

# PHILANTHROPY -A CATALYST FOR SOCIAL CHANGE – MY EXPERIENCE OF EFFECTIVE, GOOD PHILANTHROPIC & GRANTMAKING PRACTICE.

## Jennifer Gill

***About the author.*** Jennifer Gill is the chief executive of ASB Trusts. The ASB Trusts are made up of two trusts: The ASB Bank Community Trust and The ASB Charitable Trust. The collective value of the Trusts is nearly NZ\$1 billion. The Trusts help organisations carrying out charitable, cultural, philanthropic and recreational work, which is of benefit to the people of Auckland and Northland. Jennifer is also currently the Chair of Philanthropy New Zealand.

Jennifer has a BA from Victoria University of Wellington and a Diploma of Teaching from the Auckland College of Education. Before her present position she was the Executive Director of Fulbright New Zealand. From 1985 – 1994 she worked in the philanthropic sector as the Executive Director of the Roy McKenzie Foundation. Jennifer was a trustee of the J R McKenzie Trust from 1996 until 2001. She is currently a trustee of a number of other smaller family trusts in Wellington. She was instrumental in the establishment of the Funding Information Service and Philanthropy New Zealand, and she was made a life member of Philanthropy New Zealand in 1995.

*This paper is an updated version of speeches Ms Gill has made to philanthropic and grantmaking conferences.*

Philanthropy is almost as old as western civilisation. The origins of philanthropy can be traced back to Plato's Academy<sup>1</sup>. At that time philanthropy meant a "love of humankind", and is still defined in the Oxford Dictionary as an "inclination to do good to others", however, today philanthropy is almost always associated with the giving of money.

When you discuss with a philanthropist why they give away their money it is indeed always to "do good". To improve the lot of others less fortunate than themselves or to enrich the life lives of others in their community.

I argue, however, that those of us who are involved in philanthropy can give much more than just money to the community; we can enrich society as a whole. The way in which we carry out our philanthropy can build social capital in our communities.

This is a difficult task that we have set ourselves; much harder than most people think. We must aim to do this with wisdom, with humility with compassion and above all with fairness.

My very first encounter with philanthropy was actually in 1980 when as treasurer of our local pre-school group it was my job to fill out the application form for the JR McKenzie Trust. I must confess I had never heard of the J R McKenzie Trust. I had, however heard of McKenzie's stores and I knew, as did thousands of other New

---

<sup>1</sup> THE INSIDERS GUIDE TO GRANTMAKING; OROSZ JJ, JOSEY – Bass Nonprofit and Public Management Series 2000 pl

Zealanders that the company was 100% New Zealand owned and that a portion of their profits went to charity.

For me filling out my first ever application for money was agony. I was a well-educated professional woman but I had never seen such a strange form and I wanted to know “what was it they really wanted me to say”, so that we could get the funds that we so desperately needed.

Months passed and then low and behold: - as if by magic we eventually received a cheque in the post that was worth more than all the other income that we had raised painstakingly through cake stalls, car washes, Christmas tree sales and catering.

At university while studying anthropology I had studied “Cargo Cults” in New Guinea. Remote tribes’ people who came in contact with white missionaries for the first time came to associate the missionaries and their church services with the arrival of the white man’s goods out of the sky in big metal bird.

Filling out this arcane application form and then receiving a cheque out of the blue was to my own personal experience of a cargo cult. All we had to do was say the right incantation, fill out the form, and the goods would appear.

### ***The Roy McKenzie Foundation***

In 1985 when I was recruited to work with Roy McKenzie to administer the Roy McKenzie Foundation I often pondered on my first encounter with philanthropy. I wondered how we as a foundation could make grant making accessible but at the same time rigorous.

It seemed to me then and it still seems to me, that the only way philanthropy can be effective is if it is a partnership, a two way street.

The Roy McKenzie foundation was unique in the history of philanthropy in New Zealand.

