

Better NGOs - Better Communities?

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Australia

- Social Sector A welfare framework
Charities/church groups/community groups
- Financed by Government grants
Philanthropic donations
- Approach Hands off by funders
Sector knows best
- Accountability Hampered by divide in expectations and knowledge
- Disadvantaged Casualties of commercial sector
Those with a particular disability
Responsibility of welfare - not society
Pathologised

EUROPE/USA

Strong shift away from this framework.

- Why? Divide between rich and poor grown
Capital and wealth centralized
Disadvantage is located in particular communities
Serious concern by OECD member states
- Response: Hybrid is emerging - social and economic - whole needs
Growth in social enterprises
New partnerships
Traditional welfare now integrates with employment and
enterprise projects
Re-emergence of mutuals and co-operatives - reshaped
to
serve modern needs for connection, mutualism and
community sustainability - Credit unions and banks

Changes

Two important changes are occurring in the Sector:

- 1) Growing emphasis on Social Entrepreneurs
 - Innovative individuals possessed by a pattern - changing vision to change society
 - Emergence of organisations such as CAN and Ashoka to promote entrepreneurs
- 2) Growth in New Instruments and approaches to financing the Sector
 - Greater mix of funding sources
 - New loan and credit instruments
 - Venture philanthropy
 - Venture capital
 - Result of massive wealth in IT industry, capital traders and rise in ethical investors

Three strategies are needed

1. Change way we deliver Programs - social capital
2. Enterprise model
 - commercial practice
 - Improve analysis and build capacity
 - Build a Social Economy
 - New financial instruments
3. Social Entrepreneurs and Innovation

What makes some social programs work?

Features of successful entrepreneurial programs:

- strong local leadership
 - Intensive and extended relationships
 - Problem solving exchange
 - Professional practice steeped in social capital
 - Flexible responsive service models
 - The intensity of the local - the micro
- (Elizabeth Schoor research)*

Need for an enterprise model

- Most donors give money earmarked for specific programs and shun long-term investments required to build the organisation
 - Sector lacks appropriate performance measures - donors have difficulty identifying most successful organisations
 - Consequently, successful programs rarely expanded or replicated elsewhere
- "Not for Profit Management", The McKinsey Quarterly 2001 Number 1*

The funding environment is the culprit

- All organisations - for profit or not - are shaped by those who fund them
- Foundations and other donors limit the duration of grants and actively punish success
- When nonprofit attracts additional funding foundations often end their support arguing that it is no longer needed
- Growth very difficult
- Foundations eager to provide seed money for innovative new programs - few interested in sustaining and building on success
- Counterproductive
- "Follow the money" - grants for programs that do not fit the organisation's mission
- Sources of funding are numerous - efforts to get in touch with them are time-consuming and inefficient
- Several years to produce returns on investments in capacity building - unacceptably long time
- Failure to think long term is at very heart of why so few nonprofits are built to last

Absence of clear performance measures

- Difficult to determine social impact - at the root of funding problem
- Reluctance by investors to commit long term support or invest in infrastructure without measures of social impact
- When improvement does occur - often cannot clearly be attributed to any single intervention
- Sector has resorted to ad hoc assortment of metrics
- The focus on processes or inputs rather than outcomes creates poor indicators of social impact
- Excessive focus on percentage of donations and revenues spent on overheads - CAPACITY NOT BUILT

Measuring performance measuring performance matters in the non-profit sector

- Outcomes provide signal to those who provide funds on how to channel financial and intellectual capital efficiently
- Without accurate measures of social impact donors cannot distinguish between most and least efficient organisations
- Results in a fragmented sector in which almost all organisations survive, regardless of performance

To fix this situation

- Performance measures must focus on outcomes - not only on processes
- Measures of organisation's strength and stability, eg: staff turnover, also important
- Useful tool = the balanced scorecard (incorporates financial, customer, internal and growth results)

Some changes are already beginning to happen

- David and Lucille Packard Foundation - set aside funds to improve management, staff and planning processes of nonprofits
- Edna McConnell Clark Foundation - refocused grants on institution building
- Many new-economy philanthropists bringing businesslike, entrepreneurial mind-set to their philanthropic efforts
- Venture philanthropists make multiyear financial investments accompanied by management support - demand results in return - and reward with additional support
- Changing dialogue in the sector

How do we broaden and strengthen financial investment in the sector?

- Venture philanthropy
- Social venture capital
- New credit or lending models

How do we support entrepreneurial thinking and action?

Entrepreneurs drive Innovation

- Two stories to think about:
 - Ashoka
 - CAN

Ashoka

- Knock-out Test
 - A truly innovative idea
- 4 Criteria:
 - Creativity
 - Entrepreneurial quality
 - Social impact of the idea
 - Ethical fibre

Jane Schwager

Jane is the Chief Executive of The Benevolent Society, a major non-profit responsible for the "Sydney Leadership" program and a wide range of community and residential programs for those in need. Jane was previously the Director General of the NSW Ageing and Disability Department, and the Executive Director of the NSW Social Policy Directorate where she was responsible for developing social indicators for the social landscape of NSW.

Jane has been at the leading edge of operational and policy leadership for over 20 years. She has operated in such diverse areas as community services, arts and culture, education, health, strategic planning and budget design. She also operated a successful small business for six years.

She was the first appointed corporate planner in the NSW Government and a key member of the inaugural Program Budget Team in NSW Treasury. At this time Jane also undertook an international study of budget outcome indicators for incorporation into the NSW Budget.

She is currently a member of the Regional Council of Civicus and serves on a number of advisory bodies in the non-profit sector. She is also a member of the Commonwealth Government's Social Welfare Reference Group. In recognition of her contribution as a leading chief executive, she was a member of the

Australian/ASEAN Women Leaders Mission to Singapore in July 1994. This Mission led by the Minister for Trade, was made up of Australia's top 100 women business and Government leaders. She was also invited to be part of the Citizen Ambassador Program Delegation to Russia, made up of individuals representing outstanding programs in community enrichment in Australia and North America.