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Australian Philanthropy

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Outcomes, outputs and impact

- Gianni Zappalà on demonstating impact
- Kevin Robbie, Les Hems on the SROI pathway

***Australian Philanthropy* is the journal of Philanthropy Australia Inc.**

Philanthropy Australia is the national peak body for philanthropy and is a not-for-profit membership organisation. Our Members are trusts and foundations, families and individuals who want to make a difference through their own philanthropy and encourage others to become philanthropists.

Our vision
A giving and caring nation.

Our mission
To represent, grow and inspire an effective and robust philanthropic sector for the community.

Philanthropy
The planned and structured giving of money, time, information, goods and services, voice and influence to improve the wellbeing of humanity and the community.

Philanthropic sector
Trusts, foundations, organisations, families and individuals who engage in philanthropy.

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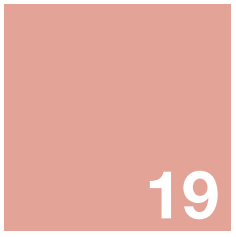
Front cover
Our front cover photo shows Beyond Empathy participants rising to the challenge. Beyond Empathy creates risk-friendly environments to challenge young people, support them to experiment with new ways of being and to draw on their inner strength and courage as a pathway to self efficacy. Photographer: Wendy Kimpton.

Contents



Australian Philanthropy spoke with **President Bruce Bonyhady AM** and new **CEO Dr Deborah Seifert** about leadership, strategic planning and the future direction of Philanthropy Australia.

Bruce Bonyhady AM

Where do you see the non-profit sector at this point in time in Australia?

There are aspects of the non-profit sector in Australia that are quite distinctive. When I look at the US, they have a very narrow view of what role government should play in society and a very strong view of individual responsibility, and the non-profit sector there tends to be funded more by individuals and foundations than in Australia. Governments are a bigger part of the economy in Australia, while also progressively moving out of direct service delivery, in favour of the non-profit sector.

This outsourcing model has led to increasing competition between those non-profit providers, but has simultaneously raised questions about how well the sector is funded, supported and valued.

So, following the Productivity Commission's Report into the non-profit sector earlier this year, the undertaking that the Federal Government has now given to create an Office of the Third Sector within the Prime Minister's Department opens up some new and potentially exciting possibilities.

What changes do you foresee in the future?

There's a desire now to review what the sector does, how it is regulated, and to more properly recognise and measure its contribution. The non-profit sector has always been an area of high innovation, and there have been some very new and different organisations emerge recently, such as the Centre for Social Impact (CSI), Social Ventures Australia (SVA) and the Community Council for Australia (CCA).

The CCA is providing leadership across the non-profit sector on policy issues and building on evidence-based research into issues that transcend the entire sector. It's still early days, but it is satisfying to watch as the non-profit sector works to strengthen its position and its contribution to a more inclusive society.

"Strategic planning needs to be a consultative process with Members. How we work with our Members to increase their effectiveness, and how we promote the good governance of the sector, are ongoing dialogues."

What's the role for Philanthropy Australia in this?

The role of philanthropy is as an enabler, which comes from all the resources that philanthropy brings – influence, voice, skills and money. The role of Philanthropy Australia is to contribute to that process, partly through facilitating the work of Members, but also partly as an engaged member itself of the non-profit sector – for example we joined the CCA, we are on the advisory group for CSI and we regularly collaborate with SVA. So we're a much more mature group now in our relationships and in the range and scale of our work.

How might that be reflected in the next Strategic Plan?

The first thing to recognise is that the four key goals outlined in the Strategic Plan 2007-2011 have been the right goals for this current phase, serving us well though a period of great change. We cast the plan when it looked like philanthropy was on the brink of a golden age, then the global financial crisis hit and now we're in a world in between those extremes; and throughout the Strategic Plan has been a clear guide to determine how we focus our energies.

Looking forward, I think about the next Strategic Plan as a successor, building on this current plan. While I can predict that the current emphasis on representation will be undiminished, and the focus on growing and inspiring philanthropy remains unfinished business, nothing is set in stone. Strategic planning needs to be a consultative process with Members. How we work with our Members to increase their effectiveness, and how we promote the good governance of the sector, are ongoing dialogues.

The business model that underpins Philanthropy Australia now is different to how we operated five years ago, and we can expect further changes to come. We now have 50 per cent more Members than we did then, so how we go about creating more value for our Members is a different proposition.

Similarly the provision of information, particularly in an online environment, is a major shift from five years ago, and it will be just as different in another five years time.

Dr Deborah Seifert

The theme of this issue is 'outcomes, outputs and impact'. What does success look like for us as an organisation?

These themes are central to Philanthropy Australia itself. One aspect is how Philanthropy Australia can be more proactive and take a stronger leadership role in the sector. I think we have been strongly proactive in the area of representation, but in other areas, such as in media engagement, we are still somewhat reactive.

"Looking ahead, Council is delighted to have Deborah as our new CEO and I am confident she will build on Gina's achievements."

This goes to the whole question about what services we are providing to Members and to the wider philanthropic sector and how we generate our revenue. How should Philanthropy Australia be positioned? What is core and what is context? So there is much planning work ahead of us, as part of the next Strategic Plan for 2012-2016.

Looking ahead, Council is delighted to have Deborah as our new CEO and I am confident she will build on Gina's achievements. Deborah's record as a leader, many years in education, and her deep experience as a Trustee at The Invergowrie Foundation for 10 years, show she has been able to hold together and build strong relationships across very diverse communities, which is so important to the continuing pluralism, vitality and impact of the philanthropic sector. ■

Tell us about your background – have you always lived in Melbourne?

My father's family were Sydney people. I was born in Canberra, schooled in Melbourne and then my family moved to Adelaide – so I have a somewhat national flavour! I've also worked extensively overseas with international education accreditations and consulting projects in various countries.

At university I took a science degree with a double major in mathematics: my honours thesis is in applied mathematics, looking at the fluid dynamics of a tsunami when it hits a continental shelf.

My parents had been in academia and teaching, and when they moved to Adelaide for work I decided to stay in Melbourne, applying for a studentship with the Victorian Education Department to support myself, and to see if teaching was something I wanted to undertake as an ongoing career. I had a three year bond once I qualified, and taught at St Albans High School in Melbourne's western suburbs.

I saw teaching as a service occupation, and really enjoyed engendering a passion for mathematics in young people. I taught in various schools over the next couple of decades, taking on administration and leadership roles.

I became Head of Fintona Girls School and after that, Head of University College at The University of Melbourne.

What did you do your doctorate in?

I had been Head of Fintona for nearly seven years when I began my doctorate as part-time study, looking at educational leadership. I wanted to unpack the theory of leadership, having had substantial practical experience.

My thesis is on the perception of leadership style of the Head from the point of view of the staff: perception both of their actual Head and of their ideal Head. I surveyed staff and the Head in seven independent girls' schools in Melbourne, and used statistical regression analysis to investigate interaction between teachers' own characteristics and their perception of leadership. I was particularly interested in the staff characteristic of locus of control.

"…in my research I've looked at leadership, attribution and locus of control, and how people feel about whether they can make a difference and effect outcomes in their lives. I am extremely passionate about this."

I had become interested attribution theory and locus of control when I had done my Masters in mathematics education. I looked at students' views of the cause of their success or failure in mathematics. The tendency is for girls to attribute their success in mathematics externally, but attribute internally for their failures. The reverse tends to be true for boys – they tend to attribute internally for success and externally for failure in mathematics.

This means that boys might believe their poor marks were the teacher's fault, or that the test questions were badly written, and then start the next topic with their confidence intact, whereas girls might attribute their failure to their perceived lack of ability and then start the next topic believing they are no good at mathematics.

In the extreme we see cases of learned helplessness. For example there's been research done investigating locus of control of children living in public housing estates in America. It was found that many exhibited an extremely high level of learned helplessness because they didn't feel they could change their living conditions, and that then translated across to other areas of their life.

So in my research I've looked at leadership, attribution and locus of control, and how people feel about whether they can make a difference and effect outcomes in their lives. I am extremely passionate about this.

I'm starting to see a pathway to philanthropy emerge.

Yes, certainly in hindsight you can see how the dots join up. If you follow your interests, it often involves jumping across stepping stones, following your passions. For me an interest in philanthropy developed from a window, seeing the positive effects of philanthropy in my education work, and I then became involved in a volunteering sense, and in a financial sense through donating. My professional work has now moved through education into the philanthropy sector, and I'm really excited, and delighted, to be here at Philanthropy Australia.

How did you come to be a Trustee of The Invergowrie Foundation?

W E MacPherson gifted the Invergowrie mansion in Richmond (inner Melbourne) to the Heads of girls' schools to run the Invergowrie Homecraft Hostel – an amazing gift for girls and women of Victoria. The property was sold in 1992, The Invergowrie Foundation was then established, and I joined the Board in 2000. As part of my role as Trustee, I was a member of the investment and finance committee: we managed all the investment ourselves, retaining control and ensuring that our investment policy as well as our grants policy aligned with the vision and mission of the organisation. We granted to schools, special schools, universities and a range of community groups to further education for women and girls in Victoria.

Of course, now as CEO of Philanthropy Australia I've resigned from The Invergowrie Foundation Board, and also as Chair of the Mary Jane Lewis Scholarship Trustees, so I can be quite impartial in this new role, and avoid any potential conflict of interest.

What is your take on leadership in the third sector?

Leadership is a matter of articulating a vision and bringing people together to work towards a shared aim. It's really important to ensure that individuals and organisations work together so that what is achieved is more than the sum of its parts. That's the wonderful thing about Philanthropy Australia, that we have the potential to assist in bringing our Members together to collaborate and maximise their potential impact in benefitting the community.

The landscape of philanthropy and the social sector is constantly changing and there are varying views and sometimes contradictory needs, so we need to be flexible and resilient. The issues we face often become 'wicked problems' (those problems which change constantly, even as solutions are being sought, which might continue to generate new challenges), and in this context adaptive leadership is vital – we need the flexibility to adapt and change as the sector grows and the problems we face change.

We particularly need to continue to canvass input from the range of stakeholders – trusts and foundations, social enterprises and corporates, individual donors and social entrepreneurs, and those volunteering their time and skills. We need to maintain and strengthen our links with research bodies too, to tap into research and source ideas for research. Through this collaboration we can gather information and ideas, canvas input from our diverse Members and stakeholders, while keeping in mind the mission and vision of Philanthropy Australia – so we work towards the best overall outcome for the organisation as a whole, and for the sector. ■

Leadership change at The RE Ross Trust

Philanthropy Australia offers congratulations to Sylvia Admans, announced as the next Chief Executive Officer of The RE Ross Trust, succeeding Austin Paterson who is retiring from the position. Sylvia will take up the appointment at the end of January 2011.

Sylvia has served as Chief Executive Officer of the Foundation for Rural & Regional Renewal (FRRR) for nine and a half years. Prior to joining FRRR, Sylvia held a senior management position with ANZ Trustees and served as an advisor to Philanthropy Australia following a career in the public service.

