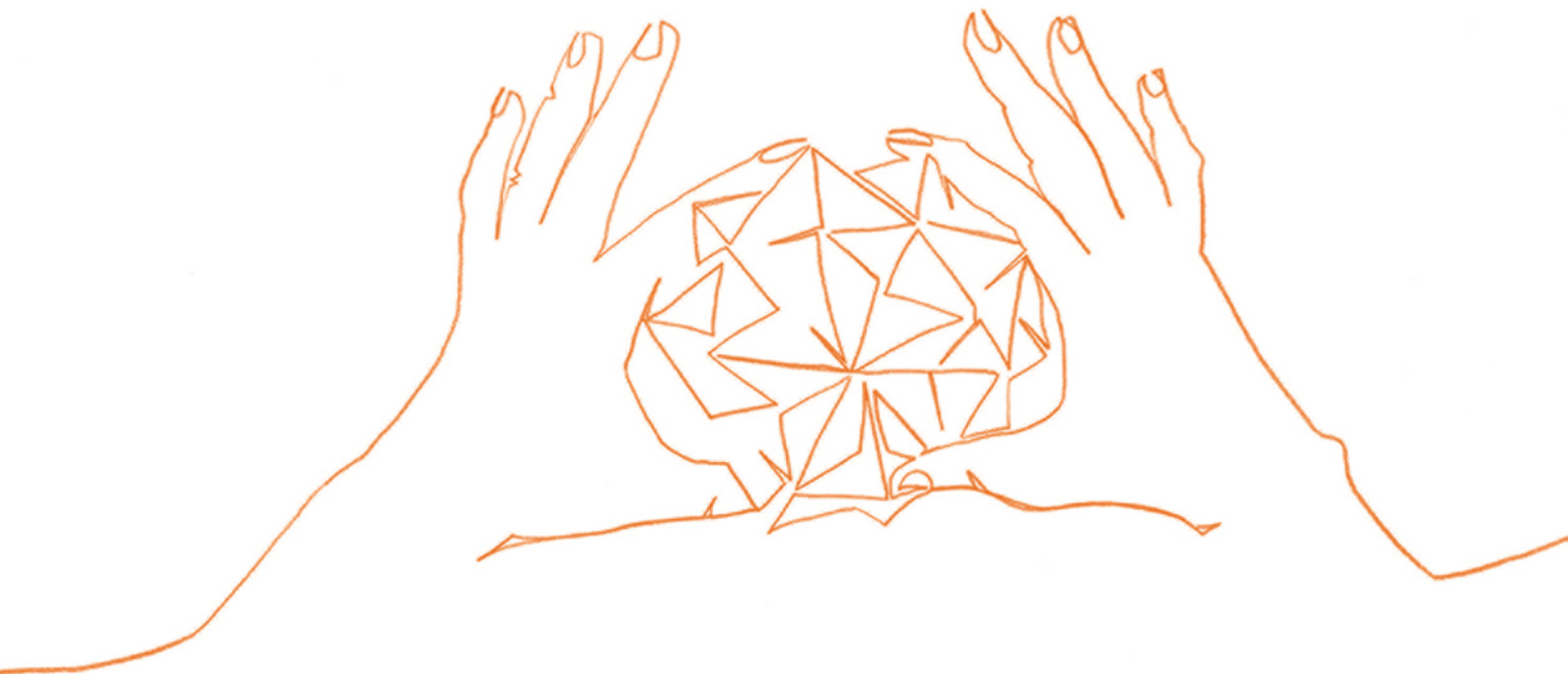


INNOVATION IN GIVING

*How philanthropists and non-profit organisations
can forge new partnerships to drive different,
bigger and better outcomes*



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FOREWORD



In this third paper in our series, we examine how charitable organisations and individual donors are facing the challenge of innovating to try to find different and better solutions to complex social challenges.

We find the philanthropy of up-and-coming donors is characterised by a need to see tangible change, combined with a high degree of personal drive. Younger givers spend more time on their giving decisions and are more likely to monitor outcomes. Their approach to innovation could be characterised as 'plan, monitor, improve' as they seek to make sure each charitable action is better than the last.

Charitable organisations are also taking on an innovation agenda as they too seek to improve efficiency, to leverage their activities and to experiment with new approaches to building capacity.

Given this shared interest in innovation, is it any wonder that upcoming philanthropists are increasingly seeking sustained relationships with the charities they support? In turn, this is also set to create new innovation challenges for organisations: to match their donor expectations.

We are delighted to have had the support once again of Jason Franklin, as well as Robert Desmond and Lewis Aldridge, who have shared their experiences as donors and fundraisers. Their enthusiasm shows how bringing others along on the giving journey can be an important way to inspire change.

John Canady,
Director of Philanthropy

IN BRIEF

This paper examines innovation from the perspective of donors and charitable organisations. It finds that both are exploring new approaches to ensure their gifts and grants stretch as far as possible. When the passions and interests of both sides are aligned, it can be a powerful creative force.

Different, better, bigger

Spurred partly by economic circumstances – which have seen traditional sources of funding thinning out – charitable organisations are focusing more effort on innovation. At one end of the innovation scale, they are looking for incremental efficiencies. At the other, they are trying new ideas, but need a new kind of funding to meet this particular innovation challenge.

Plan, monitor, improve

Donors too are looking at ways to improve their giving. Learning from successes and failures, theirs is a process of constant innovation. They plan their giving, monitor outcomes and look for ways to improve results the next time.

In particular, it is the younger generation of wealthy givers (Y-Givers) who are adopting these techniques.

- 58% take weeks or months to decide which organisation to support (vs. 27% of >45)
- 40% monitor the social change resulting from their giving (vs. 25% of >45)
- only 19% say they don't monitor the results of their giving at all (vs. 28% of >45)

Two way street

If charitable organisations are able to tap into the interest of these engaged donors to experiment with new solutions, then there is a genuine opportunity for powerful, transformational partnerships.

