

# THE CHALLENGE FOR PHILANTHROPY IN THE 21<sup>ST</sup> CENTURY

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Assume you're here to find out why philanthropists give, what they hope to get in return, so you'll be better able to persuade them to support the particular causes that you hold dear.

But sadly there's no magic bullet and miracles – such as the eccentric millionaire - seldom happen, but ... [Chuck Feeney, Ron Clarke story].

## **Some preliminary comments:**

*Always bear in mind that you are in a crowded field. Deserving causes will always outnumber the resources.*

Some people will never agree that environmental causes are as important as caring for the homeless, trying to cure cancer or preventing babies from dying in Ethiopia, etc.

Peter Singer. (GiA p.11) Singer also suggested that it was wrong to support the arts when there were people in desperate need, but notwithstanding this, many will continue to do so. Many others will support you.

So it's tough, but spare a thought for people who are trying to raise money for, say, the homeless. Their clients are often not the blameless victims of disease or of a Tsunami, nor are they cute and furry or pristine and beautiful, like some of your causes. Rather they are often drunk and smelly and offensive.

I think the answer is that we shouldn't be competing for a bigger share of a limited amount, but finding ways to make the amount bigger. Australians have capacity to give many times more than they do, eg the Tsunami. The trick is to find the right ways to reach their hearts and heads.

*Money isn't always the answer*

People are often happier to give time, ideas, knowledge, resources etc. Be creative and open to ideas.

*Think local*

If you are not a national organisation, it's unlikely that Telstra or BHP Billiton will want to sponsor you – unless they have a special strategic reason to do so. Concentrate on people and companies who live in your area (including Telstra and

BHP, if appropriate), who send their kids to local schools, who go bushwalking in the bush nearby, who sell goods and services to people locally.

*Remember that the person gives also benefits*

Find out what the donor wants. Trevor Hancock (p.76).

Mark Leibler pp.155-6 (also, on a more strategic level, you don't know which of today's \$20 donors will be tomorrow's \$2 million donor).

### **Philanthropy in Australia; Some facts**

In 2001/2:

- In 2001 Australians gave 0.5% of GDP. Americans gave 2.1%; People in UK gave 0.63%.
- 34.76% of Australian individual taxpayers made and claimed tax-deductible donations (approximately 1 in 3)
- a total of \$838.15m was claimed. This was an increase of 16.2% over the previous year (it is thought that this increase is largely attributable to the introduction of PPFs)
- the average donation claimed was \$241.35
- the average proportion of taxable income donated, by those who made claims, was 0.25%
- Rich people give more:

	All taxpayers	Income >\$1m
Average donation	\$241	\$53,446
% of taxable income donated	0.25%	1.9%
% of taxpayers who claim deductible donations	33%	63%

### **The Intergenerational Transfer**

For some years this phenomenon has been a light on the hill for fundraisers, financial advisers and many in the non-profit world. Estimates of the size of the current transfer have varied but very little work has been done on the attitudes that these inheritors have to giving, except an impression that they are likely to be more entrepreneurial and creative in their philanthropy than their parents.

In Australia virtually nothing is known about either the overall size of the intergenerational transfer or the amount that might be donated. A report published by AMP in June 2003 identified a number of reasons why Australian baby boomers ought not be optimistic about receiving large inheritances, but this is not especially convincing.

## Philanthropy vs. Social Investment

We are often told that Australians are far more financially literate than in the past, that more of us own shares. We are encouraged to think that we are a nation of investors. This seems to be the case in philanthropy. People seem to be increasingly disinclined to give to large organisations, trusting that they'll do good, and more interested to know precisely what will be done with their money. This might partly be due to a growing cynicism, but might also represent a desire to be involved. To be an active investor, not a passive donor.

Fence vs. Ambulance. Fundraisers concentrating more on living donors than chasing bequests. The cheque represents the beginning of the relationship, not the end.

### Why do people give? Some Case studies

- Traditional philanthropists: *Noblesse oblige*. Dame Elisabeth Murdoch (p.104)
- Modern versions of traditional philanthropists: Steve Vizard (City and the bush) (p.146), Warren Lee (p.134), Fred Street (p.58).
- Social investors: Jill Reichstein (p.141), Royce and Bev Jackson (p.142)

Note the differences between these. Increasing levels of engagement.

It's not charity, it's investment – thoughtful, careful, strategic, considered, monitored and evaluated.

- Family philanthropy. Myers, Besens, Pratts. US model. Harold & Amanda Mitchell (p.182)

## CSI

A growing issue.

- Shareholders' dividends

The directors of companies are appointed by shareholders to make money for shareholders, not to donate it to other people. Companies should not be deciding what to do with shareholders' money. They should return as much of it as possible to the shareholders and let them decide what to do with it. The shareholders may well want to be philanthropic, but that's their choice [and] they don't want that choice made for them by somebody else.

(Stan Mather, ASA)

Repeated at the time of the tsunami.

- Obligation to be a good citizen; the licence to operate.

[Entrepreneurs] understand that the money they've made carries with it a sense of social responsibility; a sense of obligation – responsibility and obligation to the society that gives them the freedom to pursue their vision. That responsibility means not only that they have to plough back some of their wealth into their own enterprise to create new wealth and jobs. It also means that through philanthropy and creative sponsorship, they have to help their communities to grow.

They have to help their nation to become fairer and more tolerant of diversity. They have to help ensure that more of their nation's citizens are enriched culturally and educationally.

(Richard Pratt AO)

This means more than just not doing wrong.

- The business case.

For a modern company the case for corporate social responsibility is entirely rational and compelling. Communities can and will punish organisations that fail to meet the modern expectations that right must be done to everyone.

By contrast, businesses that do recognise their foundation in, and responsibilities to, their communities are seen as modern and responsive. When they act with conviction and professionalism, costs are reduced, regulatory risks are lowered and brands enhanced. But the biggest and most enduring benefit of all lies in their heightened appeal to potential employees. The best people – the people that companies want to attract and keep – are the people who like to feel proud about going to work every day.

It's my view that the transition to a culture of corporate social responsibility is inevitable and it's underway. Those corporations that fail to adapt will fail to succeed.

(Leon Davis, Chairman of Westpac)

- It isn't just charity – Tsunami; unplanned and reactive.
- It isn't just philanthropy - Ambulance and fence
- It isn't just sponsorship - Australia Post and Opera Australia; Chairman's wife syndrome. Emirate Airlines and Collingwood. Clear expectation of a financial return.
- It isn't just marketing – Finding out what your customers want so you can sell it to them
- Nor cause-related marketing – eg guide dog puppies and Sorbent
- It isn't just advertising
- And it isn't just an expression of your HR practices. (Though it has to be included in your HR. Peter Davies of Business in the Community 'CSR without HR is just PR'.)
- It isn't just how you **spend** your profits, but how you **make** your profits.

But it can contain elements of all of these; for example, Westpac's partnership with Cape York Communities

Key elements:

- It is an equal partnership (but remember the Golden Rule)
- It's long-term
- It delivers measurable business outcomes for both parties (not necessarily financial)
- It's not a bolt-on accessory, but an integral part of the company's business.
- Public vs. private companies
- Exit strategy (Telstra and Lifeline. Who'll want to partner them next?)
- It's fun.

A *case study* that represents all that's best in this field: Bakers Delight and the Breast Cancer Network.