2016 AIGM Grantmaking in Australia Conference Presentation:

What's next? The status quo is not an option

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It's really important for grantmakers – like everyone else, actually – to lift their thinking from the day to day every now and then. To crane our necks and try to see around corners – see what's coming next.

That's what I was attempting to do when I travelled to America just over 12 months ago as part of the Eisenhower Fellowship leadership program.

My Eisenhower research was designed to help me interrogate four things:

1. Who is sorting, ranking and rating not-for-profit organisations in America?

2. What sort of criteria are being used to rank and rate organisations? Are they looking at governance? At finances? At their admin-to-program ratios? Are any of them interested in outcomes?

3. How are not-for-profit organisations reacting and responding to these ratings systems?; and

4. How **grantmakers** and donors are using evaluators to inform their giving.

You could summarise my aims as trying to find out *how people are deciding where to spend their social-change dollars, and – more importantly – whether and how they're looking at **outcomes** as part of those judgements.*

Because it seems to me that that's **the most important** thing to look at when you're deciding who to fund, either as a grantmaker or an individual.

To be frank, I don't really care how much the CEO of the organisations I support is being paid; nor am I particularly interested in whether their board meetings are open to the public or not,

whether their policies or annual reports are online, or what their admin-to-program costs are.

OK, that's not entirely true – I do care about those things.

But I care **more** about how **effective** that organisation is.

If I'm giving a donation or a grant to an organisation to help get refugees into work, say, what I really care about is how many people they got into work. If I'm supporting a tree-planting group, I want to know how good they are at planting trees.

Actually, that's not really it either. Because it's no good knowing that 50 refugees got jobs, or 500 trees were planted. What I'm truly interested in is what happened next – how those jobs changed lives; how those trees transformed the environment.

I'm not an expert in work-for-refugee or tree-planting projects, so I don't feel I have any business judging those organisations' strategies or the minutia of how they allocate their budgets. What I do care about is the **outcomes** my money is helping to create.

For years now – pretty much as long as I have been at Our Community (about 13 years), we have had a plan to use our connections into the not-for-profit sector, and with grantmakers, and our technological platforms, to create a better picture of what works to create social change.

If you look on the Our Community website, on one of those many colourful tabs, you'll see what's called The Centre for What Works. It's been up there for more than a decade, without there being very much to put in it.

In going to America, I wanted to find out how we could use the power of technology and our privileged bird's-eye view over the grantmaking and donations and not-for-profit landscape to take the next step.

Over seven weeks during the fellowship I took part in 55 one-on-one meetings across 11 cities in all corners of the United States, with some of the rockstars of social change.

What did I find out?

So what did I find out?

1. There is a vibrant not-for-profit information ecosystem

Well, I wasn't too surprised to find a pretty vibrant not-for-profit information ecosystem. There are five or six major rating agencies, and they each have a different method for collecting information about not-for-profit organisations – from harvesting of the reports that the organisations make to government, to crowdsourcing reviews.

Most of them conduct some sort of financial assessment, some sort of governance assessment, and some sort of transparency assessment.

None of them is yet rating group on the basis of outcomes; not really, although they're working on it.

2. We need to catch up (fast)

In Australia, we don't really have an equivalent to any of the American systems.

But they're coming.

Around 54,000 organisations (charities) must now, by law, report to the ACNC on things like their size, purpose, number of employees and volunteers, and financial solvency – they're not rated, as such, but much of the information supplied is now available freely on the ACNC website to anyone who wishes to look at it.

The ACNC also now adds 'red marks' against the names of organisations that have failed to submit their Annual Information Statements. Last time I looked more than 4000 organisations – that's close to 10% – bore such a mark.

And people are taking note. I know of at least one group that has missed out on a grant because the funder looked them up on the ACNC's register and noticed that red mark.

And there are some other examples emerging.

All of this means that the Australian not-for-profit sector has to get its house in order. The sector's had a few bad headlines – the Shane Warne Foundation is one recent example – but in truth the sector has had a pretty easy run in terms of external scrutiny up until now.

My point here is that as well as getting to grips with things like transparency and financial ratios, which are already coming into play, Australian not-for-profit organisations are also going to have to get better at understanding and articulating their own theory of change, and the roles they plan to play in creating that change.

They can't opt out of that march towards outcomes. The money will follow those who do better at explaining their achievements – that trend is very clear.

3.   Silos are coming down

Another thing I discovered in the US, and it's a trend that's happening here too, is a lot of shape-shifting – not-for-profits that look a lot like businesses, businesses that look a lot like not-for-profits.

What this means is that not-for-profits no longer have a monopoly on social change. Increasingly, corporates are moving into the social arena. We've also in recent years seen the emergence of hybrid

organisations, and Our Community is one example of that (we're a B Corp).

For grantmakers, this means if you're only funding one-off projects delivered by ordinary not-for-profits, you may not be properly serving your 'end game'. If your aim is to – say – create more jobs for early school leavers in your community, then you might find that not-for-profits aren't the only organisations doing the work that will help you achieve that aim.

