

## Philanthropic Funding Trends – What's our impact? And fewer, deeper, longer.

*Many charities and other organisations in the not-for-profit (nfp) sector are heavily reliant for their on-going viability on funding from various philanthropic funders. So what are some key trends from philanthropic trusts, foundations or individuals that these charities and nfps should be aware of?*

Ask any charity or not for profit entity and they will usually quickly bemoan the fact that competition for funding remains a big and increasing challenge for their organisation. This fact probably shouldn't be too surprising if you consider the following key facts:

There is a lot of competition – We have just under 25,000 registered charities in New Zealand and estimates of a total nfp sector size of around 100,000 entities.

Economic times have been tough –The impact of the difficult economic times experienced globally over the past few years has been felt both by nfps as well as philanthropic trusts, foundations and individuals. Governments have also felt the pinch meaning moves to cut their spending. Simplistically the impact of tough economic times has generally been to increase demand for nfp funding and at the same time reduce supply of available funds.

### So what are some significant emerging trends?

Looking to some of the leading philanthropic bodies in New Zealand and internationally the following two trends or themes stand out.

#### 1. What's our impact?

Increasingly funders are asking themselves the hard question of how much change are they actually making with their funding? It's understandable. They have limited funds to give and often a seemingly ever increasing demand for their funding. Accordingly they want to ensure they are applying their funding successfully and where it is creating the most positive impact. Quite simply they want, and should be able to demand, the best value from their funding.

This in turn is focusing the philanthropic funders' attention on how organisations that they fund themselves measure their impact and success. However this is changing from the traditional form of receiving lengthy evaluation reports, usually delivered well after the funding has been applied. Instead, there is an increasing expectation that nfp entities will themselves be very focused on their outcomes, and transparent and proactive in how they report these to all stakeholders.

While individual charities and nfps may be very worthy organisations, increasingly unless they can also show they are creating positive outcomes in a very cost effective manner then they will struggle for funding support.

The level or quantum of positive change is also becoming more of a factor. Just trucking along like we have in the past is often now seen as being not good enough. Innovative funders are looking for opportunities to fund radical or large scale change. More entrepreneurial thinking and commercial discipline is needed to achieve this radical or large scale change.

#### 2. Fewer, Deeper, Longer

These three words sum up a shift we are observing from the more innovative philanthropic funders in how they are offering, assessing, granting and monitoring the funding they make. These are the philanthropic organisations both in New Zealand and internationally that tend to be the innovators and early adopters. As such they are usually the lead indicators and looked to by other funders in terms of how they should be changing their strategies in future. This doesn't mean that all philanthropic funding

will go this way. However when the leaders change some of their funding strategy then, rest assured, others will follow.

### So what do these 3 words mean?

**Fewer** - Funding a fewer number of organisations. Rather than the approach of providing “a little to a lot” there is more emphasis going into picking winners. Examples of a recent funding round: over 300 applications and just 4 successful organisations. This poses some big implications, both for the 4 successful as well as the over 300 unsuccessful applicants.

**Deeper** - Funding the successful organisations to a greater dollar value. This is to allow them a better chance of making a real difference. Deeper also reflects the expectation of deeper engagement and a higher level of on-going relationship between funder and entity funded. More of a partnership approach that should also provide benefits of mentoring and access to other non-monetary resources, rather than that of just cash from a donor to a donee. A “hand-up” rather than a “hand out” if you like.

**Longer** - Rather than a one-off grant, or one that would be required to be reapplied for each year, the funding of the successful nfps is guaranteed for a longer period of time, commonly 3 – 5 years. Again this ties with the philosophy that consistent support of a guaranteed nature is necessary to allow the focus to be solely on effecting positive, enduring change rather than a temporary fix.

### Implications

These trends certainly won't change all philanthropic funding. Much of this funding will likely remain more traditional in nature. However these are emerging trends and ones we expect to grow in significance. Hence if you are involved in the management or governance of at charity or nfp entity the following are some questions you should ask yourself;

1. When was the last time you objectively sat back and really assessed your level of impact on your key stakeholders?
2. How well is your organisation focusing on this, delivering on it, and communicating it to your stakeholders?
3. What would be needed to make a quantum change to the level of impact?
4. How compelling is the story of the impact you are making to current or potential new funders?



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