Innovation in any field is driven by enquiry, engagement and interaction with others.

INNOVATION AGENDA

Different, bigger, better – these are the three watchwords that characterise the drive toward innovation. That innovation can be incremental, achieved through small steps; it can be a radical leap forward, but it always comes from a need or a desire for change.

Is it any surprise, therefore, that innovation is a hot topic in the not-for-profit sector? When there is a lot to do – like tackling difficult or complicated social problems – then smart solutions are absolutely essential, especially if you are operating on an ever-tighter budget.

In fact, innovation appears in many different guises in the charitable sector. Large organisations may have someone who is responsible for innovation as a specific function within their structure. Their role is often to work across the organisation to systematically find and catalyse new ways of tackling old, stubborn problems. Smaller organisations may be more intuitively innovative, moving seamlessly from delivering projects to concentrating on processes that work and can be replicated over and over again in different locations.

Whether the outcome is revolution or evolution, innovation matters in the not-for-profit space. In fact, it matters more now than it has for generations, as mainstream sources of funding are thinning and the sector is faced with the challenge of doing more, often for much, much less.

“There is an exciting opportunity for philanthropists to get alongside charities and to try new things”

David Hopkins
Senior Advisor for Charities and Grantmaking,
Charities Aid Foundation

David Hopkins is the Senior Advisor for Charities and Grantmaking at Charities Aid Foundation. He observes: “We are in new territory in the charity sector. Traditional sources of funding are drying up and we know that nothing is going to change on that front for the foreseeable future.”

It is David’s perception that this economic reality is sparking even greater interest in innovation in the not-for-profit sector than ever before.

“What we are seeing is a shift toward incremental improvements. Charities are concentrating on the little changes that can add up to a big change,” he explains.

This is driven partly by necessity; when times are tough little breakthroughs matter. It is also driven by growing risk aversion among traditional funders. Charities and grantmakers simply do not have the budget to invest large-scale resources in pursuit of big innovative leaps, which may not always succeed, David explains.

“Institutional funders talk about wanting to try new things, but they have a fear of failure, which is only natural when they have to account for every penny,” he observes.

This raises a question about the role of committed private donors to help square the innovation circle, and potentially provide much-needed funding for new and bold ideas.

As we have seen in our previous papers in this series, wealthy donors of all ages have remained committed to their giving in spite of the cooler economic climate. They are willing to get engaged and experiment with new forms of giving, including approaches that could be deemed higher risk.

SMART PHILANTHROPY

In fact, many individual donors have an innovation agenda of their own. In our last paper, we met Jason Franklin. He is a director of the appropriately-named Bolder Giving.

Jason brings an analytic framework to his philanthropic decisions and is prepared to take calculated risks with his charitable money in order to achieve the best possible outcomes with the money he has available. At the core of his approach is a process, which many strategic donors like him will use: plan, monitor, improve.

Jason adopted this approach when he became involved with his family's foundation. He started by concentrating the foundation's efforts on six specific causes. This focus allows him to build the knowledge, experience and the networks he needs to understand the nature of the problems and the possible solutions.

Within these six areas, he then tries to identify projects where his resources can make a difference. Those resources include his connections, his expertise and his influence as well as his financial support.

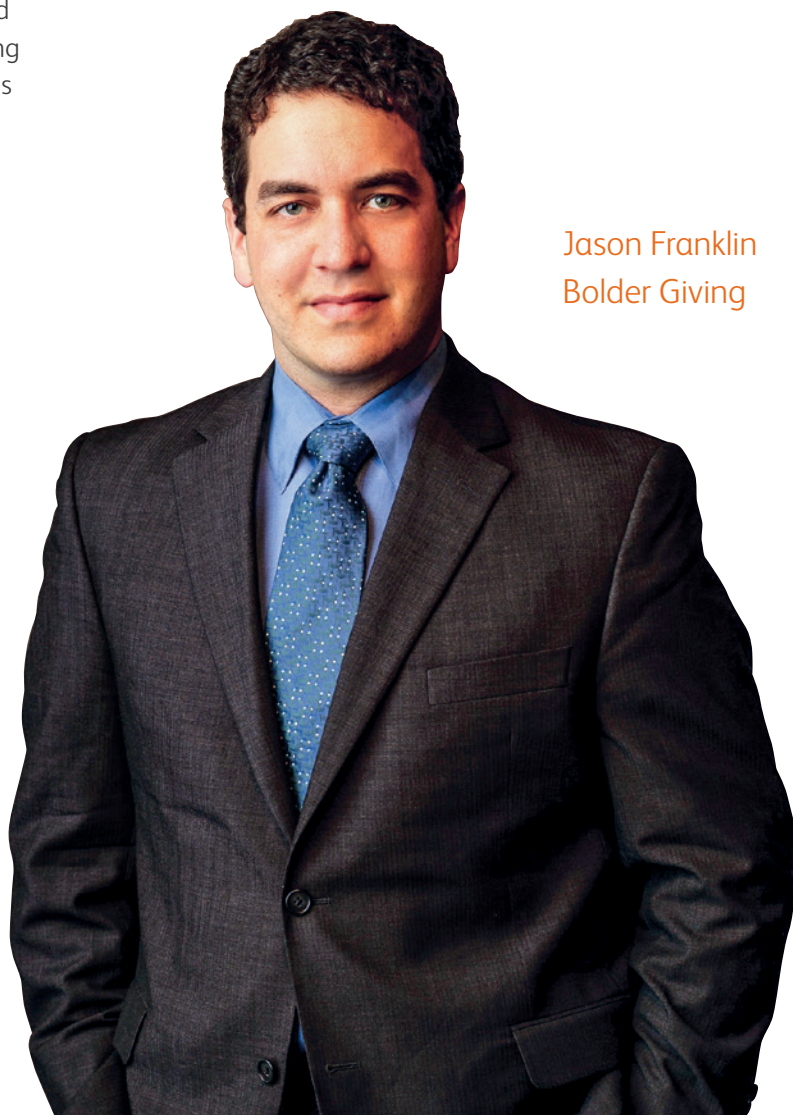
Prior to making a gift, he also identifies the criteria by which he can judge the success of each project. This allows him to monitor the progress of each project and ultimately to work out what success looks like in a particular field.