Correction

Our apologies to The Harold Mitchell Foundation for publishing an incorrect name of The Harold Mitchell Chair of Indigenous Eye Health. Our front cover photograph featured ophthalmologist Hugh Taylor, the Harold Mitchell Chair in Indigenous Eye Health at the University of Melbourne, conducting an eye health check on a young Indigenous man in the field. The originator of this initiative was Professor John Funder, a Harold Mitchell Foundation Board Member, who developed the original idea to create the Chair. Start-up funding was provided by the The Harold Mitchell Foundation. The subsequent participation by the Ian Potter Foundation has been an essential component in this extraordinarily important initiative. ■

Philanthropy Australia Conference 2010

The Philanthropy Australia Conference 2010: *Philanthropy at the Tipping Point?* was held from 31 August – 1 September. The event began with a bang at opening dinner at the National Gallery of Victoria, with over 370 people coming to listen to guest speaker Dr Susan Raymond in the beautiful Great Hall. The next day over 320 gathered for an intense and stimulating 'thought leadership day' at the RACV Club, and enjoyed hearing from Australian of the Year Professor Pat McGorry and Dr Michael Wesley from the Lowy Institute for International Policy, as well as a stimulating mix of panel speakers. In addition, there was a suite of six free pre-conference site visits: Showcasing Good Practice, hosted by our Members.

Thank you to Macquarie Group Foundation for their generous support of the Conference, ANZ Trustees for their sponsorship of the opening dinner, and the Department of FaHCSIA for their support.

Speeches from the conference can be downloaded from the conference website, http://philanthropy.org.au/conference/index.html, which also houses an extensive photo gallery from the event. ■

New CEO at Philanthropy Australia

Philanthropy Australia welcomed Dr Deborah Seifert as the new CEO in October 2010. Deborah brings a wealth of experience in the not-for-profit sector in leadership, governance, strategic planning, management, development and review, as well as 10 years experience as a trustee in the philanthropic sector. You can read an interview with Deborah and PA President Bruce Bonyhady on pages 2 to 4.

Farewell events for Gina Anderson, who retired from the position after nearly five years, were held in Melbourne and Sydney in September. Council, staff and Members expressed their great appreciation for the dedication and verve with which Gina has served Australian philanthropy while CEO. ■

Australian Community Foundations Forum 2010

Held at the Best Western Melbourne Airport Conference Centre in Victoria in October, the Australian Community Foundations Forum 2010 – *Grassroots Philanthropy, Growing and Maturing* – was a great success. Hosted jointly by Philanthropy Australia and FRRR, and sponsored by JBWere, there were 63 delegates at the three day event.

Highlights of the forum included an address by Lily D'Ambrosio MP, Minister for Community Development, and Les Wilcox from TCFN (The Community Foundations Network in the UK) on DIGITS. The technical sessions on governance, compliance and accounting of community foundations were, as always, much valued by participants.

Lynne Wannan AM, Director of the Office for the Community Sector, DPCD, addressed the forum on their 'community funds initiative', followed by presentations from community foundations that have raised the matching funding.

Bruce Bonyhady's speech to the Forum can be downloaded from the Community Foundations Gateway http://communityfoundations.philanthropy.org.au/community-foundation-noticeboard/forum-2010/ ■

New Office for the Non-Profit Sector

Julia Gillard's government has announced that the Minister for Social Inclusion, Hon Tanya Plibersek MP, will oversee the establishment of an Office for the Non-Profit Sector, in the Department of Prime Minister and Cabinet.

The Office for the Non-Profit Sector will drive and coordinate the sector reform agenda within government, and will be supported by a new Non-Profit Sector Reform Council made up of representatives from across the sector. ■

Dr Susan Raymond

Dr Susan Raymond was the guest speaker at the opening dinner of Philanthropy Australia's recent conference. Her energy, insight and articulation of the complexities in the road ahead for philanthropy were invaluable for both those new to philanthropy and seasoned players. Susan is Executive Vice President for Research, Evaluation, and Strategic Planning for Changing Our World, and serves as Chief Analyst for onPhilanthropy.com, Changing Our World's media division and a global resource for non-profit professionals. She spoke with Australian Philanthropy's editor Louise Arkles prior to the conference.

The biggest challenge for philanthropists and trustees in Australia, as shown by the 2010 Philanthropy Australia Membership Survey, is measuring and achieving impact. Is it the same in the US?

Measuring impact is a huge issue in the United States, and widely misunderstood. The impetus comes from this sense that it is immoral to be profligate with scarce resources, and so the question is – how best to allocate these finite resources? As there are no markets to drive us in the non-profit sector, up to about 10 years ago it was acceptable for decisions to be made on an arbitrary basis. The current view is that philanthropy should make decisions based on impact, and non-profits will churn out data on impact, and this will solve our problems.

But there are a couple of problems not well factored into the discussion. The first is complexity. Almost every problem that is long term is long term because it is complex, not because it doesn't have enough money. We don't know the causes, we don't understand the dimensions of the problem, so we have chipped away at the edges. So what we really need is to first deeply understand the problem, before we can then find ways to address it.

The second problem is time. If I am trying to understand the physics of the cell wall in breast cancer, and it takes me ten years, and you give me a grant for one year – what do you expect of me? And what if I'm wrong? Of course in science, failure is progress, but it could be five years more before we understand the physics of the cell wall, and five more before we take that to bedside research and another five before we get to any treatment. And the consequence of these two things – complexity and time – is the danger that an excessive focus on impact will make philanthropy risk averse.

But if we're demanding impact in everything we do, then we're going to forever be working along the margins. It's almost impossible to measure the impact, in a meaningful way, of attempts to invest in the world of ideas, because this is what we need to do to understand complex problems.

How do we get foundations to invest more in this 'world of ideas'? It sounds rather intangible.

What I have argued is that every philanthropy ought to allocate 10 per cent of its resources to risk, to the study of big ideas, to problems we don't understand, to bold thinking, because without that we will become timid.

"…every philanthropy ought to allocate 10 per cent of its resources to risk, to the study of big ideas, to problems we don't understand, to bold thinking, because without that we will become timid."

Trustees need to think about philanthropy as a portfolio; a financial portfolio that has a mix of risk, a mix of purpose, driven by a mix of needs. Some of this portfolio is driven by clear needs – for vaccinations, for example – and these have straightforward drivers and outcomes. However we've got to figure out how to reduce the need for philanthropy to fund this work. We need to figure out how to make vaccinating children financially viable with sustainable funds.

So now in 2010 we're going to vaccinate children, but we're also going to make grants that look at financial options and structures of immunisation programs to find a better way to create self-reliant, sustainable budgetary streams to ensure vaccination into the future. And then we're going to take 10 per cent of our vaccination grants budget to ask why some people are afraid of vaccinations. In downtown Philadelphia we have plenty of vaccines, and plenty of places organised to administer the vaccines, but we don't have people coming to be vaccinated. What do we not understand about behaviour, or fear? So now we have vaccination as our portfolio, with three streams of granting within it.

If you take 10 per cent of your philanthropy and allocate it to the world of ideas, you will incentivise non-profits to be creative. And we have to accept that in this space there will be failures – for if 100 per cent of your grantmaking is 'successful', then you are only working around the edges, and that is suboptimal.

What will it take to get donors and foundations to talk about those failures?

This is a great puzzlement to me. When you work in government there is a deathly fear of admitting that something didn't work. In the for-profit sector there is a greater propensity to look at failure and mistakes, and creativity is rewarded for corporations that have innovation in their DNA. In the non-profit sector it's a bit different; non-profits don't want to let the funders know there has been a failure, because they perceive that the funder does not value innovation, rather only values outputs and impact.

What I don't understand however, is philanthropy, because there is no risk to the philanthropist to experience failure, not being accountable to anybody.

Do you think there is inherent competition between foundations, which want to appear 'successful' to the outside world?

The more impact becomes the mantra, the more that is true. Philanthropy is in a very interesting space right now, in part because of the sheer growth of philanthropy and because of the Gates Foundation and Warren Buffet. A lot of the new philanthropy is casting a long shadow. Public profile is increasing, as is public skepticism. So there is a fear of admitting failure, but it's a self-imposed fear.

The other thing that's happening in the US is that there is more and more talk about brand. Brand is your promise to the marketplace. And this is now preoccupying foundations, and the effect is that it's driving risk and failure underground.

In the US, if every foundation allocated just 10 per cent of their granting to the world of ideas, to risk, to innovation and working on the cutting edge of understanding – that's $1 billion of work that could be done towards understanding the complex problems facing society.

"…we have to accept that in this space there will be failures – for if 100 per cent of your grantmaking is 'successful', then you are only working around the edges, and that is suboptimal."

In foundations there is a tremendous amount of due diligence done in making grants, but not enough time spent understanding the consequences of risk-taking, or ironically of risk avoidance.

What is driving this risk aversion – is it the threat of public scrutiny?

Partly, but this comes back to a deeper question about impact: what business is philanthropy in? Is it in the project business, like a mortgage broker – here's your application, check the credit rating, here's your money, thank you very much? Is it in the social change business? Is it in the public policy business? I'll tell you what business I think philanthropy is not in – which is the money business. Philanthropy is not about the money.

Rather, philanthropy is about engaging leadership and communities in problem solving, in the interests of civil society and the societal commons. Therefore the measure of philanthropy is not how much money was spent, or how many projects were completed, it is – through my resource allocations, how many leaders became engaged in problem solving? How many people stepped forward and committed themselves? What is the sustainability of self-reliance that resulted from my expenditure? I don't think philanthropy invests money to return money, but to return engagement.

Returning to your question about what is driving the push toward impact, there is a generational difference appearing inside the boardrooms of philanthropy. Today's elders in philanthropy, the 'baby boomers', come from a generation which, when young, engaged with society through participating in movements – the women's movement, the anti-war movement, etc. However today's younger donors and trustees are often business people, and respond the way they know how from their experience in developing solutions – focusing on the return on investment. There are subtle changes that need to be understood about this new generation's way of engaging in philanthropy.

What other differences can we expect in the next wave of philanthropy?

The most important characteristic about the new philanthropist is that he's not dead! He'll be around for the next 40 years, with expectations and learnings, and hopefully dialogue. I see two specific needs here: firstly for an effort to incentivise new philanthropists to talk to each other on a regular basis – a Davos for donors – to which we would not invite institutionalised philanthropy, just the individuals who will lead the sector for the next 30 years. The future is in the innovation inside the brains of these people, so they need a way to get together to share these innovations.

The second requirement is for these young emerging donors to send this message to their peers around the world – "it is not acceptable to us that you are not investing in your community". At the end of the day, sustainability of global problem-solving will never be achieved with outside money, it has to be inside money and community-led solutions, and the only way is for leaders to say this is acceptable behaviour on the global commons. When it comes to the future of philanthropy, that voice can't come from non-profits, and it can't come from government, and it can't come from institutionalised philanthropy. It's got to come from new philanthropists, in their 40s and 50s, who form a critical mass to commit to community. ■

Susan's Conference speech can be downloaded at www.philanthropy.org.au/conference/downloads.html

Measuring impact: the SROI pathway

By **Kevin Robbie**, Director Employment, Social Ventures Australia and **Les Hems**, Director of Research, Centre for Social Impact.

