

philanthropy 20

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*Special Feature:
Business Partnerships for Progress*

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This clever scene depicts the issues raised in the play, *Could I Have This Dance?* performed during Huntington's Awareness Week and features Tania Lacy and Brenda Palmer. It was jointly sponsored by the Australian Huntington's Disease Association of Victoria and the Lance Reichstein Charitable Fund.

Picture by Emmanuel Santos

This edition of Philanthropy was provided through the assistance of Rothschild Australia which supports the Association of Philanthropy's objective to promote both strategic and effective private and corporate giving.

DISCLAIMER

Opinions expressed in this Journal do not necessarily reflect those of the Australian Association of Philanthropy Inc.

EDITORIAL

Philanthropy comes in many forms, but an underlying factor is the presence of a mechanism and the essential ingredients are often good organisation and good communications. In any human endeavour the results can often reflect the communication of a cause as much as the very cause itself. Without effective communication, the most excellent of causes can wither and die on the vine. This Journal, *Philanthropy*, is our attempt to communicate the good news but it is important for all those involved in charitable endeavours to get their message out to the wider community – if they expect its support.

For my own personal philanthropy, I recently took up the invitation to join Rotary. In past years I have always ducked the issue of joining although it has been raised after giving an after dinner speech at various Rotary clubs, with the excuse that my evenings were often committed to such events, which would rule out the type of commitment that Rotary might require. However, it is pretty difficult to extend this argument to 7.30 am breakfasts on a Monday morning.

The experience so far has been enlightening. In the month of March alone, our club of seventy members has raised \$46,000 in one evening at its annual Charity auction, painted a house from top to bottom – including picket fences, in a joint venture exercise with the God Squad for an 84 year old pensioner and, played host to 600 Rotarians in honour of the visiting International President of Rotary. This Swiss gentleman made Australia one of a privileged few places among the 138 countries he could have chosen to visit during his year because his emphasis was on 'hands-on' giving and for that he was advised to come to Australia.

What makes a system like Rotary work. The theme of this year may hold the key – "Do what you believe in and Believe in what you do." The point of these few comments is to stress the fact that good intentions alone are not good enough – good works require good organisation in what you do.

In this issue we are concentrating on partnerships between business and the community. We have



included articles arising from the visit of the Prince of Wales to Australia earlier this year in his bid to have more companies consider extending the corporate social responsibility focus to the Asia-Pacific region.

We are also introducing a new segment for our members who are trustees and will include information on investment issues. This first journal will include material from Rothschild and later editions will have similar issues covered by Potter Warburg – who came up with the idea, J.B Were and sons and others.

These are difficult and challenging times for Philanthropic trusts. The need has never been greater nor change more compelling, and the transition requires a new emphasis both on more effective giving and the efficient husbanding of funds.

We apologise for the delay in this edition which has taken second place to the preparation of our submission to the Industry Commission Inquiry into Charity.

Max Dumais

NEW ENGLAND REGIONAL, ART MUSEUM

– A Case study in regional fund-raising

By Joseph Eisenberg

I have come to understand why organisations put up those dreadful fundraising growth charts that monitor increasing revenue. Largely meaningless and an eye-sore to passing traffic, they none-the-less inspire all kinds of warm fuzzy feelings when the line passes the current target.

In just over five months, the New England Regional Art Museum has raised \$700,000 for extensions in a building program estimated at \$2 million. In our mental growth chart, passing the “one third of the way” mark seems a monumental achievement.

The highs and lows that the Stage Two Committee and other fundraisers have felt during this period can only really be shared by other fundraisers. That unexpected and spontaneous large gift has to compete with the outright “No’s” and the frustrating “Maybe’s in the future”.

Letters sent to the Art Museum are pawed over the minute they arrive; “Is there a gift in today’s mail?”; “Has a proposal met with an approval?”; “Have we received a list of new names sent by a supporter?” and so on it goes.

Like all fundraising campaigns there is a lot of hard work and we are always looking for more people to

join the asking team. It requires patience and perseverance and often dividends take time to materialise. We have, however, been very fortunate in receiving great support including gifts “in kind” which have been worth far more than we had initially realised.

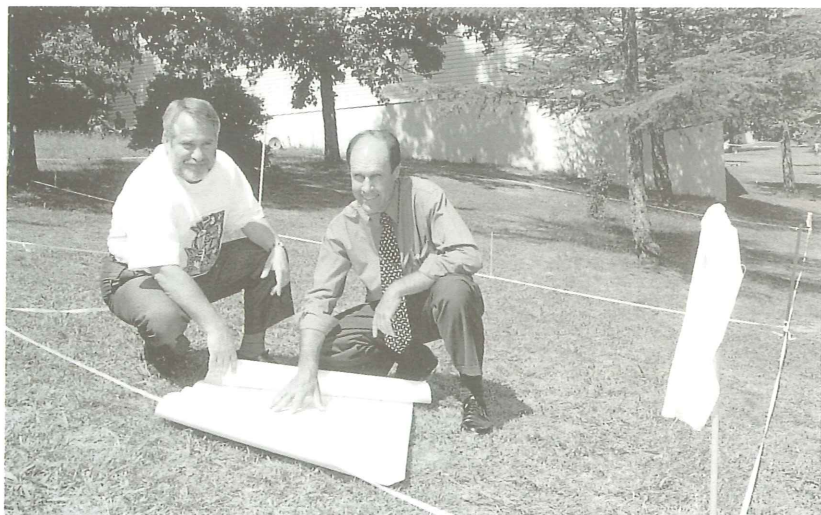
Allingham’s Removals, Hazelton Airlines, McGuigan Wines and Eagle Boys Pizza have now become regular sponsors. Being able to bring architects, artists and Sydney media to Armidale and having them be well catered for throughout the day has been crucial to the Campaign’s success.

To set up the office and put us on the road to visit potential donors in the region, KG Motors gave the Art Museum the use of a car. So too, New England Office Supplies, Peter Bailey Office Machines and Thom’s Retravision have all chipped in the early stages of the campaign.

Major gifts to date have included funds from the NSW Government (Ministry for the Arts), New England Electricity, Armidale City Council, Dumaresq Shire Council and Armidale Ex-services Memorial Club. Companies such as Coca Cola Amatil and the local firm of Chartered Accountants, Roberts and Morrow have readily come forward. The Vincent Fairfax



*Director Joseph Eisenberg
in front of the New
England Regional
Art Museum.*



The Director surveys the plans with architect, Colin Still.

Foundation has started the philanthropic ball rolling with a bequest to the Art Museum.

The Trustees of the Art Museum have, themselves, given more than \$65,000 and have been instrumental in approaching individuals and small companies throughout the New England Region for contributions. Individual gifts have come from as far afield as Sydney and Tokyo. Much support has also been given by ex-students of the Armidale Teachers' College and artists whose work appears in one of our four collections.

And there will be more. Now we have passed the "third" mark – that "two-thirds" mark looms before us. Most of the service clubs have been spoken to and all have indicated their future support, either financially or with ideas for fundraising.

Finally, we are catering in a special way to those who provide \$15,000 or more by providing them with a limited edition, boxed print set. Each boxed set will be a collector's item and worth around \$10,000. It will accrue in value annually which means that all donors of \$15,000 and over, will retrieve the value of their initial gift in a matter of years as well as owning a unique collection of Australian art.

Twelve Sydney artists and a printer have donated their work to produce these limited edition boxed print sets for the Art Museum's Stage Two campaign. The artists include the cream of contemporary Australian art – John Coburn, John Olsen, Colin Lanceley, Alun Leach-Jones, Kevin Connor, Cressida Campbell and Tim Storrier. Furthermore, Pat Corrigan, Executive Chairman of Pace Express in Sydney has made a major gift to ensure that each

folio of 12 prints will be immaculately presented in solander-quality packaging with full biographical and photographic details of each artist.

So far, four boxed sets have already been put aside for donors who have given more than \$15,000 and there will be only a further 21 made available.

Finally, the Westpac Bank joins the growing list of supporters by making it easier for people to donate to Stage Two by depositing at any of its branches throughout the state. We are impatient to see that infernal growth chart pass half, then two-thirds, then three-quarters, then seven-eighths.....



Peter Collins, NSW Treasurer and Minister for the Arts.

COULD I HAVE THIS DANCE?

– When Art and Welfare meet



Tania Lacey and Brenda Palmer in *Could I Have This Dance?*, sponsored by The Lance Reichstein Foundation and The Australian Huntington's Disease Association of Victoria. Picture: Emmanuel Santos.

Jeannette Glendenning fumbled for the tube of lipstick on the desk. She held it tightly in both fists and tried to put it on her down-turned lips. Shaking violently, it went all over her forehead. The scene ended. The audience was silent.

That is just an example of what it's like living with Huntington's Disease as elegantly dramatised through the Australian production of *Could I Have This Dance?*. Written by American Doug Haverty, the play enjoyed a three week season in Melbourne last year. It attracted theatre-goers, the Huntington's community, and Victorian philanthropists alike. *Could I Have This Dance?* was a highlight of Huntington's Disease Awareness Week, organised by The Australian Huntington's Disease Association of Victoria for their twentieth anniversary year.

The idea of bringing the award-winning play to Melbourne was on the back burner for over twelve months. Last year however, under the inspired leadership of President Kay Gallagher and Executive Officer Tim McCarthy, The Association worked tirelessly to finance the project and get together a dedicated team of professionals to produce it.

The Lance Reichstein Foundation and The Australian Huntington's Disease Association were the major sponsors and The Ian Potter Foundation and Wesley Central Mission also made financial contributions. These organisations not only showed commitment to health and social welfare in Victoria, but also imagination and faith, able to visualise the script as a mainstream theatre success.

The Australian Huntington's Disease Association also sought the help of director Ray Mooney and producers Mystic Productions. Their faith in the script was unshakeable, and energy and good sense second to none. Cast members Tania Lacy, Brenda Palmer, Saskia Post, Jim Daly, Dave Murray and Stephen Whittaker, worked tirelessly with Huntington's families to truly understand and portray the pain of living with HD. Brenda Palmer, who played Jeannette, the character with Huntington's Disease says: "this role was a very poignant one. Her daughters have given up talking to her directly and you get the feeling that she is talked about rather than to. *Could I Have This Dance?* has helped people understand that there is a person behind the disease".

Theatre, as a publicity tool, has only recently been explored in Australia. The success of *Could I Have This Dance?*, *Mrs X* and *Duet For One* will hopefully inspire other philanthropic, health or welfare groups to marry welfare and art, and therefore attract and educate the general public about prevalent social issues.

