

Impact philanthropy

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# Little guide to responsible philanthropy - *not only in times of crisis*

THE ORG ΔNIKS

Inspiring change

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## Will 2020 mark a shift in the philanthropic sector?

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Innovations and changes are often being pushed or accelerated by a crisis

Despite many conversations that have taken place around strategic and responsible philanthropy in the last decade, it has been difficult to change the behaviors of donors and Foundations to the level that it has made a concrete difference for grantees and their beneficiaries.

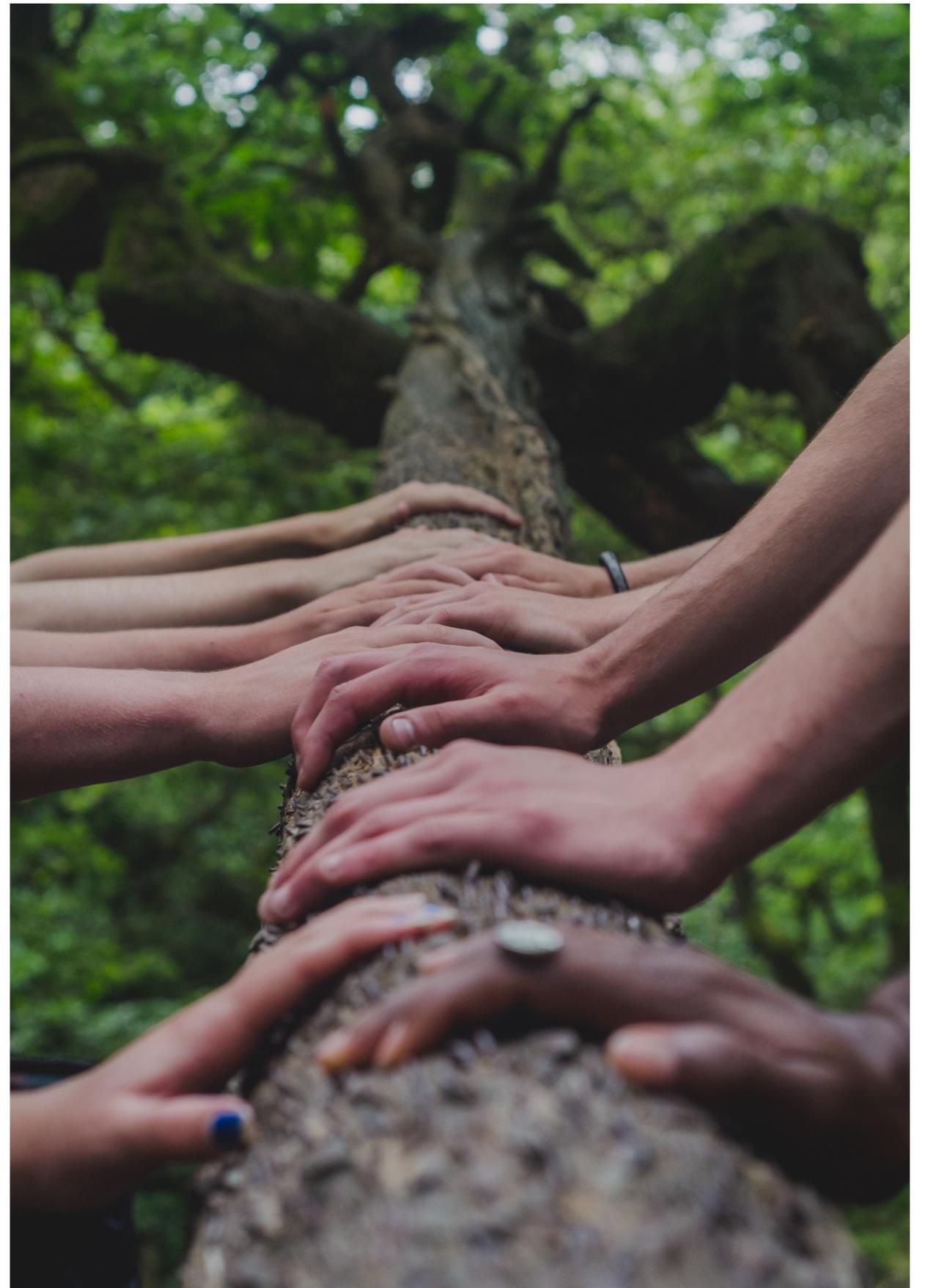
Stories about Not for Profit Organizations (NFPO) being over burdened with reporting requirements, being constrained to spend grants on projects budgets only, or having to deal with a sudden shift in donor's priorities are abundant. This creates enormous stress on the sector as a whole.

