROPY: TOWARDS A BETTER PRACTICE MODEL



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# FOREWORD

I commend The Best Practice In Philanthropy Report for providing a snapshot on Australian philanthropic practice as viewed by philanthropists, philanthrocrats and the community partners they seek to support.

Philanthropists and the practitioners working within trusts and foundations have an important responsibility to the community partners we serve. To ensure that this responsibility is met it is critical to not only invest in research that helps us to better understand our practices but also to reflect upon whether these practices facilitate or hinder positive outcomes for our communities.

Importantly, this report provides funders with an opportunity to hear the voices of nonprofit organisations commenting on the role they hope philanthropy can play in helping them achieve their missions. This offers funders a wonderful chance to continue to build strategies for support and grow capability in their grantmaking practices.

This report is a great tool for those who are passionate about ensuring the continual improvement of philanthropic grantmaking in Australia and who understand that the best giving happens when community voices are heard.

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## **Asia Pacific Social Impact Centre at MBS, the University of Melbourne**

The Asia Pacific Social Impact Centre (APSIC) is Melbourne Business School's (MBS) hub for education, research and action in the field of social impact and innovation. Established in 2008 through a partnership between MBS and the Helen Macpherson Smith Trust, the Centre's mission is to spark positive social change in Australia and across the Asia Pacific region by collaborating with the non-profit, business, philanthropic and government sectors. In order to achieve this, the Centre provides postgraduate and executive education, research, thought leadership, workshops, master classes and a range of initiatives that connect MBS to the wider community. The Centre's work is focused on four strategic areas:

Indigenous  
business  
excellence

Impact  
investment  
and social  
impact

Strategic  
philanthropy

Purpose  
driven  
organisations

## **Perpetual Private**

The Trust Company graciously funded this project as an outcome of the Engaged Philanthropy program. Perpetual Private acquired The Trust Company in December 2013, and has supported APSIC at MBS to bring this project to fruition. In November 2014 Perpetual Private introduced their new program IMPACT Philanthropy. IMPACT Philanthropy is committed to supporting the provision of tools and resources to help Perpetual's clients focus their charitable intentions towards long-lasting legacies that have notable impact for the communities that they seek to support.

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# EXECUTIVE SUMMARY

Philanthropy is an important catalyst for social change and plays a pivotal and instrumental role in supporting communities and ameliorating disadvantage. The Trust Company's Engaged Philanthropy Model suggested five key pillars of a good practice grant making framework:

1. Grant making philosophy
2. Capacity building and not-for-profit resilience
3. Scaling, replication and collaboration
4. The strength of the relationship between grant makers and grant seekers
5. Approaches to evaluation and social impact

Building on these pillars, this project developed a survey tool to establish a framework for thinking about philanthropic practices and supporting better practice models. These results are substantiated by thirty interviews with grant makers and grant seekers.

In general there is optimism about the future of philanthropy in Australia and a genuine desire to continue to develop best practice approaches to social impact by both grant makers and grant seekers. All those interviewed were united in their commitment to address serious social problems and work collaboratively to support social change.

However, our findings revealed a disconnect between Australian grant seeker and grant maker perceptions around these issues, with philanthropists having a far more favourable view of the state of practices and relationships in the sector than their not-for-profit (NFP) counterparts. Interview respondents from throughout the sector identified multiple causes for the mismatch between grant maker and grant seeker and experiences and impressions, and broadly felt that the responsibility and power to continue to enhance philanthropic impact lay with the continued development of more strategic relationships between the NFPs and philanthropy.

An important catalyst is a greater focus on the strategic impact of philanthropic initiatives and a higher priority by philanthropic decision makers, namely the philanthropists themselves, and the Boards and Trustees responsible for governance of philanthropic entities, to clarify their strategic intent and measure their performance against this strategy.

The insights from this report establish a benchmark for the current state of play in Australia. It presents challenges, but also enormous opportunity for changes that will build towards better practice models and increased impact of Australian philanthropy. The NFP sector is seeking stronger, more strategic relationships with grant makers in order to make that happen.



# INTRODUCTION

Philanthropy is an important catalyst for social change and plays a pivotal and instrumental role in supporting communities and ameliorating disadvantage. Internationally and within Australia there is an increasingly animated conversation about philanthropic practices that support social impact.

Best practice approaches from around the world reinforce the importance of thinking about philanthropic practice models and the strategies, frameworks, policies and processes that need to be put in place to maximise opportunities for impact.

An important component of enhancing philanthropic program effectiveness relates to practices associated with the grant making process. The policy and processes that govern grant selection, the experience of the grant making process from both the philanthropic and NFP perspective, and the capturing of evaluative insights from grant making programs are important elements of a good practice framework.

The work undertaken during the development of The Trust Company's Engaged Philanthropy Model and consideration of other philanthropic commentary suggests five key elements, which are important pillars of a good practice grant making framework. These elements are:

A number of US based philanthropy organisations, such as The Center for Effective Philanthropy (CEP) and Grantmakers for Effective Organizations (GEO) have developed a range of survey tools to address these questions and used the insights garnered to support discourse between philanthropists and grant seekers to support the development of better practice models and more impactful philanthropy platforms.

In a similar vein, based on these survey tools, The University of Otago launched the National Survey of New Zealand Grantmaking Practice 2013. Within the Australian context, elements of this work were initially considered in the APSIC Report: 'Arts Philanthropy: Towards a Better Practice Model (2013).'

Building on these pillars, this project has developed a survey tool to establish a framework for thinking about philanthropic practices and supporting better practice models. The insights from this report establish a benchmark for the current state of play in Australia.

In concluding, undoubtedly there are many other elements of the grant making process that warrant further consideration. Our intent is to have commenced building the platform for ongoing consideration of these matters, and our hope is that you will collaborate with us as we continue to develop and refine a best practice Australian philanthropic grant making framework.

1.

Grant making philosophy

2.

Capacity building and not-for-profit resilience

3.

Scaling, replication and collaboration

4.

The strength of the relationship between grant makers and grant seekers

5.

Approaches to evaluation and social impact



# GRANT MAKING PILLARS

## 1. PILLAR 1: GRANT MAKING PHILOSOPHY

### 1.1 Classification: Conventional/Venture/Catalytic

Philanthropists are motivated by a range of considerations in determining grant allocations and consequently, there will always be a broad spectrum of approaches to philanthropic grant making practices.

Mark Kramer, in the article 'Catalytic Philanthropy' explored this 'giving spectrum' and identified three types of philanthropists: conventional, venture and catalytic.

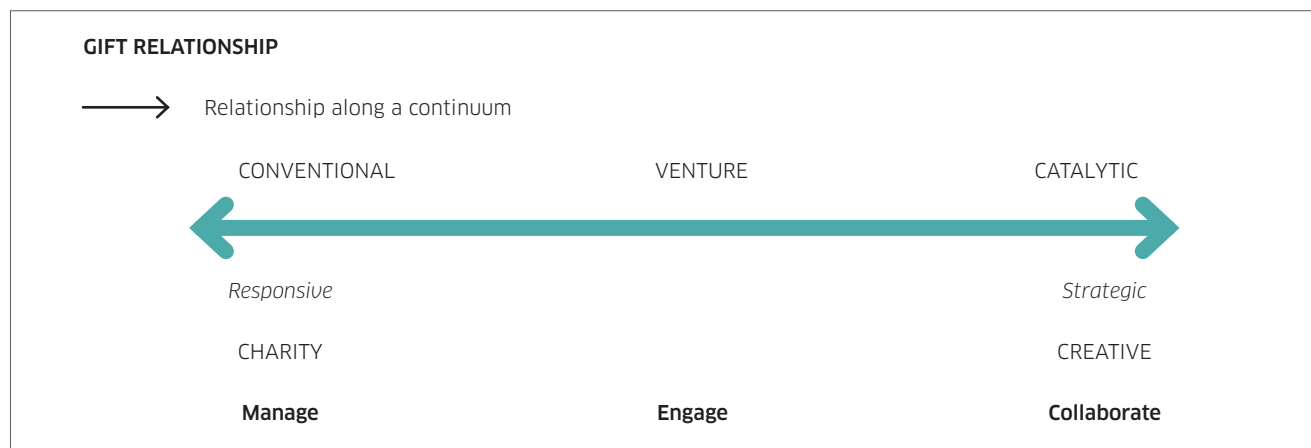
The table below explains the different approaches adopted by these three types of philanthropic practice.

TABLE 1

	CONVENTIONAL PHILANTHROPY	VENTURE PHILANTHROPY	CATALYTIC PHILANTHROPY
<b>What is the key question?</b>	Which organisations should be supported and how much money should they be given?	How can we scale up effective non-profit organisations?	How can I catalyse a campaign that achieves measurable impact?
<b>Who is responsible for success?</b>	Non-profits	Non-profits	Funders
<b>What gets funded?</b>	Individual non-profits	Capacity building at individual non-profits	Multi-sector campaigns
<b>What tools are used?</b>	Non-profit programs	Non-profit programs	All possible tools and donor resources
<b>How is information used?</b>	To compare grant requests	To increase organisational effectiveness	To support the campaign and motivate change

The figure below represents the 'giving spectrum' and shows the progression from a more conventional approach which is less strategic and more focused on meeting immediate need to the most strategic end of the spectrum which is characterised by higher levels of strategic collaborations for social change.

FIGURE 1



This research project was very interested in understanding how Australian philanthropy perceives itself in terms of this categorisation. The survey respondents were asked to classify themselves as either conventional, venture or catalytic philanthropists, according to the following definitions:

**Conventional Philanthropy:** 'low touch'; more traditional model of philanthropy, where the philanthropic organisation decides which not-for-profit (NFP) organisation to support, funds specific programs/projects and delegates all responsibility for program implementation and evaluation to the NFP, with results typically being reported in the form of outputs.

**Venture Philanthropy:** 'medium touch'; a model of philanthropy that moves more towards mutual engagement and collaboration between philanthropists and NFPs where, although the NFPs are still ultimately responsible for success, the funding focuses on capacity building in the NFP organisation, with evaluation being more impact focused.

**Catalytic Philanthropy:** 'high touch'; a model of philanthropy that aims to achieve measurable impact and sustainable solutions to long-term social problems by catalysing and funding partnerships and collaborations among multiple parties, such as government, business and NFP organisations, with the aim of supporting multi-sector campaigns and, in this way, motivating change. Evaluation in this model is completely impact focused.

This is of importance because it significantly impacts the types of projects that philanthropists are likely to fund and the type of relationships that philanthropy wishes to develop with grant seekers.

Those philanthropists who aspire to fund towards the left of the spectrum are more likely to be interested in one-off projects, which require lower levels of engagement and focus on acquittal rather than evaluation and social impact frameworks.

Philanthropists who aspire to support projects towards the middle of the spectrum have a more strategic focus and seek to support not-for-profits to work beyond the project level. This cohort of philanthropists are focused on systemic change and seek innovative projects which can be replicated and scaled on the basis that the evaluative evidence base suggests that such approaches may have application in other settings. Such philanthropists are likely to place more importance on supporting capacity building in the not-for-profit sector in order to support systematic replication to scale best practice. Consequently these philanthropists are likely to have a higher level of engagement over a longer period of time and be more focused on not-for-profit organisational capability and evaluation and social impact frameworks.

Catalytic philanthropists are focused on intractable social problems and systematic change. Kramer identified four practices for catalytic philanthropy and suggested that philanthropists who seek to maximise the strategic impact of their grant making focus on taking responsibility for achieving results, mobilising a campaign for change, using all available tools and creating actionable knowledge. This requires a fundamentally different grant making relationship. Projects require far more due diligence, and take place over much longer timeframes with a more significant funding commitment. The philanthropist and grant seeker(s) are more likely to work on a partnership basis with all partners contributing expertise and resources. Such platforms are often multi-sector collaborations with highly developed social impact frameworks, which utilise evaluation and measurement to identify and drive strategic platforms for change.



The following TABLE captures Australian philanthropic respondents' categorisation.

TABLE 2: PHILANTHROPIC RESPONDENT CLASSIFICATION

TYPE OF PHILANTHROPIST	2014
Conventional Philanthropist	38%
Venture Philanthropist	36%
Catalytic Philanthropist	26%

More than 1/3 of philanthropist respondents (38%) classified themselves as Conventional Philanthropists, 36% considered themselves venture philanthropists and 26% identified themselves as catalytic.

In comparison with 2009, a significant number of respondents had moved along the giving spectrum from more conventional approaches towards more catalytic practice models. It will be interesting to continue to track this trend.

TABLE 3: PHILANTHROPIC CLASSIFICATION – TREND DATA

TYPE OF PHILANTHROPIST	2009	NOW
Conventional Philanthropist	50%	38%
Venture Philanthropist	38%	36%
Catalytic Philanthropist	12%	26%

This is an important insight – grant seekers seeking support for more catalytic type projects are unlikely to get support from those philanthropists who have a more 'conventional' disposition – and vice versa. Consequently, clarifying the grant making philosophy of the philanthropic entity is a very important first step in developing a proposal for support.

However, this distinction is not always clear from the information available to grant seekers. An analysis of a sample of Philanthropic Annual Reports highlighted the preponderance of rhetoric in regard to grant making philosophy. A very significant proportion of those reviewed used such language as 'impactful', 'innovative' and 'leading' to describe their grant making philosophy and yet many of these organisations tended to fund one-off projects requiring lower levels of engagement, which more closely accords to a more 'conventional' philosophical approach to grant making.