Media coverage for *Could I Have This Dance?* was extensive, indicating that real-life issues are of interest to the general public, and therefore to the media. The play, and Awareness Week, attracted seven radio interviews, sixteen newspaper feature articles and six national magazine features. The most far-reaching and exciting media coverage however was television. *Live It Up*, a Channel 10 midday issue-

talk-back show with Trish Goddard, spearheaded the campaign with a half hour feature on Huntington's Disease. Scenes from the play, and interviews with people from the Association - were interdispersed. All interviewees came and left together, listening to personal stories they knew so well, but anxious to support their colleagues in their media debut. It was the HD family spirit in action.

Bert Newton's *Good Morning* also responded to the cause with a spot on Dr. Sally Feelgood's medical slot. Janice Cameron, an Association committee member talked about what it was like living with the threat of Huntington's and her decision to take the presymptomatic test. The ABC's GP also programmed a show about a man with HD to coincide with Awareness Week. All three television programs were key in raising community awareness of Huntington's Disease, and inspiring interest in *Could I Have This Dance?* and Awareness Week activities.

Could I Have This Dance? and Huntington's Disease Awareness Week were organised expertly and tempered with genuine warmth and compassion. The Association approached the tasks with familial dedication, but also gave outside workers professional leeway. It was pride that made *Could I Have This Dance?* so successful and the willingness of all Association members to give their utmost.

Now in their twenty-first year, and with excitement of 1993 Awareness Week behind them, The Australian Huntington's Disease Association are busy raising funds for another dream, a new residential facility for people in the earlier stages of Huntington's Disease. If the success and professionalism of Awareness Week and *Could I Have This Dance?* is any indication of what the Association can achieve, then Victorian HD families have much to look forward to, and other non-profit service organisations a lot to look up to.

This article was prepared by Donna Sue Robson who is a freelance journalist and publicist.

For more information on Huntington's Disease contact The Australian Huntington's Disease Association of Victoria, phone 03/563 3922 or fax 03/563 3489.

COMPUTERISED TRUST ADMINISTRATION PACKAGE

The Australian Association of Philanthropy, with the financial assistance of Myer, Schutt, Sunshine and McKay trusts, has commissioned the development of a computer package to assist in the day to day management of trust affairs.

The program is presented in a user-friendly windows environment for IBM compatible machines, and will be also available in Apple.

The program assists from the receipt of application, through to Trustee consideration to final decision and ongoing monitoring.

A database is developed on which the history, trends and patterns of giving for the trust can be determined. The aim is to ensure that the language employed across the sector becomes common enough to provide accurate and realistic information on the effects of trust activity in Australia.

The cost of the Package is \$2,500, which includes three days installation, on-site tuition time and ongoing telephone advice from Karen Bingham & Associates, who have developed the program.

For further information, contact:

Max Dumais

Association of Philanthropy

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CHILDREN'S MEDICAL RESEARCH INSTITUTE

A LEGACY WORTH LIVING FOR.....

One of the greatest legacies we can leave future generations is good health. Already we revere the work of scientists and medical practitioners in recent history who have kept our own generation free from smallpox and polio and it is this kind of radical result that reminds us of the value of pure research.

The Director of the Children's Medical Research Institute, Professor Peter Rowe, is passionate when he speaks about this subject. What he sees, and is always keen to reveal, are the obvious benefits that come from the basic research currently being undertaken at this ultra-modern facility at Westmead and which will have an impact on the lives of our children and grandchildren.

The CMRI is analysing the genetic make-up of humans in order to best understand how things should be, and what happens when problems occur. Among its specialised areas of interest is the research into the fundamental design and composition of cells

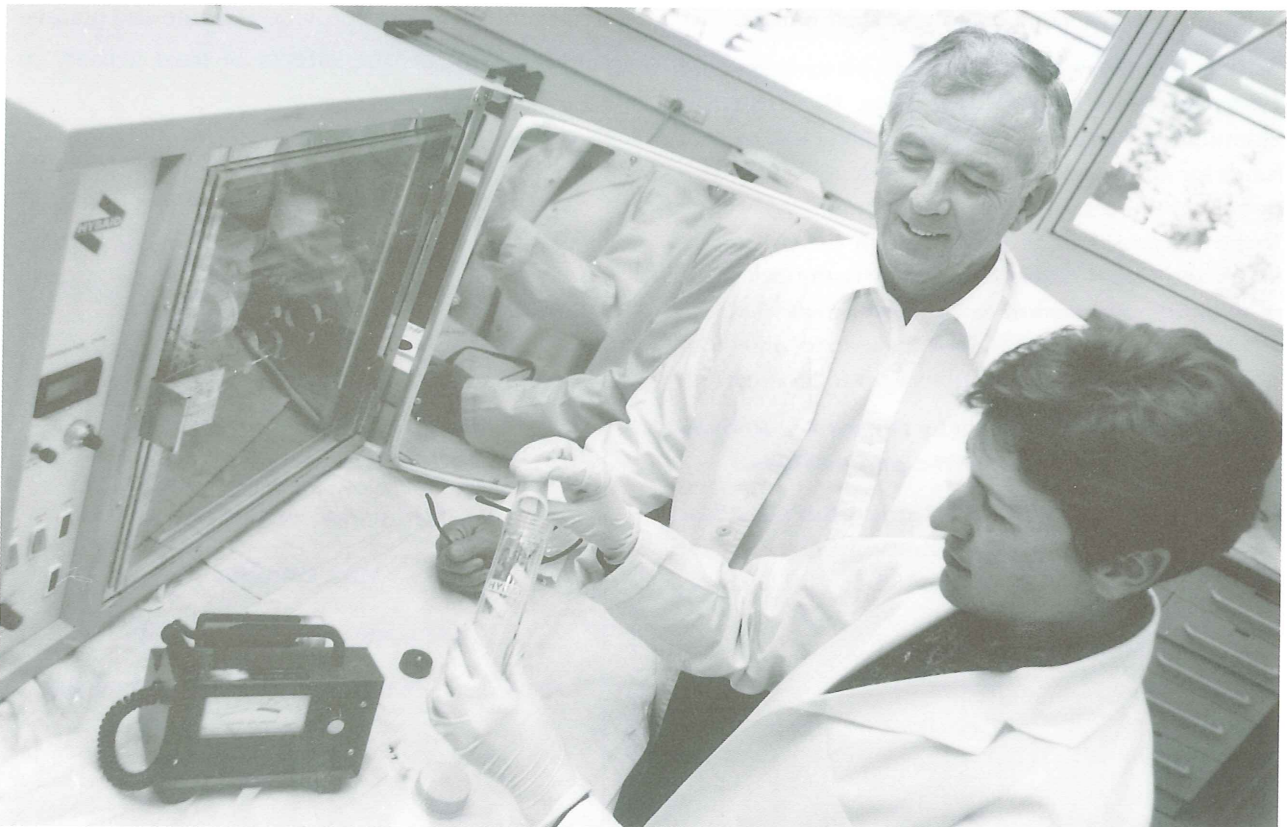
particularly those that cause many types of cancer, also spina bifida, muscular dystrophy and cystic fibrosis.

They are also studying the properties of muscles and how they form and function and have received attention recently concerning a major contribution to a heart muscle program. The CMRI is also keen to completely understand how and when congenital defects take place in the young embryo in order to prevent their occurrence.

Closing in on Cancers.....

Such valuable research and its results have enormous implications for lifestyle and the nation's health budget.

Each day brings Professor Rowe and his team of dedicated scientists closer to finding the clues to unlocking the secrets of various diseases that can impede a child's normal development.



Professor Peter Rowe and Ms Elizabeth Keirnan working towards better health for all children.



Professor Peter Rowe and Rear Admiral Peter Sinclair AC, review the labs at CMRI.

"Things do change largely for the better as a result of research, but it is a massive task in time and resources", Professor Rowe said. "Each research area of CMRI is lead by a specialist in his or her field and the results can be anything from extraordinary to exciting.

"For example, the current work of our Cancer Unit, led by Dr. Roger Reddel, is already contributing greatly to understanding one particular gene's role in cancer", he said.

This gene appears to have a major role in suppressing tumours and controlling the growth of cancer cells and Dr. Reddel's results show that mutations in this gene are notably common in many types of cancers.

"In most cases the p53 gene has become damaged, for example by ultraviolet light or other carcinogens, in the cells that eventually form cancers", Dr. Reddel said.

"Rarely, a mutated or damaged version of the gene can be passed on from generation to generation. But

family members who inherit the mutant p53 gene have a greatly increased risk of a variety of cancers, often occurring at an early age", he said.

"We know that among the many functions proposed for p53 is its ability to protect our cells from damage to their genes. In a normal cell, when DNA damage occurs p53 is called into action to stop that cell reproducing itself until the errors are repaired. If the damage cannot be repaired within a reasonable period of time, p53 is involved in ordering the cell to self-destruct so that the damage will not be perpetuated.

"So, when p53 itself gets hit by a carcinogen, the cell loses a valuable protection mechanism against further genetic errors occurring. When sufficient damage accumulates then cancer may result", said Dr. Reddel.

This work is relevant to the future health of millions of Australians.

Intensive care and Extensive costs....

Like many scientists involved in research in Australia, Professor Rowe is quick to remind us that basic research is generally arduous and slow to bear results, and it requires an enormous amount of time, equipment and labour if you are to maintain a standard of work of the highest calibre that the Institute demands of its staff.

"Funding is always a major challenge for us, particularly as we receive no ongoing financial support from governments, universities or hospitals which has been a common misunderstanding in some sectors of the community", Professor Rowe said.

"Our original Board did have the foresight to set-up a capital fund and all donations have provided continual income for our work. However, the current interest rates have affected our operational income quite severely and we are looking out for ways to overcome the shortfall", he said.

The CMRI has the back-up of an extremely hard-working network of voluntary fundraising committees throughout New South Wales and does receive special grants and donations from time to time from the government and private sectors. This

year the team has approached the whole fundraising issue with a serious commitment that includes a major charity auction "Jeans for Genes" and a direct mail campaign to past, present and potential donors. The Institute has registered as a charity and is administered by its own Board of Directors.

Looking for the research dollar.....

When asked, most people are supportive of research even when they realise it may not benefit them directly or that it may not bring advantages until the next generation. It seems most of us have been touched in some way by the tragedy of a child suffering an illness that may have been preventable.