And finally, he re-adjusts his plans each year to take account of the experience he has gained.

Strategic givers are sometimes labelled as the beancounters of the philanthropic world, because of their focus on monitoring outcomes. However, they would argue that theirs is a constant process of innovation. They get a real buzz from constantly improving outcomes for those they support.

Moreover, strategic philanthropy, by its nature, requires donors to be hands-on and to engage with their grantee projects. It is only through ongoing interaction they can witness the successes and failures from which they can learn.

In fact, strategic givers argue that far from remaining detached and focused only on the metrics, their approach to giving is highly motivating because it is direct, personal and constantly evolving.



Jason Franklin
Bolder Giving

STRATEGIC THINKERS

Interestingly, there is good evidence that this approach to giving is catching on among upwardly-mobile givers. Research carried out with 327 wealthy donors in 2011 found 58% of those under 30 were likely to take weeks or months to decide which organisation to support, compared to just 27% of those over 45 (see Fig 1.1). It seems the young are taking their giving decisions very seriously.

The previous year, a larger study of the attitudes of wealthy givers found the younger cohort were more likely to monitor the success of their giving in terms of social change and project impact and to use quantitative measures in their evaluation (see Fig 1.2).

Their thoughtful approach leads them to choose projects carefully and often they will focus on new challenges or different ways to tackle old ones.

Robert Desmond is a good case in point. Robert is an entrepreneur in his 20s, involved in several tech startups. He is also an active philanthropist.

He gives to a number of different causes, often based on his personal experience. In each case, he considers how the money will be spent and what will change as a result of his gift.

“I try to bring a business focus to my giving, which means I want to see where the money is going,” he explains. “In business, leaders focus their efforts to where they get the most return. In charity, that means you have to focus wherever you get the most social return.”

He gives the example of a project he is working on with his father to revitalise communities in Eastern Europe.

On a visit to the region, they saw first-hand how the rapid change from a communist to a capitalist culture has alienated the older and younger generations. In response, he has helped to set up a home-help project that encourages younger members of the community to provide support to the older generation. The approach has the double benefit of providing much-needed care in the community as well as helping the two generations to reconnect.

Robert also thinks actively about how to leverage his philanthropic activity. His favourite tactic is to encourage friends to come along to events or to follow on Facebook or Twitter.

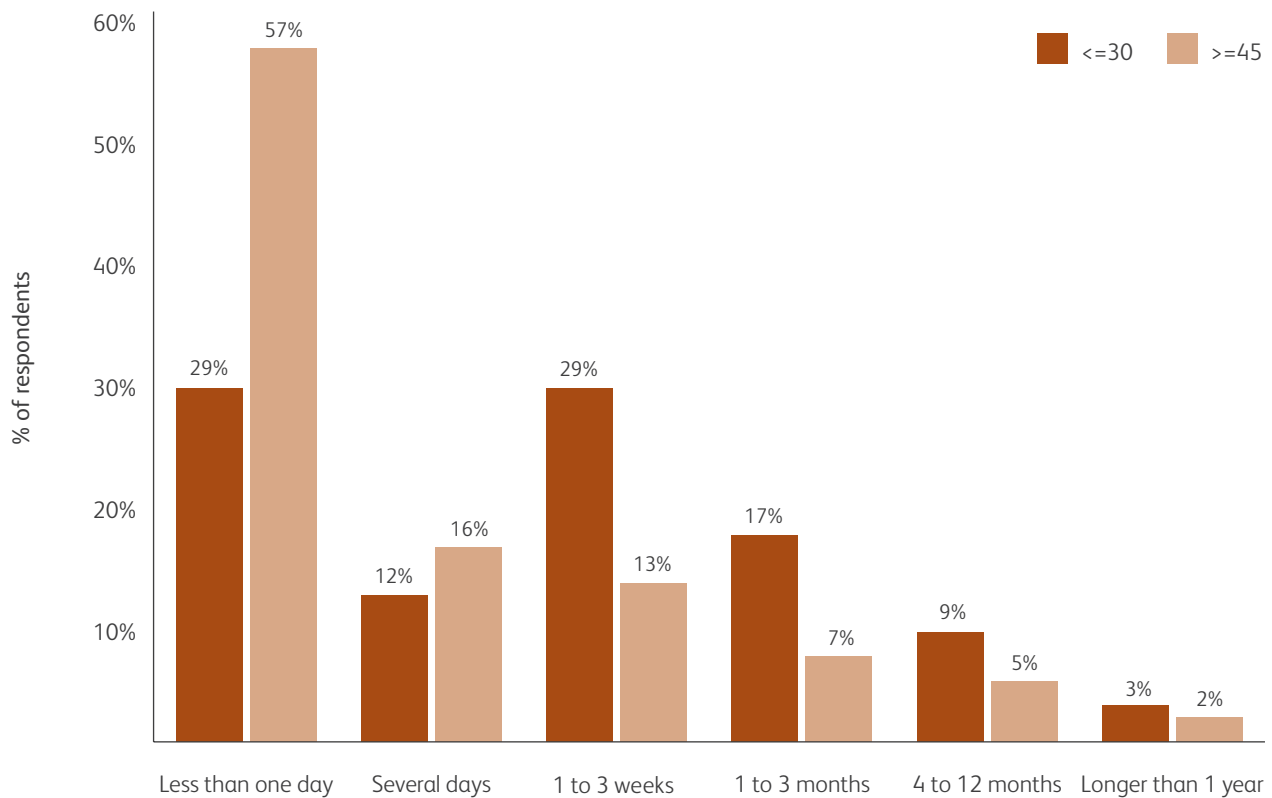
“Charity is like business, you have to get people involved. You have to drag them, phone them every day, email them, use Twitter and update them on Facebook. It is about using all the tools available,” he explains.