Similarly, the reviewed sample showed little inclination to fund capacity building in the NFP sector –and yet 62% of philanthropic respondents identified themselves as either 'venture' or 'catalytic' funders.

Possible explanations for these anomalies could be that philanthropists feel some pressure to be more strategic than their actual practice suggests. Further, it may be that philanthropic organisations have not focused on clarifying their grant making philosophy in sufficient depth to have a clear insight into the impact frameworks which guide their grant making practices.

Interviewees from philanthropic and NFP organisations were engaged in frank, extended conversations around the five pillars of the study and the apparent contradictions revealed in the quantitative data.

Respondents identified multiple causes for the mismatch between stated strategy and actual practice, and broadly felt that the responsibility and power to change the situation lay with trustees. Trustees are often those "who have been incredibly successful in their fields but have come on philanthropy as something to help them get through the eye of the needle, the pearly gates", however they are not seen as bringing the same strategic thinking and acumen to philanthropy that they have to other professional endeavours.

*We can't just assume because an individual is wealthy or an organisation has a lot of money that that implies that they're better placed than others to essentially create impact or create change across the change agenda. I think that's largely in some ways where we've consistently sat and I think we need to ask ourselves a bigger and bolder question around what perverse impact have funders had in actually providing outcomes for community, so both their funding approach and what they bring in terms of their own beliefs and their own agendas with regards to social change.*

There is enormous opportunity for philanthropic leadership, and for philanthropists to be more than "just do-gooders or throwing again money at things hoping that they might work in a very passive way". Rather than driving a move toward increased impact, many respondents saw trustees as resistant to change. Some respondents felt that trustees "haven't done any of the hard yards in terms of understanding all the science behind philanthropy." Grant makers are seen to put "a huge amount of heart" into decision-making based on gut reactions and the "kneejerk kind of 'yes that aligns with what I'm thinking', but not a lot of thought ... into what difference that will make."

Some key drivers identified by grant seekers and fellow trustees included ego, mistrust of professional staff and simple lack of familiarity with alternative approaches.

Grant makers were seen as driven in part by ego and an "attribution mentality" that seeks to fund pet projects, "tangible" objects and "concrete things" such as wanting to "see labels on the equipment", regardless of whether these tangible objects were the most needed form of assistance. Efforts remain "very programmatic focused, slightly random and not aligned to any clear theory of change or logic around their investment". In doing so, philanthropists are missing the opportunity 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".

Resistance to new strategies was seen to increase with time and entrenchment. One respondent observed, "when people are on boards for twenty, thirty plus years it's very hard to change the way this is how it was done and this is how it should be done." Another noted that resistance was rooted not in evidence, but simply in the discomfort of unfamiliar situations: "that's not how I do it or it's not how I've seen it". Shifting this change resistance presents an enormous opportunity for philanthropic organisations to increase their impact.

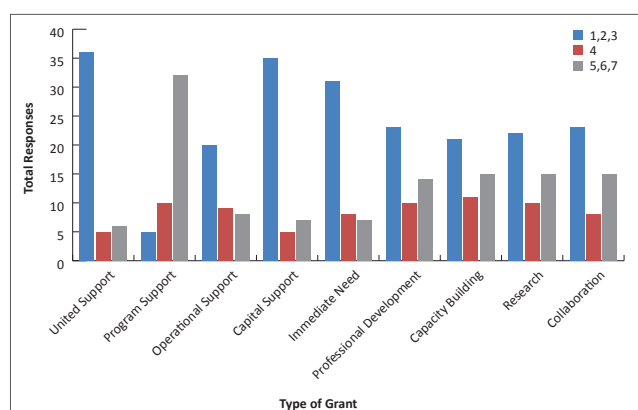
Several respondents saw a gap opening between trustees and the professional staff of both grant making and grant seeker organisations, in which “the staff want to be catalytic but the board wants to be conventional”, resulting in a drag on the overall process. One respondent described trustee scepticism of the professionalisation of staff as “the elephant in the room”. Another contrasted it with trust in financial advisors, asking “how many of the board members sit there second guessing the investment advice they get? Not many, they’re paying for it, they want to know it works and they just move off. They don’t sit there going can we have a look at X or Y or Z or why did you do that?”

## 1.2 Types of Support

Another indicator of grant making philosophy is an analysis of the types of projects that philanthropist are more likely to fund.

Philanthropic respondents were asked to indicate the type of support that was provided to Not-for-Profits (NFPs). A Likert scale was used to indicate the likelihood of this type of support. This was numbered 1-7, where 1 = never and 7 = always. These responses were grouped such that 1-3 indicates a low likelihood of provision, 4 indicates some chance of provision and 5-7 indicates a higher chance of provision.

FIGURE 2: PHILANTHROPY - TYPES OF SUPPORT PROVIDED



Over 70% of philanthropic respondents indicated a strong preference for funding applications for program support. This is not surprising given that over 74% of respondents categorised themselves as either having a conventional or venture approach to their philanthropy.

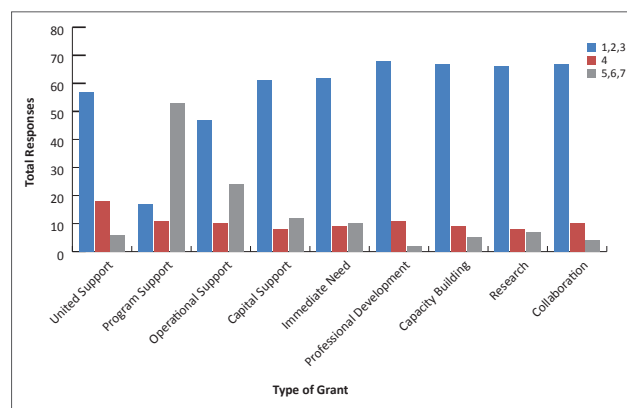
Slightly more than 50% of philanthropic respondents indicated an inclination to fund operational support, capacity building, research and collaboration activities.

In excess of 67% of philanthropic respondents indicated they rarely supported applications for untied support and capital support. Somewhat surprisingly, given that 38% of those surveyed categorised themselves as philosophically ‘conventional’, applications which sought to meet immediate need were also rarely supported.

Similarly, NFP respondents were asked to indicate the type of support that was received from philanthropy. A Likert scale was used to indicate the likelihood of this type of support. This was numbered 1-7, where 1 = never and 7 = always. These responses were grouped such that 1-3 indicates a low likelihood of provision, 4 indicates some chance of provision and 5-7 indicates a higher chance of provision.

NFPs indicated that that they are most likely to receive funding support for programs, and are unlikely to receive support for capital projects, meeting immediate need, professional development, capacity building, research and collaboration.

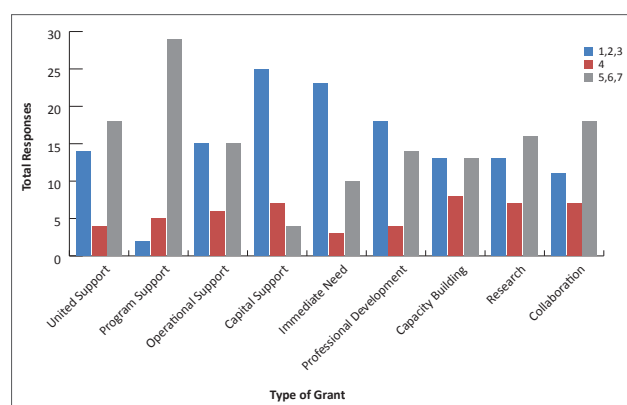
FIGURE 3: NFP - TYPES OF SUPPORT RECEIVED



Philanthropic and NFP respondents were asked to indicate the level of importance of the support sought and received. A Likert scale was used to rate the importance of types of support sought or received. This was numbered 1-7, where 1 = not at all important and 7 = extremely important. These responses were grouped such that 1-3 indicates a low like importance, 4 indicates medium importance and 5-7 indicates high importance.

In terms of levels of importance, philanthropists placed the highest **importance** on program support.

FIGURE 4: PHILANTHROPIST - IMPORTANCE OF TYPES OF SUPPORT

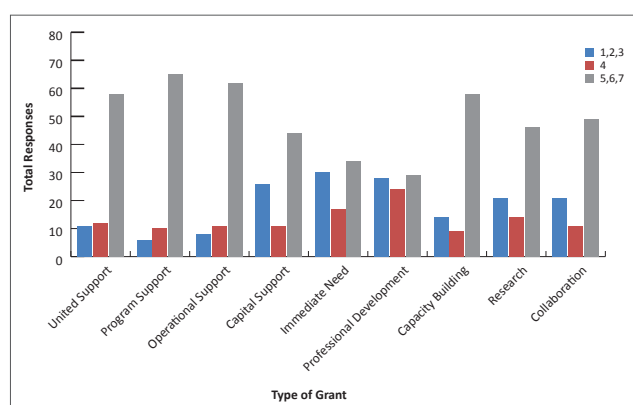


Nearly 80% of philanthropic respondents ascribed high levels of importance for funding program support.

More than half the philanthropist respondents indicated medium to high importance for funding applications that sought support for collaboration, research, capacity building, operational support and untied support. This appears to suggest that the philanthropic community is aware of the importance of funding other types of support than programs, but this hasn't translated into actual grants for some philanthropists.

Not-for-profits indicated a strong preference for philanthropists to consider funding applications outside of program support. Over 75% of not-for-profits place a medium to high importance on gaining support for a range of alternative projects. In addition to program support, the strongest importance was for untied support, operational support and capacity building.

FIGURE 5: NFP – IMPORTANCE OF TYPES OF SUPPORT



### 1.3 Non-Monetary Support

As indicated previously, more strategic grant making approaches require higher levels of engagement between grant makers and grantees. There are a range of non-monetary types of supports which grant makers can undertake to support grant seekers.

A significant number of philanthropist respondents indicated that they do not provide non-monetary support to grant seekers.

Both philanthropist and NFP respondents confirmed that philanthropist respondents that do provide non-monetary support to grant recipients prioritise the provision of strategic advice, encouraging facilitation and collaboration, the use of funder's facilities and introductions to leaders in the field.

TABLE 4: PHILANTHROPY – NON MONETARY SUPPORT

NON -MONETARY SUPPORT	% OF PHILANTHROPISTS
Encouraged facilitation/Collaboration	57%
Strategic planning advice	43%
Use of funder facilities	43%
Introduction to leaders in the field	38%
Provided seminars/Forums/Conferences	28%
Communication/Marketing/PR assistance	23%
Development of performance measures	23%
Financial planning/Accounting	17%
Board development/Governance	17%
Staff management training	15%
IT assistance	9%

TABLE 5: NFP – NON MONETARY SUPPORT

NON-MONETARY SUPPORT	NFP %
Provided seminars/Forums/Conferences	41%
Encouraged facilitation/Collaboration	31%
Introduction to leaders in the field	27%
Use of funders facilities	23%
Communications/Marketing/PR assistance	23%
Strategic planning advice	22%
IT assistance	16%
Board development/Governance	14%
Financial planning/Accounting	14%
Staff management training	7%
Development of performance measures	7%

Opportunities for NFPs to receive non-monetary support varied. NFPs that were rural and remote, in particular, made limited use of non-monetary support because they were rarely co-located with their funders. Success of non-monetary support was also mixed; it depended on the fit between organisational needs and that which the funder wants to supply. NFPs can be put on the spot in situations in which they “don’t want to say no to this guy who’s giving [the organisation] a ton of money because he’s offered his son to come in and help, but this is going to take far more of [the organisation’s] time because this person coming in doesn’t have the capacity or the skills that we need.” Corporate volunteer programs also came with high overhead in terms of staff time, while being hit and miss in terms of impact because “sometimes you get some really good people who really know what they’re doing and sometimes you get some people who are looking for a holiday”. When there is fit, the experience is more positive for NFP organisations; several described positive experiences in handing off discrete pieces of work for which they lacked expertise, e.g. marketing, and training.

The most valued non-monetary support was intellectual and relational support from philanthropics for challenges identified by the NFP. Not only is this “little bit of support, advice, connecting people to others who can do the work, in connecting one organisation that’s doing the same thing to another organisation to get greater efficiency and collaboration” greatly valued by grant seekers, it is “a natural opportunity for philanthropists to leverage their money they’re offering with their networks and influence and to provide additional services at very little cost to themselves”. As simple as this sound, facilitating these experiences “can do so much more than throwing money at delivery and programmes that ultimately might be doing the same thing to the same groups and having minimal impact”.

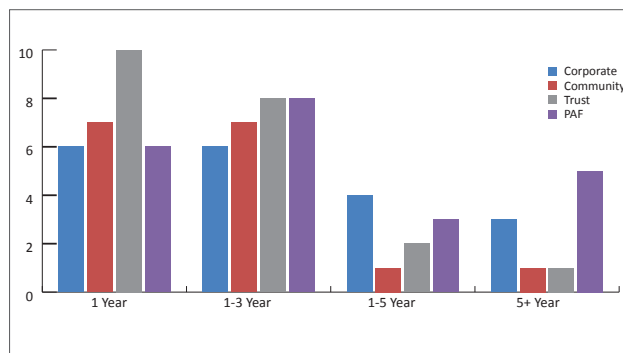
Positive non-monetary support experiences cited by NFPs included brainstorming sessions with marketing teams; developing evaluation methodologies, theories of change, or programme logics; brokering relationships with funders and other organisations. NFPs have limited opportunity for peer exchange across sectors, so something as simple as bringing them together to report on their work is a form of professional development “because you can have someone who’s never been to a session like that before who has to learn how to speak for five minutes about their work and you can have six other people in the room who are the best speakers you’ll ever hear and everybody’s learning how to talk about their work.”

