MISSION AUSTRALIA - SOCIAL POLICY IN THE CITY SERIES

ENGAGED PHILANTHOPY

Sydney @ 5pm 21st September, 2006

I have been asked to speak this evening on the topic of engaged philanthropy in the context of corporate partnerships, social responsibility and sustainability.

I propose to make some observations about these ideas from the perspective of a professionally managed, family controlled philanthropic entity. These observations are intended to lead to a discussion about the different perspectives that can be brought to these matters.

Because the topic is broad and complex, it will help at the outset to get a few definitions to clear a path. The term philanthropy now tends to attract an adjective and in today's talk that adjective is 'engaged'. Recent popular adjectives have included 'strategic', 'venture' and 'new'. The implication is that no-one wants to hear about just philanthropy, which seems to have attached to itself a notion of non-strategic, disconnected, responsive, old fashioned cheque writing.

It's my view that any philanthropy done well, with or without adjectives, is always engaged if that is taken to mean responsive to community needs, well targeted, effective and focused. This is core business for sharply directed and well managed trusts and foundations that constitute modern mainstream philanthropy. And it is philanthropy, professionally practiced, that is at the heart of my remarks.

While defining terms, it's almost certainly helpful to give a brief overview of the eco-system called the philanthropic sector. Some in the sector think that the term sector suggests a group of organizations operating in a uniform manner with similar objectives. That is not the case.

Professional philanthropy takes a number of different forms, and this needs to be understood both by the grant seeking community as well as other philanthropic entities that may wish to act collaboratively in partnership. These forms include 'first person singular benefactors', usually people who have been wealth creators themselves or inheritors of wealth. Their acts of benefaction are performed without the formality of legal structures or entities, although they may enlist the professional assistance of advisers or researchers. My Grandfather, Sidney Myer, was the key philanthropist in our family. In his lifetime, he chose to give financial support to a wide range of community activities and on his death, he established a fund to continue that work.

Other forms of philanthropic entities include Foundations controlled by the founding families such as the Myer Foundation and Vincent Fairfax Foundation, Foundations that may have started out as family foundations that are now administered by a majority of non family related directors such as the Ian Potter Foundation, community Foundations such as the Sydney Community Foundation, corporate Foundations such as the Macquarie Bank Foundation and PWC Foundation, trust company administered bequests such as ANZ Trustees, as well as other forms including the 300 plus Prescribed Private Funds. Many of these have little in common except that, aside from the first person singular benefactor and most PPFs, all others are involved in administering someone else's philanthropic act, not their own. For example, I serve as a member of the Felton Bequests' Committee. Alfred Felton was the philanthropist and I now serve on a committee that administers his philanthropic giving, 102 years after his death.

The role of grant making and serving as a philanthropic entity is core business for a Foundation – there is no discretion that can be exercised. The entity exists for the sole purpose of philanthropy.

I acknowledge at the outset that it is risky to assume that everyone in this audience will share the same views about the place of philanthropy in our community. Everyone brings a different point of reference and a different experience of philanthropy to these discussions and not everyone is uncritical.

A few years ago, the term venture philanthropy became synonymous with the activities of the dot-com billionaires who ran their philanthropic programs as they ran their businesses and in so doing imposed their processes and systems on the community sector in the belief that these were universally appropriate in all circumstances. Sometimes dubbed 'pain in the neck philanthropy', many in the community sector became critical about these new marauding philanthropic funds preaching new paradigms rather than being responsive to community needs.

Some Foundations have moved towards developing and managing their own projects as their sole activity. This is entirely their prerogative but through such an approach, a community voice can be lost. One of the reasons why I feel strongly that Foundations should receive grant submissions as part a balanced approach to grant making is so that the voice of the community gets heard in each submission made.

The activities of the philanthropic sector sit well aside from sponsorship, although foundations will often, in the arts, make grants for activities deemed valuable to the community that might not be commercially sponsorable – this might be described as sponsoring the unsponsorable. ‘Sponsorship’ refers to financial or in-kind support provided by an organisation or individual for community benefit in exchange for commercial return. Sponsorship arrangements tend to be designed on a business-case approach, with benefits to the community aligned productively with corporate and business goals.1 The unsponsorable obviously cannot fit this description.

I also do not share the common view that philanthropy is about ‘giving something back.’ In Australia we are prone to use a language of giving that conveys a message to others that an act of benefaction is an act of solemn duty. Increasingly and monotonously, people refer to their benefaction and philanthropy as 'giving back'. This is not the language of generosity, it is the language of obligation. It reinforces a view held by some that, in order to 'give back’; something must have 'been taken' in the first place. At best, it reflects careless use of language. At worst, it establishes or reinforces in the minds of many a dubious motivation for their philanthropy. My advice is to leave the assertion that philanthropy is ‘giving back’ to those who are opposed to private wealth.

If that is true of individual benefactors, it is even more true of the philanthropic sector as a whole which is obliged to make grants. Benefactors and Foundations are part of, not apart from, the community. Their benefactions ought to be considered as part of a natural ecology. Instead of ‘giving back’, they ought to speak more freely of what they do as 'giving' or ‘grant making’. Private benefaction done well is engaging and enjoyable. It ought to not be motivated by the heavy and cumbersome hand of obligation, duty or noblesse oblige. Grant making is a professional activity that calls upon research, training, skill and judgement, as well as financial acumen and an acute understanding of the parts of the community in which the Foundation operates. ‘Engaged’ philanthropy is exactly that.

Grants from foundations are targeted to be strategic to the mission of the individual foundation. The extent of the overlap between the activities of a grant seeking institution and the priorities of a Foundation will determine whether a grant gets made and support gets given. Earlier traditions of philanthropy may have put the needs of the grant seeker at the heart of their response. Increasingly, the activities of a philanthropic entity are determined by their own objectives and their grant-making activities are informed by research and community consultation. This style of engaged philanthropy is a long way removed from prior patterns of philanthropic behaviour.