Kevin Robbie

Les Hems

Over recent decades there has been increasing interest amongst donors and funders to measure organisational performance. The initial motivations for this included a desire to ensure that scarce resources were being utilised to greatest effect and a belief that this would lead to an improvement in organisational performance.

The initial focus was therefore primarily on efficiency and effectiveness and used metrics based on inputs and outputs. More recently the focus has shifted to measuring outcomes and social impact – which requires a broader perspective that captures economic, social and environmental impacts, and a longer term perspective that captures the net benefit to society (Centre for Social Impact, *Knowledge Connect*, Spring 2009). There is also an increasing emphasis on the nature of reporting social impact – not just measuring social impact, but demonstrating social impact – combining narrative and case studies with hard numbers.

There are a number of drivers for this current focus.

1 Government has recognised the potential for providing funding based on the delivery of outcomes and not just outputs – such as use of the Results Based Accountability framework in community services, a policy area where not-for-profits are very active.

2 The increasing interest of funders in 'sustainable' organisation models that reduce the levels of dependency on grant funding including social businesses and the social enterprise activities of not-for-profit organisations.

3 The increasing involvement by business in initiatives that demonstrably address social issues in a sustainable way.

Measuring social impact also provides an opportunity for organisations to meaningfully engage with their diverse stakeholders, enhance reputation and also serve to promote and maintain public trust.

Is measurement worth the effort?

However, not everyone is convinced of the value of measuring impact. In the article, *'Why Measure? Nonprofits use metrics to show that they are efficient. But what if donors don't care?'* in *Stanford Social Innovation Review* (Summer 2004), Katie Cunningham and Marc Ricks argue that donors don't really care about performance measurement.

They contend the real motivations behind giving are a personal connection to the cause, leadership, or trustees. They also argue that efficiency and output measurement is of limited use and that true impact measurement is resource intensive and risks not being utilised to improve performance.

Bruce Sievers also questions this focus on impact measurement by acknowledging its complexity, which makes it resource intensive, and noting that social impact is often the 'result of visionary support of people and ideas, not of investments targeted to produce specific impacts' ('The holy grail of impact', *Alliance* March 2010).

Whilst these cautionary perspectives are valuable contributions to the debate, the evidence on the ground is that government agencies and social investors are actively seeking to measure social value creation.

In the UK, Crisis has recently launched a new fundraising approach to attract philanthropic social investment to replicate their proven Skylight Centre service for the homeless – the prospectus is based on a Social Return on Investment (SROI) calculation that states for every dollar invested four dollars of social value will be created.

Principles and methods

SROI is one of the many impact measurement approaches currently in development. The tool originated in the US in the late 1990s and has been through a number of iterations as it has spread into Europe. A new version was developed by a range of organisations in the UK – see www.thesroinetwork.org – and launched in May 2009.

"Ultimately the aim is for SROI to become part of the DNA of any non-profit organisation: that measuring and proving their impact is a core activity, not a peripheral sideshow. This should help donors or funders (whether government or philanthropic) to make smarter, more informed investment decisions."

The new SROI approach is based around seven key principles:

- Understanding what you are aiming to change (the outcomes).
- Engaging all the stakeholders to understand what outcomes they are seeking.
- Focusing on what is material in terms of measurement.
- Being transparent about any assumptions you make.
- Not overclaiming results – but factoring in what would have happened anyway, how sustainable the change is, who else contributed to the change and whether there were any negative consequences.

- Placing a value on the results using financial proxies.
- Verifying the results and publishing them (warts and all).

These principles underpin a methodology that is based around good practice in evaluation, due diligence, stakeholder engagement, cost-benefit analysis and social accounting.

SROI can be seen as a 'magpie' in that it has borrowed the best from other approaches. It continues to be developed in a range of countries including Canada, the Netherlands, Spain, Japan, South Africa and the US.

Jeremy Nicholls, the CEO of the SROI Network noted "the amount of interest in social return on investment has increased rapidly over the last year with interest in many countries. It would seem that people are searching for something that allows them to account for the unique value they create but in a way that allows them to communicate that value effectively to stakeholders."

The SROI approach can be used to forecast potential social return prior to the investment into an enterprise or program, to establish a baseline for what is happening, or it can be used to evaluate the effectiveness of that program or enterprise.

Ultimately the aim is for SROI to become part of the DNA of any non-profit organisation: that measuring and proving their impact is a core activity, not a peripheral sideshow. This should help donors or funders (whether government or philanthropic) to make smarter, more informed investment decisions.

The new approach to SROI is currently being tested with a range of social enterprises and non-profit organisations in Australia. Already it is providing interesting data.

Strategic partnership

To further support the development of SROI as an impact measurement approach within Australia, the Centre for Social Impact (CSI), PricewaterhouseCoopers (PwC) and Social Ventures Australia (SVA) have recently formed a strategic partnership. The partnership aims to achieve the following outcomes:

- Increase the understanding of Social Return on Investment as an impact measurement approach.

Students take part in a Beacon Foundation Charter Signing ceremony, making a public pledge to achieve personal success through the Beacon program.

- Introduce accredited training for practitioners using the SROI methodology.
- Improve the assurance processes for SROI reporting in Australia.
- Increase the evidence base of the impact of employment creation social enterprises.
- Improve the transparency of non-profit organisations in reporting on their impact.

The partners recognise that although SROI is still in its infancy it has broad applicability to the non-profit sector and could be the basis for laying the foundations of impact measurement approaches becoming more widespread. Already a number of accredited practitioners have been trained, with others in the pipeline.

The development work of the three partners aims to lay the foundations for the creation of an SROI Network within Australia that links to the global network of practitioners. For more information on developments in Australia and to sign up to the SROI newsletter contact Claire Kearney at SVA via ckearney@socialventures.com.au

Future developments

Looking forward there are some real opportunities to enhance approaches to social impact measurement and widen usage. One of particular interest is the use of shared approaches where groups of organisations addressing similar issues or a common client group work together and share measurements,

A case study

The Beacon Foundation is a not-for-profit charitable trust which aims to address the issue of youth unemployment through developing and implementing original and innovative projects. Beacon encourages self-help in young people, working within schools to ensure young people are either earning or learning at vulnerable transition points in their lives.

By enhancing the school careers curriculum through deepening engagement between schools, businesses and the local community, Beacon's *No Dole* program increases student industry knowledge, experience, networks and emotional intelligence thereby reducing the incidence of youth unemployment and underemployment.

An evaluative SROI analysis of two of the Beacon Foundation programs that Social Ventures Australia has invested into indicates that for every dollar invested by philanthropists or government there is approximately eleven dollars of social return ($11 – $1). The main areas of cost benefit are in reduced welfare payments and increased tax revenue.

www.beaconfoundation.net

which facilitates peer benchmarking and the development of collaborative projects. A recent review of these approaches emphasised the importance of leadership, peer participation, co-production of measures and subsequent shared learning, use of web-based platforms, and independence from funders (*Breakthroughs*, Foundation Strategy Group).

"Looking forward there are some real opportunities to enhance approaches to social impact measurement and widen usage."

In conclusion, for social impact measurement to become the norm it must become an integral part of organisational performance measurement systems, which means that organisations must enhance their management information systems to systematically record outcomes as well as outputs and inputs, and to measure non-monetary as well as monetary value.

In addition, achievement of this transformation would be greatly assisted if social impact measurement became a recognised specialty within the accounting and audit profession, and if the proposed new regulatory system for not-for-profit organisations focused on social impact and not on an adaptation of the financial reporting framework of for-profit organisations. ■

www.csi.edu.au
www.socialventures.com.au

the Centre for Social Impact

social ventures australia

You get what you measure!

With this mantra in mind, the Perpetual Foundation recently held several *Thought Leadership Forums* around the country, bringing together non-profits and philanthropists to share their views on measurement; why it's important; and how it can be done. Andrew Thomas, General Manager-Philanthropy at Perpetual, reports on what emerged from the forums.

Measuring and evaluating their impact is one of the biggest challenges facing organisations in the growing philanthropic and non-profit sector. This is hardly surprising; we know that in life our chances of achieving a goal are much better if we know exactly what that goal is. Sometimes the path to achievement changes mid-stream, and sometimes there's an odd surprise along the way – but without the goal, what do you measure yourself against?

We chose the topic of our *Thought Leadership Forums* following our analysis of the 2010 funding applications, which Perpetual received from more than 900 non-profits. Perpetual's charitable trusts are one of the nation's major private funding sources, so we have developed robust methodology for assessing applications. We ask for information on the organisation's strategy, outcomes, capability and leadership and make our decision based on those responses.

As in past years, many applicants found it difficult to define and measure their outcomes, clearly show what they want to achieve, and demonstrate how they will track their success against these goals. Against this background, Perpetual brought together some leading thinkers in this area to share their views on the issue.

Findings

Some of the key findings were:

- For funders, a lack of information on what their investments are achieving can cause them to lose faith in the effectiveness of their giving.
- For non-profits, appropriate evaluation is critical to refining the effectiveness of programs, for decision making around growing or closing a program, and for making a clear case to funders by demonstrating their impact.
- To be effective, non-profits also need to know how to track efficiencies so they can be confident that they are making the most of existing resources.

When considering measurement, it's vital that the framework is appropriate and you measure the right things. What is an appropriate measurement and evaluation framework for a non-profit organisation? According to Mark Watt, CEO and co-founder of Whitelion, there isn't one methodology that can be prescribed; the framework must be appropriate to the organisation, and there's no 'one size fits all'.

In recent years there has been much discussion around the Social Return on Investment (SROI) methodology. Olivia Hilton from Social Ventures Australia (SVA), which has undertaken SROI studies for non-profit organisations, explains that SROI is simply a disciplined model that engages the end beneficiaries of the organisation and tries to monetise the value of services delivered. The end result is a group of assumptions, which lead to an index that says for every $1 that the organisation receives, it produces a community benefit equivalent to $X. The aim is to justify its services and, hopefully, encourage additional funding.

Scott Harris, CEO of the Beacon Foundation, said that before his organisation undertook an SROI evaluation, it was essentially 'stumbling around in the dark'. While Beacon Foundation had always measured outcomes such as how many young people went on to further education, the SROI process allowed it to canvass all its stakeholders, including parents and schools. The outcome highlighted what Beacon already knew – that their programs work – but gave them more credibility. "It makes funders sit up and take notice," Scott said.

Horses for courses

Olivia notes that there are many frameworks for measurement, and even by simply implementing SMART (Specific, Measurable, Appropriate, Realistic, Timely) goals, an organisation can put together a simple one. Irrespective of the framework utilised, the organisation must measure the right things – the outcomes, not the outputs.

> **"…measurement should include milestones as well as long term outcomes."**

This critical factor was highlighted recently when SVA was engaged to review a non-profit organisation. In this case, the measurement was focused on the outputs or activities the organisation was doing on a day-to-day basis, not on the outcomes. This particular example showed that the existing activities were not, in fact, leading to the long term achievement of its mission, and whilst they were delivered with the best of intentions, their approach was actually detrimental to the very people it was designed to assist.

