Capital idea for sustainable philanthropy

MONEY MAKES MONEY. Nothing unusual in that observation, but the machinations of capitalism are not usually top-of-mind when the subject of philanthropy comes up. Rather, the words ‘charity’ and ‘struggle’ seem wedded.

Not everyone, however, accepts this as a fait accompli. Leigh Wallace – the first masters graduate of Swinburne University of Technology’s Asia-Pacific Centre for Social Investment and Philanthropy – knows firsthand the increasing burdens on charities.

Through the Melbourne Lord Mayor’s Charitable Foundation (LMCF) he has finessed a fundraising strategy that delivers a perpetual income stream for charities. Income is generated from interest earned by the LMCF’s capital pool, which was $12 million when Mr Wallace joined in 2001 – accumulated over 78 years. It is now $95 million and some of the best minds in the Melbourne business community donate time to ensure the LMCF’s investment of that capital generates the best possible returns. The result, in 2010, is the distribution of more than $8 million to a range of charities.

As general manager of fundraising for the LMCF from 2001 to 2007, Mr Wallace says the challenge then, and still, is to make the money grow; to create a sustainable, expanding pool of funds that can have a real impact on social health and welfare.

He has done this largely by opening the concept of trusts or sub-funds within the LMCF to individuals, businesses and even local government. The initiators of each of the sub-funds contribute their capital to the general pool for investment and income generated from their share of the capital is allocated back to each sub-fund. Mr Wallace says while the final distribution of the grants is at the discretion of the LMCF’s board of directors, the wishes of each sub-fund originator are taken into account. In 2001 there were only a handful of sub-funds, most established by board directors, with other capital contributions coming from bequests. Today there are more than 150 sub-funds.

Mr Wallace joined the not-for-profit sector in 1997, after a 25-year career with the Commonwealth Public Service and a brief foray into business. Straight from secondary school he moved through roles.

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Leigh Wallace

Key points
- Interest in philanthropy is growing among the baby boomer generation.
- Philanthropy is increasingly needed to plug social support gaps.
- A Swinburne program is lifting philanthropy management.
- The possibilities of corporate philanthropy and social investment, they are also keen to learn the skills with which to make their contributions more effective. Behind new terms such as ‘venture philanthropy’, ‘cause-related marketing’ and ‘triple bottom line’ is a need for skills that few people have — the skills needed to make an investment that can have a social return which is at least as rewarding as the dollar return on a commercial investment.
- This is where the Asia-Pacific Centre for Social Investment and Philanthropy (APCISP) at Swinburne University of Technology comes into the frame, offering a pioneering education program for effective grant-making, philanthropy and social investment. Since 2003, philanthropists or those contemplating becoming philanthropists have been able to study for a graduate qualification in social investment and philanthropy.
- The program has also attracted financial advisers, accountants and solicitors, along with those in the corporate sector developing community involvement programs.

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Private wealth – its sources, scale, distribution, and the uses to which it is put – is a fundamental driver of the ways in which our society functions.

Recent years have seen enormous growth in wealth in many parts of the world, and – notwithstanding the global financial crisis – a growing awareness of how private wealth might be more equitably shared and more effectively used socially.

This is being expressed in the wishes of more businesses to return something to communities in which they have prospered and on whose goodwill and health they depend. Combined with a trend for government to reduce its community resourcing and a realisation that neither the market nor the state can relieve us of all challenges and problems, more people are looking to the corporate sector to support and create community partnerships.

Similarly, business is responding to needs and opportunities that make corporate philanthropy a worthwhile investment.

As more companies and individuals explore the possibilities of corporate philanthropy and social investment, they are also keen to learn the skills with which to make their contributions more effective. Behind new terms such as ‘venture philanthropy’, ‘cause-related marketing’ and ‘triple bottom line’ is a need for skills that few people have — the skills needed to make an investment that can have a social return which is at least as rewarding as the dollar return on a commercial investment.

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The Master of Commerce (Social Investment and Philanthropy) program offered by APCISP in the Swinburne Faculty of Business and Enterprise includes topics such as the history, purpose and achievements of philanthropy and social investment – in Australia and beyond – and some of the key forces driving the future of philanthropy.