Despite the excellent prospects demonstrated by encouraging results, and the rhetoric of many governments who praise the value of research and development, it is still hard push to raise funds in Australia.

Professor Rowe and his team are keen and able to demonstrate the often unpredictable benefits of their research in paediatric health and medicine.

While we may thank the previous generation for discoveries that improved our quality of life, our children and grandchildren may thank us in the future for the benefits brought from today's research.

STOP PRESS:

Summary of the AAP Submission to the Industry Commission on Charity

The Association's submission deals with a number of matters raised and discussed at a number of meetings, luncheons and the Annual General Meeting. The following points sum up the proposals:

- The need to maintain a Government incentive for unrestricted levels of charitable donations.
- The importance of tax deductibility as the incentive rather than tax credits or rebates.
- The need to extend the understanding for "Public Benevolent Institution" (PBI) to include a further range of services to that category of beneficiary which currently justify PBI status to include preventative, coordinative, research and others.
- The need to allow charitable funds to accumulate to a reasonable size.
- The need to provide one general understanding of PBI for all federal and state purposes.
- The removal of capital gains tax on assets left to PBI's.
- The need for common legislation defining "*authorised trustee investment*".
- The need for accountability and a system of self-regulation for charitable trusts and foundations.

FEATURE – TRUSTEE REPORTS

INVESTMENT MARKETS REVIEW

By Tim Hughes, Investment Director, Rothschild Australia Asset Management Limited

Most charities and foundations rely substantially on their investment earnings to finance their work. Unfortunately the words “predictability” and “investment” rarely go together. As a consequence, cash flow planning has been difficult and, as a response, many funds have placed a substantial emphasis on cash and fixed interest investments. However, the sharp fall in interest rates over recent years has exposed the fact that this strategy too has its weaknesses, although the full impact on investment income of lower Government bond rates may not be felt until existing holdings mature and have to be replaced by much lower yielding securities.

There are no magic answers to the problems of lower interest rates and volatile share markets. In my view the two most important things that can be done to ameliorate their impact are to have realistic expectations and to plan for the long not the short term.

As regards expectations, too many investment funds think a 10% return is easy and that they should be able to spend all of this each year ie. without eating into their real capital.

Reality is quite a bit different. The average real or after inflation return from cash and fixed interest securities over the course of the century has been around 2%, while the average real return from shares has been around 7%. This suggests a baseline real return for a traditional low risk portfolio of, say, 70% investment in fixed interest and 30% invested in shares would be around 3.5%. If history is a guide, such a fund could only take 3.5% out of the portfolio each year without eating into the portfolio's real capital value.

Fortunately, in our assessment, real investment returns should be significantly above these long term averages for the next few years due to investors reaping the rewards of the major structural changes being wrought in the Australian economy. As a consequence, a 70% fixed interest, 30% equity portfolio could be expected to provide real returns of 5% to 6% over the next few years. That is a very good real return and to rely upon a higher number would be risky indeed.

Inflation and interest rates are likely to remain low. So called growth assets, such as shares, will provide a lower income return in the short term than, say, fixed interest. However, unlike fixed interest coupon payments, dividends grow over time. A 4% dividend yield on, say, \$1 million invested in shares today with the annual dividend growing at 10% per annum would climb to a 6.5% pa yield on that \$1 million in

5 years time; a 10.4% pa yield in 10 years time; and a 16.7% pa yield in 15 years time. The long term income rewards of being prepared to weather the short term volatility of share investment could be very substantial indeed.



We view the current economic and market environment as being very positive for investors. While many investors have been concerned at the recent uncertainty and volatility in markets, in our view such concerns are not warranted. There has been no fundamental change in either the global or Australian economic outlooks. Rather, economic growth is gradually strengthening in most world economies and with it the outlook for corporate profits, while inflation remains firmly under control.

Some in the financial markets are now anticipating the end of the economic cycle, when it has only just begun. This is particularly perplexing when all the indications are that this economic cycle will be both less dramatic in its extremes and more prolonged in its extent than those of the past two decades. Australia's recovery is now over two years old, although there has only been a general recognition that the recovery is actually happening in the past six months.

A particular feature of this recovery and the factor that most distinguishes it from other recoveries is the persistence of low inflation and low inflationary expectations. The importance of low inflation for share investment is that it leads to low interest rates, high rates of investment, more sustainable economic growth and allows business to plan with greater confidence. Against this environment, the prospects for Australian industrial shares are particularly good. Indeed profits in their third year of strong growth are expected to continue for at least another two years.

But low inflation is not only good news for shares, it is also very positive for fixed interest investors. While bond rates have fallen to their lowest levels for over 20 years, they are still high relative to inflation. Hence, once you have adjusted your expectations to low inflation living, bonds continue to provide quite attractive levels of income with low levels of risk.

FINANCIAL INVESTMENT ISSUES

– A Round Table Discussion

This on-going feature will cover topical investment issues facing our members and wider readership. It is not intended nor possible to provide a comprehensive analysis here. Rather, we aim to highlight investment related matters which may be of significance to our readers.

The topics for this inaugural article arose from a recent round table discussion at Rothschild (a member of our Association), hosted by Michael Ohlsson – Business Development Manager responsible for Rothschild's relationships with Charities and other Tax Exempt organisations – and was attended by Max Dumais and representatives from several leading Victorian Charities, Trusts and Foundations.

Given that some recent excellent investment returns, particularly from fixed interest securities, are not expected to continue over the short to medium terms, what strategy should trustees employ?

Certainly funds invested in fixed interest securities can not expect the returns of up to 20% p.a. achieved over the past 3 years to continue in the foreseeable future. Consequently it is imperative that trustees think about reserving some of the recent years windfall gains, rather than overspending immediately, thereby retaining some surplus to cover the leaner times to come.

On-going programs of charities and foundations are often funded from the dividend and interest income from investing the corpus of the charity's funds. It is very difficult to continue funding these projects when investment income drops significantly during sustained lower inflationary periods such as the one we are currently experiencing. Consequently trustees should resist the temptation to overspend now – rather hold back some expenditure to ensure the longer term survival of projects. However, there is a serious problem with the retention of earnings in as much as the charity's tax exempt status could be put in jeopardy – an anomaly which will be challenged through the current Industry Commission inquiry into charities

Where can trustees get assistance in setting their investment objectives and strategies, and in monitoring their investments whether made direct or through a fund manager?

The issue of investment advice often comes down to cost – unless the Board of Trustees is fortunate to have someone with a finance background among them with contact in the investment industry. Larger charities and foundations can often afford to pay for investment advice particularly from asset consulting firms (who mostly provide advice to superannuation

funds) and financial planners. The smaller funds have to rely on the goodwill of accountants and other professionals who do not necessarily have the required investment experience.

Alternatively, a few investment managers have specialist products, such as Rothschild's Five Arrows Charities & Authorised Investment Trust, whose investment profiles are constructed specifically to meet the needs of most tax exempt organisations – aiming to provide a consistent level of distributable income with some capital growth (in excess of inflation) over the medium to long term.

What should trustees of charities, estates and foundations be aware of when restricting the investment decisions of their fund managers?

Many trustees feel that for ethical reasons the funds entrusted to them should not be invested in certain areas – common ones include alcohol and cigarette companies and casinos – whereas other Trustees have such restrictions imposed on them by their Deeds (or equivalent establishing document).

Some fund managers including Rothschild are experienced in structuring portfolios which comply with stock selection restrictions imposed by their clients. However, the fund manager would not normally be under any obligation to check whether the trustees have the right to impose such restrictions. The trustees need to be careful that their Deed allows them this discretion. Otherwise they could be accused of investing outside of their charter – giving rise to unfavourable publicity and even legal action. Also, bear in mind that investment restrictions imposed on a fund manager have the effect of reducing potential returns.

What is an appropriate investment portfolio for a charity?

There is no correct answer to this question – it depends upon the funding needs of the charity and the risk/return criteria set by the trustees. So called "growth" assets, such as shares, deliver higher long term investment returns but with commensurate higher volatility (or risk) particularly over shorter time periods. Many trustees of charities retreat to the perceived safety of government bonds and bank deposits. However, whilst offering excellent short term security these investments also deliver inferior medium to long term returns.

A balance can be achieved in a portfolio where there is diversification between different asset classes, that is, a mix of fixed interest and shares, and where caution is applied to the type of "growth assets" that are invested in eg. a focus on "blue chip" shares rather than speculative stocks.

COUNTING THE BENEFITS

35 Keys to Effective Grant Evaluation Procedures.

This article by Robert Matthews Johnson is reproduced with the kind permission of Foundation News from Vol 34, No 3, May/June 1993.

As the need for the scarce grant dollar grows more intense, so does the need to make certain those dollars are spent as effectively as possible. Hence the question of how to evaluate the consequences of grant-supported activities has risen to the fore-front.

One result is the development of a handbook on evaluation, created by a council on Foundations (US) committee of grantmakers who reviewed dozens of evaluation projects. Nine case studies – those with the richest potential for describing the essential elements of evaluation by large and small foundations and grantees in the fields of education, the arts, social service, youth employment and civic affairs. Evaluation costs ranged from \$1000 all the way to hundreds of thousands of dollars.

Across this broad range of activity, 35 recurring characteristics of successful evaluation stood out. While we don't include here the details of the real-life experiences that displayed these characteristics (you'll have to read the book 'Evaluating Essentials for Small Private Foundations'. Council on Foundations, USA, 1991 for that), the list of the 35 keys is a useful summary of evaluation first principals.

FIRST STEPS

1. Think of evaluation as a management tool. You and grantees can use it to obtain feedback to improve programs and stimulate good planning. It also generates essential information to use with important outsiders. eg public policy people, other funders and non profits, media and other constituencies.
2. Develop in-house knowledge about evaluation. You don't have to conduct your own evaluations, but you do need to put together the right evaluation arrangements and see it that the results are put to good use. That takes some knowledge of the field.
3. Encourage grantees to develop their own abilities, to monitor their work and either evaluate it themselves or get it evaluated by others. Only then will they begin to know what they are doing and be able to capitalise on that knowledge. Perhaps the first step is to persuade grantees to install the good record-keeping practices essential to any effective evaluation.