## 1.4 Length of Grants

Higher levels of strategic engagement between grant makers and grant seekers usually require longer-term timeframes for engagement.

Philanthropic respondents indicated that they have a strong preference for funding either on an annual basis or for periods of between one and three years.

FIGURE 6: PHILANTHROPY - LENGTH OF GRANTS

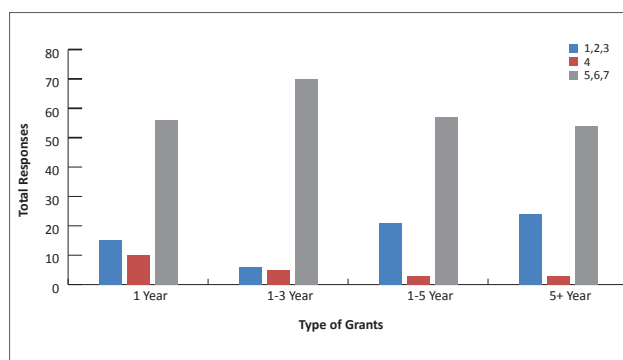


Over 74% of NFP report that they receive grants either annually or recurrently for between one and three years. Only 25% of those surveyed indicated that they had received support for recurrent grants to support initiatives which take place over five or more years.

NFP respondents were asked to indicate the level of importance they placed on the length of grants. A Likert scale was used to rate the importance of the length of grants given. This was numbered 1-7, where 1 = not at all important and 7 = extremely important. These responses were grouped such that 1-3 indicates a low importance, 4 indicates medium importance and 5-7 = high importance.

Although expressing strong support for the receipt of grants of between one and three years duration, in excess of 70% of not-for-profits responses also indicated that they placed high importance for longer term granting relationships that took place over five or more years.

FIGURE 7: NFP IMPORTANCE OF LENGTH OF GRANTS





Grant makers' preference for shorter-term grants is consistent with a lower touch approach. This is an area where professional staff of philanthropic organisations emphasised the "struggle" with their boards to build longer-term engagements. One observed "we've had an issue for many years where they'll cut down a grant, so if someone comes for 100,000 we'll give them 50, if someone comes for three years we'll fund them for a year. [Trustee] still says they'll try harder, we don't want to give them all that." Trustees may see shorter term grants as more prudent arrangements that encourage lean organisations and allowing for a greater breadth of engagement, but that may be false economy. Breadth of giving in short-term grants comes at the expense of the depth needed to make long term catalytic change.

*The relationship that you can build with a donor over a three to four year period, you get that much greater level of honesty and transparency and of comfort so that that feedback can actually become a two way process. It doesn't happen when we're just so hand to mouth and the 12-month funding cycles.*

Relationship-building takes time and iteration. This applies equally to donor-grant seeker relationship and to peer relationships between organisations. Partnering is described as "hard work" that requires a range of resources:

*It needs legal resources, it needs people resources, it doesn't just happen because that's ultimately the most effective way to get collective impact. It actually requires considerable investment by the organisations especially if they're not an equal bargaining power in terms of negotiating agreements or the way they're working together.*

As a result, collaborative projects tend to require longer timeframes. In those situations, three years can be "just the beginning" or "actually a really, really short period of time" because the first two years can be spent "just doing the relationship building and the foundation building".

## 2. PILLAR 2: SCALING, REPLICATION AND COLLABORATION

*“Grant makers achieve far greater impact by partnering with other organisations in pursuit of common goals and providing grantees with support for collaborative efforts.... Grant makers can ... effectively support grantee collaboration by funding infrastructure that enables these efforts to thrive, connecting people and groups working in common areas and emphasising long-term learning and impact over short-term gains.”*

*Is grant making getting smarter: A national study of philanthropic practice. 2014*

As indicated previously, venture or catalytic philanthropists are interested in the scaling and replication of successful projects and in building collaborations for social change. These approaches to philanthropy are more focused on the outcomes and impact of their grant making platforms and seek to leverage their support of projects and organisations to greater benefits across the community.

Philanthropic respondents were asked to indicate the type of support that was provided for scaling, replication and collaboration. A Likert scale was used to indicate the likelihood of this type of support. This was numbered 1-7, where 1 = never and 7 = always. These responses were grouped such that 1-3 indicates a low likelihood, 4 indicates some chance of provision and 5 - 7 indicates a higher chance of provision.

TABLE 6: SCALING

SCALING ACTIVITY			
	LOW %	SOME CHANCE %	HIGH %
Funded the dissemination of a new idea or innovation through communications, marketing and distribution	35	15	50
Leveraged relationship with other grant makers to raise money so that grantees could expand their impact	41	12	47
Funded the replication of projects in new locales	44	18	38
Funded costs associated with collaboration or managing partnerships amongst grantees	56	18	26

62% of philanthropic respondents described themselves as venture or catalytic, however just over 50% indicated a higher propensity to be engaged in the scaling of the outcomes of grants.

In terms of practices in this regard, philanthropic respondents had the greatest interest in funding the dissemination of a new idea or innovation through communications, marketing and distribution and in leveraging relationships with other grant makers to raise money so that the grantee can expand their impact. These two activities are a lighter touch and less strategic in regard to the types of support that are required to support scaling and collaboration platforms.

More than 50% of philanthropic responses indicated little support for funding the replication of projects in new locales or in funding the costs associated with collaboration or managing partnerships amongst grantees.

Interestingly only 34% of philanthropic respondents felt that NFPs were good at fostering collaborations. It is worth noting that philanthropic grant application processes that are designed to fund specific programs/projects, more often than not, compel grant seekers to compete with each other, as opposed to creating opportunities for collaboration and partnerships.

TABLE 7: PHILANTHROPIC RESPONDENTS - COLLABORATIONS

ASPECT	DISAGREE %	NEITHER AGREE NOR DISAGREE %	AGREE %
NFPs are good at fostering collaborations across the NFP sector to promote community development	27	39	34

The “attribution mentality” that drives investment in tangible things rather than capacity building [see Pillar I, above] can also work against scaling and replication unless the funder has been involved from the beginning.

*I think people like to own things themselves, by owning them they think they need to have started it up. So if they were to import something in their local area, if they don't feel like they have been part of building it, their reaction is well it's not as good as what we could do and we already do that. That's the challenge I've had with scaling programs so the trick has always been to include people upfront right at the beginning of the process if possible.*

Some grant makers and grant seekers expressed hesitation about replication, suggesting that the success of a “recipe” in one location does not necessarily ensure its success in another. Rather than needing the same mix of materials, a project needs the right people on all sides to succeed. Off-the-shelf solutions may not succeed because “the people in local communities really want to take the idea to the next level [and] have to really own it.”

Other grant makers also questioned the suitability of the underlying principle of replication. One respondent suggested that philanthropists find the language threatening “in the same way that scale dissemination and innovation are all new languages that have come in from other sectors, particularly business, that a lot of philanthropists don't feel aligned with this traditional work of philanthropy which is all about charity and personally if you've got good intentions then that's enough.” Additionally, some questioned “this notion that we're almost like business [in which] you can find a programme, you can get it right and then you can scale it up and replicate it multiple times all round Australia” as well as the concentrating impact on that approach has on the sector, favouring large NGOs with significant overheads.

Rather than using replication to encourage a sector in which “one or two big, big [NGOs] do everything”, they suggested that the focus needn't be on replicating programmes, but on “scaling and disseminating the key learnings from different programmes in different contexts, so it caters for more of the complexity and the fact that communities have their own identity and this broader piece.” NFP respondents expressed optimism about recent pockets of cross-sector learning and capacity development doing exactly this, even if philanthropists were not yet funding much in this space.

In one example offered, an NFP acted as a hub to bring together “lots of different spokes to lots of different for purpose organisations” to talk about their program logics and theories of change, and discuss “how that complemented what they were doing”. In doing so they were able to branch out “not just working one on one with organisations but introducing lots of for-purpose organisations, putting forward programs where they're all involved and talking about our overall social sector for-purpose impact.”

Both grant seekers and grant makers understand that there are significant costs to NFP collaboration, in terms of management cost, time constraint, coordination and logistics. Some funders come to the conclusion that “it has to come organically from the ... [NFP] sector, they have to see an interest in it and there are different ways in which those partnerships and coalitions can be constructed.” While NFPs have to do a lot of the work of collaborating, it is often difficult to free up the resources to do so, and significant space exists for philanthropists to encourage and incentivise collaboration. Some NFPs are taking the risk of having “very robust” conversations with their major funders around this topic, telling funders that they should be insisting that organisations work together and “shouldn't fund either organisation unless [they're] actively forming partnerships that add a value to the [funder's] investment”.

### 3. PILLAR 3: CAPACITY BUILDING & NOT-FOR-PROFIT RESILIENCE

This project was particularly interested in gaining further insight to philanthropic and NFP preferences in regard to capacity building for the NFP sector. These survey questions particularly focused on management capability within NFPs.

This is of particular importance because the NFP sector is facing unprecedented challenges and a rapidly changing landscape. In summary, the following trends are redefining the third sector:

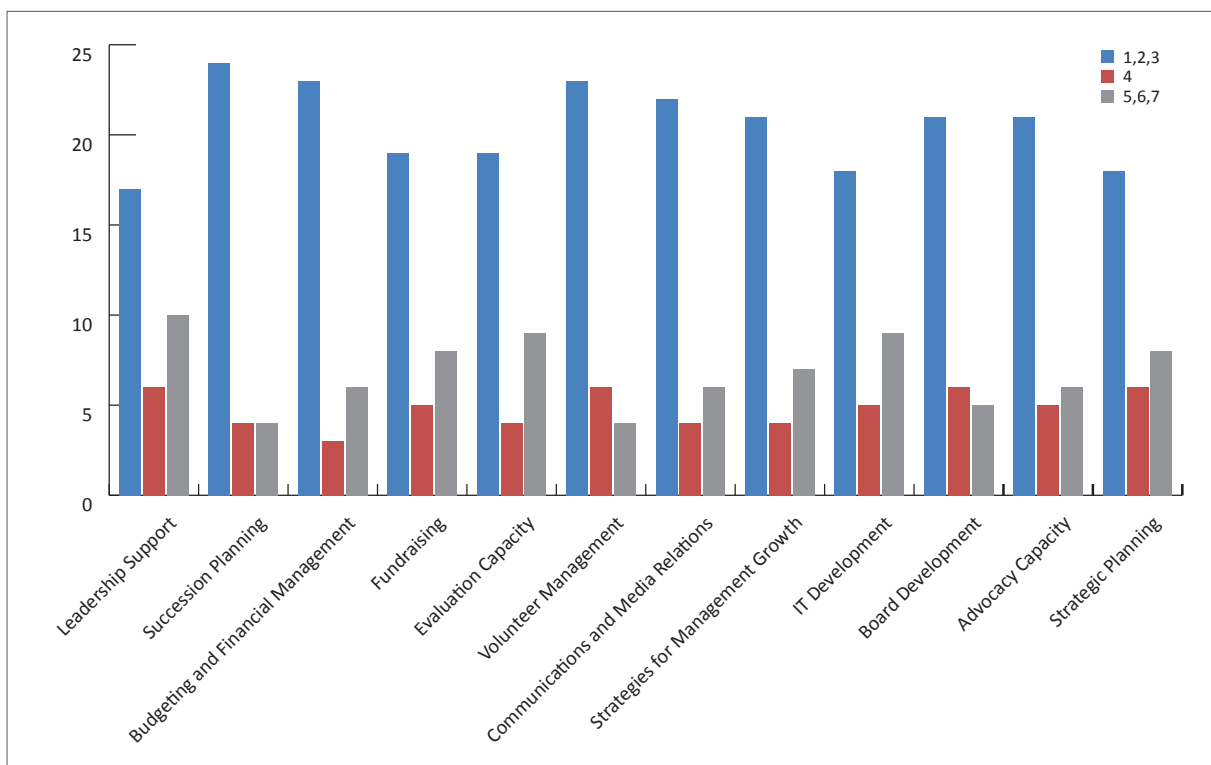
- A move towards outcome-based funding and individualised client-controlled packages such that funding is more likely to be based on outcomes not inputs. This will have a major impact on what and how services are provided with an increasing emphasis on commercial expertise and entrepreneurship
- Convergence of 'for-profit' and 'for-good'
- Increasing client and government expectation that the service sector will act in a coordinated and integrated fashion
- More competitive environment requiring new skill sets in market research, business development, marketing and promotion, product development, value-adding, accurate costing, cash flow, price setting and customer focus

- Trend towards fewer but larger agencies with an increased focus on more flexibility, better workforce development and governance
- Need for better research and an enhanced evidence base to support the demonstration of the effectiveness of the NFP approach
- Greater technological capability

From the philanthropic perspective, an important factor in the success of any grant is the capability of the NFP to deliver the project. In addition more strategic approaches to philanthropy – particularly for those aspiring to pursue venture or catalytic platforms – rely on the internal capacity and capabilities of the NFP sector to be instrumental in contributing to systemic change agendas.

