



**Caitriona Fay, Perpetual**

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# Best practice principles in philanthropy

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**C**aitriona Fay, general manager, community and social investment at Perpetual Private offers some reflections on the lessons for philanthropy and the not-for-profit (NFP) sector. She also asks some leading CEOs for advice on how to best work with NFP organisations to achieve the greatest impact and benefit to the community.

## A year of scrutiny for the NFP sector

There is much to mull over in what has been another 12 months of scrutiny for 'big' philanthropy internationally. Much of that attention has focused on the decision-makers, their power and what they choose to (or choose not to) support. This is amplified by a fractured global political landscape, where the gaze has sharpened on all things—philanthropy included—that may be perceived or very real threats to our democracies.

In response to scrutiny, we need to build a philanthropic sector that is open, transparent and seeks to work in service of our communities and their ambitions. Traditional structures and operating models in philanthropy have often led NFP organisations down a path of conforming to the ambitions of funders, rather than the other way around.

So, how do we help funders understand more about how their non-profit partners wish to see them fund? Working in an advisory capacity, I often think about the best way to ensure that clients we work with hear from a diverse range of voices when it comes to the impact of giving—and whose voices do we position as experts in good-giving practices?

Some of this thinking has come to a head while reading *Philanthropy, systems and change: perspectives, tools, and stories to help funders find their best-fit contribution to change* by the Australian Centre for Social Innovation (TACSI). In this report, some of philanthropy's

most respected and thought-provoking practitioners—in Australia and globally—discuss the role of philanthropy in addressing the deep-rooted problems that policy, financial, democratic and digital systems are creating for our communities. The lesson here is that many philanthropists felt their best practice came when they moved towards granting strategies that positioned communities and NFPs as expert advisers, as opposed to the other way around.

## Best practice funding tends to be patient, persistent and intuitive

Philanthropists who are seeking to make significant change for the communities they care about have some common traits. Based on insights from the TACSI report and my own observations, they tend to be:

- patient funders—understanding that real change moves with the pace of the communities that they are working to support
- persistent—standing behind and encouraging their community partners in the face of numerous challenges and barriers to change
- intuitive—recognising their community partners as the experts and seeking to support and add value to their work in ways their partners invite and value.

## How to position community partners as the 'experts'

Following are two quotes from the TACSI report that resonate with me when philanthropists consider how to best work with NFP organisations to achieve the greatest impact for the community:

“The best thing funders can do is to shift the focus from them and what they are funding to looking around and seeing themselves as part of an interconnected whole. Most foundations think it's them that are responsible for making change.” (Alice Evans, deputy CEO, Lankelly Chase (UK))

“We invite our grantees to share their expertise to help us make funding decisions. We ask them, ‘What are you dreaming about that we could help you with?’ We understand that they know best what it takes to make real change happen.” (Emily Tow, president, Tow Foundation (USA))

### How to fund NFPs for impact: leading CEOs weigh in

I reached out to some NFP leaders and asked if they would be willing to share a single piece of advice for philanthropists and those who want to work in the best possible way with non-profit organisations.

These responses were grouped into seven key themes:

1. Develop trust and partner for the long term.
2. Offer untied or operational capacity funding.
3. Ask the hard questions and take educated risks.
4. Invest in development, not just ‘doing’.
5. Build relationships.
6. Understand the impact and hear human stories.
7. Ensure the right alignment.

#### Develop trust and partner for the long term

“Charities go where markets will not and overstretched governments cannot. Services in the ‘hard’ places take time to build, and a partnership over a longer period is more desirable than trusts changing charities yearly. This also enables the partners to develop trust, service design and growth together.” (Scott Chapman, CEO, Royal Flying Doctor Service, Victoria)

“Social change takes time and happens best in collaboration with partners who understand and trust in shared objectives. For this reason, my advice is to be bold, patient and be prepared to walk alongside your chosen partner(s) with multi-year commitments that support the organisational capacity to achieve individual projects. Funding project by project can’t deliver transformational change that funding organisational capacity in a multi-year commitment will. It takes time and committed partnerships to achieve deep and lasting social change.” (Mitzi Goldman, CEO, Documentary Australia Foundation)

“A great grant-maker develops a true partnership with the organisations they support. A partnership means that there is a deep level of trust, respect for roles and expertise, and the capacity for both parties to be honest. Social change is extremely challenging. The best relationships I’ve had involve the grant-maker really understanding what we are trying to accomplish and then giving us the scope to take risks and try new things. Grant-makers who want to hear that not everything went to plan but that we learnt important lessons. Grant-makers who understand that the most useful grants are untied and are spent on staff who make projects happen. Grant-makers who are open to feedback and will give us honest feedback too.” (Amanda McKenzie, CEO, Climate Council)

“Look for charities that have long-term, well-thought-through plans with clear outcomes and accountability.