With the COVID-19 crisis, we have recently seen an important number of Foundations and donors revisiting their grants' requirements in order to allow more flexibility to their grantees during this unprecedented time. These measures should remain once the crisis is over.

This *little guide* is made for well intentioned donors who are looking at ways to improve their impact on their grantees. Social change will not happen if change makers are spending most of their energy surviving or fighting for resources rather than strategically solving the world's biggest challenges. This is an opportunity to innovate as a sector.

## 5 things nonprofits want donors to know (but don't dare to tell them)

1. Understanding the needs of the people (beneficiaries, users, clients) that nonprofits are serving is essential for donors who want to be social change partners.
2. Strong relationships between donors and nonprofits are grounded in transparency and openness.
3. Generous, unrestricted financial support best enables nonprofit leaders to strengthen their organizations and innovate.
4. Most nonprofits want to assess their performance so they can learn and improve, and donors could help supporting that.
5. Providing non-financial support can help nonprofit staffs strengthen their skills, make important connections with and outside their ecosystem, and better pursue their missions.



# Philanthropy, not charity.

## Philanthropy is an invaluable investment for social change

The philanthropic sector has changed tremendously over the last 25 years. We are far from the charity mindset of our local church or where a group of community volunteers get together to organize a spaghetti fundraising dinner for their favorite cause of the month.

Both NFPO and donors are expecting a greater level of sophistication when it comes to addressing the social, economic and environmental complex issues of the 21st century.

Theoretically, everyone understands the need for a shift in the way donors and grantees work together as “joint venture” partners, so why is it so difficult to implement those changes in donors strategies and practices?

- Most private donors and foundation trustees are driven by good intentions (i.e. wanting to give back to society) without really understanding what is needed, where, why and how. *Still, many donors just make cheques and don't engage with their grantees.*
- Professionalization of NFPO in the last 20 years has brought more accountability and rigor. The introduction of private sector tools and procedures (Business plans, metrics, audits, due diligence) are useful to increase the performance of NFPO, but this has to come with the opportunity to build knowledge, capacity and resources to integrate those practices progressively into their management systems. *Yet, funding is very limited for this kind of activities.*

- Most donors and small private foundations don't see themselves as partners in a social venture, where they bring the money and others bring field expertise. *There are still a lot of power struggles linked to money and influence.*
- The charity sector has not been able to market itself as an important part of the economy despite representing an annual average of 8% of the Canadian GDP according to *Imagine Canada* (this is close to the value of the mining, oil and gas extraction industry). *There is still a lot of myths about how charitable organizations operate and function.*
- Having a vision and goals helps when it comes to finding the right match for long lasting social change partnership. As of today, still many donors and NFPO are not clear on their respective organization's goals, what they are trying to achieve and how are they going to do it. Without clarity on the objectives, it is more likely that tensions, misunderstanding and mutual disappointments occur.
- Private philanthropy becomes partly public when it benefits from income tax privileges and incentives. The majority of private foundations don't want to fund what they consider “being the responsibility of the state/government”. However, NFPO face an array of competing pressures, including increased demand for services and cutbacks in public-sector support.

# Overhead costs: an indicator of organizational leadership and health.

## The Overhead myth in the social sector

The percent of charity expenses that go to administrative and fundraising costs—commonly referred to as “overhead”—is a poor measure of a charity’s performance. Just as private businesses are expected to perform and deliver the best products and services to its clients, it is no different for NFPO, community-based organizations, NGO and charities.

How can you, as a grantmaker, expect nonprofits to deliver on their missions when many of them are struggling just to stay afloat?

What allows an organization to perform is its capacity to recruit the right talents, to retain them and to take care of them. It is not true that a professional organization who is expected to deliver high quality of services, innovate and demonstrate its social impact overtime can rely only on volunteers to do the work.

In fact, many charities should spend more on overhead. Overhead costs include important investments charities make to improve their work: investments in training, planning, evaluation, and internal systems— as well as their efforts to raise money so they can operate their programs. These expenses allow a charity to sustain itself (the way a family has to pay the electric bill) or to improve itself (the way a family might invest in college tuition).

How can you expect nonprofits to perform effectively when they don’t have the funds they need to invest in decent salaries, technology and other infrastructure?