Philanthropic respondents were asked to indicate the type of capacity building support that was provided to NFPs. A Likert scale was used to indicate the likelihood of this type of support. This was numbered 1-7, where 1 = never and 7 = always. These responses were grouped such that 1-3 indicates a low likelihood of support, 4 indicates some chance of support and 5-7 indicates a higher chance of support.

FIGURE 8: PHILANTHROPY – CAPACITY SUPPORT



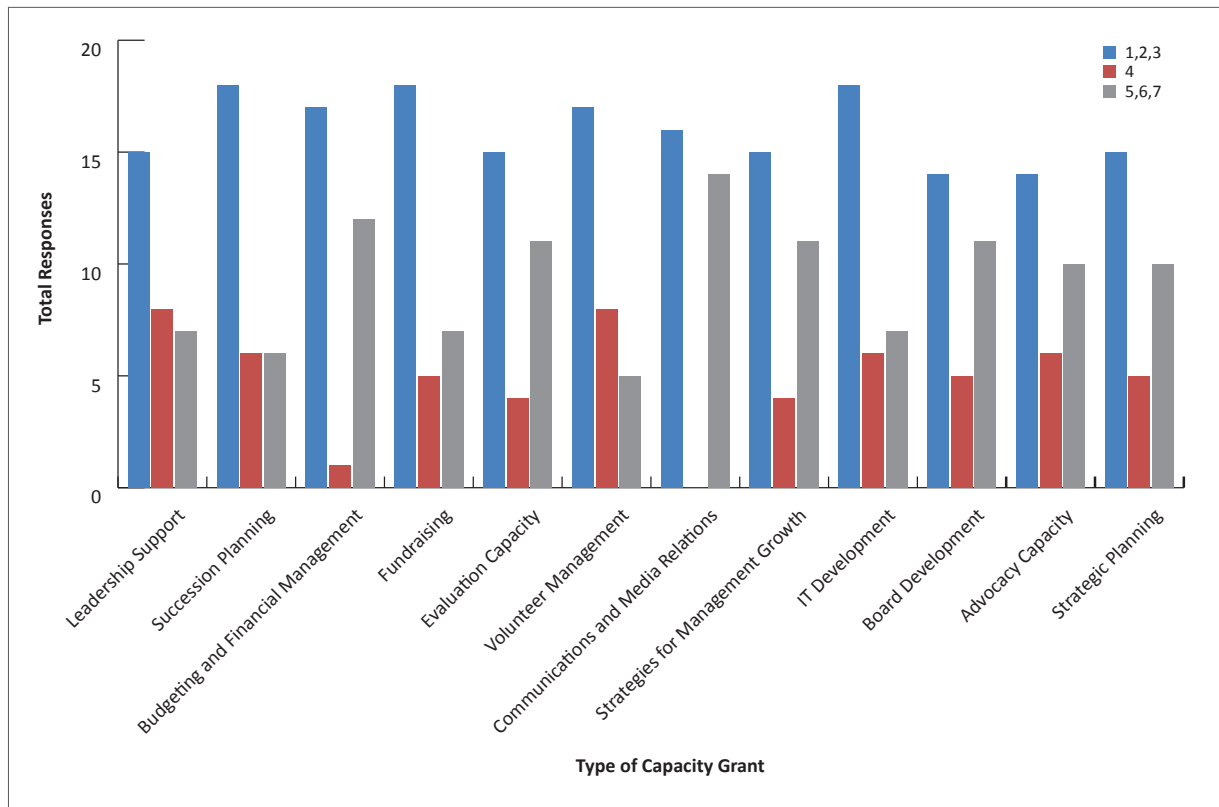


Nearly 50% of philanthropic respondents indicated that they rarely supported capacity building projects.

Those philanthropist survey respondents who supported capacity building applications indicated they are most likely to fund leadership support programs. Strategic planning, IT development, fundraising and evaluation capacity were also of interest. Advocacy was ranked 6th on the list. These respondents indicated a low likelihood of support for succession planning, budgeting and financial management, volunteer management, communications and media relations, strategies for management growth and board development.

Philanthropic respondents were then asked to indicate the level of importance of the support sought and received. A Likert scale was used to rate the importance of the types of support sought and received. This was numbered 1-7, where 1 = not at all important and 7 = extremely important. These responses were grouped such that 1-3 indicates a low level of importance, 4 indicates medium importance and 5-7 indicates high importance.

FIGURE 9: PHILANTHROPY - IMPORTANCE OF TYPES OF SUPPORT

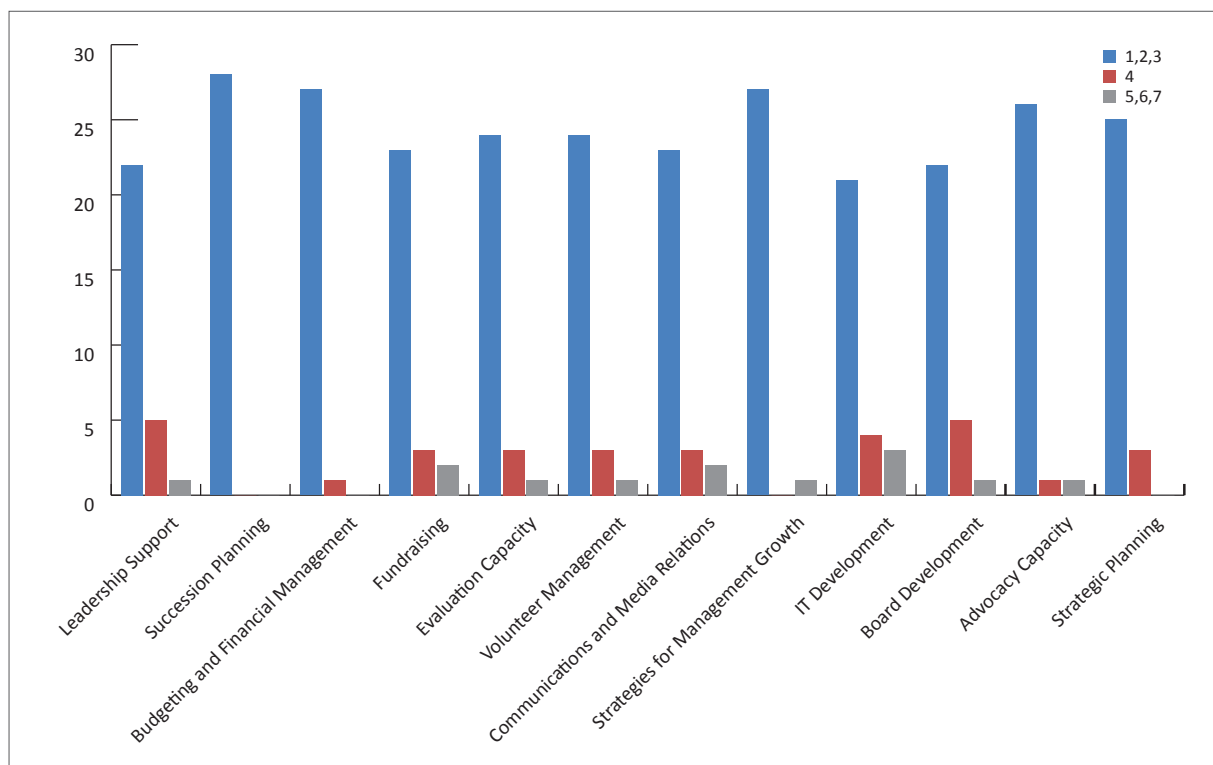


Similarly, nearly 50% of philanthropists ascribed a low level of importance to capacity building activities.

NFP respondents were asked to indicate the type of capacity building support that was provided by philanthropists. A Likert scale was used to indicate the likelihood of this type

of support. This was numbered 1-7, where 1 = never and 7 = always. These responses were grouped such that 1-3 indicates a low likelihood of support, 4 indicates some chance of support and 5-7 indicates a higher chance of support.

FIGURE 10: NFP - TYPES OF CAPACITY SUPPORT



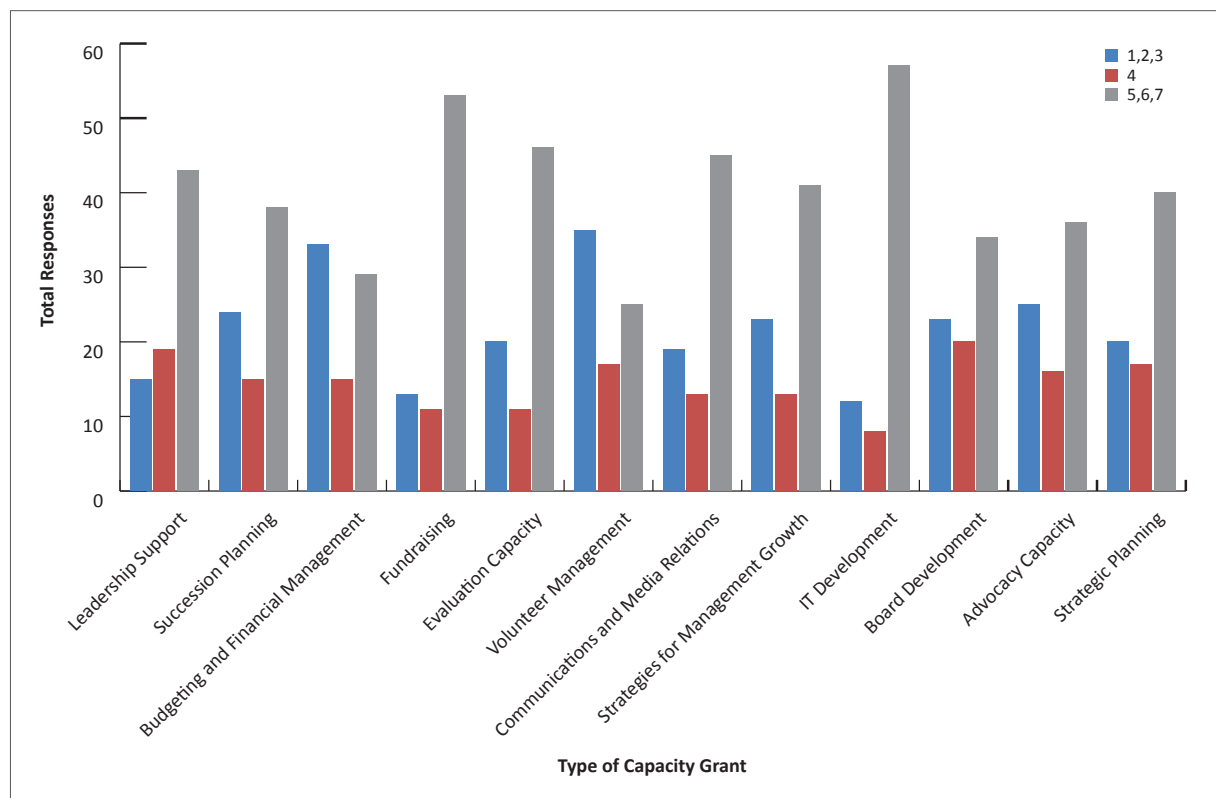
In comparison over 82% of not-for-profit respondents indicated that they rarely received grant support for capacity building.

Those areas that NFPs nominated as being more likely to be supported are IT development, leadership support and Board development. Those areas least likely to receive support include succession planning, budgeting and financial management and strategies for management growth.

NFP respondents were then asked to indicate the level of importance of the support sought and received. A Likert scale was used to rate the importance of the types of support sought and received. This was numbered 1-7, where 1 = not at all important and 7 = extremely important. These responses were grouped such that 1-3 indicates a low level of importance, 4 indicates medium importance and 5-7 indicates high importance.

Over 75% of not-for-profits ascribed medium and high importance to all aspects of capacity building.

FIGURE 11: NFP - IMPORTANCE OF TYPES OF SUPPORT



In hierarchical order the capacity building activities ranked in order of importance are as follows:

TABLE 8: CAPACITY BUILDING ACTIVITIES: RANKED IN ORDER OF IMPORTANCE

CAPACITY BUILDING ACTIVITIES: RANKED IN ORDER OF IMPORTANCE	
PHILANTHROPY	NOT FOR PROFITS
Advocacy Capacity	IT Development
Board Development	Fundraising
Strategic Planning	Leadership Support
Strategies for Management Growth	Communications and Media Relations
Evaluation Capacity	Strategic Planning
Leadership Support	Evaluation Capacity
Communication and Media Relations	Board Development
IT Development	Strategies for Management Growth
Budgeting and Financial Management	Succession Planning
Volunteer Management	Advocacy Capacity
Succession Planning	Budgeting and Financial Management
Fundraising	Volunteer Management

There are some very interesting differences. Philanthropy ascribes far more importance to advocacy and board development. In comparison the NFP sector ascribes high importance to IT development and fundraising capacity.

With the notable exception of grant seekers in the sciences, interview respondents were clear on the need for capacity building and cross-sector collaboration. They described it as “absolutely vital” and “more important than the cash, actually”. Nonetheless, grant seekers felt that it was “not on the radar” of the vast majority of donors, and that “there would not be a willingness to fund that even if we tried to slip it in a proposal”. Others described “a real uphill battle finding anyone who’s interested to help us grow that organisation so that we can actually be a lot more usable and a lot more functional and also make ourselves more attractive to other funders”. Donors were seen to have a strong novelty bias, wanting to fund new things that aren’t being done currently, which presents a paradox for grant seekers: “how do you develop something new if you’re not building your capacity of some type?”