Leigh Garrett, CEO of OARS Community Transitions, notes that measurement should include milestones as well as long term outcomes. Giving an example of someone with a long term substance addiction, Leigh notes that there are many milestones in the treatment process – starting with something as simple as keeping an appointment on a regular basis. It is these points that should be measured to illustrate progress towards the longer term outcome. One particular methodology Leigh has found particularly useful in providing a framework is Program Logic's *Outcomes Hierarchy*.

As a significant funder, David Deverall, the Chairman of the Perpetual Foundation, is keen to note that Perpetual doesn't prescribe a particular methodology. The non-profit organisation must select the methodology or framework that's relevant and beneficial to its size, scope, abilities and mission.

Don't add-on, embed!

Importantly, measurement shouldn't be looked on as a necessary evil, imposed on stretched, resource-poor non-profits by demanding funders. The benefits are much greater than simply funding alone. Leigh Garrett identifies measurement as a tool for motivation – a view shared by Marina Vit, CEO of Youngcare, which utilises a measurement framework to ensure the organisation stays focused on its mission, has alignment of stakeholders, and regularly looks outside the organisation at the external environment.

The 'Thought Leadership Forum' in action: (left to right) Andrew Thomas, facilitator, Genevieve Timmons, Mark Watt, Carol Schwartz, Olivia Hilton and David Deverall.

Michael Traill, CEO of Social Ventures Australia, says that measurement should be embedded in the DNA of the organisation. While funders may have different, and sometimes difficult demands, if measurement is built into the organisation's strategy, it's much easier to assess whether its intervention is responsible for positive change.

Nor should evaluation be confined to non-profit organisations; funders need to evaluate their activities too. David Deverall pointed out that one of the potential fears in assessing non-profit organisations against activities such as leadership, capacity, measurable outcomes and governance, was that Perpetual could simply become a funder of large non-profits. However, in analysing the organisations that have been funded against those who applied, Perpetual found no correlation between the size of the organisation and those being funded.

Genevieve Timmons explained that Portland House Foundation's evaluation of their funding activities is focused on three questions – (1) Did we do what we said we would do? (2) What happened? and (3) Did we add value or change?

Annie Fogarty notes that evaluation is an ongoing process and is an important part of building a relationship with the funded organisation. The Fogarty Foundation has received some very valuable lessons when organisations have been prepared to evaluate and share not just their successes, but also what didn't work, and why.

The call for collaboration

The danger of increased measurement is that organisations turn themselves inside out coping with an array of different reporting frameworks, timelines and regularity, thus adding an additional administrative burden and dragging scarce resources away from delivery of core services.

Dr Jo Barraket, Associate Professor of Social Enterprise at the Australian Centre for Philanthropy and Non Profit Studies, QUT, endorses the concern that where funders don't coordinate their reporting requirements, the result is that non-profits end up with a matrix of measurement frameworks and add to the administrative burden of the organisation. Most importantly though, the different frameworks result in the information never being usable – which is a loss to everyone.

Going forward, the non-profit sector, and those who fund it, will need to work collaboratively to agree on best practice and develop common reporting mechanisms. Addressing this challenge will help to reduce duplication and confusion, and provide greater clarity for all stakeholders. ■

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Perpetual

Dr Gianni Zappalà

Dr Gianni Zappalà, Executive Officer, Westpac Foundation, Adjunct Associate Professor, Centre for Social Impact, Director, Orfeus Research.

How did you get into this field of measuring impact in the social sector?

I was an academic working in the field of labour market and employment studies and was looking to apply the research skills and knowledge I had in the non-profit sector. This coincided with The Smith Family embarking on their change journey from charity to social enterprise in 1999, which involved establishing a research and advocacy team, which I joined.

Part of my responsibility was to evaluate many of their longstanding programs to assist their transition to becoming an evidence-based organisation with a stronger policy influence. This required developing a framework that could be applied throughout the organisation. It was challenging as The Smith Family had been around for 80 years and had undertaken little to no evaluation.

By the time I left, three years later, I was happy that a culture shift had occurred, with an evaluation framework in place that people understood and valued, in terms of program design and modification. I then continued doing program design and impact assessment work with not-for-profits and corporations through Orfeus Research and more recently with the Centre for Social Impact.

Does the view that 99% of donations should go to the work on the ground, rather than a portion to research or evaluation, still make it hard for non-profit organisations to undertake this work?

There is a greater appreciation among funders now of the importance of evaluation, but it's not widespread. The Westpac Foundation is one of the few philanthropic funders to ensure that non-profits factor into their project budgets and plans an amount allocated to evaluation. We also provide non-financial support in the form of internal workshops that we run for our grantees on social impact assessment and evaluation frameworks. We want the organisations we support to be aware of the main issues, frameworks and tools in evaluation, so they are in a position to do it themselves if they have the internal capacity or to facilitate engaging an external consultant to assist them. We've also funded external consultants to work with our grantees to help them undertake their own evaluations and impact assessments.

It's not just financial resources that are needed, people and time must be allocated to do this work. Particularly in small non-profits, if people are doing evaluation it does take them away from their day-to-day jobs. So if funders are expecting evaluation to take place, they need to fund them to buy in experts or employ an additional resource to do it.

> **"No-one questions the need to appoint an accountant to manage the finances of an organisation – we need a similar mentality with respect to employing a 'social accountant', to document and manage an organisation's social impact."**

The other resource we need is a culture change. Organisations need to appreciate the value of doing this work and allocate resources to it. No-one questions the need to appoint an accountant to manage the finances of an organisation – we need a similar mentality with respect to employing a 'social accountant', to document and manage an organisation's social impact.

What's it going to take to achieve this culture shift?

The organisations themselves need to see the merit of doing this work and see it as an important and valuable internal process and not just something imposed on them. Many of the newer social enterprises recognise that value. Government and philanthropy can play an important role in terms of support with funding and capacity building. Then you have organisations like the Centre for Social Impact that provide education, training and assistance to those undertaking social impact assessments.

Can we learn much from social impact work done overseas?

Yes, we can learn from the UK's recent experience where the government has played a key role in the promotion of Social Return on Investment (SROI). A valuable lesson from the US experience is that organisations don't have to do this alone,

that there is value in collaborating and sharing measurement systems across organisations. A very good study was done recently by Mark Kramer and his colleagues* looking at different ways that organisations can collaborate and share in terms of social impact assessment, such as the use of online platforms.

"...it can be more effective to undertake training in clusters, working with groups of organisations that want to implement a particular type of framework, getting them to go through that process together and use each other as critical friends and sounding-boards."

One of the things we've found at the Westpac Foundation is that it can be more effective to undertake training in clusters, working with groups of organisations that want to implement a particular type of framework, getting them to go through that process together and use each other as critical friends and sounding-boards. They tell us this is one of the most valuable things, the opportunity to network and exchange information. Funders could play a bigger role in encouraging and facilitating collaboration in social impact assessment.

Can you explain how SROI differs from social accounting?

I prefer to speak of approaches to social impact assessment and then within these approaches delineate between frameworks and methodologies or tools. Social Accounting and Logframe, for example, are frameworks because they don't prescribe a particular type of indicator or method, whether quantitative or qualitative. Rather they offer a template or process which organisations can follow and are quite flexible in terms of the type of indicators and data that can be used.

SROI, on the other hand, is more a tool or method in that the end result or SROI ratio compares the social value generated in monetary terms from a particular program for every dollar of investment or input required to run a program. So the SROI method is premised on placing a financial proxy on outcomes.

This is easier to do for some, such as the value of a new job, compared to say an improvement in self-esteem, or an outcome that involves the creation of cultural or artistic value. And then one needs to adjust the analysis for factors like what would have happened anyway, whether the program displaced other activity, whether certain outcomes would have happened in any case and how long they will generally last.

Does the type of organisation – not-for-profit, charity or social enterprise – need to be taken into account when designing the impact measurement?

I think the critical point is that the type of social impact assessment should be contingent on the type of program an organisation is running. It doesn't make sense for all types of organisations to measure long term impacts if what they're doing is relatively straightforward, and what's more important is to get better understanding of the outputs and perhaps outcomes they are achieving in the short to medium term.

Small organisations in particular should think carefully before embarking on sophisticated impact studies. Larger organisations with greater resources, capacity and programs that are focused on systemic change should be thinking seriously about frameworks that enable them to track longer term outcomes and impact.

What do you think of the argument that overemphasis on impact makes funders risk averse?

There is something to that argument as innovative approaches to social problems often don't have the evidence to confirm or predict their success. If you say we'll only fund something where there is a strong evidence-base, then you're not going to fund anything new and untested in the social field. But if you can go to a funder and say I've got this great new idea for addressing a particular social problem and this is the way I'm planning to assess its impact you can at least demonstrate that you are thinking about the right issues and asking the right questions. This is where predictive (as opposed to evaluative) SROIs can play a valuable role.

Is there a difference between evaluation and social impact assessment?

Social impact frameworks clearly borrow from the field of evaluation and share aspects with particular types of approaches to evaluating programs. Social impact assessment is generally focused on capturing longer term changes that have come about as a result of a particular program or intervention whereas evaluation can be more short term in focus.

A key difference has been the tendency for traditional evaluation of social programs to want to aim for the 'gold standard', namely randomised control trials, which is the dominant approach in medical and health research. This has its place but there are a range of difficulties in wanting to emulate this in the social field: ethical, practical, cost, complexity of interventions and so on.

Not all approaches to social impact assessment require this 'gold standard', which is why I called the inaugural course I'll be teaching at the Centre for Social Impact this summer, demonstrating social impact rather than measuring social impact. It's about the underlying principles and approaches that can enable organisations to demonstrate the impact they're having, without necessarily having to provide the kind of data and evidence that is required in medical research. This includes principles such as stakeholder engagement, which is fundamental across all steps in a social impact assessment process (scope, materiality analysis, data collection, indicators and so on) verification and assurance, which are not always part of traditional evaluations. ■

www.csi.edu.au
www.westpac.com.au/westpacfoundation
www.orfeusresearch.com.au

*See Further afield on page 25.

Reaching out Ian Darling

Ian Darling, Chairman of The Caledonia Foundation and Documentary Australia Foundation, has achieved remarkable results in getting the issues of homelessness and abused and neglected children into the national media and the public consciousness. *Australian Philanthropy's* Mary Borsellino interviewed Ian, asking him to share his insights on creating education and outreach programs to maximise the impact of his documentary projects. This is an extract from their conversation.

The Oasis, looking at homeless youth, was a pretty significant project: a three year film shoot for a documentary film; a community enquiry into youth homelessness around the country; and a 400-page report with 85 recommendations in it, which we presented to the government and the sector. We donated the booklet and CD of the documentary to all secondary schools in Australia, created extensive education resources, and got it out to all the ministers around the country, as well as all the philanthropic foundations.

One key element in our outreach strategy was getting a major national broadcast. If we had simply taken *The Oasis* to the ABC without an extensive outreach and education campaign, they may have shown it in a graveyard timeslot, or not at all. The documentary screened nationally in prime time on ABC1 and was followed up with an hour's live discussion about homelessness. Across the country we had an audience of about 1.3 million people.

A second phase of our outreach strategy was to use the education system to promote and drive the message. When you're doing this outreach and education you have to think in long term cycles – a 10-20 year sustainable plan, for example. To keep youth homelessness on the agenda we have to get this next generation that's coming through engaged, for them to feel passionate about it as a human rights issue. Our push to get *The Oasis* on the school curriculum in every state and territory was a key element to this phase.