4.   Data is the new black

There's **a lot** of buzz about data.

And platforms.

And algorithms.

But a lot of it is hot air. There's a lot of "Yaaaars, we must do something with data" going on, without any concept of what that actually means. It's data for data's sake. It's a bit emperor's new clothes.

Don't get me wrong – data is really important. But the use of that data has to be smart. The products have to be **useful**, not just **interesting**.

But there's no denying it – done right, data could deliver huge social benefits.

5.   There are some huge obstacles

BUT – there are some huge obstacles.

Firstly, there's the issue that human beings are very human. What is a social worker to do when the computer tells her the person sitting in front of her, desperately seeking help, is beyond assistance? In one example I learned of in America, social workers would change

the answers in the questionnaire to get the results they wanted. And that makes sense, when you think about it – are you going to send a desperate person away because the computer says no?

The other problem with humans is that so many of them don't actually care about evidence. You can throw up all the evidence you like about the importance of vaccination, or that arresting drug users doesn't actually reduce drug use, or that the earth is round, or whatever – there are some people who are never going to believe you because it doesn't fit with their world view. The best data in the world won't change that.

The other problem with the move to data-based evidence is that some people don't actually want you to know whether what they're doing is effective or not. They maybe are scared of getting caught out doing something that's pointless; or they think that outcomes don't really matter, it's the journey that's more important.

Those are just a few of the many obstacles to the use of data to create social change.

But that's not to say that they should stop us from getting started. We'll work it out as we go.

What does this mean for Our Community?

So what does all that mean for us? At Our Community, our mission is to create a better world.

So we have a big interest in playing a part in removing some of the obstacles, and clearing the path to acceleration of positive social outcomes.

I want to share with you today a rough outline of our plan.

1. Reimagining the grantmaking process – closing the loop

Number one – we are reimagining the grantmaking process.

In the past we have presented the grantmaking process as linear. You start with an application, you give the grant, they do the project, you get the final report, and you're done.

Of course – and this seems obvious now – it's not linear at all. It's circular.

At the end of each grant, there must be an analysis of outcomes, and then you have to use that knowledge to inform the next round. If you don't, you're missing out on a big opportunity for improvement, which means you're wasting a lot of precious money.

So we want to help grantmakers to close that loop.

2. Creating a shared language

The first step in our plans to close the loop is to find a system that will get us all talking the same language. Those of you who were in Jodie's session yesterday would have heard her talk about our taxonomy project – we've been working hard on that for the past eight months or so, developing a set of classifications that help us describe:

- **Organisations** – what type of organisation you are, what type of not-for-profit or grantmaker, how big you are, whether or not you're a charity, etc.
- **Subjects** – what sort of work you do (arts, environment, public health, employment)
- **Populations** – who the beneficiaries of any given intervention are, who you work with (people with disabilities, migrants, homeless people, women, animals)

3. Data governance

We're also looking at data governance and permissions. We need to make sure that any systems we create for collection and

dissemination of data have at the core the rights and interests of the people supplying the data.

I want to be clear that this is not about *open data* for us. There are very good reasons that people may not want to share absolutely everything. I mean, on a personal level, I am happy to put pictures of my tomatoes on Facebook but the Venetian blinds that need dusting – not so much. In a similar way, I believe there are very good reasons for grantmakers – and not-for-profits for that matter – to not want to share *everything* about themselves. Sometimes you want to be able to reflect, and learn, in your own good time, in private.

Having said that, we also believe that there's often as much – more – to learn from people's missteps as their triumphs. We want to find ways to do that without shaming or trashing anyone. I do think it's possible.

4. Outcomes and geography

The other thing we've been doing is investigating outcomes frameworks – that's going to become extremely important if we want to put all this data to good use.

We need a geographic framework too – we'll add one of those to the mix as well.

5. Linking it all up

Running parallel with all of that is the work we need to do on the technical side to make the taxonomy available to all of you, and all of the groups you work with.

This will happen primarily through SmartyGrants, through a new suite of standard questions that will come pre-loaded with a list of standard responses. Grantees will be able to pick from this list during

their application process – in effect, they will be classifying themselves, though grantmakers will be able to override those choices later.

We expect the building to start around April.

We'll also be applying the taxonomy to other Our Community platforms – such as Give Now, our donations platform, which has collected more than $60 million. Linking donations up with grantmaking will start to give us a fuller picture of the flow of money into and around the social space, not just from grantmakers but from individual donors as well.

6. Making the data work for you: benchmarking, dashboards

The next phase of the project is where we start to see the pay offs – where the data becomes useful.

For SmartyGrants users, you'll start getting access to dashboards that will display your data in a meaningful way – how many applications you got versus how many people dropped out during the process; how your funding of women and girls stacks up against your funding of people with disabilities, to take just two very simple examples.

You'll also – and this is the good part – be able to start lining it up against grantmakers just like you – grantmakers of your size, or from the same sector, or grantmakers who grant to similar things you grant to.

Other data sources will be added too – ABS overlays, for example. So you may be able to see that you're funding fewer multicultural groups than your peers, and then the ABS overlay might show you that that's completely justified – that you have fewer multicultural groups to fund in your region, for example.