Fund them for over five years for measurable outcomes and insist on annual reporting as you would your own business. I think philanthropists can expect to receive a great deal more if they de-risk outcomes through the provision of sustainable funding support.” (Rosie Simpson, CEO, the Children’s Hospital Foundation, Brisbane)

#### Offer untied or operational capacity funding

“Give core funding, not funding tied to a particular project. Too many funders want to own a program, and not pay for the rent, the admin person, the electricity or any other essential items. Core funding allows an organisation to direct funds where they are most needed. It can be a lifeline.” (Dr Catherine Keenan AM, executive director and co-founder, Sydney Story Factory)

“Invest in our greatest asset—our people and our capacity. We live and breathe our business every day. We know it inside out, but to fund it through philanthropy, sometimes we find ourselves shifting or tailoring our focus to attract dollars. With operational capacity funding, we can scale our mission, stay on strategy and deliver better outcomes for our beneficiaries.” (Julie McDonald, CEO, The Funding Network)

“If you really want to understand impact, ask your charity how they measure the connection of outcomes with their theory of change. Secondly, allow for—even insist—that your grant is used to fund intelligent overhead[s]. [An] intelligent, but almost always unfunded, overhead includes data collection, insights, and practice reform to continuously build better practice that is evidence informed. The alternative option, which may be just as valid, is just give money to your favourite cause and have faith that it will make a difference. And it likely will.” (Paul Edginton, CEO, SYC Limited)

#### Ask the hard questions and take educated risks

“Successful philanthropists are the ones that take risks and encourage NGO [non-government organisation] partners to do so too. Whilst they need to analyse what to support with their head, they need to decide with their heart what initiatives to back and then provide flexibility to the NGOs to ensure they succeed.” (Dermot O’Gorman, CEO, WWF Australia)

“I’d suggest asking, ‘What is the hardest thing for your organisation to fund that would have the biggest impact on your mission?’ The answer may lie outside of your granting remit. It may be too early in the relationship to take a risk, however, it may just be the thing that allows you to play a transformative role in the life of the non-profit and the people or environment they serve.” (Stacey Irving, CEO, the Karrkad Kanjdji Trust)

#### Invest in development and innovation, not just ‘doing’

“I would like funders to support organisations to develop the capability to plan, develop and grow, not just do. All successful projects need a strong planning and induc-



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tion phase if they are to develop the ability to shift to new paradigms to meet social impact demands.” (Gildi Carty, CEO, Life Education)

“Complex social policy issues like mental health and suicide prevention often aren’t ‘tidy’. Innovations in prevention and early intervention span far beyond the health and service systems into all parts of people’s lives; where we live, work, learn and play. And results are often harder to measure over the short term. I’d love philanthropy to spend time talking with us and coming up with innovative and different investment ideas with us.” (Georgie Harman, CEO, Beyond Blue)

“Strong sustainable organisations are built by high-functioning, adaptable and motivated people. Yet, many smaller organisations struggle to provide any professional development for their staff. Invest in staff development by requiring it to be incorporated as a percentage of project funding.” (Jo Pride, CEO, Hagar Australia)

### Build relationships

“Build relationships with organisations you wish to support so you can see the motivations of the leadership and staff. You’ll more easily find organisations that have an outcomes-focused culture that way. Those are the right organisations to invest in.” (Carmelo Arto, CEO, Breast Cancer Research Centre, Western Australia)

“Take the time to build relationships with the NFPs you support. The best grant-makers encourage and enable dialogue which builds trust and confidence for the long term and enables knowledge-sharing. Multi-year grants provide funding certainty for NFPs and create greater social impact, as programs have the space to evolve and refine. Increase your appetite for risk—philanthropy can enable greater innovation where government grants can’t. Philanthropy can venture into areas that corporate and government funding can’t; giving birth to fresh innovation and tackling ingrained social problems in a new way.” (Rob White, CEO, Cerebral Palsy Alliance)

### Understand the impact and hear the human stories

“Once engaged, a good philanthropist should seek to understand the impact their support will provide and look to build an intellectual and emotional bond with the recipients of their support. This can be done in person or with anonymity.” (Anthony Ryan, CEO, Youngcare)

“The use of application forms and reports in philanthropy can prohibit non-profits from demonstrating the value of work. We need to communicate our value and impact through stories. Data and evaluations do provide a certain perspective, however, facts can turn people ‘off’ and stories turn them back on and engage them in the life changing impact they can enable. Providing an engaging story is virtually impossible within the constraints of a tightly worded response to an outcome and metrics-focused question. By insisting on this format and never hearing the human stories of the lives changed, funders

may be depriving themselves of the true joy of philanthropy.” (Louise Baxter, CEO, Starlight Children’s Foundation)

### Ensure the right alignment

“Invest in organisations that are aligned to the change you are attempting to achieve and give them the freedom to tell you what they need. There’s always a risk that non-profits will apply for funding that meets the needs of the philanthropist but not the mission of their organisation. Ensure that alignment is right both for the sake of your funding and the sake of the organisation seeking the grant.” (Mara-Jean Tilley, director, Garvan Research Foundation)

### Final thoughts and looking ahead

In summary, the key takeaways for philanthropists are:

- invest patiently
- fund the core
- find organisations that measure
- trust the organisations you fund.

I am incredibly lucky to have colleagues across the NFP sector who feel comfortable to tell me about the philanthropic practices that help—and hinder—their organisations in achieving impact for the communities they serve. I draw on these experts often and rely on them to inform my own thinking on practice. **FS**