Organizations that build robust infrastructure—which includes sturdy information technology systems, financial systems, skills training, fundraising processes, Social R&D, and other essential overhead—are more likely to succeed than those that do not.

Receiving general operating support also play a major role in reducing burnout and stress among executive directors and NFP leaders.

When we focus solely or predominantly on overhead as a way to assess their efficiency, we starve charities of the freedom they need to best serve the people and communities they are trying to serve.

*“ The general view of donors, the media and even many of the organizations that evaluate and rate nonprofits is that overhead is bad and therefore less overhead is always better. While understandable, such thinking is self-defeating and it represents one of the major obstacles to remedying the leadership deficit.”*

— THOMAS J. TIERNEY, THE BRIDGESPAN GROUP

## 4. What type of partner are you?

Like in any relationship, open communication and being transparent about mutual intentions, ultimately contributes to building trust

Social change is not happening overnight. So, the more open and transparent you are with each other from the beginning, the earlier you are likely to build trust.

NFPO leaders need to know they can rely on a trusted partner, who will navigate with them through the calmness of the sea, and through the storms as well. To be part of the social change journey, a philanthropic donation has to be thought like a mid/long term investment. The social return on investment (SROI) might fluctuate overtime, but if you keep your eyes on the objectives, what happens along the way should not be so much of importance.

In fact, if donors want to encourage their implementing partners to be innovative, the path should be clear enough to provide guidance, but flexible enough to adjust the means to reach the objectives in the most effective and relevant way, throughout the journey.

If you cannot trust that your money is going to be used in the best possible way for the benefit of the end users/clients/beneficiaries, it's probably because you have picked the wrong partner in your venture for social change.

Ask the right questions, get involved, but trust your partners in their capacity to make decisions with regards to their own programming. They are the experts. Remember, this is their profession, not their hobby.



# Evaluation: Why, What, When, How?

## Shifting your thinking about evaluation

1. *It's about improving/adjusting programs and approaches to social change, not just proving that the initial set of indicators and expected results have been met.*

Evaluation is not only about tracking the results of your investments; it is also about learning how to do a better job achieving what you are trying to achieve with your grantee.

2. *It's about contributing to many other interventions and other organization's work, not about attributing success to yourself or your organization solely.*

Evaluation is a way to learn about a wide range of factors that influence the progress on social change. It is also a way to determine what role your interventions play among many others and the interactions between them. This can be useful to make alliances and partnerships with others in solving complex issues. It's about contributing to a sector's research by advancing knowledge.

3. *It's about learning and sharing your learnings with others, so as many people as possible can benefit from it.*

Evaluation means embracing attitudes and practices that ensure grantmakers are working with others to gather information and data and share their lessons, their learnings

and experiences as broadly as possible. Evaluations are costly and take time, they should not be left on a dusty shelf.

4. *It's about having an understanding of what is happening beyond the individual grant.*

Evaluation is a tool for improving your grantmaking and Foundation's performance and for clarifying your mission, goals, and objectives. It is important to understand what where do you stand among all the other actors, what value do you bring, and what are the things that would happen anyway (with or without your input).

5. *It's about innovating, embracing failure and being humble in front of the world's most pressing issues and complexities.*

Evaluation can help you learn from your mistakes by capturing what happened and why and how you and your partners can achieve better results in the future.

6. *It's about communicating your impact to your Board, to other grant partners, to your peers, and to the general public.*

*Principles of good evaluation reporting include clarity, accessibility, transparency, accountability, verifiability and proportionality.*

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# About the Organiks

Our mission is to support organizations to achieve greater social impact. We equip leaders, managers, employees, volunteers and community members with innovative, environment-specific methods and tools so that they can thrive in a context of constant change.

We have more than 20 years of experience in organizational development in socially complex and politically volatile environments. Our team has worked for both non-profits and for private and institutional donors. We are able to translate each other's needs and understand both perspectives very well.

We believe that to be the change we want to see in today's world, we need to know what we are aiming for. We have to nurture organizational cultures that will leave room for constant improvement, through an open mind and using adapted tools for facing the challenges of a specific operating environment. Positive impactful development needs changing of mind sets and daring to try new approaches.

We work worldwide, with a multi-disciplinary team. Whether you are a Foundation, a business, a collective project, a consortium of organizations, a humanitarian agency or an NGO and you want to increase your social impact through innovative organizational strategies, we can coach you through a number of tools and methodologies that are cutting edge and adapted to your sector and objectives.



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**Contact us!**  
**We are happy to help you assess your needs!**

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