Most often, when there is a short distance between a Foundation and the source of its wealth, as in the case of corporate foundations, the grant making activities of the foundation are likely to be in close alignment to the interests of the business. Understandably and quite legitimately, such a close alignment of interests can lead to a requirement that marketing, business, exposure and profile considerations get billed equally alongside philanthropic and community considerations. In fact, there is a fiduciary responsibility to shareholders that this be the case.

By contrast, where there is a long distance between the philanthropic trust and its original source of wealth, the foundation is at liberty to act without reference to any set of related corporate objectives, because there is no related corporation. The philanthropic trust is not distracted or pressured by having a single corporate connection – it is an independent institution. Increasingly, the source of Foundation wealth is a broadly allocated investment portfolio, managed independently, and structured to take full advantage of franked dividend imputation.

That is not to say that those managing philanthropic trusts have a completely free hand. They are governed by legislation, guidelines, wills, trust deeds, constitutions, governance policies, and regulations. These provide the mandate for their work and without doubt, must be acted upon with knowledge, deep understanding of their limitations and powers, and be used as continual reference points for almost all decisions. However, most Foundations have the power to review and vary their focus areas from time to time.

Over the last twelve months, the Myer Foundation and Sidney Myer Fund have been reviewing their business model and focus areas. We have recently announced a small and large grants program covering the following focus areas: Poverty and Disadvantage, Education, Australia in the Asia-Pacific Region, Sustainability and the Environment and Arts and the humanities.

Within Poverty and disadvantage, the focus areas are Indigenous Poverty, child and family poverty and socio disadvantage and health. All this is in some detail on the Foundation's website.

One of the key aspects of the large grants program is the need to collaborate with the key players: As part of the engaged philanthropy model, we need to do four things: have vision and focus; research; match our strengths with other participants; and evaluate, learn and pass on these learnings.

Evaluation and learning are simply critical in helping us to be more effective. We are well aware that the evaluation industry has been growing significantly and that some may be a bit cynical about its real worth. We hold the view that it is an essential part of the philanthropic process and that the sector has an obligation to add to the bank of knowledge about what works, and in what circumstances. With this framework, structures are formed, policy statements are made, governance manuals are created, messages are communicated, authority is delegated, decision making lines are created, and decisions about grants follow.

There is an independence and a neutrality about the philanthropic sector which means that it is ideally suited to be brave in funding risky projects or in drawing together into a single process participants who might traditionally be adversaries. In its non grant making activities, a Foundation can auspice meeting and discussions across the community sector, give amplification to voices that don't get heard, support advocacy for programs and activities and then use their evaluations to support submissions to government and other funding agencies for longer term sustainable support. I would be happy to touch on some of these non grant-making activities during discussion time.

I don't see it as my place tonight to make a presentation on the history, workings or future of corporate social responsibility but I would be pleased to make a couple of observations that might contribute to the debate. From the philanthropic perspective, CSR is observed as good business practice. On its own, it is not a substitute for corporate philanthropy. Rather, it is observed as a sustainable model of corporate conduct reflecting the long term nature of businesses, the interests of shareholders, customers and staff and the delivery of goods and services, all alongside the community's long term interests in social harmony and the environment. The philanthropic community certainly supports the initiative.

It seems curious that there are some who are critical of CSR. Two years ago *The Economist* published an article called “Two Faced Capitalism” which described CSR as ‘one of the biggest corporate fads of the 90’s’2. Among the article’s generally negative comments was the opinion that CSR is possibly unethical because it is philanthropy at other people's expense. The article asserted that as a rule, so far as public companies are concerned, managers do not own the firms they work for. They are entrusted with the care of assets belonging to others, the firm's shareholders. The article went on to argue that supporting good causes out of their own generous salaries, bonuses, deferred compensation, options packages and incentive schemes would be admirable; doing it out of income that would otherwise be paid to shareholders is a more dubious proposition.

The article’s sentiments present a very narrow definition of CSR based more on a view that this is practiced at the shareholders’ expense rather than in their long term interests along with the long term interests of the community in which they operate. It also describes CSR as philanthropy which it is not.

There is little doubt that CSR has become ‘an industry’: one only has to look at the internet to see the vast array of organisations involved in promoting the concept from private consultants to national governments.

In March this year the European Commission published a new Communication on Corporate Social Responsibility, and through it, launched the European Alliance for CSR which is an umbrella network for discussion and debate on new and existing CSR initiatives by large companies, and their stakeholders. CSR is well and truly mainstreamed.

I have long held the view that CSR and the triple bottom line are not new concepts. The issues of sustainability have long been on the minds of people who have had to think about advances of societies and the development of means of production. The big idea here is to understand the relationship between business and the community as one of mutual benefit and responsibility.

My observation is that the relationship between an organisation and its community is determined by an array of variables of which shareholding is just one part. The attitude of the board, size of the enterprise, market circumstances, the attitude of relevant trade unions and industry groups, the history of the enterprise, stakeholder awareness (the big five- shareholders,

employees, suppliers, customers and the community), regulatory environment, international benchmarks and enlightened self interest.
Shareholders are only one part of this group and are far often less able to influence an outcome than many of these external influences.

The point here is that, whatever the motivation, corporations are being sustained by making social and community commitments. These are being made based on sound commercial thinking.

There is a difference in motivation from that involved in philanthropy but I believe the two are compatible and in combination contribute to the well being of the community.

Rupert Myer
21 September 2006

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[1] Commonwealth of Australia Report of the Contemporary Visual Arts and Craft Inquiry Canberra 2002 (CVAC) pp 316-319