Some respondents felt that trustees overestimated the capacity and capability in the community sector because they lack first hand experience in it, suggesting instead that “there’s a complete lack of capability in the community sector because nobody has invested in it.” Others pointed out that

the persistent beliefs about the NFP sector were harming it, including the belief that NFPs “should operate on the smell of an oily rag” and that passion should be enough to keep staff, rather “the quality of the roles and how they’re supported to actually be effective in those roles”. Another perceived reason was that grant maker’s long history of separating money generation and charitable distribution into separate domains leads them to resist the concept that community needs may be better met by developing capacity than by putting all funds into services.

Some grant makers sense the climate around capacity building support shifting, with “an increasing understanding that if you’re going to succeed in your grant making that the capacity of people to deliver what they’re proposing is part of the bread and butter.” Another described “a greater appetite to actually talk about not just the value of the capacity building but also being able to articulate what capacity building might mean in terms of the outcomes of the organisation for the community.” While individual philanthropists have shown little interest in funding capacity building, the larger foundations and trust have started moving into this area. Respondents valued that these organisations “understand the importance of a little bit of cash so you can run the program but you actually need skills and advice into the organisation to allow you to grow”.



#### 4. FUNDING PRIORITIES AND OPPORTUNITIES FOR INNOVATION

Both respondent philanthropy and NFPs were asked to nominate their top three funding priorities.

The results were summarised in word clouds presented in Figure 12 and Figure 13. In analysing the word clouds, the largest size text were words mentioned most frequently, with the size of the text decreasing as the instances of mention declined.

The philanthropist word cloud has a more programmatic focus with a wider range of program areas identified as top funding priorities.

FIGURE 12: PHILANTHROPY – TOP THREE FUNDING PRIORITIES



In comparison, the NFP word cloud shows a particular focus on capacity building support with particular prominence given to business development, operations, professional development and evaluation.

FIGURE 13: NFP – TOP THREE FUNDING PRIORITIES



Both respondent philanthropy and NFPs were asked to nominate their top three opportunities for innovation.

The results were summarised in word clouds presented in Figure 14 and Figure 15. In analysing the word clouds, the

largest size text were words mentioned most frequently, with the size of the text decreasing as the instances of mention declined.

The opportunities for innovation word clouds show a far more aligned set of priorities.

FIGURE 14: PHILANTHROPY – OPPORTUNITIES FOR INNOVATION IN PHILANTHROPY



FIGURE 15: NFP – OPPORTUNITIES FOR INNOVATION IN PHILANTHROPY



In regard to opportunities for innovation in philanthropy, both philanthropists and NFP respondents show strong support for partnerships and collaborations and philanthropists have a strong interest in social impact investment opportunities.

Similarly to the funding priorities word clouds NFPs place considerable importance on support for capacity building and longer term funding relationships.

FIGURE 16: PHILANTHROPY - OPPORTUNITIES FOR INNOVATION IN THE NFP SECTOR



FIGURE 17: NFP – OPPORTUNITIES FOR INNOVATION IN THE NFP SECTOR



In regard to opportunities for innovation in the not-for-profit sector, both philanthropic and not-for-profit respondents place a significant emphasis on collaboration and partnerships. Not-for-profits also highlight the importance of evidence-based outcome frameworks.



## 5. PILLAR 4: STRENGTH OF THE RELATIONSHIP BETWEEN GRANT MAKERS AND GRANT SEEKERS

The USA Center for Effective Philanthropy (CEP) undertakes extensive research on the relationship between Foundations and grantees to clarify the key attributes of successful and satisfying foundation-grantee relationships. CEP provides Foundations and other philanthropic funders with comparative data to enable higher performance.

In two major research studies, “Working with Grantees: The Keys to Success and Five Program Officers Who Exemplify Them” and “Listening to Grantees – What Nonprofits Value in Their Foundation Funders” CEP identified the three dimensions of foundation performance that grantees most value in the Foundations that support them. The research found that it is essential to perform well in each of these three dimensions for Trusts and Foundations to receive high ratings for their performance.

Before discussing these dimensions, it is important to note that grantees’ impressions of the Foundations that fund them are generally positive. The researchers conclude that this is not surprising given that receiving funds is a positive experience.

Having said this, the three dimensions are:

1. Quality of interactions with Foundation staff
2. Clarity of communications of a Foundation’s goals and strategy
3. Expertise and external orientation of the Foundation

### Quality of Interactions with Trust and Foundation Staff

The two most important determinants of the quality of interaction with Trust and Foundations and grant seekers are fairness and responsiveness and approachability.

The research determined that fairness is the single most important aspect of interactions in predicting grantees’ satisfaction with a Foundation. In addition to the expectation of an unbiased grant selection process, this also includes other dimensions such as the realistic nature of the Foundation’s expectations of a grantee.

Inconsistency of perceived treatment leads to insecurity and causes grantees to focus on the Foundation’s continued support rather than the positive benefits of the relationship. An example of inconsistency is the uneven treatment of grantees where Foundations specify that they will only accept one funding request per year from an organisation but their annual report indicates they fund more than one programme from the same organisation.

Ratings of fairness account for nearly half of the explainable variation in grantees’ satisfaction with a Foundation.

Responsiveness and approachability is the second most important determinant. Trust and Foundation’s responsiveness and approachability when a problem arises are also important drivers of grantee’s satisfaction. The accessibility and availability of programme officers for phone calls, email exchanges and in-person meetings are the most common types of interactions valued by grantees.

Interestingly, being responsive and approachable doesn’t necessarily require high frequency of interactions. Only when the frequency of contact between grantees and Foundation staff decreases to yearly or less often do ratings of interactions start to fall significantly.

### Clarity of Communications

Clarity of communication of a Foundation’s goals and strategy is the second dimension. Grant seekers strongly value clear and consistent articulation of the Trust and Foundation’s philanthropic objectives.

The survey identified two important aspects in a grantees understanding of a Foundation’s goals and strategy. This first is that Grantees find their relationship with a Foundation most successful when that Foundation has clearly communicated its goals. This enables applicants to assess how they best fit, if at all, within a Foundation’s priorities. In addition, Grantees want a Foundation to provide clear insight into the process through which they are judged (in terms of applying for funding) and once funded, in evaluating the grant. Other important factors identified were the clarity of both ‘official’ written communication and personal communications.

Conversations between the Trusts and Foundations and a grantee were identified as being extremely important in maximising alignment with goals and activities and in creating the expectations against which grantees were judged. The research reported that grant recipients who report having spoken with a program officer prior to submitting a grant application, rated a Foundation’s communications to be 15% clearer and evaluations to be 10% more accurate in investigating what grantees have accomplished.

### Expertise and External Orientation

The third dimension focuses on the expertise and external orientation of the Foundation. Grant seekers value most highly those Trusts and Foundations that demonstrate an understanding of fields and communities of funding and have an ability to advance knowledge and affect public policy.

The research clearly demonstrated that non-profits want Foundations to possess a vision of change for the field or community in which the non-profit works and the expertise to help make that change happen.

Activities which supported this dimension included introducing grantees to other leaders in the field and providing advice about the field. The research demonstrated the value of funders investing in developing their knowledge and expertise in funding priority areas. The report concluded that once a Trust or Foundation has developed specific expertise and clear goals and strategies within its areas of funding, it is important to ensure that the grantee selection process provides a good match. The results of a productive alignment between grantee and Foundation expertise are overwhelmingly positive.

## 5.1 External Engagement and Development of Strategic Relationships

Philanthropic respondents were asked to provide an indication of the type of external engagement they undertook. A Likert scale was used to indicate the likelihood of this type of engagement. This was numbered 1-7 where 1 = strongly disagree and 7 = strongly agree. These responses were grouped such that 1-3 indicates overall disagreement, 4 indicates neither agreement nor disagreement and 5 - 7 indicates overall agreement.

74% of philanthropic respondents believe they have developed strategic relationships with grantees and other philanthropic organisations. In this spirit, nearly 60% of philanthropic respondents indicated that they have invited grantees to address board members.

However, less than 40% of philanthropic respondents have sought advice from grantee advisory committees about policy, practices and program areas or sought external input on trust and foundation strategy from representatives of recipient communities or grantees.

TABLE 9: EXTERNAL ENGAGEMENT AND DEVELOPMENT OF STRATEGIC RELATIONSHIPS

SPECIFIC ASPECT	PERCENTAGES		
	DISAGREE	NEITHER	AGREE
Sought advice from grantee advisory committee about policies, practices and program areas	37%	23%	40%
Invited grantees to address board members	22%	19%	59%
Sought external input on trust and foundation strategy from representatives of recipient communities or grantees	48%	14%	38%
Funded costs associated with collaboration or managing partnerships amongst grantees	56	18	26

## 5.2 Quality of the Interactions

Philanthropic and NFP respondents were asked to provide an indication of the quality of interactions between philanthropists and NFPs. A Likert scale was used to indicate the likelihood of this type of engagement. This was numbered 1-7 where 1 = strongly disagree and 7 = strongly agree. These responses were grouped such that 1-3 indicates overall disagreement, 4 indicates neither agreement nor disagreement and 5-7 indicates overall agreement.

Table 10 clearly indicates that philanthropists have a far more favourable view of the state of relationships in terms of the quality of interactions between philanthropic entities and the not-for-profit sector. The vast majority of philanthropic respondents rate themselves as strongly agreeing with the statements featured. In comparison, less than 50% of not-for-profit respondents supported this view.

TABLE 10: QUALITY OF INTERACTIONS

ASPECT	PHILANTHROPISTS			NFP ORGANISATIONS		
	DISAGREE	NEITHER	AGREE	DISAGREE	NEITHER	AGREE
Build strong relationships	4%	12%	84%	32%	30%	38%
Communicate regarding grantee needs	9%	12%	79%	40%	22%	38%
Communication regarding grantee goals and strategies	4%	12%	84%	37%	22%	41%
Filter grants through an EOI process before submission of the full application	48%	12%	40%	35%	33%	32%
Streamlined grant application process	24%	13%	63%	32%	26%	42%
Provide sufficient feedback in regards to the success of applications	13%	7%	80%	58%	21%	21%
Provide assistance during the term of the grant	25%	10%	65%	35%	38%	27%
Are approachable when problems arise				20%	32%	48%
Available by email, telephone and face-to-face	6%	0	94%	31%	22%	47%

Of particular note:

- 94% of philanthropic respondents felt they were available by email, telephone and face-to-face interaction with grantees compared with only 47% of NFP respondents
- 84% of philanthropic respondents felt they build strong relationships with NFP organisation compared with only 38% of NFP respondents
- 84% of philanthropic respondents felt there are strong opportunities for grantees to communicate their needs, goals and strategies compared with only 41% of NFP respondents
- 80% of philanthropic respondents felt that they provide sufficient feedback in regards to the success of applications compared with only 21% of NFP respondents

### 5.3 Clarity of Communications

Philanthropic and NFP respondents were asked to provide an indication of the clarity of communications between philanthropist and NFPs. A Likert scale was used to indicate the likelihood of this type of engagement. This was numbered 1-7 where 1 = strongly disagree and 7 = strongly agree. These responses were grouped such that 1-3 indicates overall

disagreement, 4 indicates neither agree nor disagree and 5-7 indicates overall agreement.

Similarly, philanthropic respondents have a far more favourable view of the clarity of communication between philanthropy and the NFP sector.

TABLE 11: CLARITY OF COMMUNICATION

ASPECT	PHILANTHROPISTS			NFP ORGANISATIONS		
	DISAGREE	NEITHER	AGREE	DISAGREE	NEITHER	AGREE
Open communication of goals and philosophies	0	14%	86%	50%	14%	36%
Information regarding grant making readily accessible and shared	18%	9%	73%	36%	21%	43%
Grant making guidelines and processes are clear	3%	19%	78%	20%	23%	57%
Consistent grant information across all platforms	6%	17%	77%	23%	25%	52%
Clear insight into the grant application process	6%	17%	77%	38%	19%	43%
Fair in dealings with grantees				7%	21%	72%
Open dialogue with grantees				38%	23%	39%
Put grantees under unreasonable pressure to modify priorities				65%	20%	15%

Well over 3/4 of philanthropic respondents strongly agree that there is open communication of philanthropic goals and philosophies and that the outcomes of the grant making practices are easily accessible and shared. In comparison, only 36% of NFP respondent agree with this view.

There is closer convergence in regard to information regarding grant making being readily accessible and shared and grant making guidelines and processes being clear with approximately ¾ of philanthropic respondents and just over ½ NFP respondents agreeing with these statements.

Encouragingly, nearly ¾ of NFP respondents agreed that they had been fairly dealt with in terms of their grant seeking activities and 65% of grantees had not felt unreasonable pressure to modify their priorities. Although this is tempered by the fact that only 39% of NFP respondents agreed that they experienced open dialogue with grantees.

## 5.4 Expertise and External Orientation

Philanthropic and NFP respondents were asked to indicate the type of external engagement they engaged in. A Likert scale was used to indicate the likelihood of this type of engagement. This was numbered 1-7 where 1 = strongly disagree and 7 =

strongly agree. These responses were grouped such that 1-3 indicates overall disagreement, 4 indicates neither agree nor disagree and 5-7 indicates overall agreement.