So convinced is he that others will get hooked on giving once they have experienced helping others, that he even confesses to dragging willing victims along with him when he gives blood.

The evidence

Wealthy young givers are more likely to dwell on their giving decisions for longer than their older cohort (Figure 1.1). This suggests there is a strategic mind-set at work among this younger giving generation.

Figure 1.1: When you last donated a major charitable gift, how long did it take you to decide which organisation to give to?



Source: Scorpio Partnership, 2011 research based on 327 responses to a global online survey

Robert is not only proactive about getting others engaged in charitable activity, for him it is also essential to follow through and keep in touch with beneficiaries and project organisers.

This, he says, is what really makes his giving worthwhile. “Following the money that you give through to those who receive it is satisfying,” he observes.

Robert’s approach to giving is typical of his generation. The younger generation of wealthy givers are not only more likely to monitor the success of their giving, more of them also evaluate their success using objective measures (see Fig. 1.2).

This suggests they are also highly likely to be using this feedback to innovate – changing, adapting and evolving their approach to philanthropy.

By contrast, a significantly lower number of those over 45 track their giving. When they do, their preference is to use personal criteria for evaluating success (see Fig. 1.2).

“Following the money that you give through to those who receive it is both satisfying, and fundamental to keeping charities on track”

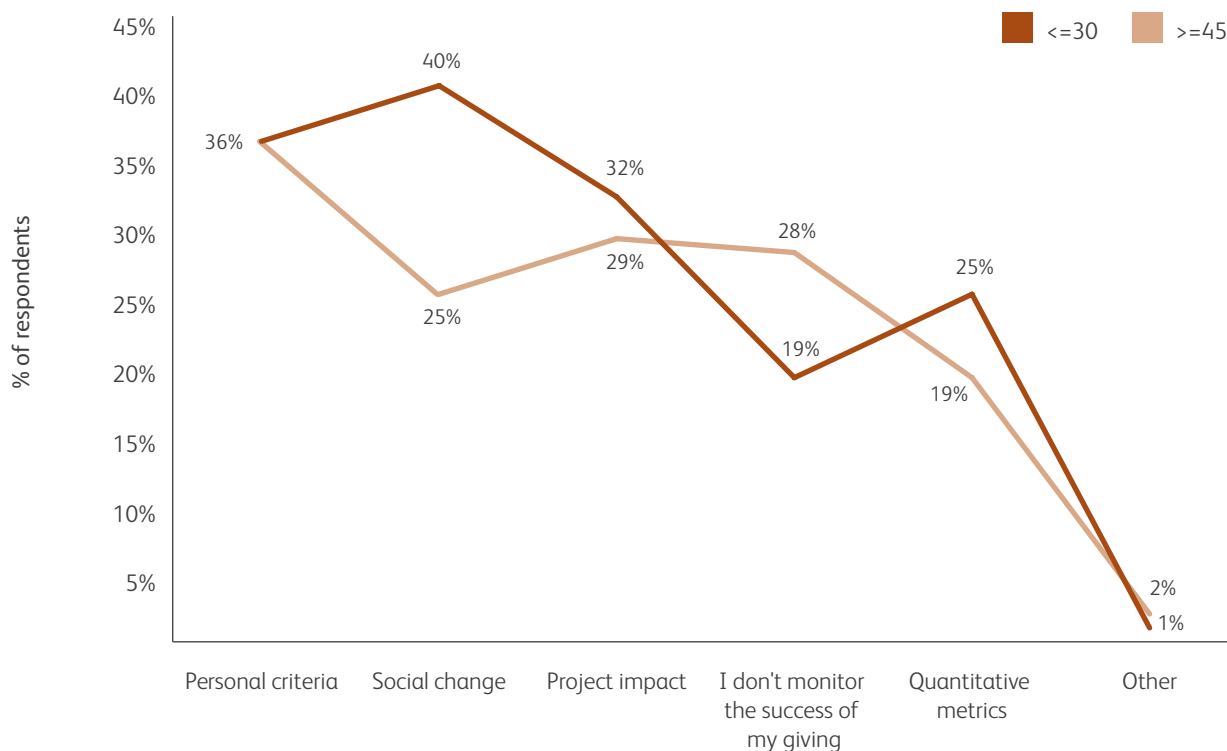
Robert Desmond
Philanthropist



The evidence

Older givers are less likely to monitor the success of their giving and when they do, they prefer to use personal criteria. By contrast, a significantly higher number of young wealthy givers evaluate their success based on social change criteria, project impact and specific quantitative measures.

Figure 1.2: How do you monitor the success of your charitable giving?



Source: Scorpio Partnership, 2010 research based on 1,428 responses to a global online survey

BRIDGING THE GAP

Interestingly, Robert also observes that following the money in this way helps to keep the charities that he works with 'on track'. What he means is that by having clear expectations he is able to make the charities he works with more accountable for what they do with his gifts.

Robert's view is not atypical. Many donors who regularly give away more than average, worry about accountability. They worry about operational efficiency at charitable organisations and the extent to which their gifts are being used well and for the intended purposes. Paradoxically, in spite of their tremendous interest in supporting causes that often call for a big response, donors are often dismissive of large charitable organisations because of these concerns.

Yet, looking at this challenge from the perspective of charitable organisations, it can be very difficult – especially for large grantmaking charities – to provide their donors with the accountability they want.