In time, we hope to provide even more meaningful data, both to grantmakers and to grantees – information about what effect your

grants are having, what change they're making, individually and collectively.

To help us get to that next stage, we've just employed our first data scientist. So that's a big milestone for us.

7.   Making the data work for them: SmartyFile

SmartyFile will also come into play over the next six months or so. This is the project that's been on our radar for a while and is finally within our reach.

When a not-for-profit applies for a grant, they supply their incorporation number, their organisation name, their mission, perhaps a copy of their insurance certificate. And lots of other bits of information.

SmartyFile will allow them to deposit this information into a central repository, and re-use it next time they apply for a grant – not just with that grantmaker, but with any grantmaker using the platform. It's a bit like the tax office's auto-fill functionality.

And it has other uses as well. When a group loads an appeal on GiveNow, they provide many similar pieces of information; if that information is already stored in SmartyFile, they'll be able to pull it down into the form.

Supply once, use often.

Again, for this to work, we need standard data fields, and we need grantmakers (and not-for-profits) to use them.

8.   Making the data work for all of us: The 'Outcomes Engine'

As I mentioned earlier, we're also on the search for an outcomes taxonomy. This is the essential ingredient to what I refer to as our 'outcomes engine' – because our overriding aim is to get people

talking about outcomes in a language that can be commonly understood and shared, and that can be digitised.

Once we have enough data flowing through the system, we may be able to see patterns and opportunities for shared understandings – within sectors at first, we can start comparing apples to apples, but then as we get better at it, maybe we can compare granny smiths to golden delicious, then later, maybe, apples to oranges, and eventually maybe even apples to pork chops!

Together we can stop inching our way towards change, and start to leap forward, start solving the social problems that have been with us for so long.

The vision is true collective impact, on a grand scale, driven by data, technology and domain knowledge, but first and foremost – by people. By all of us.

What does this mean for grantmakers?

So I've talked about what this means for us at Our Community but I'm sure what you really want to know is what does it all this mean for you, the grantmakers?

It can mean nothing, if you want to opt out. If you want out, that's completely fine by us.

But we think you will want to be in on this.

And if you do want to take part, here are six things you can do.

1. Get your house in order

Number one – get your house in order.

This is really the time to get your ducks in a row. You need to work out your end game – what's the true, overriding purpose of your program? What role do you want to play in creating change?

I can't tell you the number of times I have sat on a grant assessment panel feeling like a complete fraud because I'm judging projects without knowing, *really knowing*, what the people who own the money really hope to achieve with those funds.

It's really beyond time for that guessing game to stop.

As well as getting a clear view of your endgame, you should also try to work out what's the best **path** to your endgame – what sorts of projects should you be funding? Should you actually be funding *projects*, or could you have better effect funding operating costs of a few select groups? Or something or someone else?

It may be that what you're doing right now *is* the best way of achieving your endgame. But it may not be. You need to be sure. And you need to be brave.

If you want some help getting started, I'd recommend you read an article in *Stanford Social Innovation Review*. It's called 'What's Your Endgame'. You can't read it without completely changing how you think about these things.

All of this is going to become very important as the world moves to an outcomes mindset. You'd be better getting started now than having to play catch-up later.

2. Move past outputs

Number two – move past outputs. It really is essential that everyone working for social change starts to understand and collect data about not just outputs (how many trees you planted, say), but outcomes and impacts (what change occurred in the environment because of

the trees you planted? What did it mean for the people who took part as volunteers, or the people living nearby?).

Most of you know a lot about this stuff already, but if you're not there yet, have a read of the help sheets we're putting out. They're a good introduction.

Help your grantees move past outputs as well. We have help sheets for them already up on the Our Community website.

3. Allocate some budget

Number three – allocate some budget. Evaluation can be really expensive. We're not saying that you should set upon funding a double-blind longitudinal study for every little thing you fund. But you should be doing *something*. Evaluate a random sample, maybe. Or allocate a section of each grant for evaluation (even if it's just to collect outputs). Do *something*.

Commit to evaluation, and commit to paying for it.

4. Get to know our taxonomy

Number four – get to know our taxonomy. As soon as the first phase of our taxonomy project is ready to go, we'll put it online so you can have a look. We're just weeks, if not days, away from that point.

We won't have got it 100% right the first time around, and we'll want your help in refining it. We'll let you know as soon as it's available.

5. Use the SmartyGrants standard fields

If you're a SmartyGrants user, start using the new standard fields as soon as they become available.

Start playing around with your reports to see what intelligence you can pull out. Some of you are probably already doing that. Share your reports with us, if you can.

This knowledge will be essential later when we start creating SmartyGrants benchmarking tools and dashboards – the systems that will help you to derive true value from the information you and your grantees are keying in.

6. Get excited!

Finally, please come with us on this process. Bear with us while we feel our way along. Teach us. Trust us.

We want you to share our excitement about all of this.

To paraphrase the prime minister, there's never been a more exciting time to be in the business of social change. Thanks.