Our strategy was also to create more product, and we made two additional short films. One was *Polly and Me*, which is about child abuse and neglect, and the other was *Wall Boy*, which is about a teenage boy who'd run away from home and got into prostitution and was rescued by the Salvos. They were both stories which came out of *The Oasis* documentary experience.

One of the many things we'd learnt from our *Oasis* experience was to try to engage more groups in the philanthropic sector at the beginning of the process. With *The Oasis* it was The Caledonia Foundation who funded the outreach and education program and we worked very closely with the Salvos. With *Polly and Me* we wanted to broaden our support base, so we invited 10 foundations and individuals to fund the two films. We also wanted to engage a lot of charitable organisations that directly worked in the field, so we partnered with 12 organisations of differing sizes and differing reach for this initiative too.

For *Polly and Me* we had about 35 community-based screenings, with all our partners around the country,

Kristin Voumard (continuity), Ian Darling, Peter Holland (Director of Photography) and Sally Fryer (editor).

and that was in the lead-up to the national broadcast on ABC1. Again, we had a primetime screening with a Q&A afterwards. That had a nationwide audience of about half a million which, given the topic, we felt was a pretty good start.

The beauty of having these national screenings is it raises awareness of the issues to a broad audience and we've since been absolutely swamped with requests for screenings, from organisations all round the country. This ranges from secondary and tertiary educators and front line practitioners to the NSW police force requesting 300 DVDs for initial training of 12,000 officers.

We had special screenings in Melbourne with the Mirabel Foundation for representatives of the police force, the ambulance force, and the fire brigade. The emergency services can help in this issue in so many different ways, and it's important to make all their officers at all different levels aware of the plight of so many of these kids.

There are so many little anecdotes about how our films may have affected change, and those are things that are hard to capture in traditional analysis. We try and identify a narrative that highlights for us the return on social capital.

It doesn't matter which of the methods you use when attempting to measure social impact, so long as you have something that you're comfortable with and that it forces you to actually try and think about the impact of what you're doing. There's no perfect model, but it's better to be thinking about the impact of every grant, rather that saying 'oh, it's too hard', and not having a sense of measurement at all. ■

www.caledoniafoundation.com.au
www.documentryaustralia.com.au

Learning from experience Jan Owen AM

Recently appointed CEO for the Foundation for Young Australians, for the past eight years **Jan Owen AM** has been the Executive Director of Social Ventures Australia which has pioneered new investment, social innovation and entrepreneurship models to increase the impact of the social sector in Australia. Louise Arkles, editor of *Australian Philanthropy* asked Jan about achieving impact, risk aversion and her favourite success stories.

My experience is that many social investors feel a greater degree of comfort in taking risks because impact is now part of the everyday discourse between not-for-profits and funders. Conversations around outcomes and impact have given us a common language which I feel has been missing within and between sectors, and is profoundly important. Without this we live in the almost exclusive land of either outputs or anecdotes – neither of which tell the rich story of change which occurs, and therefore needs to be measured, over time.

Impact speaks to not only the individual lives changed, but often to the community and societal change which is required to create sustained and lasting impact. I believe it is a sign of real maturity in the not-for-profit sector that we are interested and prepared to talk about impact. It has facilitated a new conversation and rigour in thinking and analysis which has been extraordinarily positive and engaging across sectors.

One fundamental issue in striving for impact seems to be about clarity of expectation. There is often a mismatch of investor/funder investment and the difference they want their funds to make. For example, some funders only want to fund causes and delivery of front line programs. Others want to invest in building sustainable organisations who have a clear and aligned purpose, strategy and evaluation model in place. Investing for impact means leveraging your funds to best effect and it is a funder's prerogative to decide how and where they should do this. On the other hand, not-for-profits need to be able to have open and honest conversations with funders/investors about where funding might have the best impact at any point in time. In my experience, the quality of this conversation will determine the difference between a donation of funds and a true social investment.

My most arresting story around demonstrating impact is the homelessness service who, sadly, were convinced they were having an impact because their clients kept returning over and over again!

I have three favourite success stories around measuring and achieving impact which speak to how complex and powerful this area can be for us as a community:

1 Jim Collins, author of *Good to Great in the Social Sector*, (2005), tells a story about a head of faculty in a large high school where both the students and teachers were disengaged and disheartened about the outcomes they were achieving. The faculty head knew he didn't have the mandate to take on the entire school's results but decided to build a 'centre of excellence' within his faculty. In so doing, he challenged his teachers and students by creating new approaches to teaching, student engagement and parental involvement. In a matter of a few short years his results were exceptional and, over time, his 'centre of excellence' became known as one of the most educationally innovative in the country as others sought to replicate the model.

2 Closer to home, SVA established a Social Enterprise Hub in Brisbane which supported social enterprises including a fledgling catering service established by Saba Abraham, a refugee to Australia from Eritrea. Over a year or so Saba and some other women in her community opened a highly successful African restaurant called Moo'z.

The social return on investment (SROI) is high for this enterprise. It has employed 24 women, and trains young African people in hospitality, but the unintended impacts of the enterprise have been equally powerful. The restaurant has brought together families from across the horn of Africa who would previously not have co-habitated. The children of these families formed a soccer team and joined the local competition and educational support programs were developed for the children within the community. All stemming from Saba's original, small catering enterprise. This stuff is hard to quantify but the wonderfully rich social capital being built via this enterprise is profoundly important in terms of longer term benefit to the whole of our society.

3 Finally, last year's national winner of the School's First Award – a partnership between NAB, the Foundation for Young Australians and the Australian Council for Educational Research – was Canberra College in the ACT for their program to support young pregnant and parenting women and men to complete their education. The impact of this one, highly successful program has been immediate for the students involved, however it has also led to the establishment of a national framework delivered through the Australian Young Pregnant and Parenting Network.

It's early days still, but just one school envisioning change beyond the school gate around best practice and knowledge sharing has driven a reform agenda at a national level, creating a future education path for these young parents wherever they may go to school across the country.

These multi dimensional step changes, built consciously and painstakenly over time, are the story of true social impact, not a one dimensional view restricted to measurement of outputs, or even outcomes, alone. ■

www.fya.org.au

A Guide to Indigenous Philanthropy

Joy Love, Executive Officer Rio Tinto Aboriginal Fund, reports on a new resource. '*A Worthwhile Exchange – A Guide to Indigenous Philanthropy*' will inspire philanthropists to work more closely with Indigenous Australians to meet their needs, and will provide philanthropists with the tools to achieve successful and lasting outcomes.

The Guide to Indigenous Philanthropy is the result of a collaboration between the Rio Tinto Aboriginal Fund, The Christensen Fund, both of whom provided funding for its development, and the Greenstone Group. It reflects their commitment to increase the effectiveness of their own philanthropic investment in Aboriginal and Torres Strait Islander communities.

The Rio Tinto Aboriginal Fund and the Christensen Fund wanted to change the Indigenous philanthropy landscape – to encourage more investment and to maximise the effectiveness of Indigenous philanthropy. They funded the Greenstone Group to bring rigor and transparency to the process of developing the Guide. The parties sought to collaborate with and involve other funders and grantseekers, approaching this project in a similar manner to the partnership approach espoused in the Guide. The process involved a lot of work and distilling of information, but has brought about a shared result equally invested in by all.

The Guide is an education tool that provides a practical framework for effective giving. It is especially targeted to donors who do not have experience in making investments in Indigenous programs; and for some donors it will no doubt add to experience and knowledge already acquired. Individual donors, trusts and foundations, and businesses interested in Indigenous philanthropy, will benefit from the Guide's research and analysis of effective grantmaking.

The Guide provides tools based on three factors that are fundamental to achieving more effective Indigenous philanthropy:

1. Having better knowledge and understanding of our Indigenous program partners.
2. Being empowered as philanthropists to change the platform from which we operate in order to more effectively reach Indigenous program partners.
3. Possessing the tools to self-evaluate the effectiveness of our engagement.

A group of 20 Ngaanyatjarra Tjanpi weavers won the major prize at the 22nd Telstra National Aboriginal and Torres Strait Islander Award, with the Tjanpi Toyota. This is a life-size model of a Toyota car woven from desert grasses.

It contains:

- Information about philanthropy and Indigenous people.
- Real life stories that demonstrate the enduring value of collaboration.
- Practical information and tools for supporting Indigenous projects.
- Case studies of leading projects in Australia.
- Research findings that present the philanthropic effort in Indigenous Australia.
- The top 10 Australian philanthropists working with Indigenous people.
- Information about how much money is being allocated to Indigenous projects.
- An appraisal of what philanthropy can and does offer.
- New thinking about how we might do things differently.

Case studies in the Guide provide the perspective of grant seekers. For example, Paul Briggs OAM, president of the Rumbalara Football and Netball Club, describes his organisation's relationship with the Pratt Foundation:

"We are in a partnership as equals. This creates a great sense of openness, trust and shared responsibility for delivering the outcomes. The underlying 'feel' is one where we, as the Aboriginal community, are in control and this is critical for community legitimacy and engagement. This fits with our perspective about community development, which is 'community control', 'government facilitation' and 'private and philanthropic partners'."

Australian philanthropists are increasing their investments in Indigenous programs, and it is hoped that the Guide will accelerate this trend. The potential exists for the philanthropic community to change the way it addresses funding for this critical area, in particular to consider more deeply opportunities for leveraging additional funding and working in partnership with other donors.

A *Worthwhile Exchange – A Guide to Indigenous Philanthropy* will be launched in Melbourne in early December. It will be available in print and online as a free download. ■

www.indigenousphilanthropy.com.au

Traditional philanthropy is strategic too

The case for taking care not to undersell strategic philanthropy as a form of social investment by **Christopher Baker**, **Regina Hill** and **Louise Doyle**.

Christopher Baker, Regina Hill and Louise Doyle.

In recent times increasing focus has been placed on 'social investment'; with that has also come increasing use of business-oriented language and methodologies for measuring the return or benefit derived from allocating money for social purpose.

'Social investment' can be defined very broadly, as the allocation of resources to empower social and environmental change. These include: financial capital (money), social capital (networks), and human capital (expertise and skills)[1]. 'Impact investing' is a term that is starting to be used by the financial investment sector to describe financial investments that seek to generate social and environmental impacts 'in addition to'[2] or 'as well as'[3] financial returns.

Because this is an emerging area in Australia, outside of the financial sector and narrow parts of the philanthropic, not-for-profit and government sectors that are more closely involved in social enterprise, there is a tendency to use the two terms interchangeably. The result is that the term social investment is starting to be viewed in a narrower way and be linked more tightly to social enterprise and financial investment style activity.

The development of the impact investing area both overseas and in Australia is valuable and is something that should be encouraged and fostered; as is the adoption of financial methodologies (e.g. discounted cash flow) to evaluate social investment outcomes (referred to as social return on investment analysis or SROI).

There is, however, a risk that in encouraging the development of the newer funding approaches we will lose sight of – and undersell – the value of more traditional, yet no less strategic, forms of philanthropy.

