A view of the Australian Fundraising sector in 2019

by Nigel Harris

The Charity Pie … or is it a Magic Pudding?

For decades I have heard anecdotal reference to the idea of the 'Charity Pie'. The concept that there is only so much money in the community to give and the more that is asked for, the less that there is to share.

Consistently, the data coming from sector based research over many years has told a very different story. At least until recently. And when we consider human behaviour, and the well-documented propensity we have to give, and to be generous, perhaps the idea of the 'Charity Pie' is contestable.

It could be argued, that rather than the idea of a pie, fixed in size and being divided in to ever thinning slices, the image of Norman Lindsay's Magic Pudding is more apt. if you are unfamiliar with Lindsay's story, every time a slice was taken from the Magic Pudding, it grew back.

Or, to take a simple economic view, perhaps we have grossly underestimated the elasticity of giving for many years. And that may well be because we have tended to view giving as a transactional activity rather than the larger, and more complex, human exchange that it represents. Once again, there is an increasing body of market research that supports this perspective.

And this transactional approach has dominated fundraising and non-profit sector for decades, arguably distorting the understanding of effectiveness and efficiency to the detriment of charities and the community more broadly. More about that later.

Over the past two to three years, the idea of market elasticity in giving has been challenged. Clearly this is a disturbing trend for the community sector and all who are served by it. But is it as simple as it sounds? Have we reached a cap in giving and is the magic pudding turning into the charity pie? Or are there other factors at play?

Let's consider some research findings released over the past year or so.

What's going on out there?

Twelve months ago, the Australian Charities and Non Profits Commission (ACNC), the federal sector regulator, identified that there were 55,514 registered charities (as at 22/01/18). By the end of 2018, the ACNC were reporting approximately 56,500 registered charities. The ACNC are predicting that number will grow to 64,000 by 2025.

Looking at the monthly figures of newly registered charities, we are still seeing about seven (7) new charities being licensed every working day.

Now these figures in isolation risk being misleading. While there are numerous questions raised about there being too many charities, there are strong arguments made for a market driven approach that shouldn't place unreasonable restrictions on market entry. Regardless of individual perspectives, it is a question that bears closer examination from within the sector.

The ACNC data also identifies that the largest 10% of charities receive 90% of the sector's income. And that 83% of charities have gross revenues of $1m or less. And that's not fundraising revenues, that's all revenues.

While research tells us that 86% of Australians trust charities & 91% currently donate or volunteer to charities (Public Trust and Confidence Report), the Australian Charities Report, released in 2017, identifies that Australians are giving less to charity and that generosity is declining. This report identified that donations and bequests had reduced by around $1b over the prior year. And according to the Giving Australia report, also released in 2017, fewer people are giving more.

There are many interesting insights across these research reports, and drawing a conclusive view is not straight forward. Much of the data could be seen as contradictory and much also challenges conventional views.

Here is some additional data that could prompt any number of questions;

- ***From the Australian Charities Report;***
- Unsolicited face-to-face fundraising widely acknowledged as the most cost-efficient way to obtain large volumes of new donors;
- 49.7% of all charity revenue generated from membership fees; user-pay services and other sources;
- 43% of revenue came from Government grants and contract payments;
- 7.3% came through donations and bequests.
- ***From Giving Australia https://www.qut.edu.au/research-all/research-projects/giving-australia-2016;***
- Everyday donors (general public) are most commonly targeted – 43.2% of organisations did not target any other source;
- Women give away greater proportion of their taxable income than men, while men give more overall;
- Individuals 65 and over donate much more than all other age groups;
- More is donated to religious organisations than any other cause – however, more Australians claim no religious affiliation than in past years;
- While the benefits of technology and social media are well established, face-to-face relationships will remain important in fundraising in the future;
- While 60.5% generally give on the spur of the moment, those who plan their donations give six times more.
- ***From More Strategic https://morestrategic.com.au/;***
- Fundraising ROI has declined consistently over the past five years.

Each of these points warrant greater dissection, however the last point demands more immediate attention. If fundraising ROI has consistently declined over the past five years, and these findings only confirm the anecdotal experience shared by many charities, then what is happening and why, and what needs to change?

It's a matter of trust

The ACNC state that trust and reputation drive generosity. This is reflected in academic and market research across the sector globally.

And yet the Edelman report released in 2017, identifies that trust in companies, including institutions and charities, is diminishing – and that it hadn't diminished since 2012 (Source: Edelman https://www.edelman.com/trust2017/).

Early in 2018, an article featured in Pro Bono referencing the Edelman Trust Barometer led with the line *"Australians are losing trust in charities, and turning to CEOs and corporate leaders to tackle social issues"*.

In many ways there shouldn't have been surprises in this headline. One year ago, the sector had endured several years of challenge and scrutiny, locally and internationally. However, the idea of turning away from charities to address social issues should raise some concerns.

From 2015, precipitated by the Olive Cook case, the UK experience for charities and fundraising has seen a decline in public trust, media scrutiny, changes to regulation, and diminished revenues. Many of these challenges are reflected in other similar international markets such as the USA and Canada.

Over the past few years in Australia we have seen a more questioning public, an intense media focus, greater union interest and increasing complexity in the regulatory and self-regulatory environment. As a personal observation from 35 years in this sector, I have not experienced a time of greater volatility and uncertainly.