The reasons for this are complex. There are many steps to delivering a project on the ground, especially in remote or difficult regions. In addition to physical distance, there is also the challenge of getting good information from local project staff on the front line through patchy communication lines. That information also often has to be filtered into a simple and digestible format.

All this can make the donor feel they are on the receiving end of a long Chinese whisper.

An alternative may be to draw an engaged donor into the process. The question is: how? The interests of donors, after all, inevitably come second to the interests of the beneficiaries that the charity is set up to serve.

One answer to this question may lie in the shared interest in innovation of both donors and charitable organisations.

Let us take the example of Farm Africa – a £10 million UK charity focused on agricultural projects in rural Africa. With projects running in Ethiopia, Kenya, South Sudan, Tanzania and Uganda across crops, livestock and forestry, the organisation has a track record of helping communities to move from subsistence to sustainable commercial farming. By helping communities break from a hand-to-mouth existence, they also contribute to improvements in education, healthcare and welfare.

The organisation recently launched what it calls an Innovation Partnership to attract donors who want to support work that can help them shift from helping small communities, to helping whole regions, or indeed, whole countries.

Pam Williams-Jones, Director of Fundraising and Communications at Farm Africa, explains that for them individual donors are vital to this kind of innovation. Their funding allows Farm Africa to take a successful project and turn it into a process that can be replicated again and again.

She gives the example of their animal health programme called Sidai. With grant funding, the charity is supporting a social enterprise model of livestock care centres. The organisation appoints qualified veterinarians and other livestock professionals as franchisees and gives them a package of support including access to quality products at competitive prices and full business training. In turn, those franchisees support the health of the livestock in a whole community. The business plan is to open 150 franchises treating 2.9 million animals and break even after four years.

Pam explains that this kind of capacity building needs foresighted donors, who are prepared to explore new possibilities. These individuals need to be prepared to be pioneers, because not every new approach will be guaranteed to be successful.

Indeed, being prepared to accept that there may be failures along the way is a vital quality for anyone who wants to be at the cutting edge of innovation.

“Many institutional funders will fund the distribution of aid or fund established projects, because they can look at the amount they spend and monitor the outcomes.

The funding that is difficult to get hold of is at the experimentation stage. But, the potential is huge if we can test ideas and then take that to governments and the private sector to escalate those ideas to whole communities, countries or continents. Individual donors can help build the evidence that a project and a process works,” she explains.

In another example, Christian Aid, a much larger not-for-profit, recently launched its In Their Lifetime appeal to raise a £25m unrestricted fund. That fund is not invested in the organisation’s core projects, but in a range of pilot projects to test new ideas.

For example, the fund experimented with using mobile phone technology to provide farmers in Kenya with weather reports to help them plan their planting and harvesting cycles. Using the same technology they have also added information about crop prices.

By experimenting, Christian Aid has been able to bring not one but two information streams together at the same time. In turn, this has helped farmers increase yields by 10% – 20% and achieve better prices in the market place.

“Development work is complex, it isn’t linear and needs committed, thoughtful funding partnerships.

We need to break down the barrier that says this is ‘charity’ and start to think in terms of real professional partnerships with donors and with beneficiaries.”

Pam Williams-Jones
Director of Fundraising
and Communications,
Farm Africa



CROWD POWER

Such partnerships between organisations and donors are not always straightforward. Indeed, they are sometimes at their most innovative when the interests of donors and organisations intersect, rather than colliding head on.

Take the example of the 2012 Sierra Leone marathon. This ambitious fundraising project was the brainchild of the charity Street Child Sierra Leone. As the country's first ever long-distance running event, the project was always going to be a challenge for the London-based charity.

However, when Street Child hooked up with volunteers Ben Hodgeson and Lewis Aldridge, the event really got legs.

Both Ben and Lewis were taking career breaks from high-powered jobs. Ben was a lawyer in South Africa and Lewis worked in private equity in London. Both were also keen marathon runners.

Lewis believes that the real innovation in the partnership he and Ben have forged with Street Child relies not so much on their common goal, but more on their complementary interests.

He admits that when he first became engaged in the event, he was more focused on the marathon opportunity than the work of Street Child. But, like many of the event's runners, once they started working together that all began to change.

“Most of the runners enter the event because they wanted to run the marathon, not because of Street Child. But, once we got them out there, they met the children and they met their families. When we got everyone together there was a real buzz.

“Street Child is the only charity working in this part of northern Sierra Leone, and so the runners get a real sense that if they don't support this area, no one will. Many of the runners now think of this as their main charity,” he adds.

Despite their different starting points, there is no doubt it has been an energetic partnership.

While Street Child focused on the logistics in Sierra Leone, Lewis and Ben were able to use their commercial experience and networks to attract running teams and build interest in the event.

They recognised that encouraging teams of runners to fly to an unfamiliar corner of Africa for this start-up challenge would be no easy feat. So, they drew on their commercial savvy and wide-ranging contacts to give the event a highly polished feel.

“We needed to get people over their fear of Sierra Leone, which required a carefully planned communication strategy,” explains Lewis.

With the help of their first corporate sponsor and that firm's web design company, they were able to set up a professional website with detailed information about the country and the event. They set about getting high-level endorsement for the event from Paula Radcliffe, Tony Blair and Ranulph Fiennes; all people recognised for their commitment, drive and passion for the world around them.

They also connected with Olympians and celebrities to build a Twitter campaign announcing the event.

Soon, the mainstream media took an interest. The BBC, Reuters, Radio France, the Daily Telegraph and Runners World all covered the event.

The net result was that the event smashed all their expectations. In May 2012, 386 participants from 20 countries took part in the race. Together, they raised £320,000 for Street Child.

Earlier this year, they took the event to even greater heights. 800 runners took part in the second event with 175 joining from countries other than the UK. The initial fundraising has already broken the £200,000 mark.