"There is, however, a risk that in encouraging the development of the newer funding approaches we will lose sight of – and undersell – the value of more traditional, yet no less strategic, forms of philanthropy."

The current discussion of impact investment in Australia often positions it as a 'strategic' form of investment and by implication positions more traditional models of grantmaking as being somehow less strategic and effective. More traditional forms of grantmaking are often referred to, seemingly dismissively, as 'cheque book philanthropy'. Although the backhand reference is not necessarily intentional, in the developing Australian philanthropic market there is a need to take care that in promoting newer forms of social investment we do not damn more traditional forms with faint praise.

Done well, more traditional forms of grantmaking can be highly strategic and can play an important role in supporting positive social outcomes and social change. Done poorly, grantmaking outcomes can be transitory and weak; much like any poor investment decision.

Melissa Berman[4] noted in 2007 that "Human nature has not changed in the past decade, nor are new donors a new species". She argued that "risk-taking, vision and an entrepreneurial approach to philanthropy" is not a new phenomenon as addressing root causes, seeking sustainability and systems thinking has long been part of the philanthropic arena.

Peter Frumkin, the author of *Strategic Giving*[5], argues that philanthropy should be approached as both a powerful way to contribute to public good and a meaningful way to express private beliefs and commitments. It should be focused on the effective application of resources and the passionate application of individual values and commitment.

Frumkin identifies that philanthropists need to have clarity across five key areas to drive a strong philanthropic strategy:

- the vehicle through which giving will flow;
- the way impact will be achieved;
- the level of engagement and profile sought;
- the time frame for giving; and
- the underlying purpose of the gift.

Frumkin argues that strategic philanthropy requires the consideration and integration of each of these five essential elements of giving. Arguably, the above principles apply equally to a person looking to apply either a traditional grantmaking or an impact investing approach.

Different funding models appeal to different people and are appropriate to different objectives. Quite simply, there is no one right way, no one size fits all.

"…there is a risk that the trend to adopt SROI measures means that alternative – sometimes more appropriate – models of evaluation are overlooked, including simple benchmark measures such as cost per intervention and cost per outcome."

The value of 'cheque-book' philanthropy is exemplified by the way that Warren Buffet has chosen to engage in philanthropic activity. For many years Buffett argued he would commit his time and his talent to growing his wealth so that he would have a larger philanthropic contribution to make when he determined to make it. His decision to gift the majority of his considerable fortune to the Bill and Melinda Gates Foundation is surely an example of cheque-book philanthropy. He has gifted his funds to an organisation he thinks can make effective use of them through a process of strategic grantmaking. A wise investment decision!

New forms of social investment which seek to achieve both social and financial returns on funds invested are a most welcome innovation. They are particularly welcome to the extent they encourage the allocation of funds by individuals and organisations that might otherwise not have been making a contribution aimed at achieving social return. The incorporation of mission related investments (using corpus funds to invest in social outcomes) and project related investments (using grants to provide debt financing or capital investments) in philanthropic sector activity is an area that would benefit from development in Australia.

It is important that we see, and talk about, philanthropy and impact investing as being alternative forms of giving that can both be done in more – or less – strategic ways. The key is to work to develop both forms of social investment, use the options that they provide to encourage broader participation in giving activity and encourage funding to be allocated in a strategic way.

Similarly, it is important that we recognise that, while it is important to think about and understand the outcomes that are delivered through grantmaking, discounted cash flow based SROI models are not always the most appropriate measurement tool.

SROI is a valuable evaluation tool. It allows users to put a financial measure on the outcomes that are delivered through social projects. However, it is a complex tool that requires care both in its use and its interpretation. As with the broader area of impact investing, there is a risk that the trend to adopt SROI measures means that alternative – sometimes more appropriate – models of evaluation are overlooked, including simple benchmark measures such as cost per intervention and cost per outcome.

There is also a risk that if organisations see SROI as the only appropriate way to measure impact they will look to invest only in projects that lend themselves to that measuring system and so will not invest in longer term, harder to measure projects that may otherwise fit with their grantmaking strategy.

"The fundamental issue is the need to understand what you want to achieve, how you want to achieve it, and how you will go about assessing its effectiveness."

The fundamental issue is the need to understand what you want to achieve, how you want to achieve it, and how you will go about assessing its effectiveness.

Ours is an argument for discussion and debate around impact investment and philanthropy which encourages pluralism, which acknowledges that there are many and varied models of directing private funds to contribute to social good. Basic donations have a role to play, as do ad hoc gifts in response to particular events or appeals. Strategic grantmaking has a demonstrated capacity to address root causes and achieve lasting change. New forms of social investment which help grow and sustain the supply of funds to achieve social returns are a welcome development and are to be encouraged.

Let us beware, however, of polarising discussion about different forms of giving and throwing the baby out with the bathwater. Let us look to adopt and apply new models of social investment and practice (such as SROI) to help evolve the philanthropic and not-for-profit sectors, but let us do that in a thoughtful way. ■

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Evaluation: a non-profit perspective

While foundations may embrace the notion of measuring and reporting on the impact of their grants, the reality for those who do the work is not always so rosy. **Kim McConville**, Executive Director of Beyond Empathy, a non-profit organisation that uses community arts and cultural development (CACD) to improve the lives of disadvantaged young people, is well-practised in non-profit evaluation tools, having spent three years grappling with various social accounting models. Here, with input from Nicola Speden, 'Data Collection and Evaluation Wrangler', she shares her insights.

Recently I was at a conference and was overcome with the urge to get up on my chair, and clap loudly. The reason? Susan Raymond (Executive Vice President of Changing Our World Inc.) in her presentation to the Philanthropy Australia Conference 2010 had just shone a spotlight on the things we were too frightened to say about evaluation. Where does the evaluation highway lead? Why, indeed, is it a highway and not a byway? I now feel able to talk openly and honestly because someone of such regard as Ms Raymond has articulated our fears and confirmed what we have been discussing at Beyond Empathy (BE) for some time.

Using the road analogy introduced by Susan Raymond, here is what the journey has been like for us. CS Lewis once said 'We all want progress, but if you're on the wrong road, progress means doing an about-turn and walking back to the right road; in that case, the man who turns back soonest is the most progressive'. That's a reassuring insight because on the evaluation journey we have had to turn back, time and time again, trying to find the right road. However, the convoluted nature of this journey has come with a significant cost to the organisation both in terms of human capital, trust and financial resource.

BE embarked on the evaluation journey over three years ago. We began this process with a commitment to rigour, robust processes, transparency and the development of, we hoped, a replicable model that other NFPs could take up at no cost. We are keenly aware of how privileged and fortunate we were to have access to some of the best acumen in the sector around evaluation and a three year funding commitment from Perpetual, via Social Ventures Australia, to develop our model and tools.

This first road was full of trial and experimentation as we grappled with evaluation methodology and how to make it fit BE – what sort of vehicle was the best one to navigate this road? We have investigated several models, all with different drivers, and now, following another 12 month process, we have had to turn back again and develop a new map and way forward. Fortunately, this time it's not so much a turning back as crossing over the road because we now know the route we need to take. We need to jump back into the driver's seat and take control. We know our projects and processes intimately and therefore are best positioned to manage the evaluation.

Program participants extending their skills. Photographer: Wendy Kimpton.

So what have we learnt from the experience?

No one knows your business better than you do. The quest to evaluate, and provide substantiated evidence proving that what you do works, is a daunting task and not for the faint-hearted. With the current emphasis on the importance of evidence-based evaluation and the transparency of that process being independent, we have looked externally for both methods and implementers (consultants). The push towards Social Return on Investment (SROI), social audits, independent evaluations, and quantifiable and qualitative data has caught us in a roundabout – which exit should we take? We have taken the social audit route – this was a robust, valuable but mammoth undertaking. It took 12 months, a 380 page 'thesis' process, and turned us inside out.

The end product, though of academic interest, was not something we could provide to funders or to workers on the projects, as it was too dense and inaccessible. So, back to the highway. We needed to find something which was easy to use for the workers, collected the information we required, and could be wrapped up into a concise report that was digestible for both funders and workers.

The SROI process was touted as the essential exit. Fortunately this time we put on our binoculars and peered as far down the road as we could and realised that we would probably score a negative SROI because our intention is to move our participants from minus ten back to zero, so that they have an equal starting point for moving forward.

Before evaluation proper can begin, the appropriate methodology needs to be found, adapted or created. We found that each methodology has aspects that work for us, without finding one that we can implement in its entirety. Additionally, evaluation consultants come with their own areas of expertise and preferences, which can move you in a different direction. The time and energy spent working on evaluation is time not spent delivering to our communities or growing the capabilities of our workers.

"We have to keep focused on the reason we exist, the problems we are trying to address and the difference we are trying to make – but the more pressure placed on the evaluation, the less risks one is inclined to take to achieve these aims."

Ugh – data collection!

It's important to keep evaluation in perspective. We have to respect and value the contribution of our workers, whose primary goal is to use art to activate change in people's lives, and understand they are artists not data collectors. So, evaluation needs to be easy to use with seamless collection tools, and processes that remain secondary to our core work. Our team collects data because they have to, but if evaluation's primary purpose is to improve our process, we have failed because our team are numbed by data collection and don't really place any value in it.

We have to keep focused on the reason we exist, the problems we are trying to address and the difference we are trying to make – but the more pressure placed on the evaluation, the less risks one is inclined to take to achieve these aims. You can't tell in advance where success will spring from, what will resonate or engage clients or which of a multitude of arrows fired will reach the target. Planned evaluation parameters cannot, by their nature, cover all possibilities, and by expressing and defining what impact is to look like, they can actually change the agenda and weaken the impact.

In our experience, external evaluators are challenged by the deviations, the unexpected sidetracks, we encounter in our work. We know, however, that this is where real and lasting change lies. We were encouraged to use external evaluators to gain an objective opinion. However, the communities in which we work have experienced many interventions, so our participants have developed the skills to be able to tell external visitors what they want to hear. Hence, we have a healthy doubt as to the validity of data collected by an external person, who has no direct relationship to the participants. Data collection needs to be a subtle and seamless process that is best carried out by those working directly with the participants in the long term.

So what have we at BE learned from our excursions into evaluation?

- Our reciprocal relationships with our funders are essential. Where evaluation has worked best is where our funders and supporters like the Australia Council for the Arts have been closely involved with the story line of the project and have a sense of ownership.
- For us, community, arts and cultural development (CACD) rarely runs to plan or timeline, so open communication and in-built flexibility have been critical.
- We have learnt in the end to be courageous – to say no to processes that aren't right for us and to trust our own intuition and knowledge. We are now in the process of un-learning; letting go of the evaluation theory and practices that led us down the wrong road. It has been important to go down all the detours, so that we are now in a position of knowing what doesn't work for us and can build on this knowledge to find what does.
- Keep evaluation in perspective and don't feel you need to evaluate everything.

The risks inherent in placing too strong an emphasis on evaluation can push organisations towards fudging results, definitely the wrong starting point for creating individual or community change. We have always been audacious, ambitious and opportunistic risk takers, but through the gruelling process of evaluation these qualities have been somewhat knocked out of us.