- First: it was foundation with a ten-year life span and at the end of a decade the trustees were to have distributed both income and capital.
- Second: the foundation was to fund projects that were innovative.
- Third: the donor played an active role as a trustee, but delegated authority to his trustees and even occasionally allowed his personal wishes to be over-ruled.
- And fourth the foundation employed one of the first, if not the first, professional in philanthropy in New Zealand. I was New Zealand’s first philanthrocrat.

In many ways working in a foundation with a ten-year life span was quite liberating:

- We weren’t worrying about tradition, because there was none
- We weren’t worrying about protecting the capital as we were preparing to give away large chunks of it.

Because of these two factors we were also able to be innovative. We didn’t have a set application form but provided applicants with a set of guidelines.

We set up systems of “Chair’s grants” (up to \$1,500) that meant that we were able to act quickly, to be responsive to grant seekers. Sir Roy once approved a grant and signed off on a cheque within ten minutes of my receiving a phone call inquiring about assistance.

We “didn’t sweat the small stuff”: we set up mechanisms that meant that requests for small amounts of money could be processed quickly and with minimum administration and made sure that the trustees spent time considering the big grants that really mattered: those that were \$50,000- \$1million.

When Sir John McKenzie established the J R McKenzie Trust in 1940, he did something very unusual and very far sighted for his time: he recognised that the making of money and the giving away of money required a different set of skills and experiences. He set about establishing a trust structure that reflected this need.

Sir Roy took this even further, he ensured that the J R McKenzie Trust and later the Roy McKenzie Foundation had women and Maori as trustees. This seems strange now, but it was a novel idea in the early 1980’s.

Sir Roy left management of the trusts financial assets with a competent financial manager and he set up his personal foundation with a professional administrator. He then identified the areas of expertise and the skills that he needed. He located trustees with the necessary skills and experiences to make effective well-informed decisions alongside him.

The Roy McKenzie Foundation was not tied into appointments made by outside bodies and we were able to bring in new blood with a system of trustee rotation after a three-year term.

Roy set aside funds so that trustees could take study tours. His grant to Basil Potter in 1988 enabled Basil to attend the first World Congress in Philanthropy held in Toronto. The subsequent establishment of Philanthropy New Zealand in 1990 is direct result of this grant.

In 1985 there were no other professional foundation administrators in New Zealand. In the world of the trustee companies there were professionals but they were employed for their expertise in finance and investment, not in grant making.

### ***Changes in New Zealand Society***

New Zealand has changed vastly since 1985 when I first started working in philanthropy.

In 1985 the J R McKenzie Trust was the largest trust in the country with an annual distribution of \$1.5 million each year. In 2004 the ASB Trusts donated over \$40 million into the greater Auckland region alone.

In 1991 Philanthropy New Zealand commissioned Alison Gray to carry out the first ever report on the philanthropic sector in New Zealand.<sup>2</sup> Gray reported that some 31 trusts disclosed to her an annual distribution of nearly \$28 million per year.

Eleven years later in their 2002 Report entitled “Funding in New Zealand”<sup>3</sup> David Robinson and Pat Hanley state that distribution from trusts in New Zealand now totals \$143 million per annum. The sector now comprises 53 private or family trusts, 17 statutory trusts and 2 company trusts. A total of seventy-two trusts in all.

The number of trusts has just doubled but the distribution from trusts has increased five fold. This has not happened in isolation and has not happened because New Zealanders are suddenly richer or more generous.

The 1984 reforms saw a total change in the political, social and economic landscape in New Zealand. The reforms in health, welfare and education totally changed the governance, the management, service delivery and the funding of those sectors forever.

One of many and immediate consequences of the 1984 reforms was a dramatic increase in the number and size of funding requests that trusts like the J R McKenzie Trust were facing. At the same time we saw the sale of the Trustee Savings Banks and the energy companies leading to the establishment of the statutory trusts.

As a part of the public sector reforms government departments were encouraged to model their practices on the “private sector models” believed to be so more efficient than the old way of doing things. So the non-profit sector was forced to move to a purchasing and contracting model that has totally changed the way that they carry out their business. Organisations that had once received annual un-tagged grants from government agencies were now being asked to enter into contracts for the provision of services. These contracts, however, provided for only up to 80% of the cost of service provision.