TABLE 12: EXPERTISE AND EXTERNAL ORIENTATION

ASPECT	PHILANTHROPISTS			NFP ORGANISATIONS		
	DISAGREE	NEITHER	AGREE	DISAGREE	NEITHER	AGREE
Attend industry seminars, conferences and events held by the NFP sector	11%	19%	70%			
We keep abreast of the latest research and information about the NFP sector	14%	14%	72%			
Knowledgeable about the NFP sector				26%	23%	51%

Over 70% of philanthropic respondents indicated that they attended seminars, conferences and events held by the NFP sector and that they kept abreast of the latest research and information about the NFP sector.

51% of NFP respondents indicated that they felt that philanthropists were knowledgeable about the NFP sector.

## 5.5 Tolerance for Risk

NFP respondents were also asked to indicate philanthropists' tolerance for risk. A Likert scale was used to indicate the likelihood of this type of engagement. This was numbered 1-7 where 1 = never and 7 = always. These responses were grouped such that 1-3 indicates a low likelihood, 4 indicates some likelihood and 5-7 indicates a higher chance of provision.

TABLE 13: NFP RESPONDENTS: TOLERANCE FOR RISK

ASPECT	LOW	MEDIUM	HIGH
Philanthropists have a tolerance for risk	48%	30%	22%

48% of NFP respondents believe that philanthropy has a low tolerance for risk.

## 5.6 Quality of Grant Applications

Philanthropic respondents were asked to provide an indication of the quality of the grant applications they received from NFPs. A Likert scale was used to indicate the quality of the grant applications. This was numbered 1-7 where 1 = strongly disagree and 7 = strongly agree. These responses were grouped such that 1-3 indicates overall disagreement, 4 indicates neither agreement nor disagreement and 5-7 indicates overall agreement.

The tables below strongly indicate that philanthropic respondents were positive in regard to the scope, justification and quality of grant submissions.

TABLE 14: PHILANTHROPIC RESPONDENTS: QUALITY OF GRANT APPLICATIONS

SCOPE AND JUSTIFICATION OF THE GRANT APPLICATION	PERCENTAGES		
	DISAGREE	NEITHER	AGREE
Organisations seeking support present a strong case for supporting the NFP	6%	15%	79%
The importance of the NFP and its centrality to the community's social and economic life is well argued	12%	23%	65%
Those seeking support have a good grasp of the emerging opportunities in the NFP space and present innovative and exciting projects for our consideration	9%	27%	64%

TABLE 15: PHILANTHROPIC RESPONDENTS: QUALITY OF GRANT APPLICATIONS

QUALITY OF THE GRANT APPLICATION	PERCENTAGES		
	DISAGREE	NEITHER	AGREE
We receive a diverse range of applications seeking support for NFP projects	27%	15%	58%
The trust has a strong relationship with those NFP organisations seeking support	6%	33%	61%
Applications are generally a good fit with our granting guidelines	9%	30%	61%
Applications make a strong case for support	9%	18%	73%
Applicants provide a succinct organisational profile that profiles the applicants mission, strategies and achievements	15%	24%	61%
Applicants provide financial statements that are clear and easy to analyse	13%	24%	63%
Acquittals are completed in a timely manner	18%	33%	49%
Applicants provide good communication copy, photographs and other materials which can be easily adapted for us in our annual report and website	15%	21%	64%



## 5.7 Interactions between Philanthropy and NFPs

Both respondent and NFPs were asked to describe their interactions with each other.

The results were summarised in word clouds presented in Figure 18 and 19. In analysing the word clouds, the largest size text were words mentioned most frequently, with the size of the text decreasing as the instances of mention declined.

The following word clouds give more insight into the nature of the interactions between philanthropy and the NFP sector.

FIGURE 18: PHILANTHROPY – INTERACTIONS WITH NFPs



FIGURE 19: NFP – INTERACTIONS WITH PHILANTHROPISTS



It is interesting that both philanthropic and NFP respondents indicate both positive and negative sentiments in regard to interactions with each other, with the words “Positive” and “Frustrating” appearing in both word clouds.

This positive/negative dichotomy suggests that there are good intentions in regard to these relationships and significant opportunities to enhance and improve them going forward.

Both philanthropists and NFPs were asked to comment on what could be done to support the grant making process.

The results were summarised in word clouds presented in Figure 20 and 21. In analysing the word clouds, the largest size text were words mentioned most frequently, with the size of the text decreasing as the instances of mention declined.

FIGURE 20: PHILANTHROPY – WHAT NFPs COULD DO TO SUPPORT THE GRANT MAKING PROCESS



It is important to note that philanthropist responses to what the NFP sector could do to support the grant making process tend to focus on the granting application process with prominence of words like 'concise', 'succinct' and 'clear'.

In comparison, NFP responses are more focused on the outcomes and impact of the granting process with an emphasis on capacity-building and engagement.

FIGURE 21: NFP – HOW PHILANTHROPISTS COULD PROVIDE MORE SUPPORT TO THE NFP SECTOR



This difference is indicative of the strong theme throughout this report – the NFP sector is seeking stronger, more strategic relationships with grant makers.

## 6. PILLAR 5: APPROACHES TO EVALUATION AND SOCIAL IMPACT

### 6.1 Evaluation

Nationally and internationally, philanthropists are increasingly focusing on evaluation with a view to understanding the outputs, outcomes and strategic impact of their grant making practices. Best practice models use the evaluative insights to gain a deeper understanding of the issue being considered, to capture learning and insights from the project, to identify future areas of focus and, for those with a more strategic aspiration, to build collaborations and partnerships that support ongoing work in the area of focus.

It's worth considering a few points around the current state of evaluation in the philanthropic and NFP sector.

The US Grantmakers for Effective Organisations (GEO), in their Learn for Improvement Tool Kit make the point that increasingly grant makers agree that an increased focus on evaluation and learning is important in teasing out insights on impact and enhancing the performance of both grant makers and grantees.

They argue that a priority for grant makers and grantees should be to support the creation of a space to reflect and learn so that both philanthropy and the organisations they support can become more 'relevant and effective in achieving (their) goals'.

*'Learning is supported by effective evaluation practices, inquisitive and reflective organisational cultures, strong leaders dedicated to driving improvement, the willingness to bring key partners into the conversation about what's working and what's not, and a commitment to use data and information to inform decision making and take action.'*

The GEO's Practice Note: *How can we embrace a learning for improvement mindset* explains that evaluation should be strengthened to advance the shared work of all involved in the grant making relationship. This includes grant makers, grantees and their partners. They strongly argue that evaluation is not just about tracking results and impact of past philanthropic investments, it also should enhance the capability of grant makers to learn how to do a better job of achieving grant making goals.

Amongst a number of important questions, there are two aspects of this that, for our purposes, should be noted. This first of these is that evaluation is a very important construct of the grant making process and needs to be supported such that grantees have the capability to do evaluation well. Secondly, it suggests that there is a relationship between the evaluative capability of grantees and the capacity of grant makers to develop strategic frameworks to enhance their own effectiveness. In support of the importance of these statements The Centre for Effective Philanthropy in a 2011 survey found that of ¾ of Foundation CEO's ranked assessing their Foundation's effectiveness to be among their highest priorities.

Two recent reports from the USA cast an interesting light on the importance, trends and issues associated with evaluation.

[The Innovation Network, State of Evaluation Report](#), released in 2012, surveyed 546 NFP organisations on their evaluative practices.

Only 32% of American NFP organisations reported that they were receiving support from foundations and philanthropy for evaluation.

How does this compare with the Australian experience? The survey results indicated that the Australian experience is very similar to the experience of grant seekers in the USA.

Philanthropy and NFP respondents were asked to indicate the likelihood of receiving support for evaluation. A Likert scale was used to indicate the likelihood of this type of support. This was numbered 1-7, where 1 = never and 7 = always. These responses were grouped such that 1-3 indicates a low likelihood, 4 indicates some chance of provision and 5-7 indicates a higher likelihood of provision.

TABLE 16: PHILANTHROPY RESPONSE – LIKELIHOOD OF SUPPORT FOR EVALUATION

ASPECT	PERCENTAGES		
	LOW LIKELIHOOD	MEDIUM LIKELIHOOD	HIGH LIKELIHOOD
Likelihood of philanthropy providing support for evaluation	48%	12%	40%

TABLE 17: NFP RESPONSE – LIKELIHOOD OF SUPPORT FOR EVALUATION

ASPECT	PERCENTAGES		
	LOW LIKELIHOOD	MEDIUM LIKELIHOOD	HIGH LIKELIHOOD
Likelihood of philanthropy providing financial support for evaluation	86%	11%	3%

48% of philanthropic respondents indicated that there was a low likelihood of grant making support for evaluation. 12% indicated that they sometimes supported evaluation and 40% indicated a higher likelihood of support for evaluation. NFP survey respondents painted a bleaker picture. 86% indicated there was a low likelihood of support from philanthropists for evaluation.

In terms of levels of importance, 50% of philanthropic respondents indicated they placed a low level of importance on evaluative capacity. Only 37% of responses indicated higher levels of importance for evaluation. In comparison, 74% of NFP respondents indicated a medium to high level of importance for support for evaluative capacity.

Philanthropy and NFP respondents were then asked to indicate the level of importance of support for evaluation. A Likert scale was used to rate the importance of this type of support. This was numbered 1-7, where 1 = not at all important and 7 = extremely important. These responses were grouped such that 1-3 indicates a low level of importance, 4 indicates medium importance and 5-7 indicates high importance.

TABLE 18: PHILANTHROPY RESPONSE -LEVEL OF IMPORTANCE

ASPECT	PERCENTAGES		
	LOW	MEDIUM	HIGH
Importance of providing support for evaluation	50%	13%	37%

TABLE 19: NFP RESPONSE - LEVEL OF IMPORTANCE

ASPECT	PERCENTAGES		
	LOW	MEDIUM	HIGH
Importance of providing support for evaluation	26%	14%	60%

[The Innovation Network, State of Evaluation Report](#), released in 2012 also found that although over 90% of NFPs surveyed measure their work, only 28% of these were found to have the capacity and skills in place to meaningfully engage in evaluation.

Of those surveyed only 18% had one full-time employee devoted to measurement and more than 70% of organisations were spending less than 5% on evaluation. The report concluded that although evaluation is being used throughout the NFP sector for good purposes, there are a significant number of challenges which need to be addressed. These included the significant number of organisations not engaged in evaluation and the extent to which evaluation continues to be a low organisational priority. The report concludes that “although a lot of measurement is happening, it is likely to be of insufficient quality for organisations to truly learn what is working and to continuously improve their programs.”

The report identified that the greatest barriers to better evaluation practice are limited staff time, insufficient financial resources, limited staff expertise in evaluation, knowing where or how to find an evaluator and insufficient support from organisational leadership. The most significant of these barriers is how funders support grantees in using measurement and how they use it themselves.

These conclusions were supported by [The Center for Effective Philanthropy, Room for Improvement Report](#), released in September 2012.

(please provide missing link)

This report concluded that the extent to which philanthropy makes a difference in society depends on the effectiveness of the NFP they fund. The top three themes that emerged in regard to how philanthropy can be more supportive of NFP evaluation effort included:

- Providing funding support for evaluation, including funding for capacity building, external evaluators and staffing and expertise
- Being more engaged, including more discussions about evaluative efforts and supporting the exchange of information between NFPs and philanthropic funders
- Providing more guidance and support from philanthropy particularly in regard to philanthropy knowledge and evaluative work.

And so, what is the Australian experience in regard to the effectiveness of evaluation and social impact frameworks? The survey results provided an interesting insight to the state of evaluation and social impact in Australia from both a philanthropic and NFP perspective.

In terms of perceptions of the effectiveness of evaluation frameworks and sharing of evaluative insights, participating philanthropic respondents were given certain statements about their approaches to evaluation. The 7 point Likert scale was used where 1= Strongly Disagree to 7 = Strongly Agree with 4 designating neither agree nor disagree. Responses were grouped where 1-3 indicates overall disagreement, 4 indicates neither agreement nor disagreement and 5-7 indicates overall agreement.

TABLE 20: PHILANTHROPY - EVALUATION FRAMEWORK

ASPECT	PERCENTAGES		
	DISAGREE	NEITHER AGREE NOR DISAGREE	AGREE
We have a good evaluation framework for assessing the benefits of our giving to the NFP sector	28%	15%	57%
The inclusion of an evaluation framework is an important aspect of our consideration of grant applications from a NFP organisation	28%	15%	57%
It is important to assess our giving in relation to an evaluation framework	22%	19%	59%
We work with grantees to determine evaluation frameworks that are appropriate for the project being funded	40%	19%	41%
Acquittal reports are our primary evaluation mechanism for successful grant applications	28%	19%	53%
We communicate our performance/outcomes to stakeholders at least annually	19%	16%	65%

Just over half of the philanthropic respondents expressed confidence in their approach to evaluation and confirmed its relevance to their grant making practices. This suggests that more than 40% of those surveyed do not focus on evaluation as a mechanism to enhance their grant making practice or make a contribution to the development of a continuous improvement mindset that is an essential aspect of social impact platforms.

Further, nearly 60% of philanthropic respondents use acquittal reports as the primary evaluation mechanism for grant applications. More often than not, acquittal reports are skewed to cast the best possible light on grant outcomes and do not

allow for or encourage deeper analysis for insight. Most grant recipients use acquittals to support future funding requests and as such are often focused on outputs and 'good news stories' as opposed to outcome and impact frameworks.