So has the evaluation journey been worthwhile? Are we able, as intended, to give something back to the CACD sector? Yes, on both counts, but the toll in lost hours and stressed staff has been greater than anticipated. We have been privileged to have been given wonderful support and assistance through this process, and I'm proud to say that we have emerged ahead, and do now have a better understanding of exactly how our programs create impact and what contributes to their success. In the words of Douglas Adams (1952-2001) in *The Hitchhiker's Guide to the Galaxy*; "I may not have gone where I intended to go, but I think I have ended up where I intended to be". ■

www.beyondempathy.org.au

Growing social accounting in Australia

Marcelle Holdaway, Accounting for Life, began driving Maleny Credit Union's social accounting process in 1999,and has mentored a number of enterprises, including working with Mission Australia Queensland for over five years. Along with mentoring, Marcelle is a Social Audit Network UK approved Social Auditor.

Social accounting "…is best understood as a reaction against conventional accounting principles and practices. (It) …posits other goals as well as, or instead of, financial profitability… Moreover social (accounting) attempts to embrace not only economic and monetary variables but also – as its name suggests – social ones, including some which may not be amenable to quantification in monetary terms." (Geddes, 'The Social Audit Movement', *Green Reporting: the Challenge of the Nineties*, Owen D (ed), Chapman and Hall 1992)

The ultimate purpose of social accounting – which is the process of producing accounts of the social, environmental and economic effects of an organisation's actions – is to assist community, social economy and public sectors with proving and improving their social impact.

It is a framework within which appropriate planning and consultative tools can be applied. So, although social accounting is useful in proving to funders that an organisation is doing a good job, social accounting also leads to considerable learning and improvement within the organisation and so also benefits staff, customers, clients, partners and the wider public.

Steps in social accounting

The social accounting framework is comprehensively described, step-by-step, in the Social Accounting and Audit Manual*. The manual has been designed by Social Audit Network UK (SAN) to serve both as a DIY kit, enabling organisations to plan and run their own social accounting, and as a resource pack for trainers and facilitators.

Prior to undertaking a three step process an organisation needs to understand social accounting and have made appropriate preparations for embarking on 'the journey'. This preliminary stage, called 'getting ready', enables an enterprise to know what the process is and how it will be managed; to know whether they want to proceed; and to understand what to do next.

1 Step one is the **planning** step, entailing clarification of the mission, objectives and activities of an enterprise, as well as its underpinning values and the identification and analysis of stakeholders. This step is the foundation of the framework, and reveals the essence of the enterprise. The decision is then made whether or not to move on to step two.

2 Step two is the **accounting** step. An enterprise decides the scope of the social accounting process. A social book-keeping system to collect the relevant qualitative and quantitative information is established and stakeholders are consulted. The information is compiled and analysed and fed into the ongoing management of the organisation. After completing step two a decision is made whether to move on to step three.

3 Step three is the **report and the audit**. During this step the qualitative and quantitative information is brought together and interpreted in the draft social accounts. These are then verified by a panel of impartial people who verify that the report is based on information which has been properly gathered and interpreted, and a Social Audit Statement is issued when satisfied.

At the completion of the three steps it is time to review findings, objectives and activities and set targets for the following accounting cycle.

Costs

Much of the process can be undertaken in-house using the manual as a guide. However, using a mentor or facilitator in some capacity is recommended, especially when first starting out.

The following may include a cost if external assistance is brought in for:

- planning and setting up;
- consulting stakeholders; and
- drafting social accounts.

Verification of the social accounts has costs associated with engaging a social auditor.

Internal costs could include:

- staff time;
- administrative costs; and
- printing and publishing costs.

There are a variety of ways to cut costs, for example, through bringing students, management committee members, academics or local government employees on board. There are also a number of strategies to improve manageability described in the next section.

Suitable framework… slow uptake!

Social accounting is suitably holistic and gives rise to a rich source of information that goes some way towards responding to the complexities of assessing social impact. Why then is it that many readers will have not even heard of social accounting when the practice has been around for decades?

Historically there are numerous factors for social accounting's ebbs and flows. However, from the 1990s significant growth occurred, and during the past decade more than 500 internationally based social economy organisations have produced at least one set of social accounts. Not a huge uptake but a reasonable resurgence.

In Australia uptake has been slow. Here only six organisations have produced sets of social accounts, beginning with Maleny Credit Union in 2000. In 2009 the Brotherhood of St Laurence provided initial training and support in social accounting to a number of social enterprises. In 2010, Social Traders enabled these same enterprises to complete the social accounting process.

Any number of guesses could be made about the reasons social accounting has not been strong in Australia. One reason may be the time and resources required to produce an audited set of social accounts, although this factor is shared internationally. However strategies for improving the management of the social accounting process are being made by, for example, recommending starting small and building on the process; spreading the three steps over three years; and producing social accounts on alternate years.

More specific to Australia is the need for an optimum number of social accounting practitioners to come on board and grow an Australian-style Social Audit Network. Practitioners can be in-house staff with social accounting incorporated into job descriptions, or trained 'experts' who practise social accounting for a living. So far, most people who undertake training in social accounting in Australia are from within busy organisations and are generally too time-poor to use their experience to mentor others, or to develop an umbrella organisation.

The future for social accounting

Wesley Social Enterprises (a division of Wesley Mission Victoria) plans to base their impact measurement framework on the SAN social accounting model and some academic studies are occurring that could auger well for social accounting.

At the end of 2010 The Social Accounting and Audit Manual produced by SAN will have been updated – this new guide will enable social enterprises and voluntary organisations to assess their social, environmental, economic and for the first time – cultural impact.

Perhaps 2011 will more fully usher in social accounting as a suitably holistic approach to 'measuring' social impact! I remain optimistic. ■

The tree – a fitting analogy

The roots are the foundations of the social accounting framework, consisting of embedding values and objectives within the organisation; the trunk represents the utilisation of key principles and processes pertaining to social accounting; the limbs and branches represent the process of learning, experimenting and adapting using a range of management strategies and tools.

'When I was interviewed by the Auditors about my duties as Chairman I was able to use the Social Accounts to demonstrate the efficiency of the directors. Other staff used the Social Accounts to confirm verbal statements about the operations.

The auditors of the disability programs offered were really impressed that there was a process of demonstrating that activities undertaken were verifiable in the Social Accounts… they were so impressed they took a copy of the audited Social Accounts to show other organisations which are funded for disability programs.'

Barbara Matt, Impact Make Your Mark, Queensland

'I am passionate about the work that Project Circuit Breaker does and this (social accounting) process has really provided a good overview of how we are doing operationally and in relation to service provision, and how we treat each other in line with the values we espouse at Mission.'

Glenda Jones-Terare, Mission Australia Queensland

If you want to join in assisting social accounting to reach critical mass in Australia contact Marcelle on marcelle@sun.big.net.au

* The Manual is being updated and will be published in December 2010. Available through www.socialauditnetwork.org.uk

Philanthropic evaluation: a balancing act

By **Fiona Higgins**, Philanthropy Services Manager at the Fairfax Family Office and grant making advisor to the Social Ventures Australia PAF Unit.

There's an evaluation joke circulating among staff of some of the larger foundations in the northern hemisphere:

Q. How many philanthropists does it take to change a light bulb?

A. One to buy the bulb, and 14 staffers to tell if it's really changed.

This gag is indicative of two things. Firstly, over the past 15 years there has been a significant shift in the way many philanthropic foundations do business. Impact assessment, otherwise known as measurement and evaluation (M&E), has moved from being an afterthought in the project cycle to front and centre of most philanthropic activity. Secondly, as the joke implies, in their quest for better impact assessment, the larger foundations may have bureaucratised themselves, over-allocating precious philanthropic dollars for M&E on projects that don't warrant such scrutiny.

It's a sentiment echoed recently by Susan Raymond, the Executive Vice-President of US-based non-profit Changing Our World. In her address to the Philanthropy Australia conference dinner in Melbourne, she said:

"As we become more concerned with impact, as we become more consumed with structure, with measuring results, and with ensuring effectiveness of the money spent by philanthropy, we are in danger of making philanthropy risk averse."

I don't think Raymond was advocating a return to the heady days of chequebook philanthropy. Most observers in the social sector agree that comprehensive evaluation – using tools like Social Return on Investment (SROI) – is mandatory for large, complex projects where the issues at stake are multi-dimensional (Indigenous health, for example) or where a 'pilot' requires proof of concept before being taken to scale, especially where funding will be sought from public coffers. It is worth considering, however, whether in always seeking the measurable (and therefore, consistent) in philanthropy, we risk dismissing the experimental.

The pendulum effect

History is peppered with examples of the pendulum effect, the human tendency to swing from one extreme to another. The philanthropic evaluation space is no different. At one end of the spectrum, there are the evaluation bootcampers – strident advocates of discipline and rigour in social impact assessment. They believe that all social value can and should be monetised, maintaining that 'if you can't measure it, you can't manage it'. At the other end of the spectrum are the intangibles brigade, those who insist that philanthropy is an almost Wordsworthian experience – 'felt in the blood, and felt along the heart'. Philanthropy's impact, they argue, often lies beyond the pages of audited financial statements.

There is truth on both sides, of course. For too long, non-profits (and philanthropic foundations) have dodged the issue of impact assessment on the basis that their charitable activities are inherently virtuous. On the other hand, those that have wholeheartedly embraced evaluation sometimes complain that they have become its slave. Staff members are forced to spend hours labouring over M&E – documenting, analysing and writing up information – when they could have been in the field delivering vital services. As with most things in life, it's about finding a balance.

There are hundreds of competing metrics for calculating social value – from the London Benchmarking Group, to the Global Reporting Initiative Guidelines, to Social Accounting. All of them have their strengths, but equally, all are plagued by the complexities and irregularities of the social sector. Such frameworks are certainly useful for thinking about value – which, in the social sphere, is never incontrovertible. But there is no 'holy grail' of evaluation and dogged application of just one of these methodologies can result in a dangerous myopia that feeds the kind of philanthropic risk aversion to which Raymond referred.

Finding the balance

How then might we apply a rigorous yet flexible approach to philanthropic evaluation? As a working example, let's consider the evaluation practice of the Private Ancillary Fund Service of Social Ventures Australia. Speaking at its launch in September 2010, Senator Ursula Stephens reflected on the roundtables she has hosted with philanthropists across the country:

"One of the repeated themes from this discussion was summed up in the words of one of the participants: 'We need to put more focus on inspiring people to act by sharing with them our experience of the joys of giving.'

The group was emphatic that it's one-on-one discussions with people in similar situations – who have successfully established and manage PAFs – that is the most powerful factor in encouraging the transition from non-giver to regular, engaged giver.

So it's fantastic to see the new SVA service helping to bridge this gap, bringing together experienced PAF managers and those with the potential and growing interest in establishing one.

The other often made point at the philanthropy roundtables I hosted was the need to give comfort to donors that their funds are being well-spent."

In pursuit of the latter, the SVA PAF Service applies the following principles in its evaluation practice.