Imagine if I was having a house designed and I said an architect: “Here is contract for 80% of the fees, but you are required to design 100% of the house. I will pay you eighty percent and you will find the rest of the funds. Have a sausage sizzle or why not try the JR McKenzie Trust?”

Suddenly the game became harder. When I first started out as a grant maker we were being asked to provide the icing for the cake. Suddenly there was no cake and we were beginning to be asked to provide the flour to bake the bread.

School boards of trustees had to grapple with the effects of “Tomorrow’s Schools’. Schools were now regarded, as self-governing entities managed by an elected board, which had full responsibility to find all extra funds required beyond the basic grant provided by the government. Trusts used to be able to once say, “We don’t fund

---

<sup>2</sup> Gray, Alison: The: The Philanthropic Sector in New Zealand, A report, New Zealand Association of Philanthropic Trusts 1991

<sup>3</sup> Robinson, David and Hanley, Pat: Funding New Zealand 2002: Resource flows to the community nonprofit sector in New Zealand, Social and Civic Policy Institute July 2002

things that can be regarded as a government responsibility”. The social contract has changed. It is no longer clear what is a government responsibility and what is not.

The upside of all of this has been the advent of what Robinson and Hanley<sup>4</sup> call statutory trusts. These trusts have been generated out of the huge amount of capital generated by the sale of The Trustee Savings Banks and the energy companies. The ASB Trusts have a corpus of nearly \$1Billion and the other eleven trusts have combined corpus of another \$1.4 billion.<sup>5</sup>

With the government withdrawing so many services and changing the face of the voluntary sector, trusts like the McKenzie, Todd and Sutherland families certainly couldn't have continued without the community trusts.

In the health sector grantmakers and trusts found Area Health Boards establishing charitable trusts to provide services for disabled people, effectively disguising their statutory nature, and competing at the grant-makers tables with traditional not for profit service providers.

Ten years after the onset of the public sector reforms we had the spectre of the Social Policy Agency attempting to colonise the philanthropic sector. Staff effectively suggested to Philanthropy New Zealand that they could provide lists of groups who had been “approved” for funding and to whom the trusts were to be encouraged to direct their funds. From the SPA perspective it was a perfect match: the trusts would fill the gaps that government funding did not fill.

At the Roy McKenzie Foundation we received an application from the New Zealand Department of Customs asking for a grant to fund costal surveillance.

It is no accident of history that the Charities Commission legislation is currently before the New Zealand House of Parliament. The voluntary sector is now increasingly under pressure to effectively become a (some would say under funded) service delivery arm for government. Where do trusts and foundations fit into this? Where do state schools and hospitals that claim not to be able to meet their annual operating expenses go for funding?

We are witnessing a fundamental change in the relationship between government and the voluntary sector. This has been recognised to the extent that the government has now established an Office of the Voluntary and Community Sector.

### ***International Philanthropy***

Philanthropy is now a huge force in the world. It is written about in many august publications including the *Harvard Business Review*. Michael Porter and Mark K Kramer wrote an article in November 1999 entitled: *Philanthropy's New Agenda: Creating Value*<sup>6</sup>. In it Porter and Kramer argue:

---

<sup>4</sup> Robinson and Hanly IBID

<sup>5</sup> Scott, G, COMMUNITY TRUSTS IN NEW ZEALAND: LOOKING BACK AND LOOKING FORWARD, A REPORT FOR THE TWELVE COMMUNITY TRUSTS, APRIL 2002

*Grant-giving foundations are intermediaries between the individual donors who fund them and the various social enterprises that they, in turn, support. But if foundations serve only as passive middlemen, as mere conduits for giving then they fall far short of their potential and of society's high expectations.*

*Foundations can and should lead social progress. They have the potential to make more effective use of scarce resources than either individual donors or the government. Free from political pressures, foundations can explore new solutions to social problems with an independence that governments can never have. And, compared with individual donors foundations have the scale, the time horizon, and the professional management to create benefits for society more effectively<sup>7</sup>.*

This is a real challenge to us. Porter and Kramer are arguing that we can do it better. This makes an examination of our own grant making practices even more of an imperative.