4. When you do take the initiative in evaluation, find ways to make grantees your partners in process. Let the results belong to and benefit both of you. Step back and take a broad look at your grantee's field of concern. Evaluate a cluster of grants. Avoid 'kill-or-continue' evaluations dominated by the issues of renewed funding.
5. When deciding which programs to evaluate, choose the ones that are really worth it. Consider the following criteria:
 - the importance of the ideas involved
 - whether they are innovative
 - whether the programs affect significant numbers of people
 - how much talent and money are at stake
 - whether the evaluation itself has the potential to provide new intelligence
6. Make sure the people who can make the most important use of the evaluation are involved as stakeholders in planning and carrying out the evaluation.
7. Do not be overly impressed with what has been done or written so far in the evaluation profession. There's plenty of room for improvement and new approaches.

GOOD PRACTICES

8. Start early. When evaluation is planned at the same time the program is planned it can contribute to overall program design. Nothing sharpens program design. Nothing sharpens program planning better than having to answer the basic evaluation questions:
 - What are you really trying to do with this program?
 - What is going to happen that can tell you whether or not you have succeeded?
 - How will you know if it happens or not?
9. Don't try to evaluate everything. Try to get everybody to focus on the essential first questions: 'What is it that is most important for us to find out?' A clear statement of how the evaluation is linked to the purposes and the open questions of the program should be made part of the evaluation's records. Articulating what you chose to evaluate and why is, in itself, a very useful part of the process.

10. Be flexible. Allow for change or expansion in midstream if program objectives change or evaluation data show an important new direction for inquiry. Preliminary findings may show an unexpected program result – a ‘side effect’ that may in the end be one of the most important outcomes of the whole program experience. Such findings deserve more evaluation attention.
 11. Insist on evaluations that do not just count the hours that shine. Evaluations should of course not be hatchet jobs, but neither should they be ‘Valentines’. It is important to suspend judgement a little bit, to tolerate disappointments as well as successes.
 12. Evaluate at the level of the people who will ultimately be affected by the program. The most trustworthy and useful evaluations are those that get answers directly, rather than from other institutions and professionals.
 13. See that your evaluations take a longer view over time. Longitudinal studies, annual reviews and follow-ups after an initial study are much more revealing than a one-time shot. A cycle of interaction between programs and their evaluations can be set up: program planning, program experience, evaluation, learning, and then back to program planning.
 14. Place more value on indications of behaviour than on opinions. The most important part of evaluation planning is determining what are the best available indicators of success, and the strongest indicators are those that show behaviour.
 15. Look not only at the quality of a program (whether it's good or not) but also at it's worth (whether it's needed).
 16. Respect previous work. A good evaluation builds on what is already known.
 17. Use a variety of evaluation methods for different purposes or sometimes side by side for verifying or contrasting. Combine quantitative and qualitative; get some numbers and some personal documentary accounts.
 18. Squeeze everything you can out of an evaluation. Compare, contrast, break down, and look at the impact of variables in several ways.
 19. Use evaluation as a chance to bring grantees together. Evaluate clusters of grants, and encourage these grantees to share ideas, information and reactions.
 20. Develop relationships with sources of evaluators – preferably before you need them – and keep scouting around for new and better ones.
 21. Find evaluators who are both disciplined in their approach to the task and convivial and tactful in their approach to people.
 22. When possible, find an evaluator who has an identifiable personal interest in conducting the evaluation you want. This can give you a better job and often lower costs.
 23. Know as much as you can about the professional interests and biases of an evaluator before you start working with him or her.
 24. Make sure the evaluation looks at political issues as well as professional ones. If the goals of a program are both to provide services and to make an impact in the field, whether and how that impact happens is crucial to the evaluation. This may not happen if the evaluator is locked into a service delivery perspective alone.
 25. Consider using an evaluation team, which will bring a diversity of viewpoints to the task.
 26. Be clear with evaluators as well as with grantees about who is going to be responsible for the design, implementation, interpretation and reporting of evaluations. Consider a written agreement or contract. Agree about who owns the evaluation, who releases the reports and how and when.
 27. Make sure the people who are being interviewed or surveyed are indeed representative of the universe of people the evaluation says is represented. How the evaluators reached these determinations needs to be clear in the reports.
 28. Insist on comprehension and precision both quantitative and qualitative evaluations. Findings need to be clearly based on available data, and interpretations need to be clearly based on findings. Case studies and other qualitative methods require just as much attention to precision as methods with lots of numbers.
- ### **FUNDING**
29. Budget adequate funds to do the evaluation. Mediocre evaluations lead to mediocre programs in the future. There is no easy formula for determining how much money to spend on evaluations. A modest program that shows strong signs of success, fresh ideas and potential influence, for instance, may warrant an evaluation that costs much more than the program itself.
 30. On the other hand, don't let anyone tell you that an evaluation can only be scientific or rigorous if you spend megabucks. Creative evaluations can help you find ways to keep cost down.

31. Involve several funders and pool the group's resources. The results should be better and receive more attention.

REPORTING AND DISSEMINATION

32. Give reporting and dissemination the importance – and the funding they deserve. Don't accept the first draft of the evaluation report as a sacred, all-purpose document. Chances are you'll find it could be better written and organised, the findings could be presented in a more informative manner, irrelevant information has been included, and pertinent information has been omitted. Two reports – one summary, one with detail – may be needed. While it will usually be to your advantage to have the independent evaluator clearly the sole author of the report (see Key 26), paying a good editor to help the evaluator may be a smart investment.
33. Use oral reporting opportunities – conferences, staff meetings, board retreats – to disseminate and discuss information from evaluation.
34. Keep track of the impact of an evaluation. This includes reactions to oral reports, who asks for copies, who responds to the reports with comments, who takes action on the basis of the report, and what happens at meetings where the evaluation is planned, reported or critiqued. One reason it is hard to find enough money to do evaluations well is that the impacts of evaluations are seldom documented.
35. Give everyone in philanthropy the opportunity to know what you are learning from evaluation activity. Inform foundations that you know are interested in the field of a program that is being evaluated. All should hear about your evaluations, preferably before and after they happen.

For any members interested in pursuing some of these matters further, please contact Max Dumais on 6141491.

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The Australian Youth Foundation Executive Officer

The Australian Youth Foundation's mission is to assist young Australians who are socially, financially, physically or intellectually disadvantaged to reach their full potential.

The Foundation is seeking an Executive Officer to:

- Provide leadership and co-ordination for a small staff team.
- Provide high quality support and advice.
- Provide sound financial advice to the Board regarding the Board's assets and investments.
- Establish and regularly report on accountability procedures.
- Co-ordinate the planning and organisation of national/state/local meetings.
- Facilitate good relationships between the Foundation, government and non-government agencies.

The Foundation will offer an attractive employment package valued at up to \$60,000p.a.

Information packages for the position are available from the Foundation on (02) 357 2344. For further information contact Ms Deirdre Tedmanson, Deputy Chair on (08) 341 5891 or Mr Emilio Ferrer, Treasurer on (02) 391 9483. The Australian Youth Foundation is an Equal Opportunity Employer. Women, people from Aboriginal and Torres Strait Islands backgrounds, people with disabilities and people from non-English speaking backgrounds are encouraged to apply. CLOSING DATE FOR APPLICATIONS IS FRIDAY 13 MAY 1994. Applications should be clearly marked "Staff-in-confidence" and forwarded to:

**Mr Brian Burdekin, Chairman,
Australian Youth Foundation,
Suite 302/134 William St,
East Sydney, NSW 2011.**

PARTNERSHIP FOR PROGRESS

Sustainable Development and Corporate Citizenship in Asia Pacific – an Australian Business Perspective

The following is the Executive Summary of a report prepared for the Australian meeting of the Prince of Wales Business Leaders Forum held in Sydney on January 25, 1994.

Australian business leaders, like their counterparts worldwide, face a period of unprecedented change, complexity and competition:

- Geopolitical transformation and increasing integration of the world economy, accompanied by the emergence of new technologies, markets and competitors, are creating threats and opportunities for business which were unthought of ten years ago.
- In the face of declining government intervention, private enterprise is also being called upon, to an extent greater than ever before, to play a leadership role in shaping not only the economic future, but also the social and ecological one.
- To survive in this new business environment, Australian companies are having to increase their competitiveness, their efficiency, their productivity, their ability to innovate and add value, their customer responsiveness and the quality of their products and services. They are also being required to do so in a way which is more socially and environmentally responsible.

The need for corporate vision and leadership has never been greater. Nor has the need for business to forge new types of partnership within and between industry sectors, between large and small-scale enterprise and between companies and their customers, employees, shareholders, suppliers, host governments and communities.

The following report is written within the context of these growing demands on Australian business. It addresses, from an Australian perspective, three of the key interrelated issues which will shape international business in the 21st century. Namely:

- The emergence of **Asia-Pacific** as the world's economic powerhouse, and the need to balance its economic dynamism and business opportunities with its ecological sustainability and social progress.

- Growing international consensus on the pivotal role of business in promoting this new approach to development, commonly referred to as *sustainable development*.
- Increasing pressure on business to be more accountable to a widening and more demanding set of stakeholders and to integrate *good corporate citizenship* into every aspect of doing business.

The report focuses on Australian business activities in some of the key emerging market economies in Asia-Pacific. Namely, China, India, Indonesia, Malaysia, Thailand, Vietnam, the Philippines and Papua New Guinea. It profiles examples of Australian companies which are linking their core business interests and/or their community investment programs, to the sustainable development goals of these countries. It focuses heavily on the concept of *stakeholder partnership* and aims to demonstrate that:

- **Stakeholder partnerships can play a valuable role in the strategic positioning of Australian companies in Asia.**
- **For any company wanting to be a world-class performer, good corporate citizenship and a commitment to sustainable development, must be viewed not as optional extras, but as core elements of successful business strategy and management.**

THE ASIA - PACIFIC CONTEXT

By almost any measure, Asia-Pacific is the most diverse, dynamic and challenging region in today's international business environment. No company aspiring to be a world-class performer can afford to ignore it. Nor can they ignore the region's enormous cultural and socio-economic diversity, or the environmental problems created by its rapid economic growth.

- President Clinton accurately commented at the recent APEC meeting in Seattle, that "*Asia's dominoes have become dynamos*" Impressive economic growth, booming trade statistics and stock markets, burgeoning middle classes,

rapid urbanisation and industrialisation, and seemingly insatiable demands for infrastructure development, are fuelling unprecedented growth rates in construction, production and consumption.