Students consider the benefits of social investment – for their business, their family, their workforce, the community, and perhaps above all, for themselves.

Other subjects deal with the way a program for investing private wealth in public good can be run effectively, and the organisational and personal dynamics which such programs encounter and need to manage.

Questions of ethics are discussed and technical matters, including tax, are also addressed.

Participants are introduced to examples of successful partnerships between community or
charity

Against Drug Abuse in the early 1990s.

He was head-hunted from the public service to be general manager of an Australasian promotional and marketing business where he “learnt a lot about marketing, profit margins and mark-ups”, but eventually decided the private sector’s “pursuit of profit” was not for him.

A friend and fellow member of his local Baptist Church congregation, Ron Ellis, who was fundraising manager and director of appeals for the Red Cross, encouraged him to consider a new direction: “I wanted to work at something with more interpersonal interaction and more connection with the community. It was Ron who enthused me about the not-for-profit sector.

“It’s about building trust and relationships, and being honest in what you’re trying to do. You also have to be able to find people or organisations that have the capacity and the willingness to contribute.”

Mr Wallace’s first position in the not-for-profit sector was as Melbourne-based fundraising manager for The Smith Family in 1997, where he stayed for four years. This brought him to the attention of the LMCF’s then chief executive officer, Peter Hudson.

At a time when the LMCF had limited funds and maximum grants were $20,000, Mr Wallace had been attracting grants of $30,000 for The Smith Family.

Joining the LMCF, his mission was to build its endowment fund and by 2007 he had increased it to $85 million.

Income generated from this pool and distributed annually is now almost as much as the total capital pool of a decade ago. Mr Wallace says the LMCF’s approach in generating a perpetual income to fund charity works from interest on investments was a drawcard for him – and an easier concept to sell to potential donors.

“This way the contributions of individual donors will outlast them, and if they have a cause near to their heart, it can provide more certainty for the long-term future of that cause by providing sustainable funding.

“We distribute 89 per cent of the interest earned, with 10 per cent rolled back into the capital to ensure the funds keep pace with inflation. Just one per cent is set aside to help cover administration costs,” he says.

Mr Wallace completed his Master of Social Science (Social Investment and Philanthropy) degree through Swinburne in 2007 and says he realised, in part because of his studies, that the LMCF endowment fund had grown so large a new approach for the distribution of grants was needed. He negotiated a new role within the LMCF – director of grants and philanthropy – to remodel the way funds are allocated.

Key points

- Masters degree used to drive new approach to philanthropy.
- Interest earned from capital provides ongoing income to support philanthropy.
- Philanthropists are defined by their desire to help, not by the size of their contributions.

“There are so many applications for funding and there is never enough money to go around,” he says. “Determining the respective merits of submissions is one of the most difficult challenges we have.”

His new role, and the skills he has gained through his Swinburne studies, lifted his understanding of the issues involved in evaluating projects and helped him to put in place effective and equitable assessment systems. It has also added to his capacity to promote philanthropy; to attract donations and generate a lasting impact from those donations.

Today the LMCF supports more than 500 charities. In the 2010 Queen’s Birthday Honours List, Mr Wallace was awarded the Medal of the Order of Australia for his philanthropy work. Mr Wallace promotes philanthropy as something for everyone: “There is an inherent desire to help others, to make a difference if we can, and that’s what it’s all about.” Mr Wallace refers to the “three Ts of philanthropy” – time, talent and treasure. “People who give their time as volunteers or who provide their expertise are also making a philanthropic contribution. It is not only about donations of money.”

More information

- www.lmcf.org.au

Graduate Certificate in Social Impact

APCSIP is a founding member of the Centre for Social Impact (CSI), a partnership between the Business School of the University of NSW, the Asia Pacific Social Impact Leadership Centre of the Melbourne Business School, Swinburne University of Technology and the University of Western Australia. The CSI’s mission is to create beneficial social impact in Australia through teaching, research, measurement and public debate.

The centre offers the Graduate Certificate in Social Impact, a one-year part-time program, focusing on building the professional capacity of social managers and entrepreneurs across the corporate, government and not-for-profit sectors.

More information

- www.csi.edu.au

Michael Liffman

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