Philanthropy can provide the social capital of social change. In the business world investors know that entrepreneurs require money and take risks. Sometimes you lose and sometimes you win, but you give it your best. You think, you ask, you read, you discuss and then you invest. Losing doesn't stop you trying again. And, winning may bring you huge returns.

Philanthropy can back the social entrepreneurs in our society, building the social capital of our society.

Roy McKenzie gave the first ever grant to women's refuge in the mid seventies, the JR McKenzie Trust gave the first grant to a school on the North Shore of Auckland to enable them to employ a social worker in their school. The government now funds social workers in over 130 New Zealand schools.

### **First do no harm**

*First do no harm:* Comes from the writings of Hippocrates, who also wrote the Hippocratic Oath, taken by many physicians when they first enter medical practice. Hippocrates wrote. "Declare the past, diagnose the present, foretell the future; practice these acts. As to diseases, make a habit of two things – to help, or at least to do no harm." This could well be adopted by the philanthropic sector as our own Hippocratic Oath.

**Declare the past** Not only declarations of interest, although this is important, but looking at the past, attempting to recognize where justice has not been done or where we have done well.

**Diagnose the present** Be prepared to look honestly at the current situation in your own community. Do you have people sleeping under bridges in your hometown? If so what should be done about it?

---

<sup>7</sup> Porter and Kramer, *Philanthropy's New Agenda: Creating Value* HARVARD BUSINESS REVIEW November December 1999

**Foretell the future**

Do strategic planning!

**Practice these acts**

Do what you say you are going to do.

**As to diseases: help or at least to do no harm.** Move beyond the “emotional” appeal of causes with a high public profile and keep informed by the international literature on these topics.

Many programmes aimed at eliminating harm to young people have huge emotional appeal. None of us wants our children to be harmed. There is now some international evidence that some programs do not work and that they may actually do harm. It was interesting to hear Judge Andrew Becroft, at the Philanthropy New Zealand Conference in 2002, discussing the effectiveness of “Boot camps”. If research shows that these programs have a 90% recidivism rate we have a moral and economic imperative NOT to support these programs. If we support them we may do more damage to an already vulnerable group in society.

So how can we add value to the philanthropic dollar? By spending it wisely and being strategic. By recognising that we can't fund every application, can't help every good cause. We must be prepared to look critically at our own grant making practices, detach ourselves from our local school, our golf club, our sister's netball club, our personal view of street kids. We must provide the same level of rigour to the assessment of applications as we would to fund managers.....but before that we need to know where we want to go, where our grant making is leading us, just as we want to know where we expect our investment strategy to be taking us.

**I believe that good grantmaking entails:**

- Focussing on the root causes of social issues rather than attempting to meet immediate needs
- Supporting innovation rather than attempting to support ongoing programmes
- Using the philanthropic dollar as leverage rather than trying to be a sole funder
- Help good ideas to get a start rather than funding tried and true approaches to current social problems

Before you can do this, look at your trustees. Do they reflect the community that you are serving? How many women and Maori do you have on your distribution board? How many young people are on your board? Do you consult with youth or Maori before you decide to allocate funds to projects that purport to assist them? The impact of feminism on women's health issues has been huge and it would be a foolish area health board that tried to establish a new women's health programme with out consulting consumers, but what about young people or gays?

As grant makers we struggle to be “fair” and to be equitable. If a trust has \$550,000 to distribute and five hundred and fifty applications that request funding in amounts ranging from \$500 to \$50,000, how do we do it best?

I would argue that in order to be more the effective the trustees should narrow the focus of their trust and not take the “easy” way out by giving five hundred grants of \$1,000 each.

The trustees might decide to give a few small grants because that was all that was needed and it would make a difference. They might then decide to give ten grants of fifty thousand dollars to groups who have well researched and strategically focussed proposals. It is easy to give fifty grants of \$1,000 but it is much harder to set up a process to investigate not only the proposals but also the social issues of the day and to then make a wise decision.