Encouragingly, 41% of philanthropic respondents report that they work with grantees to determine the evaluation frameworks that are appropriate for the project being funded. This suggests a level of engagement between this group of philanthropists and grant seekers and is indicative of a move towards better practice.



In terms of perceptions of evaluation frameworks and sharing of evaluative insights, participating NFP respondents were given certain statements about their approaches to evaluation. The 7 point Likert scale was used where 1= Strongly Disagree to 7 = Strongly Agree with 4 designating neither agree nor disagree. Responses were grouped where 1-3 indicates overall disagreement, 4 indicates neither agreement nor disagreement and 5-7 indicates overall agreement.

TABLE 21: NFP - EVALUATION FRAMEWORK

ASPECT	PERCENTAGES		
	DISAGREE	NEITHER AGREE NOR DISAGREE	AGREE
We have a good evaluation framework for assessing the benefits of our giving to the community	27%	14%	59%
It is important for us to assess our work in relation to an evaluation framework	6%	7%	87%
Our evaluation framework is imbedded into our projects from inception	25%	15%	60%
Our evaluation framework informs our strategic direction going forward	29%	17%	54%
Our evaluation framework shapes the work that we do	26%	11%	63%
Our evaluation framework informs our decision making in regards to the work that we do and the programs we run	25%	12%	63%

87% of NFP respondents placed a high priority on the importance of evaluation. And over half of NFP respondents expressed confidence in the strength and usefulness of the evaluative frameworks they incorporate in their work. This confidence is encouraging, but the American experience reported above suggests that there is a question mark in regard to the quality and usefulness of the evaluation that is taking place. Consequently, more work should be done to investigate the extent to which Australian NFPs have the capacity and skills in place to meaningfully engage in evaluation and whether or not more philanthropic support would enhance this situation.

In regard to factors important in evaluating grants, participating philanthropic and NFP respondents were given certain statements about these factors. The 7 point Likert scale was used where 1= Strongly Disagree to 7 = Strongly Agree with 4 designating neither agree nor disagree. Responses were grouped where 1-3 indicates overall disagreement, 4 indicates neither agreement nor disagreement and 5-7 indicates overall agreement.

TABLE 22: FACTORS IN EVALUATING GRANTS

ASPECT	PHILANTHROPISTS			NFP ORGANISATIONS		
	LOW	MEDIUM	HIGH	LOW	MEDIUM	HIGH
Whether the original objectives were achieved	3	6	91	1	3	96
The implementation of the funded work	0	6	94	6	5	89
The outcomes of the funded work	0	3	97	1	5	94
Contribution to knowledge in the field	13	3	84	14	10	76
Social impact of the funded work	22	6	72	6	7	87
Strengthen organisational practices	19	16	65	15	11	74
Economic impact of the funded work	25	16	59	22	16	62
Strengthen public policy	28	16	56	23	23	54
Strengthen future grant making/grant seeking	13	13	74	22	22	56

In hierarchical order, the factors taken into account in evaluating grants and the relative importance of these factors were reported as follows:

PHILANTHROPY	NOT FOR PROFITS
Outcomes of the funded work	Whether the original objectives were achieved
Implementation of the funded work	Outcomes of the funded work
Whether the original objectives were achieved	Implementation of the funded work
Contribution to knowledge in the field	Social impact of the funded work
Strengthen future grant seeking opportunities	Contribution to knowledge in the field
Social impact of the funded work	Strengthen organisational practices
Strengthen organisational practices	Economic impact of the funded work
Economic impact of the funded work	Strengthen future grant seeking opportunities
Strengthen public policy	Strengthen public policy

These contrasts were apparent in interviews. Philanthropic respondents acknowledged that “the reports and assessments [don’t] really meet the mark either for us or the organisations”, but were ambivalent about evaluation. Some said they “don’t have a solution”, while others spoke of evaluation being “so complex and expensive when it’s done properly” that both grant makers and grantees “feel burnt by it”. Where identified, resistance to evaluation was placed on boards and trustees. One respondent said “my board would say we don’t want it, that’s the trouble”, while another argued that “it’s the job of the professionals to get the organisations to adopt appropriate practice both in terms of evaluation and impact and so on and bring the governors along because of the logic of the argument and governors or trustees will move along”. The task of convincing boards and trustees of the need for evaluation was expected to require skilful communication and compelling evidence, as “because they think already they’re doing it as well as anyone, but ... some things they’re doing currently is not working”.

In contrast, NFP interview respondents were largely in favour of evaluation, but often felt out of their depth in undertaking it, saying “people are ambivalent about it, they don’t quite know how to go about it.” Respondents felt that where evaluation was built into programs, it was “still relatively rudimentary ... in most charities”. Another reason cited for this discomfort was that evaluation used “unfamiliar terminology for people who might have trained in completely different fields”, suggesting a need for capacity development in this area.

Those organisations that had developed a clearly articulated theory of change expressed more confidence in the connection between their grant-funded activities and desired outcomes,

and thus saw even greater utility in evaluation as a tool to demonstrate their organisation’s impact. These respondents dismissed the idea that evaluation is an optional extra, saying “you don’t want to work on something and put so much energy and effort into something if you don’t even know if it’s making an impact”. Instead, the data created by evaluations were essential for improving efficiency and impact, as well as building funding cases to stakeholders. Some respondents went so far as to raise the importance of negative information with stakeholders, “because if you only tell what works, you’re not really looking at the developmental stuff that you’ve got to do about what didn’t work”.

While NFPs saw their own gaps around evaluation, they also turned that lens back on their funders, observing that evaluation is not valued by philanthropists, who are “funding 70% of organisations who aren’t confident of their own evaluation mechanisms”. Small organisations in particular struggled to partition 10-15% of their funds for measurement and evaluation, resulting in situations in which “you’re trying to generate outputs because you’re trying to play the game with donors to try and get more donors interested and you start getting yourself in the vicious cycle that sort of sucks you down”. By implication, until evaluation is normalised as part of funding relationships and evaluation capacity is developed across the sector, smaller organisations will struggle to demonstrate impact. A great opportunity exists for philanthropists to require and enable grantees “to develop some really strong, robust measurements and performance and outcome frameworks”, which in turn enable grant makers to demonstrate their own outcomes.

## 6.2 Social Impact Frameworks

Insights in regard to the use and usefulness of social impact frameworks were more elusive.

In terms of perceptions of social impact frameworks, participating philanthropic and NFP respondents were given certain statements about their approaches to social impact

frameworks. The 7 point Likert scale was used where 1= Strongly Disagree to 7 = Strongly Agree with 4 designating neither agree nor disagree. Responses were grouped where 1-3 indicates overall disagreement, 4 indicates neither agreement nor disagreement and 5-7 indicates overall agreement.

TABLE 23: PHILANTHROPY – SOCIAL IMPACT FRAMEWORKS

ASPECT	PERCENTAGES		
	DISAGREE	NEITHER	AGREE
Understanding the strategic impact of the projects that we support is an important consideration in our grant making deliberations	9%	13%	78%
The inclusion of an evaluation framework that allows assessment of social impact is an important aspect of our consideration of grant applications	28%	28%	44%
We encourage grantees to utilise evaluation frameworks that focus on the assessment of the social impact of their work	38%	20%	42%
We have a social impact framework that allows us to assess the impact of our grant making across the community	56%	22%	22%

78% of philanthropic respondents agreed that understanding the strategic impact of the projects that they supported is an important consideration in grant making deliberations.

However, only 22% reported having a social impact framework that allowed an assessment of the impact of their grant making programs. Just over 40% agreed that a focus on and support for the development of social impact frameworks is an important aspect of their approach to grant making.

TABLE 24: NFP - SOCIAL IMPACT FRAMEWORKS

ASPECT	PERCENTAGES		
	DISAGREE	NEITHER	AGREE
Our evaluation framework allows us to assess the social impact of our work on the community	31%	21%	48%
We place a priority on identifying the strategic impact of the projects which philanthropy funds	11%	11%	78%
We have a social impact framework that allows us to assess the impact of our programs across the community	46%	18%	36%

Similarly, 78% of NFPs agreed that they placed a priority on identifying the strategic impact of the projects they receive funding for, however, only 1/3 of NFP respondents indicated that they utilised a social impact framework to assess impact and slightly less than half agreed that the evaluation frameworks currently utilised by the NFP sector provide insight into the social impact of their work in the community.

Some philanthropic interviewees were critical of this lack of critical engagement amongst their peers, given the focus on “other sectors, particularly the non profit sector and their need to skill up”. They argued that that lens needs to be turn inwards as well, so that philanthropists can “take responsibility for skilling up” in order to maximise the impact of their philanthropic work.

*Traditional philanthropic organisations probably should start to be looking at much more of a professionalisation or a better understanding of what are the key skills and competencies and clearly that starts at governance level too and we should have much higher standards and expectations for boards of philanthropic organisations.*

Both philanthropy and NFP respondents were asked to describe attitudes towards and experiences with social impact frameworks. The word clouds are indicative of this ambivalence.

The results were summarised in word clouds presented in Figure 22 and 23. In analysing the word clouds, the largest size text were words mentioned most frequently, with the size of the text decreasing as the instances of mention declined.

FIGURE 22: PHILANTHROPY - VALUE OF SOCIAL IMPACT FRAMEWORKS

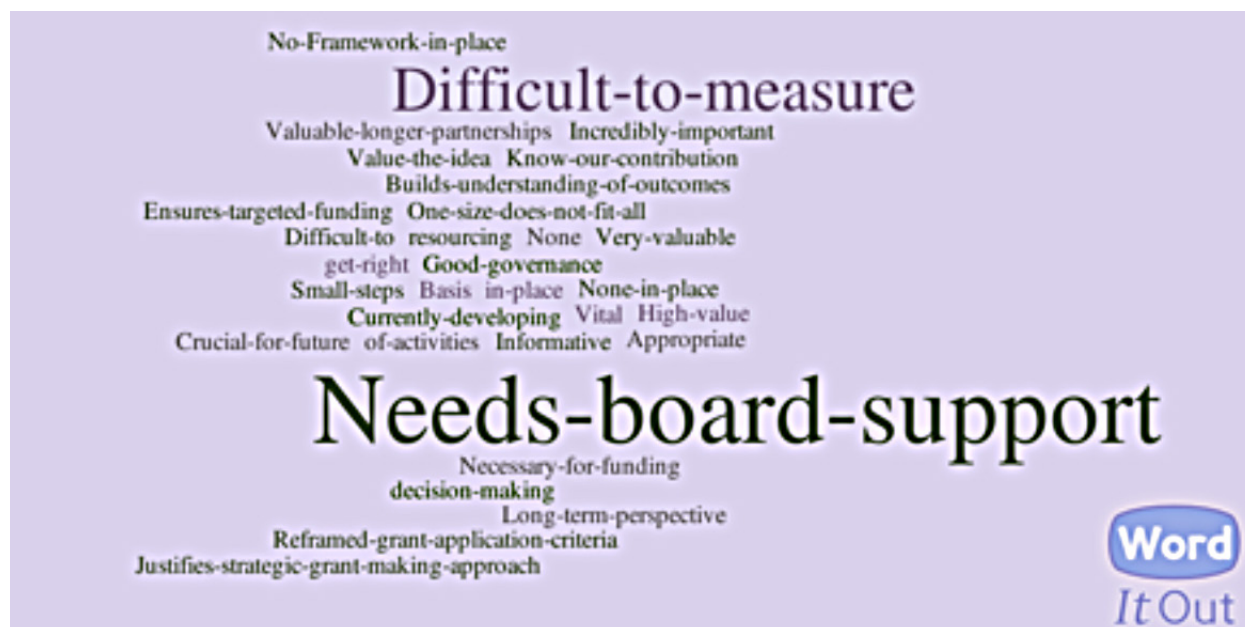


FIGURE 23: NFP - VALUE OF SOCIAL IMPACT FRAMEWORKS



Both word clouds reference the importance of social impact frameworks, comment on the difficulties associated with developing social impact frameworks and indicate a clear desire to continue pursuing opportunities to develop frameworks going forward.

A recent report from The Center for Effective Philanthropy, *How Far Have We Come? Foundation CEOs on Progress and Impact* make some useful suggestions in regard to how this might be achieved. Practices that can increase a Foundation's impact include working with organisations across sectors towards a shared goal, working with other Foundations toward a shared goal, seeking feedback from the ultimate beneficiaries

of Foundations work, supporting NFP efforts to collect data about their performance, scaling successful programs or organisations and impact investing. Their survey tool identified that:

- 77% of Foundation CEOs believe that Foundations do not do a good job of publically sharing what has not been successful in their experience
- 57% believe that Foundations should provide more funding to increase the availability of evidence about what works
- 55% believe that Foundations are too risk averse

This clearly is an area deserving more consideration.

## 7. CONCLUSION

This report has presented a snapshot of Australian philanthropic practice, and it is hoped that the insights provide a platform for conversations between grant makers and grant seekers as the sector strives to move towards best practice. We have focused on five key pillars of a good practice grant making framework:

1. Grant making philosophy
2. Capacity building and not-for-profit resilience
3. Scaling, replication and collaboration
4. The strength of the relationship between grant makers and grant seekers
5. Approaches to evaluation and social impact

In general there is optimism about the future of philanthropy in Australia and a genuine desire to continue to develop best practice approaches to social impact by both grant makers and grant seekers. All those interviewed were united in their commitment to address serious social problems and work collaboratively to support social change.