All of that said, I would also offer the view that this scenario is far from being all about doom and gloom. Far from it. In fact there is enormous opportunity if we pose the right questions and move to answer them.

So what does all of this point to, or simply ask of us?

We know trust and reputation drives generosity – however we are told there is declining trust in charities. What do we do about this? How do we engage our supporters based on trust well beyond the simplistic concepts we have defaulted to for decades? And how do we commit to building relationships that serve our donor's interests rather than pursue the transactional focus that serves our organisation's short term needs?

We talk about market competition in the sector – but are we really talking about a busy, noisy and increasingly crowded market – with variable sophistication, and even care, around market engagement? How do we change that from within our respective organisations and in the sector at large? What do we need to think and do differently in this regard?

And what of the conversation around mergers and acquisitions, and collaborations? It has certainly got louder over the past few years. There are important questions to be asked around being the best or only, and yet we still have a version of the Hatfield and McCoy feuds playing out in any number of federated organisations or like cause areas. You have to ask why? The public certainly do.

We are told that giving has declined – but is the real problem that asking has increased more than giving? Perhaps giving is in fact still growing? A deeper dive into research data may bear this out. Does the answer lie in how we sustain the magic pudding rather than fixate on the size of the charity pie?

We have been talking about donor experience in the sector for several years now – and customer experience more broadly. But are we still just engaging donors transactionally? And are we prepared to pay the price of building longer term relationships? And do we understand the price of not doing so?

We talk about measuring outcomes and impact (well sometimes) – but still persist in putting forward cost ratios and turning to league tables. Why?

Have we stopped to consider the brutal fact that cost ratios, as we use them in the sector, actually make no sense? They measure moment not movement; are based on untested assumptions; provide no usable management data; and worst of all mislead donors. Now of course we should measure effectiveness and efficiency – but we should do it properly.

And don't take my word for it. Dr Ruth Knight is adding to the growing number of offerings in this discussion in work she is presenting in May of this year (https://fia.org.au/2019/01/18/smashing-the-overhead-myth-a-key-focus-of-transform-conference/). The body or work from sector academics and practitioners is now significant but is still too often overlooked or ignored. At what cost one has to wonder?

And how well do we really understand philanthropy and fundraising? No, I mean really understand what is happening and why? Too often the response is superficial to the point of being dangerous. And when we consider the fact that there is no formal or referenced knowledge pathway to fundraising practice, that we still so often make it up as we go along, it is a tough question to deflect.

For many years I have heard questions around "why fundraising?" Surely people will give anyway! In his book "What Makes Us Tick", the Australian social researcher Hugh Mackay draws the conclusion that deep down, we are all good guys. That we are well disposed to philanthropy and doing good work.

But is that enough? Researchers Bekkers & Weipking told us over a decade ago that 85% of people give because they're asked (Bekkers & Weipking 2007). So while we may well desire to do good deeds, our thoughts don't always translate to actions. But perhaps we could try this whole philanthropy thing without fundraising – and see how that goes!

And lastly, to the question of leadership, especially around fundraising. As Boards, as executives, as managers, as founders - are we bringing our 'A' game? Sector research and market experience continues to ask some tough questions here too, and the evidence is also piling up around the influence of leadership in fundraising. The work of Scaife, Williamson and McDonald in 2013 (https://eprints.qut.edu.au/59196/) provides some telling insights for all sector leaders, and is one of a number of offerings around this theme.

Hope is our business

The wonderful thing about philanthropy is that it is about hope and our desire to do good – and all that is accomplished as a result. And this lens of philanthropy is the ideal way to view fundraising - as a servant, or action, to the ideas and aspirations we largely share to improve our world.

As leaders in this sector we are challenged to lead with curiosity and context. To ask questions, seek understanding, create connection and to consider the work we do against a larger backdrop of the constituency we serve and community in which we operate.

Perhaps the big opportunities for organisations engaged in fundraising and philanthropy lie in front of those who best understand the aspirations of those who seek to give, and best serve them through the fundraising programs they conduct. However that approach may represent a significant shift from some of the experiences playing out in the sector today, so that may take some courage, along with the hope.

Nigel Harris

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Nigel Harris is Chief Executive Officer of Mater Foundation in Brisbane, now one of Australia's largest health foundations. Over his 23 years at Mater, Nigel has led the growth of a philanthropic culture that is now part of the experience of Mater, and fundraising revenues that have moved from $2m to $70m per annum.

A fundraising professional of 35 years, Nigel's focus over most of his career has been philanthropy and fundraising in an organisational context, with a particular interest in fundraising leadership and governance. Nigel holds an MBA as well as qualifications in Public Relations and Marketing, and has been a certified fundraising practitioner (CFRE) for 26 years. He is also a Graduate of the Australian Institute of Company Directors (AICD).

Nigel is a Fellow of Fundraising Institute Australia (FIA) and has served as FIA Board Chair twice over the past 20 years, most recently leading the introduction of new self-regulatory codes for fundraising practice in Australia. He also played a key role in introducing fundraising practice credentialing to Australia in the early 1990s.

Nigel has served on the Boards of key sector organisations in the USA, UK and Australia and continues to play a significant role in fundraising sector leadership, nationally and internationally. He is currently a Director or member of several sector and community organisations and is a regular presenter and author on fundraising topics.