- They are also fuelling unprecedented growth rates in air, water and land pollution, deforestation, land degradation and species loss. Rates which have recently led the World Bank to report that, *"The environment is Asia represents one of the greatest development challenges in the world today."* They are costing millions of dollars in health and productivity losses, reaching an estimated 10% of urban GDP in some Asian cities.
- From a human development perspective, the growing affluence of the region's middle classes (living mainly in urban areas), is tempered by enduring poverty in certain population groups and regions. Over 700 million Asians still lack even the most basic necessities of food, clean water and housing, despite the growing number of imported cars and air conditioned office blocks in their capital cities.
- While some generalised statements can be made about the region, there is enormous diversity in terms of culture, physical and socio-economic characteristics, both between countries and within countries. By almost any measure – population size, GDP per capita, access to health services and consumer goods, resource availability, dominant language and religion, literacy levels and so on – there are substantial differences.

These three elements of :

- economic dynamism
- environmental degradation, from both an ecological and human poverty perspective, and
- regional diversity, from an historical, cultural, physical and socio-economic perspective create



Mr Peter Woo, Chairman, Wheelock & Company; HRH The Prince of Wales, President, The Prince of Wales Business Leaders Forum; Mr Robert Davies, Chief Executive, Prince of Wales Business Leaders Forum; and Mr Gary Pemberton, Chairman, QANTAS, at the PWBLF meeting at State Parliament House, New South Wales.

interrelated threats, opportunities and responsibilities for Australian business.

In the past few years a number of studies have been carried out in Australia to access some of these Asian business challenges (see appendix I). Three of the most common factors they have all identified as being crucial to Australian success in Asia, can be summarised as follows:

- Achievement of **"world-class" competitiveness**, to be able to compete both at home and regionally.
- Greater regional and cultural understanding to build relationships and "insider status" with Asian employees, customers, governments and communities.
- Ability and willingness to invest for the long-term and to demonstrate a **high level of commitment**.

Two of the strongest messages that emerge from each of these factors, and from the studies and business leaders which support them, are;

- **The critical importance of human resources and the needs to nurture and develop these, both at home and regionally**
- **The need for more and stronger partnerships between business and its many stakeholder groups, both in Australia and in host countries.**

A more people focused approach to doing business, combined with a growing emphasis on partnerships, can help business to achieve its competitiveness objectives in a way which also furthers the social and ecological needs of society. They also lie at the heart of sustainable development and corporate citizenship.

SUSTAINABLE DEVELOPMENT & CORPORATE CITIZENSHIP

More and more international business leaders are agreeing that sustainable development and corporate citizenship are likely to be key strategic issues for a business in the 21st Century.

Sustainable development is a broad concept which touches political issues as well as economic and the environment. First promoted by the Bruntland Commission in 1987, it is most commonly described as: *A state of development which satisfies the needs of people today without compromising the ability of future generations to satisfy their needs. At its most simple, it calls for economic efficiency, environmental responsibility and social equity.*

Business can promote sustainable development both through its core operational activities and through its relationships “beyond the factory gate” with host communities and governments. Its role is threefold:

- **Socio-economic development** – directly generating local wealth and employment, as well as fostering local business and enterprise, human resource development (education and health) and appropriate technology and infrastructure, to support self-reliant communities.
- **Cleaner production** – minimising waste in both the process of production and the products produced.
- **Efficient and equitable resource utilisation.**

Corporate Citizenship, has an obvious role to play in achieving all these objectives. It can be defined as: *The ability and willingness of management to proactively address the potential impact (economic, social and ecological) of the total business operation, on all its stakeholders (business, government and community).* While certainly not a new concept, it is receiving increased attention at boardroom level and in many companies is undergoing a fundamental shift in focus. It is moving beyond ad-hoc and often reactive philanthropy to proactive stakeholder management, integrated into both core business activities and community programs.

This shift is being driven by two apparently conflicting trends:

- **Increased competitiveness:** forcing companies to deliver “more with less”
- **Increased demands and power of stakeholder groups:** forcing companies to deliver “more to more”

While the latter is putting unprecedented pressure on companies to be better corporate citizens, the former is forcing them to do so in a more professional and efficient way. A way which gets maximum return for every dollar spent and which adds value to core business objectives and strategies.

Some of the key **Business Benefits** of greater social and environmental responsibility are as follows and are illustrated by Australian examples in the report:

- **Establishing and maintaining a licence to operate** in terms of acceptance by both host governments and communities.
- **Strategic market positioning**, either gaining access to new markets, launching new products, building market share and customer loyalty, or motivated and informed employees.
- **Improving operational efficiency and quality** through “eco-efficiency and/or more motivated and informed employees.
- **Enhancing human resources management and development**, via recruiting, retaining and motivating good employees and promoting team work and leadership development.
- **Promoting better risk management and access to financing.**

The report also illustrates some of the **Critical Success Factors** for integrating corporate responsibility into all aspects of a company's operations:

- **CEO Vision and leadership**
- **Development and implementation of clear policies and management systems.**
- **Greater co-operation and communication with key stakeholders**, such as employees, customers, suppliers, academic and research institutes, governments, local communities and social and environmental action groups.

1993 surveys on **Asia's Leading Companies**, carried out by The Far Eastern Economic Review and Asian Business magazine demonstrate **strong parallels between those companies which have made a strong public commitment to environmental and social responsibility, and those companies which have been voted as Asia's most admired and successful. San Miguel and Hindustan Lever provide two examples.**



HRH The Prince of Wales greets Mr Steve Burdon, Group Managing Director, Telstra Corporation. Mr Justus Veeneklaas, Chairman & Chief Executive, Phillips Industries; and Mr James Strong, Managing Director, QANTAS, are on the right of His Royal Highness.

FROM IDEAS TO ACTION

Australian business can make a valuable contribution to sustainable development in Asia, either through:

- its direct investment or export activities, or by
- supporting regionally-focused NGOs.

In almost all cases this contribution can be achieved in a manner which enhances, either directly or indirectly, the profit motive that is, and must, be the driving force of business.

A. DIRECT INVESTORS IN ASIA

Australian companies operating in these countries can work directly with local stakeholders in the areas of:

- **Environment, health and safety**
- **Education and training**
- **Enterprise development** – both in terms of helping host governments to establish the regulatory frameworks and physical infrastructure needed to promote efficient and responsible enterprise, and in terms of helping small and micro-scale business in both urban and rural communities.

The **mining, energy, manufacturing and tele-communication** sectors account for the bulk of Australia's direct investment in the region. They are industries where Australia not only has competitive

advantages, but also enormous technical and managerial expertise to share with host countries and communities.

Companies such as BHP, CRA, ANZ, Amcor, Fosters, Coca-Cola Amatil, Pacific Dunlop, Whites, Telstra, ICI, DuPont, Atlas Copco, Chevron, BP, Philips and Nusantara Television provide examples of some of the positive local impacts from sharing this expertise.

B. EXPORTERS TO ASIA

Australian companies exporting products and services to the region can also have a major impact, especially when these are **environmental, agricultural, technical or educational goods and services** – all areas in which Australia has specific commercial advantages.

The Australian **tourism and hotel industry**, is also positioning itself to earn increased levels of "eco-dollars" from Asian tourists.

C. SUPPORT FOR AUSTRALIAN NON GOVERNMENT ORGANISATIONS OPERATING IN ASIA

Many Australian companies are also forging partnerships with **Australian-based NGOs** which have regional operations and/or objectives, usually in the education, environment or development fields.

The NGOs' activities are greatly facilitated by the financial, technical and managerial resources which

business can offer them and the companies view their contribution as a useful marketing tool or strategic investment.

Examples include the Qantas – UNICEF relationship, Asialink's partnership with Mazda and Myer Foundations, the CARE Partners Program, and Australian corporate involvement in the regional activities of Earthwatch. The landcare and ACF – ACTU "Green Jobs" partnerships, although currently focused only on Australia, are other examples of practical partnerships which could be shared elsewhere.

LOOKING AHEAD

Australian companies can reap enormous benefits in terms of both business opportunities and competitiveness positioning, by taking a leadership role in promoting sustainable development in Asia. Some of the mechanisms they can use for increasing their activity in this area are:

- **Establishing and/or joining Asian business partnerships** either within or between industry sectors, to research and/or take action on key practical and policy issues.
- **Working with regionally-focused NGOs** on projects and/or policy issues.
- **Profiling, promoting and sharing regional "best practice"** in the areas of sustainable development, good corporate citizenship and stakeholder partnerships.
- **Developing the Australian and Asian "business leaders of tomorrow"** to be socially and environmentally responsible, through company training, business partnership and/or university and business school programs.

CONCLUSION

The report ends as it begins, with the assertions that:

- **Good corporate citizenship and sustainable development make GOOD BUSINESS SENSE and**
- **They have a vital role to play in corporate Australia's drive for GLOBAL EXCELLENCE and INCREASED REGIONAL PARTICIPATION.**
- The report is **anecdotal**, based largely on the words, ideas and actions of business people and their stakeholders, rather than on academic research or on professional survey methods (although these are obviously useful and important).

- It does not aim to be prescriptive, merely to **share ideas.**
- It offers only a small and random selection of examples and aims to **illustrate key issues**, rather than provide an exhaustive review of all Australian companies and their regional activities.
- It does not dwell on examples of companies which are not doing good, but rather **celebrates the success stories** and experiences of companies which are.

No company has an absolutely perfect record, nor do they pretend to. The drive towards sustainable development and greater social and environmental responsibility must be seen as part of a complex and on-going process. Business has a critical responsibility and role to play in this process, and most business leaders already accept that. **Moving this acceptance of responsibility at the CEO level, to action at the operational level is the key issue that needs to be tackled. It requires CEO commitment, clear policies, sound management tools and systems, and good communications.**

However business cannot do it alone. **The need for closer partnerships** between business, government and the non-governmental community (NGOs) is increasingly obvious. It was one of the strongest messages emerging from 1992 UNCED conference in Rio de Janeiro. It is a message that is emphasised and illustrated throughout this report. As we approach the 21st Century, be it in Australia, Asia-Pacific, or worldwide change and complexity will continue to dominate our lives. The only hope we have of managing it will be to do so as partners. CEOs must look to their employees, customers, shareholders, suppliers, governments, academia, the media, environmental and social groups and local communities, for support and direction.

As its core, this is what good corporate citizenship is all about. Vision and leadership from the top, clear policies and management systems, good communication, and stakeholder partnerships. By employing these factors companies will be well positioned to combine their economic objectives with their social and environmental responsibilities, in ways which make sense for the company, sense for the community, sense for the country and sense for the environment. This report will hopefully prove and raise ideas for further action.