Lewis and Ben are also considering how the model could be replicated by other charitable organisations in other countries around the world.

Their relationship with Street Child is defined by its synergy. They may have started with very different interests and goals, but that allowed them to come together with a common purpose. In business terms, theirs is a partnership where one plus one really does equal three.

A RELATIONSHIP BUSINESS

All these examples highlight how the relationships between donors and charitable organisations are changing. Forward-thinking organisations see their donors – and even non-donors – as a potential resource whose knowledge, skills and willingness to fund new things can become transformational.

Evidence suggests donors may increasingly want these partnerships. More specifically, younger givers seem to have a strong desire to develop a meaningful relationship with the charitable organisations they support.

Research measuring how important are different elements of the relationship donors have with charitable organisations finds that younger givers want to be more engaged with every step of the giving process.

They attribute a high level of importance to every step of their giving experience. From marketing material to premises and from fundraiser to feedback, they want to feel that they are in relationship with the organisations to which they give (see Fig. 1.3).

By contrast, older givers have a twin peak approach: putting emphasis on the brand of the organisation and its efficiency as their principal requirements from the relationship.

Further evidence of desire of younger givers to be more closely connected with charitable organisations can be seen in their communication habits. Those under 30 attach more importance to a wide range of communications in connection with their most recent gift (see Fig. 1.4).

Most notably, SMS, mobile phone apps and social networking shoot up in importance for this younger demographic.

Undoubtedly, an engaged generation of givers is a positive thing. At the same time, these changing expectations will mean charitable organisations may need to extend their innovation to include their donors if they want to manage these blossoming relationships more effectively.

One organisation that has grasped this challenge as part of its own innovation agenda is Comic Relief. Best known for Red Nose Day in the UK, Comic Relief's innovation strategy is focused mainly on how it connects with donors. In fact, a guiding principle for the organisation is that it wants to find new and better ways to connect with potential donors.

"We are all about trying to get people who do not normally do charity to do charity," explains Rebecca Hanshaw, Comic Relief's major donor manager.

In 2009, Comic Relief made two innovative breakthroughs with its audacious Kilimanjaro climb. Nine celebrities, including Cheryl Cole, Chris Moyles and Ronan Keating, made the ascent. That in itself was groundbreaking enough, but it was their use of social media, through regular Tweets and mobile messages, that helped to make the challenge a national phenomenon along with raising a record breaking sum from a young radio audience.

Since then, Comic Relief has expanded its online innovations with the launch of Twit Relief, an online charity auction, and #Twittermillion, a social media fundraising marathon to raise money from digital friends.

Rebecca explains that Comic Relief launched these digital campaigns with a clear goal to connect with a new generation of givers. "We want to capture people's imaginations and if that means meeting them on social media, because that is where they are comfortable, then that is where we will go," she explains.

The second innovation was in popularising the idea that anyone could tackle a difficult physical challenge. That idea too caught on.

Charity Challenge is the organisation that helped the BT Red Nose Climb reach Kilimanjaro. Following this, Charity Challenge reported a 500% increase in the numbers of people climbing Kilimanjaro for charity. Indeed, so great was the demand, that the Tanzanian authorities reported a spike in tourist income.

Today, Charity Challenge organises challenges for around 2,000 intrepid fundraisers each year. The combined total of their fundraising is between £5 million and £6 million each year.

The organisation is also continuing to innovate with new challenges, including treks to the North and South Poles, along the Great Wall of China and cross-country to the Taj Mahal.

Simon Albert, the founding director of Charity Challenge, explains that the fundraising success of challenges lies much more with personal motivation than it does from the attachment of fundraisers to any particular cause.

"We are constantly innovating to find new challenges to put people through their paces. People do them because they want to test themselves. They want to get fit or lose weight or meet likeminded people, or they just want a holiday that is more fulfilling than lying on a beach," he observes.

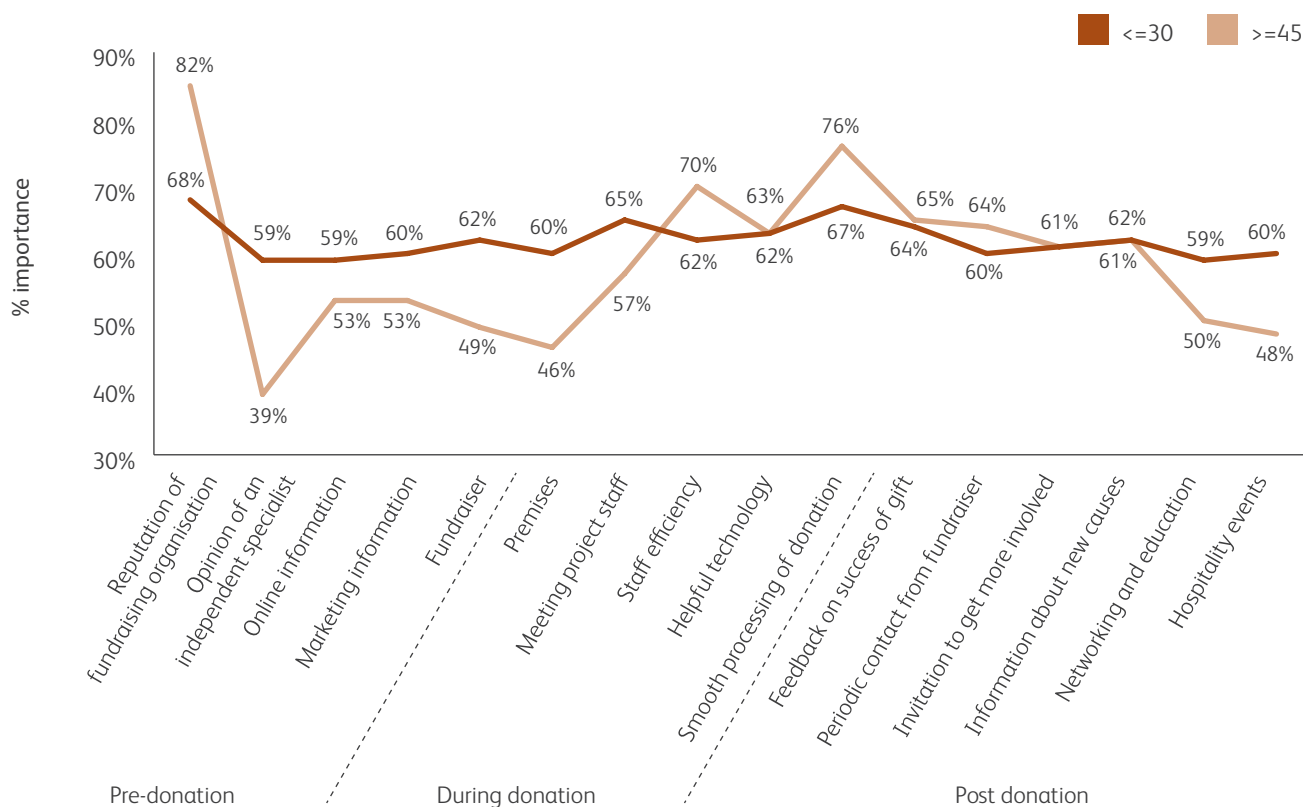
He adds that for those who are focused on the fundraising, a challenge has a significant multiplier effect.