The Todd Foundation has moved from funding a very wide range of groups with a small amount of money to a programme that focuses on children and young people. In particular initiatives in health and education for preschoolers. If we reflect back on Judge Becroft's comments he talked about the young offenders that he sees on a daily basis that come from the most disadvantaged group in society. Perhaps the interventions supported by the Todd Foundation will start working at the root causes of some problems and the Taffy Hotene's of this world may be given a chance for the first time in their lives.

Trustees today now require a sophisticated knowledge of current social and economic issues. A good example in New Zealand is an understanding of Maori issues. Trustees have been heard to argue that since so much money has gone to Iwi in the form of Treaty Settlements there is no longer a need to support Maori groups. A close examination of the issue will tell you that not all Iwi have treaty settlements, that some Iwi have been far more adversely effected by the loss of land than others, and that some Iwi have made better investments decisions than others.

I would argue that the only way a trust or foundation can effectively fund Maori is in partnership and with credible Maori trustees to lead you through the process.

Too often the trustees represent the groups in our society who are the most comfortable economically:

- Who haven't seen inside, let alone been a client of a woman's refuge,
- Who have no personal experience of sexual abuse or domestic violence,
- Who are not aware if they know any gay people,
- Who have never talked with a refugee about the torture that they experienced before coming to New Zealand and the trauma that resettlement has been for them,
- Who have not ever visited a Marae or a Kohanga Reo and talked with the Kuia about why teaching the babies to speak Maori is so important.

How can we sit in judgement on these applications if we have no experience of these issues and make no attempt to find out about them?

**I believe that good grantmakers:**

- Trust grant seekers and are able to put their own world view aside
- Encourage dialogue with grant seekers and see funding as a partnership
- Believe that they are accountable to the wider community
- Want to treat the causes of social disorder rather than the symptoms
- Are committed to professionalism in the sector. This applies to staff and trustees
- Talk with other grant makers: sharing knowledge and funding strategies
- Are prepared to take risks and are also prepared to be intellectually rigorous and support only the best thought-out, most critical proposals

- Are prepared to commit to significant levels of funding and to multi-year funding
- Are willing to evaluate the effects of their grant making

**As a trustee you have a number of choices-**

- You can be pro-active or reactive
- You can be prescriptive or
- You can operate your own programmes driving your own agenda.

A pro-active trust identifies social issues and responds to them, calling for proposals rather than having funding decisions driven by what comes in the mailbox on a given day. (Eg the Community Trust of Southland funding free tertiary education at the local polytechnic, both for local people and for outsiders).

A pro-active trust can also be prescriptive. The community trusts are all servicing prescribed geographic areas. The Sutherland Self Help Trust calls for applications on an annual basis in the area of community need that they have identified it may be “youth at risk” or “the elderly”. This is administratively smart and strategic.

For many smaller family trusts deciding to fund only in certain prescribed areas is a way of both limiting the number of applications and ensuring maximum effectiveness. The Arts Trust established by Denis Adams is a good example of this. The Adams philanthropy has had a huge impact on the arts, in Wellington and in New Zealand as a whole.

We must not forget as philanthropic grant makers that community groups have access to many sources of funding and that they put together their budgets from a number of other sources including:

- Donations from individuals
- Membership fees
- Government and local authority funding
- Fund raising events
- Corporate sponsorship

We must be careful as trusts that we don't let the government off the hook by replacing government funding, but must identify where our funding can be most effective.

We can be leaders in our communities precisely because we are not elected officers or public servants. We can provide a place where members of the community can bring their dreams, without having to measure their outputs. We can help the community to find new solutions to social problems while taking care that we are not swept up in emotion and rhetoric.

I started with Plato and I will end with another quote from Aristotle:

*“Anyone can give money away or spend it but to do all this to the right person, to the right extent, at the right time for the right reason and in the right way, is no longer something easy that any one can do. It is for this reason that good conduct [in such matters] is rare, praiseworthy and noble”.*