CORPORATE CITIZENSHIP AND CORPORATE SOCIAL RESPONSIBILITY

An interview with Robert Davies, Chief Executive, The Prince of Wales Business Leaders Forum, during the recent visit by the Prince of Wales.

1. Corporate citizenship amongst management in Australia is still developing in comparison with that of counterparts in the US and the United Kingdom which would appear to have a longer association with corporate involvement in the community. What are the developments around the world which you consider might make it necessary for Australian managers to reconsider their company becoming more attuned to community needs?

There has been a huge increase in the number of countries in Asia, Africa and Eastern Europe undergoing dramatic social and economic change, and Australia – as a developed nation on Asia's doorstep – is ideally placed to capitalise on ample business opportunities. All businesses – including Australian businesses – must realise that community support in the countries in which they operate is essential in winning acceptance and sustaining business. If exercised by Australian management, it can further enable Australian businesses to earn and maintain "licence to operate". Several leading Australian businesses such as BHP, Qantas and Coca-Cola Amatil already have a good track record here. They demonstrate that it makes good business sense.

2. Would you consider the development of corporate citizenship more a question of 'leadership' or a question of 'largesse'?

Perhaps I can quote The Prince of Wales, who, when founding his Business Leaders Forum in 1990, said, "the next challenge for all international business is to develop a new world vision – a form of business ethic which sees this international commitment to good corporate citizenship as a natural part of business practice".

This is the key really. The challenge was not an appeal to traditional corporate philanthropy but



His Royal Highness Prince Charles and Robert Davies.

rather to enlightened self-interest. First, in order that both business and communities benefit from corporate social responsibility, the resources of philanthropy budgets must be allocated strategically.

But, secondly, what matters are the mainstream activities of business – investment, training, giving a lead to employees to play their part, technical assistance to community projects and ensuring that businesses own environmental act is cleaned up. We have clear evidence that good reputation brings greater results than simple good works.

3. The move around the world would appear to be in the direction of corporate strategic positioning and marketing in determining the goals and objectives for companies to consider becoming involved in their community. Do you consider it possible to develop corporate citizenship solely in terms of a marketing transaction, that is, on a 'quid pro quo' basis, or is there still room for altruism and enlightened self-interest to guide the decisions of corporate leaders?

The two are not incompatible – but in today's market conditions you cannot expect good corporate behaviour to be sustained purely on the sum total of the altruism of managers and employees. In the long term, decent business behaviour and active corporate

citizenship pays off. Social responsibility is becoming increasingly important to successful management. Insurance companies, for example, are now gauging the environmental risk performance of companies in which they insure and invest. Poor safety and environmental records can be very expensive. This is enlightened pragmatism and a form of risk minimisation.

4. *Is it appropriate to talk about the long-term strategic needs of the corporation being related to the long-term needs of society, and vice versa?*

There is a convergence between the two. We would not claim that issues of social injustice, poverty and social ill can be solved by business. There must be an adequate public policy frame-work, a safety net and strict and equal regulation of safety and environmental standards. But business has a growing part to play in a world which is increasingly rejecting centralised top-down government answers to social issues. On the one hand, business needs secure, stable and healthy communities in order to prosper. On the other, society needs sustainable business. The answer is really partnership – business working with communities and governments, with each doing what it does most effectively.

5. *Is corporate citizenship the prerogative of the board room or should it form part of a corporation's strategic aims and objectives with the full involvement of all levels of the organisation?*

It is essential that corporate citizenship forms part of the strategic aims and objectives of an organisation at all levels if it is to be effective. Due to the shift in organisational decision making in recent times, The Prince of Wales Business Leaders Forum acts as a catalyst to help companies at a local level, and encourages managers of like minded companies to work alongside each other. We are aware that employees have a key part to play here – both as active citizens in their communities, encouraged by employers. From the research presented by Hugh MacKay to our Forum in Sydney, it is clear that

employees and customers have higher expectations of business in Australia.

Partnerships with employees, customers and suppliers in community projects could be a winning formula.

In overseas markets there is a different challenge. Local managers often have less time and resources to get involved in these activities. But action is equally important. If a company gets it wrong in India for example, it can have repercussions with employees and customers all over the world. It can take years to re-establish a tarnished corporate image. One of the roles of the PWBLF is to produce mechanisms and techniques for effective involvement in overseas settings, often through partnerships with sound voluntary groups.

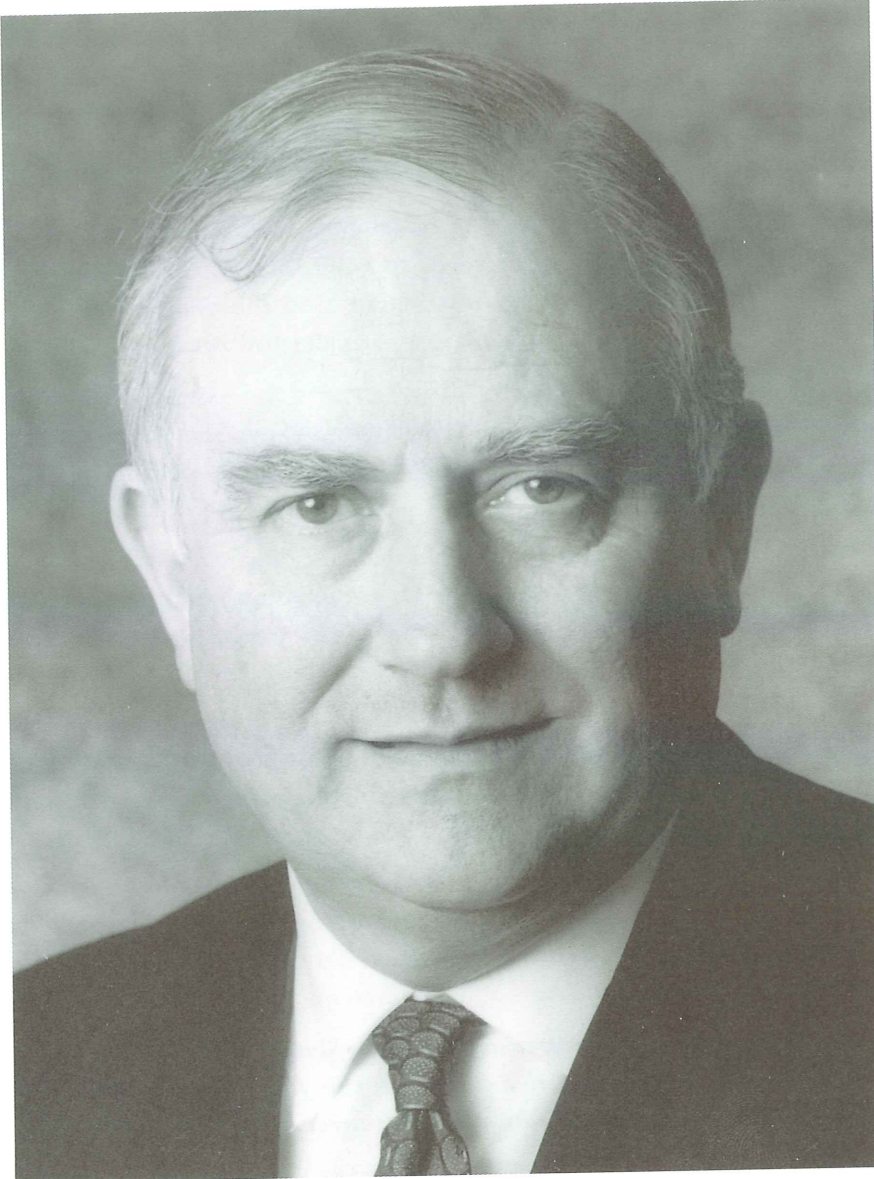
6. *Can corporate citizenship develop within a company without the allocation of specific resources to that end? In the final analysis, what is in it for the shareholders to see their company direct its resources into corporate citizenship?*

While corporate citizenship should permeate the whole business operation, I believe it has become essential for some resources to be allocated to good specific corporate citizenship practices. It can come from a combination of budgets. It is essential that businesses manage these relations in an effective way. This means not just central budgets strategically managed, but devolved budgets for local units and overseas operations. But technical assistance, equipment, help in-kind are all very important. Organisations such as yours also have a key role here to promote good practice.

We believe that strategically applied expenditure, communicated well to stakeholders, is positively encouraged by shareholders. Many shareholders are institutions with great concern about social issues. We have found that when Chairmen or CEO's make robust presentations of their community policies and activities to shareholders, they get nothing but applause.

BUILDING RELATIONSHIPS: THE NEW DIRECTION FOR CORPORATE AUSTRALIA

**TAKEN FROM AN ADDRESS TO PORT PHILLIP ROTARY CLUB
BY JOHN PRESCOTT, MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER OF BHP.**



Many Australian firms, including medium-sized ones, have already carved a niche for themselves in this tougher trading environment. They deserve the highest praise, and we should all take heart from their success.

However, if we are to build on these examples, and see the kind of flair and drive they exhibit spread throughout the business community, there is much more we can do. Building better working relationships is critical to international competitiveness.

With that in mind, there are some things which need to be stressed.

First, we need to re-think the relationship between employees and management at the level of the firm;

Second, we should develop more fruitful links between companies and the community.

BUILDING BETTER RELATIONSHIPS WITHIN COMPANIES

There is a shift towards building relationships as a key component of corporate philosophy. Certainly, it is an idea which deserves wider application in our economic life.

The global economy in which Australia must make its way highly competitive. Success will not go to the firms wedded to insular thinking and practices; rather, success will reward those companies who can make the excellent goods and provide the services that the world needs.¹

"I think it is widely understood that we are operating in a cutthroat environment, and the principle of competitiveness must be a key objective in every aspect of our businesses.

Paradoxically, real competitiveness depends on a large degree of consensus and enthusiasm amongst workers and management on the best way to achieve world class performance.

Achieving this consensus is seldom is no guarantee of success. As any farmer knows, money will buy a pretty good dog, but not the wag of his tail.”¹

We need to cast around for the success stories and the motivational triggers which may be useful for our set of conditions.

At the very least, they might jolt us out of old habits of thinking about the way we run our businesses.

Let me give you an example from Brazil.

RICARDO SEMLER AND “COMMON SENSE”

Some may have heard about Ricardo Semler, the president of Semco Corporation, which manufactures marine and industrial machinery.