"A wealthy person could give £50,000 to charity, which is a lot of money, but if they do a challenge they can leverage that to £250,000," Simon explains.

The evidence

When asked how important is each step of the giving journey, younger givers attribute a high level of importance to every step of their interaction with a charitable organisation. By contrast, older givers focus more on the brand of the organisation and its efficiency. This suggests that younger donors wish to set up and maintain relationships with the charitable organisations to which they give.

Figure 1.3: How important were the following factors in delivering a great donor experience?

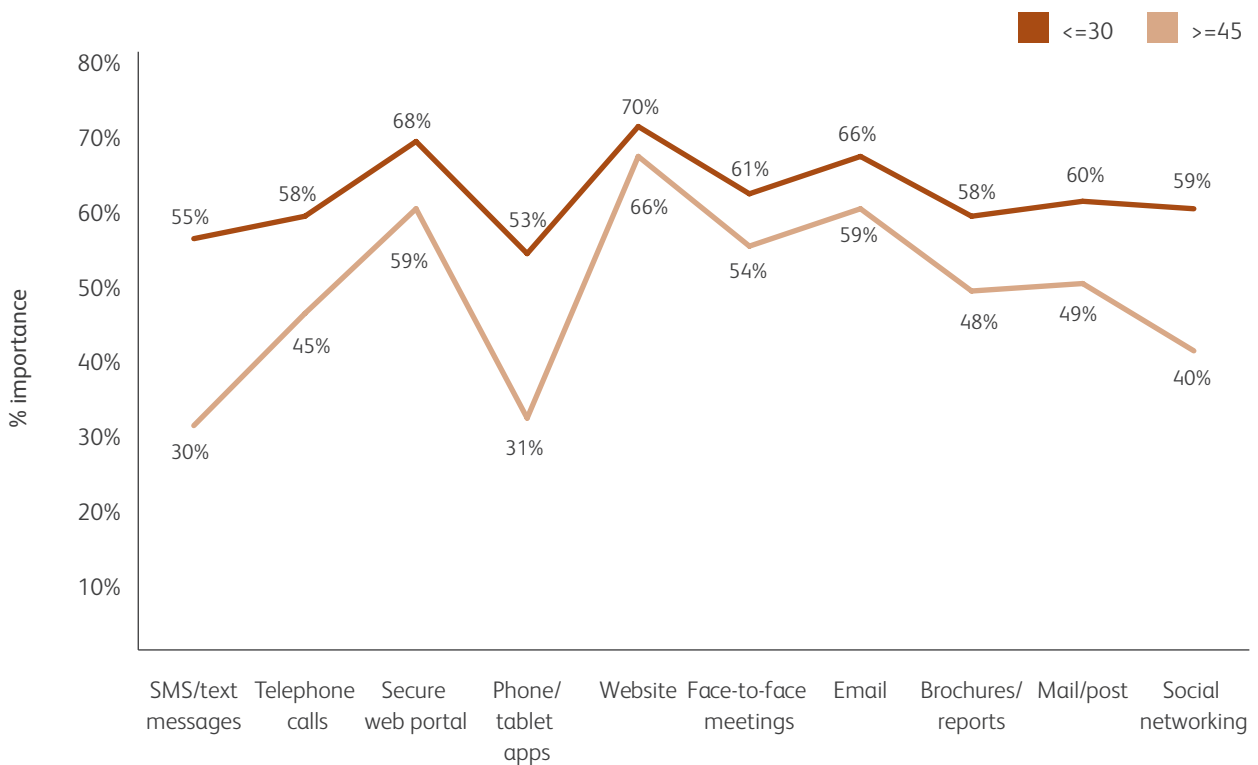


Source: Scorpio Partnership, 2011 research based on 327 responses to a global online survey

The evidence

Younger givers also value a wide range of communication approaches from the organisations to which they give. In particular, they place significantly more emphasis on SMS, phone or tablet apps and social networking than the older generation.

Figure 1.4: Thinking about when you donated a major charitable gift, how important were the following types of communications in dealing with the organisation?



Source: Scorpio Partnership, 2011 research based on 327 responses to a global online survey

THE DONOR EXPERIENCE

More broadly, the ‘challenge’ movement is clear evidence of how donor engagement is changing. Givers are showing willing to come out of their comfort zone and take on difficult challenges, with an implicit awareness that effort equals results.