Starting with value(s)

A balanced approach to evaluation starts from the premise of thinking about value – and values – before any funding has changed hands. Reflection work needs to be done internally (by the philanthropist or foundation itself) before it is demanded of charitable organisations or projects. It is essential that the funder knows what it is seeking to do, in order to choose an evaluation method that is most relevant to its needs. This may sound simple, but it can be surprisingly challenging to articulate:

1. Your core operating values (the 'why' part of your philanthropy, what motivates or inspires you to effect change).
2. What you would like to achieve (the 'what' part of your philanthropy, what change you wish to effect or social value you would like to create).
3. In what manner you might go about achieving your objectives (the 'how' part of your philanthropy, or a theory of change).

"When structured reflection is done well, navigating a strategic 'fit' between a philanthropist and one or more of the 26,000 Deductible Gift Recipients suddenly becomes remarkably easier."

Because personal values differ as wildly as conceptions of social value, the philanthropic strategy that emerges from such structured reflection will look very different from one foundation to another.

When structured reflection is done well, navigating a strategic 'fit' between a philanthropist and one or more of the 26,000 Deductible Gift Recipients suddenly becomes remarkably easier. A philanthropic 'profile' for the foundation or donor can be mapped, then a tailored giving strategy and evaluation framework developed. But where this kind of structured reflection is not completed, a more reactive style of philanthropy usually follows. Givers tend to provide support to a wide range of worthy organisations and then, after a period, begin to question how effective their funding has really been.

Project evaluation

After the hard work of structured reflection is over, it's time for the fun bit. Dollars change hands and the project cycle begins. Key pillars of evaluation at this stage include:

1. **Outcome frameworks:** A simple and intuitive framework for evaluation is developed before a project starts (always in tandem with the charitable partner) to capture progress against observable goals over time.
2. **Impact reports:** These analyse how well a charitable organisation has tackled the problems they set out to solve, how catalytic a philanthropist's funding has been, what has changed, what is yet to be done, and leverage opportunities for multiplying the effect of funding.
3. **Progress liaison:** Walking alongside charitable agencies – not as a 'watch dog', but as a sympathetic partner – to monitor progress and respond to change during the funding period.

In assessing impact at a project's conclusion, sometimes it is possible to assign a monetary figure to social and environmental value created. For example, the value created by a training program for ex-offenders might reveal that for every $1 invested, $8.50 of social value is created. Other times, it is almost impossible to articulate social value in dollar terms. For example, the impact of a scholarships program for talented young artists to pursue a postgraduate qualification. Here it is difficult to reduce impact assessment to a single quantitative factor and the final descriptor is likely to be narrative in nature ('receiving this scholarship has changed my life'). In addition, the following basic questions should always be considered:

1. Is it effective (outcome evaluation)?
2. How is it effective (process evaluation)?
3. Is it cost-effective and sustainable?
4. Is it transferable across different contexts?
5. How might it be embedded in systemic reform?
6. What is the long term impact?
7. What else can we do?

The SVA PAF Service does not impose a one-size-fits-all evaluation template on charitable partners. The evaluation process is designed and agreed before project commencement, so almost all of the research and fact-finding occurs without any additional reporting burden on charities. The hope is that such a process actually assists charities to be imaginative about their projects, while also deepening a philanthropist's understanding of the strengths and limitations of the M&E applied. By finding a balance between rigour and flexibility in evaluation, higher-impact social partnerships should follow – partnerships that are warm, creative and intellectually rigorous. ■

Further afield

By **Mary Borsellino**, assistant editor *Australian Philanthropy*.

Building a Bridge Between Ethical Investors and Social Business

By Peter Shergold

***Ethical Investor*, Issue 93, August/September 2010**

This article suggests that there is a need for a new generation of ethically responsible investors, in order to grow the sector. This is because the regulatory strings which come with current funding models force a focus on compliance rather than performance. The article explains that one of the key strategies which ethical investment could be built on would be the measuring of social returns, because this is important to philanthropists wanting to make rational funding decisions but is even more vital to those potential investors who want to receive a return that blends financial and social value.
http://tinyurl.com/27j5b4l

Recent Approaches to Measuring Social Impact in the Third Sector: an Overview

By Professor Mark Lyons, formerly CSI's Director of Research, and Gianni Zappalà, The Centre for Social Impact

This paper looks at approaches to social impact measurement in the social economy, analysing the three main approaches measuring social impact: Social Return on Investment (SROI), social auditing and logical models. The article points out that while there are many indexes ranking corporate responsibility performance, corporations generally remain uninterested in measuring the impact of their social initiatives, emphasising the money spent or time volunteered by employees rather than discussing the outcomes for the community.
http://tinyurl.com/26p58nx

The Social Audit Movement

By M Geddes

Green Reporting: the Challenge of the Nineties, Owen D (ed), Chapman and Hall 1992 and quoted in *Accounting and Accountability* (p.265), Gray, Owen, Adams, Prentice Hall 1996.

Social Accounting and Audit: the Manual

By John Pearce and Alan Kay

This resource is aimed at organisations that wish to measure their performance and impacts. The manual sets out a three step process: social, environmental and economic planning; accounting; reporting and audit. Philanthropy Australia's Knowledge Centre has the 2005 edition in hard copy available to borrow from our library, along with a CD with links to associated materials such as case studies, templates, sample questionnaires and other techniques.
http://tinyurl.com/2dt3xpt

Our Ineffectiveness at Measuring Effectiveness

By Dan Pallotta

This article from *Harvard Business Review* puts forward an argument for one consolidated, extensive national apparatus for assessment of American charities. Pallotta explains that the movement currently underway, to shift from rating charities on their administration-to-program ratio to instead measuring their effectiveness, is oversimplified and therefore largely meaningless. This is due to the absence of substantial monetary backing behind evaluation – an absence driven by charities' reluctance to spend money on administration overhead. In other words, the old system is directing the future. Also, ratings based solely on effectiveness will reward those organisations which tackle the problems which are easiest to solve. Without sufficient funds to support in-depth, complex evaluations of organisations, results will be reduced to numbers, stars, or letter grades, which will prevent any genuine knowledge being gleaned from the results.

Pallotta suggests that the kind of comprehensive, high-grade observation and assessment website that the sector needs would require an investment of hundreds of millions of dollars in the United States, and points out that $500 million is only 0.22 per cent of their annual individual giving to charity.

While the public appears to be currently unwilling to fund charity evaluation on any large scale, encouraging this area of giving would not only get funding but also educate the public on the realities of how charities work and the challenges they face. This could be extremely valuable in terms of new donations to charity.

Pallotta concludes by pointing out that the amount spent per charity per year on evaluation in the US stands at about $4, and that this is an element of the sector which is in dire need of change.
http://tinyurl.com/3a7zozl

Elements of a New Paradigm: Evaluation

By Mark Kramer

The Center for Strategic Philanthropy and Civil Society (CSPCS)

This blog post addresses a shift in the role of evaluation in philanthropy, with new techniques allowing a focus on improving efforts while they are underway rather than isolating and assessing the consequences of completed activities. The post also touches on a second shift, as yet less developed, which is a move away from individual programs or organisations to evaluation processes that track the progress of an entire field, recognising that the non-profit sector is a complex ecosystem in which the interrelationships among the different actors are as important as the actions of any one organisation.
http://tinyurl.com/2u8g4pg

London Benchmarking Group

The London Benchmarking Group is a group of over 100 companies working together to measure Corporate Community Investment. Their model is used by companies globally to assess and report on the value and achievements of their investment, providing a comprehensive and consistent set ofo measures which can be used to determine a company's contribution to a community.
http://tinyurl.com/22m6lpn

Blogs by Sean Stannard-Stockton

Getting Results: Outputs, Outcomes and Impact

In a two-part blog post, Sean Stannard-Stockton explains the difference between these three concepts and the practical way they can be used to describe the results of a not-for-profit's work, arguing that to be effective, organisations must track their most mission-critical data and understand how to use it well, and funders should not waste their grantees' time by requesting information that is of little relevance. The resulting conversation between bloggers continues in the comments.
http://tinyurl.com/2eovkkm

Nonprofit Analysis: Beyond Metrics

This discussion is kicked off with a blog post which outlines a move in recent years beyond simplistic evaluation measures towards more holistic analysis, offereing different examples of criteria by which evaluators assess impact and performance. In the conversation following the post, commenters engage in spirited debate about how to determine what are the most critical elements that signal whether a nonprofit is doing a good job.
http://tinyurl.com/28m42he

What is Impact All About?

This post reprints and comments on the simple and highly recommended article by the Mulago Foundation, 'The Mulago Foundation: how we think about impact'.
http://tinyurl.com/2cqs6rw

Performance Versus Impact

A post by Sean Stannard-Stockton poses the question of whether funders should invest in 'high performing' organisations (which run very well) or 'high impact' organisations (which can prove results), arguing that 'high impact' organisations are rare. A lively debate follows in the comments.
http://tinyurl.com/29hajcx

The Hard Work of Measuring Social Impact

By Julia Hanna

An article interviewing Harvard Business School academic Professor Alnoor Ebrahim on the ambiguity surrounding social impact metrics and on the variety of potential approaches to measuring impact for not-for-profits.
http://tinyurl.com/2cpyfvf

The Dark Side of Outcome Evaluation

By Doug Easterling

***Grantmakers in the Arts Reader*: Volume 12, No. 2, (Summer 2001)**

This article, originally published in 2001, outlines the foundation of the movement toward measurable results. It cites two influential articles from 1997 and 1999 respectively, which called for foundations to act more like investors than donors, and to judge their own success in terms of the return they achieve on their grants. The article warns that emphasis on documenting and evaluating outcomes diverts considerable resources within nonprofit organisations. Easterling stresses the importance of recognising the practical limitations of evaluation and avoiding an outcome-centric ethic which could inhibit the health, development and implementation of programs: measuring value rather than adding to it.
http://tinyurl.com/2uzspzc

Journeying Towards Sustainability: an Australian Non-Government Organisation's Experience

By Marcelle Holdaway

***Community Business Review*, Issue 5, Sep 2008.**

Marcelle Holdaway charts Mission Australia Queensland's journey towards sustainability and outlines different potential approaches to evaluation. These include 'triple bottom line' sustainability accounting, which encompasses an organisation's social, environmental and economic performance and impact.
http://tinyurl.com/2fco3ev

Resources by Marcelle Holdaway

Holdaway, M. 2006, *Social and Environmental Accounting: Critical Issues for 'Third Sector' Organisations in Australia*. *Ethical Investor*, Issue 66, May 2007, and *The Corporate Citizen*, Volume 6 Issues 2 and 3, Corporate Citizen Research Unit, Deakin University, Melbourne, Victoria, June 2007.

Holdaway, M. 2003,T*riple Bottom Line Accounting – Where to for Australia? The Corporate Citizen*, Volume 3 Issue 3, Corporate Citizen Research Unit, Deakin University, Melbourne, Victoria.

Holdaway, M. 2002, *Furthering the Social Responsibility of Business: From the Ground Up*. *The Corporate Citizen*, Volume 2 Issue 2, Corporate Citizen Research Unit, Deakin University, Melbourne, Victoria.

The Holy Grail of 'Impact'

By Bruce Sievers

"To read recent business publications, one would think that at last the key to great philanthropy had been found in 'impact'." This article can be found in *Australian Philanthropy* – Issue 75: *Maturing Philanthropy: Challenging complacency & learning from experience*.

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