When he took over the running of the firm from his father 12 years ago, it was a traditional enterprise with the usual pyramid structure, and poor sales and prospects.²

In an effort to turn the company around, Semler threw the rule book out. He had a strong belief that employees, instead of being cogs in a machine, should *be* the machine which drove the company forward. What followed was a revolution in work and management practises at every level of the firm.

Just to give you an idea of the transformation:

- * Workers could come and go as they pleased;
- * Managers and many workers set their own salaries and bonuses;
- * Employees made major business decisions previously the province of executives;
- * Managers were evaluated every six months by those who worked under them; and
- * Every aspect of the business was democratised;

You may think this sounds like a recipe for disaster, but the results were startling. Semco increased its profits fivefold to nearly \$3 million on sales of nearly \$30 million. Productivity rose sevenfold, and it exports 23% of output. The company is free of debt, and all this has been achieved in 12 years of massive inflation.

Semler attributes his success to a very simple philosophy: treat employees as adults, and the most valuable resource the company has.

“Trust them”, he says. “After that it’s common sense”.³

LESSONS FROM SEMCO

I am not suggesting that the radical recipe of the Semco experience can be duplicated in Australia. But I do think we can take some of his attitudes and apply them with good effect in our own efforts to life productivity and performance.

What I find attractive in the Semco story is the emphasis on motivation and pride as the engine of company growth. I am convinced that is the approach we need to bring to making Australian companies more competitive.

For too long in Australia, we’ve had a “carrot and stick” approach to workplace efficiency. A reward here, a threat there, and the company drifting through periods of calm followed by industrial unrest.

The evidence from here and overseas suggests this is not the best way to get world class performance.

Intelligent people would prefer to agree to something rather than just blindly obey. Rather than driving a wedge between employees and management, and in the process compromising competitiveness, we should be building bridges between the two groups.

This requires good will from all sides, but even more importantly, it requires a focus on agreed outcomes – even if the motives for agreement are different.

We are seeing the benefits of adopting common goals in areas such as bench marking and Total Quality Management, but we need to entrench it in all facets of our operations.

Another aspect of the Semco approach we could usefully adopt is the focus on people as a company’s best resource.

Ricardo Semler is not the first to have this insight, but in looking at the extreme to which he has taken it, we can see the underlying principle more clearly.

Quite simply, a company is only as good as its people.

A Japanese businessman, Konosuke Matsushita, founder of the gain electronic firm that bears his name, spelt out this principle even more clearly.

“Business is now so complex and difficult, the survival of the firm so hazardous in an environment increasingly unpredictable, competitive and fraught

with danger, that its continued existence depends on the day to day mobilisation of every ounce of intelligence”⁴

Tapping into that immense pool of intelligence is the task of every business which hopes to thrive in the 90's and beyond.

Drawing the best from people is something that Rotary has always done very well. Businesses looking for a competitive edge could well take a leaf out of your book.

It requires a philosophy of consensus, of lateral thinking, and finding the right mix of goals and practices for particular circumstances.

In my view, it is a key assumption underlying successful workplace reform. For instance, no enterprise agreement is worth much if the people involved can't see that they have a real say in the process, and some share in the rewards.

It all comes back to establishing shared goals, in which the nexus between performance and reward is clearly understood by all.

BUILDING RELATIONSHIPS WITH THE COMMUNITY

However, getting the balance right within a company is not enough. This brings me to the second area of my speech today: building relationships with the community.

We hear a lot of talk about the importance of “growth” today: growth of the economy, of exports, of individual firms. I agree, it is absolutely vital.

But before growth and profit comes survival. In turn, that requires a recognition that communities are the soil in which companies grow and flourish.

In particular, the growth of the consumer and environmental movements in recent years make it imperative that we pay more than lip service to building relationship with the communities in which we operate.

One of the first things' students used to be taught in economics or legal studies was “caveat emptor”. Not being a student of Latin, I always thought this meant “cravat for the Emperor” – particularly if he had no clothes! As I have accumulated more business

experience over the years, I think that's about as sensible as economic theory gets.

Eventually, it was pointed out that the phrase meant Buyer Beware! A better motto for our times would be “Seller Beware”. In the 1990's consumers are all powerful – it's a buyers' market.

Hardly a month goes by without some new example of consumers quite legitimately flexing their muscles in a courtroom. The cases range from product liability, misleading advertising and medical malpractice through to massive damages claims such as the Union Carbide disaster in India.

This has real implications for the way businesses operate.

We have seen what happens when firms concentrate exclusively on profit maximisation. Just last week we saw press reports of white collar crime persisting in some Victorian businesses. The end result of these widely publicised failure is poor perceptions of the business world in general.

Increasingly, I think the corporate sector is looking beyond profits. In BHP's case, for instance, this means:

- * employee health and safety is a very important issue. Increasingly, people are understanding that concepts like best practice apply not only to product processes, but also to environmental and health issues;
- * we attempt to forge strong links with the communities in which we operate;
- * we recognise the widespread concern about environmental issues, and build in appropriate strategies in all our activities;

We also believe in taking an active role in educating the community about the essential role of business in providing prosperity for all.

Building relationships with the community is not a one-way process.

Ultimately, all businesses benefit from a favourable climate of opinion, from an understanding of why business is important. While we have to take into account community concerns, we need to broaden the context of debate so that business perspective's are understood.

Some progress has been made in developing a community understanding of the link between international competitiveness and living standards. One of the important underpinning's of this has been the better relations between government, businesses, the unions and academia.

In my view, this has been due to the collaborative projects where the input from different groups has had a real bearing on national issues.

Let me give you an example of this from my own experience.

THE AMC'S INNOVATION PROJECT

I have emphasised throughout my remarks the importance of international competitiveness and an international mindset by our managers, employees and the community as essential too improved living standards. Our progress in this respect was reflected in a recent study commissioned by the Australian Manufacturing Council (AMC) of which I am a member, on our Emerging Exporters.

The Australian Manufacturing Council is a tripartite body involving representatives of business, the unions and governments in giving advice on policies to develop the competitiveness and growth prospects of our manufacturing industries.

The study revealed that a small but growing number of our manufacturing firms see exports as the way to go. A similar study now underway on the service sector will, I am sure, reveal a similar outward focus.

These studies are important in changing the perceptions of governments, business and union leaders. But it represents only the first leg of the internationalisation double we must win.

The second leg involves strengthening the ability of our firms to remain competitive in changing world markets, particularly in Asia. A critical element of this is the effectiveness of firms' local or domestic linkages to our research capability, supplier firms and training providers, among others. These are the things which underpin sustained competitiveness.

The AMC is beginning to study to understand these linkages better, and how we can strengthen them. The results of this work will be fed into next year's Federal Government Industry Policy statement.

The broad thrust of this industry statement will be an emphasis on continuing our efforts to embrace the world economy while looking for ways to enhance our position within it.

The contribution the AMC makes in this process is twofold. First it develops a shared understanding of this challenge between management and employees. Second, it brings a grass root understanding of the issues to Canberra, where such a perspective is often absent.

These linkages at all levels seem to me to be crucial to our continuing progress in internationalising our economy and raising the living standards of all.

CONCLUSION

I am confident we can build the kind of relationship we need to succeed as a nation in these testing times.

I can sum up the fist of my argument this morning in three words: people, partnership and prosperity.

First we have to recognise our people as the most valuable asset we have, both as firms and as a country.

Secondly, partnership rather than division and compulsion should characterise the way we work – within firms, and within the wider community.

Thirdly, if we utilise the intelligence of our people and forge strong partnerships with neighbouring countries and their firms, we'll be well on the way to the prosperity we all strive for.

Notes

1 Flanagan, McGinn and Thornhill: "Because No Bastard Ever Asked Me", Stakeholder, 1993

2 The Semco story and philosophy is contained in "Maverick! The Success Story Behind the World's Most Unusual Workplace" by Ricardo Semler, Century, 1993.

3 Quoted in "The Boy From Brazil – Ricardo Semler" by Simon Caulkin, The Observer, 17th October 1993.

4 Quoted in "The Boy From Brazil", op cit.

Philanthropy News

AGM

The 1993 Annual General Meeting held on March 30th, 1994 was a resounding success. The following nominated and were appointed to their positions unopposed:

President: Jill Reichstein, Chairperson – Lance Reichstein Charitable Trust

Vice Pres: Robin Hunt, Chairman – Sunshine Foundation and H.V McKay Trusts

Secretary: Fleur Spitzer, an individual member

Treasurer: Adolph Hanich, Trustee with the Telematics Trust

Members: John Sullivan, Manager Charitable Trusts at Perpetual Trustees
Dr. Jennifer Webb, Trustee of the Myer Foundation
Ben Bodna, Trustee of the Jack Brockhoff Foundation
Anne Riches, Chairman of the Donations Committee, Rothschild Aust.

The meeting was followed by a seminar on Tax and Charity which was attended by 120 people and addressed by the following:

Bill Scales, Chairman of the Industry Commission

Sir James Gobbo, Australian Multicultural Foundation

Dr. Ross Sundberg Q.C

Dr. Terry Dwyer

Professor John Freebairn, Professor of Economics at Monash University

Commentators included:

Graham Reeve, Partner at Arthur Andersen

John Emerson, Partner at Freehill, Hollingdale and Page

Mark Heron, Director, Law Foundation of Victoria

Dr. Mark Lyons, Centre for Australian Community Organisation Management
Bishop Michael Challen, Brotherhood of St Laurence

Betti Knott, Director of Ozanam Community

John Dalziel, Salvation Army

Bill McManus, Public Interest Advocacy Centre

The seminar was supported by the Industry Commission and provided an opportunity for both they and ourselves to be briefed in relation to our submission to the Inquiry into Charity. Papers are available from the Seminar at a cost of \$7 posted.

Luncheon Meetings:

April 22nd: International Centre for Not-For-Profit Law – two guests, Professor Karla Simon and Leon Irish outlined the initiatives from this Centre in supporting the creation of laws and administrative systems that permit and encourage the growth of a voluntary, independent and charitable sector throughout the world, with an emphasis on emerging democracies.

Their visit was particularly timely as the Association prepares to address just these such issues for the Industry Commission Inquiry on Charity.

May 13th: Nadine Burch from the Idea Factory has undertaken some significant research into bequest giving in Australia and has agreed to share some of her findings with members, particularly our Trustee company members.

Now the bad news! Postage costs and others have led us to increase the subscription of the Journal from \$30 to \$40. This the first rise in over two years, and we hope it will ensure that Philanthropy goes on from strength to strength.