Charitable organisations may need to adapt the fundraising approach to connect more directly with this intrepid generation. Indeed, not only do younger donors want to be more hands on with their charitable activities, they also report that they are not as satisfied as their older peers with the experiences they have of giving.

While in general donors report that the organisations they support exceed their expectations, younger donors are significantly less positive overall than older givers about their giving experiences (see Fig 1.5).

The rewards are certainly there. As we have seen, as a group Y-Givers are a force to be reckoned with. But, to secure their donor loyalty, charitable organisations may need to reconsider how to change their fundraising tactics, engage their donors with different types of funding opportunities and enhance their feedback approach.

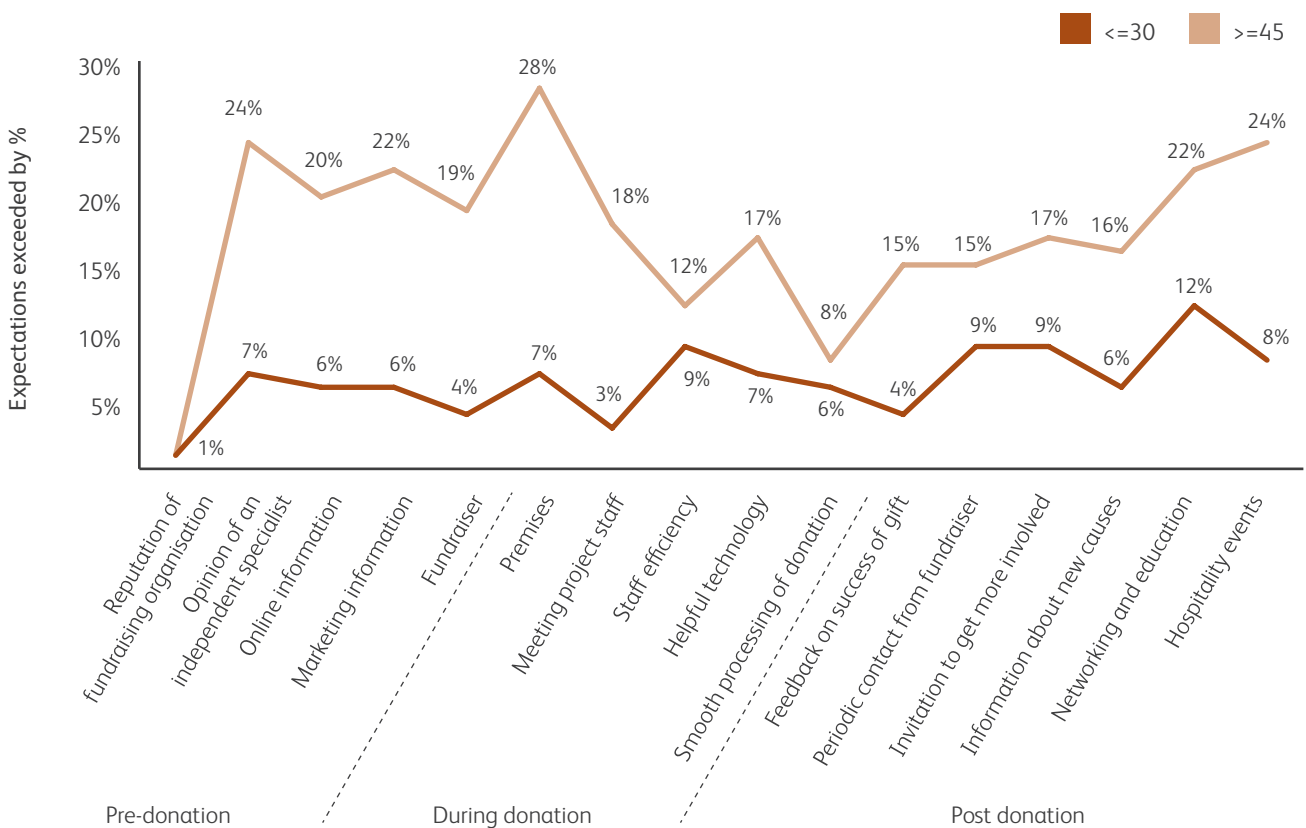
All of this is consistent with the engaged approach of the younger generation.

And, if charitable organisations can focus more on what matters to these up-and-coming philanthropists, then they can expect to spark long-term relationships with a very switched-on group of givers.

The evidence

While donors generally report positive experiences with the charitable organisations they support, charities could do more to enhance the donor experience for younger givers.

Figure 1.5: How would you rate your experience of making a major charitable donation? (Percentages indicate level of performance above expectations)



Source: Scorpio Partnership, 2011 research based on 327 responses to a global online survey

STEP CHANGES

In conclusion, we find that innovation is multi-faceted when it comes to philanthropy. Many charitable organisations are seeking ways to improve efficiency and to improve outcomes for beneficiaries. Whether these outcomes are achieved through revolution or evolution, the innovation goal is to find solutions that are different, better or bigger.

We have also found that there is a role for strategic-minded philanthropists to play in this innovation agenda. Their giving is often characterised by hands-on innovation; a process of experimentation where they learn from their successes and their failures.

Indeed, engaged philanthropy increasingly seems to be the order of the day. Whether donors are getting hands-on with a particular project, or simply pushing themselves with tougher and tougher physical challenges, they are certainly in-tune with the idea that their hard work can have a multiplying effect.

By forging new partnerships, based on common goals or complementary interests, there is a huge opportunity for individual donors and not-for-profit organisations to learn and benefit from each other's interests and expertise.

CONTACT US

If you'd like to kick-start your own philanthropic adventure, then we can help you. We work with a wide range of donors to create giving with impact.

Call one of our team to talk through your aspirations for changing the world.

03000 123 028

If you'd like more information on the research, email

philanthropy@cafonline.org

Or visit our website and explore the many different ways to give.

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