However, our survey revealed a disconnect between Australian grant seeker and grant maker perceptions around these issues, which was elaborated in follow up interviews.

A growing number of grant makers aspire to become more venture or catalytic in their approach, and are adopting the language of impact. However much of the practice on the ground is still conventional in nature and focuses on one-off projects requiring lower level of engagement. Relationship building, whether to donor-grant seeker relationship or peer relationships between organisations, takes time and resources. As a result, collaborative projects tend to require longer timeframes. Breadth of giving in short-term grants comes at the expense of the depth needed to make long term catalytic change.

Venture or catalytic philanthropists are interested in the scaling and replication of successful projects and in building collaborations for social change. Nonetheless, Australian philanthropic respondents indicated little support for funding the replication of projects in new locales or in funding the costs associated with collaboration or managing partnerships amongst grantees. They were seen by grant seekers as having an attribution mentality that got in the way of collaborative, cross-sector solutions that create real lasting change in the area.

Capacity building was seen by non-profits as essential in the face of a rapidly shifting competitive landscape, and essential to the success of grants. Unfortunately, half of philanthropic respondents rarely supported capacity building. Novelty bias, the desire to fund new things that aren't being done currently, presents a paradox for grant seekers: how does an organisation develop something new if they're not building capacity of some type? There has been an encouraging shift amongst the larger foundations and trusts moving into this area, which may drive a longer-term shift in norms.

Both survey and interview responses revealed that philanthropists have a far more favourable view of the state of relationships in terms of the quality of interactions and clarity of communication between philanthropic entities and the not-for-profit sector than their NFP partners.

Interview respondents from throughout the sector identified multiple causes for the mismatch between grant maker and grant seeker and experiences and impressions, and broadly felt that the responsibility and power to change the situation lay with trustees. 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". To do so, philanthropists must turn their critical eye on their own capacities and practices as well as those of grant seekers, elaborating their own theory of change and elaborating their own social impact.

The insights from this report establish a benchmark for the current state of play in Australia. It presents challenges, but also enormous opportunity for changes that will create positive change and increased impact of Australian philanthropy. The NFP sector is seeking stronger, more strategic relationships with grant makers in order to make that happen.



## 8. RESEARCH METHODOLOGY

This project furthers earlier research conducted in 2012 and published in 2013 in the report Arts Philanthropy – towards a better practice model. One of the outcomes of the research conducted in 2012 was a research tool, developed to benchmark trends in both the philanthropic and arts sectors with regards to funding, grant making and grant seeking practices. Whilst the 2012 research developed and tested this benchmarking tool in the context of the arts sector, this research refines this tool and extends its application to the wider not for profit (NFP) sector.

### 8.1 Research Process

The research process undertaken in this study consisted of multiple phases. The first phase involved the refinement of the benchmarking tool developed in the earlier study in 2012. This refinement involved review of feedback about the survey from participants in the 2012 study and refinement of the questions and design of the survey in line with such feedback. In the process of this refinement, some questions were deleted and others were added, to ensure cross-sector generalisability of the resultant benchmarking tool.

Once refined, the two benchmarking survey instruments, one for the philanthropic sector and one for the NFP sector, were pre-tested with both industry and academic expert panels to test for both face and content validity. In total, six industry experts and three academic experts participated in this pre-testing phase.

### 8.2 Data Collection Process

#### 8.2.1 Quantitative Phase

The research design for this project followed a mixed-method design. The first phase involved the administration of the benchmarking survey, as discussed above, to both NFP and trusts and foundations. The objective of this quantitative phase of the research was to utilise the refined benchmarking tool to ascertain the current profile of philanthropic support for the NFP sector from the perspective of Trusts and Foundations and NFP organisations and to collect data on the grant making experiences of those making grants and seeking grants in the NFP sector.

An on-line survey was used, with a survey development programme, (Checkbox v. 6.0), used to design and later administer the survey. Responses were sought from both NFP organisations and philanthropy/trust organisations. Therefore, similar surveys were designed for each group. The survey content contained the same constructs, with questions rephrased as appropriate. Specifically, the survey contained information relating to:

- Type and size of organisation;
- Types of funding support provided/received;
- Type of funding grants provided/received;
- Importance of the types of funding provided/received;
- Funding priorities;

- Opportunities for innovation within the NFP sector in the next 5-10 years;
- Opportunities for innovation in Philanthropy in the next 5-10 years;
- Experiences with Trusts and Foundations/NFP Organisations;
- Timeliness of grant evaluation process;
- Interactions with Trusts and Foundations/NFP Organisations;
- Evaluation and social impact;
- Comments on the value of a Social Impact Framework for the organisation;
- Examples of social impact evaluation models/frameworks (Refer to Appendix 1 for a copy of both surveys).

In partnership with Pro Bono Australia, the link to the NFP on-line survey was made available through the Pro Bono newsletter to all those subscribed to the receiving the newsletter via email. Moreover, links to the survey were included on banner ads on the Pro Bono website on several occasions.

However, the researchers also developed their own sampling frames for both the NFP and the Trusts/Philanthropy organisations. For the NFP organisations, the sampling frame consisted of a combination of various membership databases of NFP membership organisations and the addition of NFP organisations sourced from an Internet search by the researchers and research assistant. Criteria used to populate the sampling frame included organisations which had received a philanthropic grant from an Australian Trust and/or Foundation in the last three years. The total sample size for the NFP organisations was 553 organisations. The sampling frame for the Trust/Philanthropy organisations was also generated by the researcher searching the internet based on the Philanthropy Australia database. The total sample size of Trust/Philanthropy organisations was 258 organisations. For NFP organisations, the most appropriate person to direct the survey to, considering the content, was the Director/Manager, Grants Manager or Operations Manager. For Trusts and Foundations, the most appropriate person to direct the survey to was the Director, Foundation Head, or Grant Manager/Coordinator. The databases for both groups contained email addresses of the most appropriate contact for each organisation, their address and telephone number.

In total, following the sending of two personalised reminder emails in the space of six weeks, 81 NFP organisations and 50 Philanthropic and Trust organisations responded to their respective surveys. Therefore, the final response rates were 15% and 19% for the NFP and the Trusts/Foundations organisations respectively. These response rates are consistent with previous studies comparing web-based surveys to other forms of survey administration such as paper based and face-to-face (Kaplowitz, Hadlock & Levine, 2004; Heerwegh & Loosveldt, 2008). Figure 24 provides a profile of the respondent NFP organisations, in terms of their size, as determined by annual revenue. Similarly, Figure 25 provides an overview of the Trusts/Philanthropic organisations participating in the research.

FIGURE 24: PROFILE OF NFP ORGANISATIONS

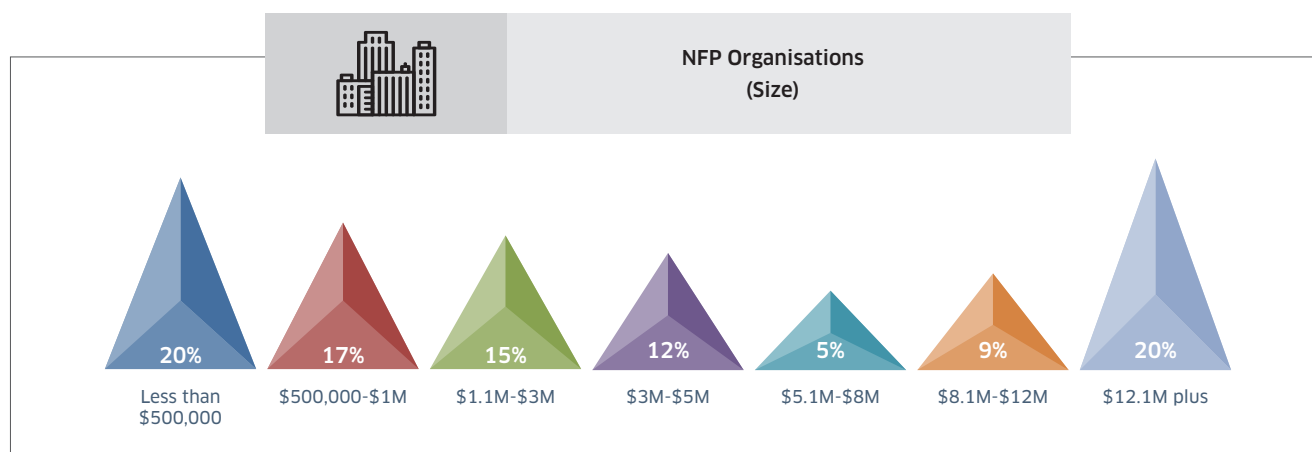
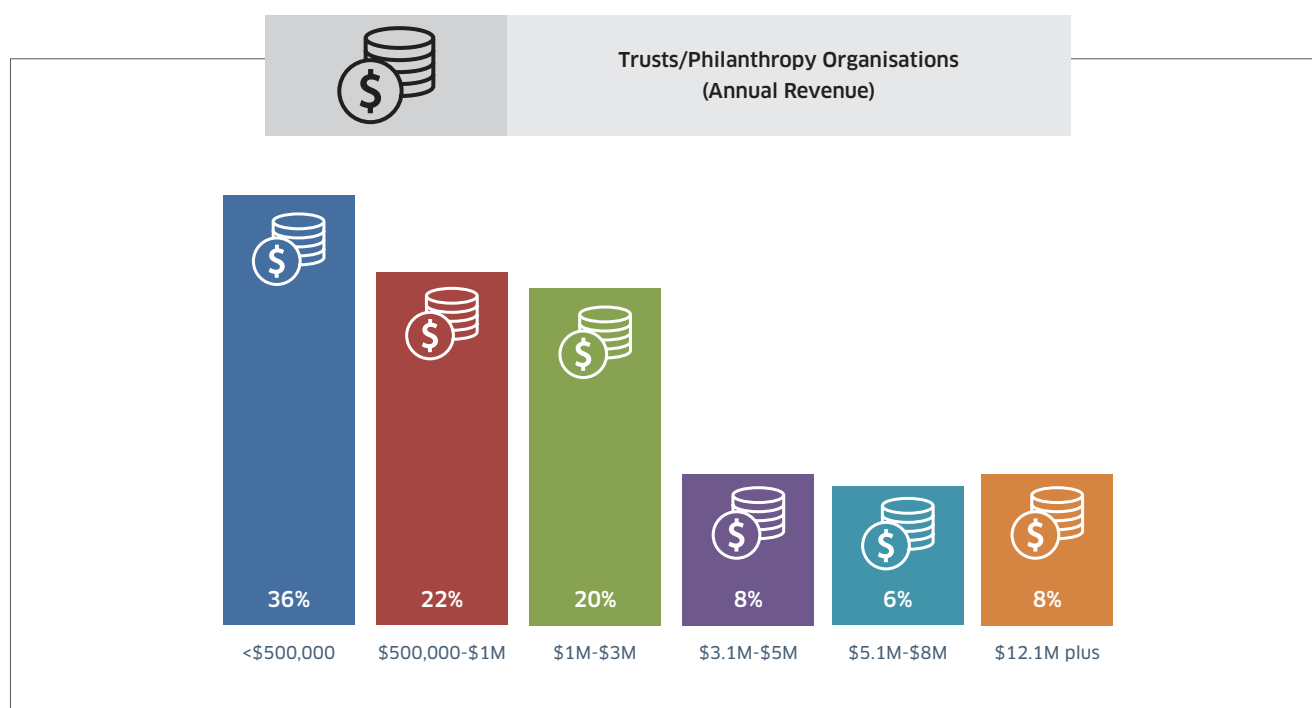


FIGURE 25: PROFILE OF TRUSTS/PHILANTHROPIC ORGANISATIONS



### 8.2.2 Qualitative Phase

Follow up in-depth interviews were conducted with both NFP and Trust/Philanthropic Organisations. The purpose of these interviews was to explore, in greater depth, some of the more interesting findings from the quantitative phase of the research. As there were some key areas of interest that the researchers sought to explore, semi-structured interviews were deemed the most appropriate form of data collection (Aaker, Kumar, Day, Lawley and Stewart (2007)).

All in-depth interviews were conducted between December 2014 and December 2015. An interview guide was used for each interview, covering the following areas:

- Grant making philosophy
- Capacity building and not-for-profit resilience
- Scaling, replication and collaboration
- The strength of the relationship between grant makers and grant seekers
- Approaches to evaluation and social impact

## 8.3 Data Analysis Process

### 8.3.1 Quantitative Phase

Being an on-line survey, data was automatically entered by the respondent through the Checkbox survey interface and responses were downloaded by the researchers from the server. To maintain integrity of the data, respondents with greater than 50% of data missing for any construct of interest were automatically removed from the analysis (Cavana, Delahaye and Sekaran, 2001).

In order to explore the relationships of interest, the analysis conducted were primarily those appropriate for categorical, interval and ratio data. Specifically, SPSS was utilised to conduct data analysis, with analytical methods including descriptive statistics, cross-tabulations and correlations to verify the existence of relationships between constructs of interest (Hair et al., 2006).

### 8.3.2 Qualitative Phase

The in-depth interviews were transcribed by the researcher as soon as possible after each took place. Following the transcription of each interview, each participant was given a pseudonym, ensuring anonymity in all cases. The data were analysed and coded according to Miles and Huberman's (1994) open, axial and selective coding strategies for qualitative data.

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