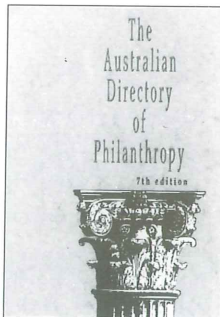
The Australian Directory of Philanthropy (7th Edition)

– Available March 1993

Published by D W THORPE in conjunction with the Australian Association of Philanthropy Inc.

The most comprehensive reference on sources of non-government funding in Australia

- Organisations listed alphabetically in the body of the Directory
- An exhaustive index of organisations listed by fields of interest
- Accessible information about private trusts, foundations & corporate funds
- A source of basic data for those working in the sector or other related fields
- Comprehensive data for researchers in the field of philanthropy



Cost: \$40 plus \$3 postage and handling

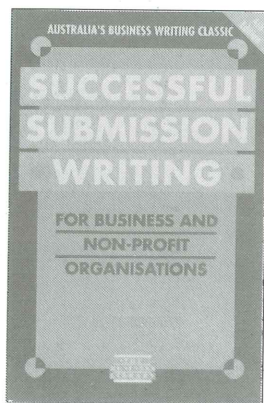
Successful Submission Writing for Business and Non-Profit Organisations

by Jean Roberts

Having spent over a decade in the business of preparing and writing submissions, Jean Roberts has developed her own material and teaching style to assist others in this task.

Her extensive experience covers the private, public and community sectors, with her own 'Successful Submission Writing' helping to plan and implement new programmes, establish new centres and services, introduce new policies and, gradually change out-dated attitudes.

**Cost: \$20 plus \$3 postage and handling
(Total \$23 per copy)**



Philanthropy Journal



Philanthropy has a greater role to play than ever before. As the official journal of the Australian Association of Philanthropy, *Philanthropy* is uniquely placed to highlight what trusts are funding.

* **RECEIVE VALUABLE INFORMATION**

Every issue of *Philanthropy* builds your resource library of local and overseas information with advice not readily available from any other source.

* **CASE STUDIES – HOW OTHERS HAVE SUCCEEDED IN OBTAINING FUNDS**

Philanthropy profiles projects that have been funded with clues for your applications.

* **KEEP UP TO DATE**

Emerging trends in corporate giving ... responses to the rural crisis ... how to apply successfully to Trusts and Foundations ... youth unemployment. Just some of the subjects covered over recent editions. *Philanthropy* will keep you in touch with the thinking amongst trustees.

**Cost: Annual Subscription – \$40 posted
Applies from Winter 1994.**

Charities and Philanthropic Organisations

REFORMING THE TAX SUBSIDY AND REGULATORY REGIMES

Papers presented at seminars sponsored by the Comparative Public Policy Unit, Monash University.

Additional sponsorship was provided by the Australian Association of Philanthropy and the Australasian Institute of Fundraising.

Editors: Richard Krever and Gretchen Kewley

Contributors include:

Tax Deductions for Charitable Donations: A tax expenditure analysis – Rick Krever

Charities, Philanthropies, Non-profit organisations: the impact of other taxes – Guy Noakes and Anna Carrabs

Taxation Concessions for Charitable Bodies and Philanthropies: Administration of the Tests – Amarjit Verick and John Lamerton

Taxation Treatment of Charities: Distributional Consequences for the Welfare State – Terry Carney and Peter Hanks.

Price: \$14 plus \$3 postage (Total \$17 per copy)

Tax and Charities

Proceedings of the 1994 AGM, Speeches by:

Ross Sundberg QC

Prof. John Freebairn

Dr. Terry Dwyer

with commentaries by

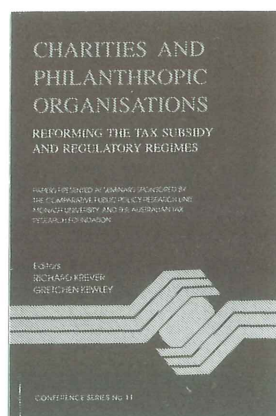
Dr. Mark Lyons

John Emerson, Freehill, Hollingdale & Page

Graham Reeve, Arthur Anderson

Mark Herron, Law Foundation.

Price: \$7 Posted



“How to approach Corporations, Trusts and Foundations”

A Grantseekers One-day Workshop

Topics: **Dealing with Corporate Sponsorship
The Nuts and Bolts of a Successful
Submission
How to approach Trusts and
Foundations.**

Speakers: A range of Trust administrators and Trustees as well as Max Dumais of the Australian Association of Philanthropy will be joined by Ed Geldard, former National Sponsorship Manager with Telecom and now with the Sponsorship Unit in Melbourne. Jo Pocklington organiser with Medical Research Week, Huw Davies BHP, Alistair Ping and Hugh Davies, Manager of Corporate affairs, Mayne Nickless.

Dates: **Melbourne:**
Thursday, 30th June, 1994
Thursday, 15th September, 1994
Thursday, 24th November, 1994

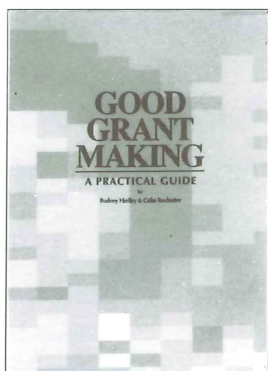
Time: 9.00 am till 4.30 pm

Cost: \$135 (Lunch included)

Venue: 17th Floor,
Victorian University of Technology,
300 Flinders Street, Melbourne 3000.

Good Grant Making – Practical Guide

A practical handbook for people administering a grant-making trust or foundation, it concentrates on day-to-day administration. The hallmarks of good administration include the effective use of people, money and material resources. Good Grant Making attempts to cover all three.

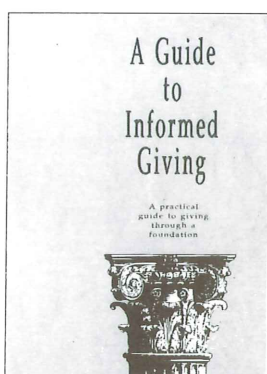


Good Grant Making deals only with the nuts and bolts of grant administration. It does not, therefore, cover other important aspects of running a trust such as the duties of trustees in respect of investment or staff recruitment. These will be the subject of other volumes.

Price: \$15 plus \$5 postage and handling (Total \$20 per copy)

A Guide to Informed Giving

Using a question and answer format, the Guide examines issues and options about the formation of trusts and foundations. Specifically written to suit Australia and frequent use of case studies, it includes a discussion of:



- Why become involved in Philanthropy
- What skills does a philanthropist need
- Tax advantages of gaining charitable status
- Legal structures for trusts and foundations
- How to select trustees
- Evaluation and accountability

Price: \$55 plus \$5 post and handling (Total \$60)

1994 – Resources Guide

The Centre for Australian Community Organisations and Management (CACOM) announces a brand new management publication for Australia.

100 pages on what's available, how much it costs and where to find the latest management resources for nonprofit and community organisations in the United States and Australia.

This is the first edition. The Guide will be updated and reprinted annually.

Topics: Human Resources, Financial Management; Legal Issues; Marketing & Planning; Evaluation.

For: Managers/Co-ordinators, Board/Committee Members, Volunteers, Trainers, Community Sector Workers.

Order from: CACOM, UTS, P.O. Box 222, Lindfield. NSW. 2070

Cost: \$ 20 incl. postage, Overseas postage extra.

Doing Best By Doing Good –

by Dr. Richard Steckel and Robin Simons

How to use Public-Purpose partnerships to boost corporate profits and benefit your community.

Advance Praise for Doing Best by Doing Good:–

- * "In a time when so many corporations are searching for ways to improve their perception in the marketplace along with their profits, **Doing Best by Doing Good** makes an invaluable contribution to American business practice".

– Joan Shapiro, Senior Vice President, South Shore Bank of Chicago.

- * "Not for profit organisations have countless opportunities to align their interests with those of enlightened corporations. Dr. Richard Steckel is at the cutting edge of aligning these mutual self-interests in ways that are fund and profitable to both parties. His book is a must for anyone involved in either world".

– Michael L. Ainslie, President and CEO, Sotheby's Holding.

Cost: \$40 plus \$5 postage. Order from the Australian Association of Philanthropy

Philanthropy

Philanthropy is the official journal of the *Australian Association of Philanthropy*. It is published quarterly and mailed to members of the Association.

Subscriptions to Philanthropy are also available to non-members. The rate is \$40 per annum, post paid. (Back issues, Number 1–18 inclusive are available for \$5 per copy.)

For enquiries and information about the activities or membership of the Association, the Journal or subscriptions, please contact:

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20 Queen Street

Melbourne Vic 3000

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Facsimile: (03) 621 1492

ISSN: 1036-3017

The Australian Association of Philanthropy Inc.

The Mission

The Australian Association of Philanthropy Inc. aims to promote more effective private and corporate giving in Australia.

It was established to provide a strong, professional organisation to represent the interests of philanthropy and, in particular, to represent large and small trusts and foundations from both the private and corporate sectors, as well as individual philanthropists.

What the Association does

The Association offers a range of programs and services:

Provides information through this Journal.

Makes available a growing resource library on local and overseas information.

Organises regular discussion groups and workshops for members and others.

Assists in promoting mechanisms of philanthropy such as trusts and foundations.

Provides information and advice to grantseekers.

Monitors legislative and regulative activity.

Promotes philanthropy to the general public through media and other events.

Statement of Purpose

- To advance and protect the common interest of private and corporate philanthropy in Australia.
- To scrutinize any proposed Federal or State legislation likely to affect private or corporate philanthropy and to take such action as the Association may think is desirable.
- To foster co-operation between philanthropic trusts, individual and corporate donors throughout Australia.
- To encourage and facilitate exchange of information between the members on the understanding that where appropriate it will be regarded as confidential.
- To improve communication and understanding between the members of the Association and the community at large.
- To assist in the identification of areas of need in the community.
- To develop and maintain contact with similar overseas bodies.
- To inform members of trends and developments on issues relevant to philanthropy as a result of local or overseas research.
- To act as a general service organisation for members in ways which they may require.
- To seek and consider suggestions from members of the Association and other interested bodies for the advancement of philanthropy

Credits

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Allen Foundry Co Pty Ltd, The W.L.
Andrews Foundation, The
Ansell Ophthalmology Foundation
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Australian Bicentennial Multicultural Foundation
Australian Youth Foundation
Bicentennial Youth Foundation Inc.
Body Shop, The
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Clean Up Australia Foundation
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