Giving Well - by Avoiding Big Mistakes

What do zombies, sunscreen and drones have to do with philanthropy? To find out, read our list of five mistakes to avoid if you want to give and give well.

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Mistakes are valuable, because we learn from them. This is as true when it comes to charitable giving as it is in other areas of life.

So, what has Koda, with its dedicated philanthropic advisory team and years of helping people give, learnt that might benefit someone looking to give and give well?

At a basic level, it is this: to give well and enjoy giving you don't need to serve a 20-year apprenticeship or develop a Jedi-like ability to master complicated methodologies. You just need to avoid making some pretty common mistakes. If you can do this you'll not only give well, you'll be more likely to stick at it long enough to become pretty good at it.

With that idea in mind, we present the five main mistakes we've seen people make, in the hope you can avoid them.

1. Sunscreen philanthropy – trying to cover everything

You can't fix everything and sooner or later this will become apparent. There are not enough philanthropic dollars in the world to fix our social and environmental problems, so, as a general rule, it is best to focus yours on a need where you can make a real difference, even if that difference does not solve the problem entirely.

As with sunscreen, it's best not to spread yourself too thin. It's tempting to try and give something to everyone. Don't. Instead, spend more time working out what you *really* care about, what you can realistically achieve and then try a few different ways of doing it.

Test and learn. Testing needn't be seen as a mistake – view it as deliberate learning, by trial and error.

Remember, you are not trying to find what works – if it was that simple, the approach would be laid out for you already – you're trying to find out what works for you.

Also, don't feel you have to do this alone. You can waste a lot of time, energy and money trying to reinvent the wheel. Find others (preferably wise others) who share your passion for philanthropy. Learn, share and collaborate as much as possible. To find your tribe, start with collective giving groups like The Funding Network.

2. Teenage philanthropy – assuming you know everything

Teenage philanthropy involves believing that you can fix problems that everybody else has failed to solve. It also involves an assumption that you come to the practice of giving knowing all you need to know, and at its worst, it involves inflicting preconceived ideas on people who feel the need to accept your world-view in order to secure much-needed funding.

The best philanthropists are usually the most open-minded philanthropists.

If we were to single out two of the biggest teenage philanthropy crimes, we'd pick selecting charities on the basis of their overhead ratios and attaching too many conditions to your funding. Many people continue to talk about charities that spend money on administration rather than their purpose, as if the two were mutually exclusive. The problem is they're not. Administration can sometimes be a waste, but it can also underpin the difference an organisation makes in the community.

Selecting charities merely because they spend the least on administration is an unreliable and dangerous approach. As the Reverend Tim Costello memorably said, "*If my wife is ill, I won't ring surgeries and ask about their overheads, I'll ask about the survival rates of their patients.*"

When it comes to imposing conditions, the danger is the risk of undue interference. A good remedy is to ask a charity what it needs most. They know, and if you can't trust them to tell you, then you have to question why you are thinking of funding them at all.

Even seasoned givers look to adapt and learn. Dr John Baxter, Chairman of the Percy Baxter Charitable Trust, one of the renowned Baxter Charitable Trusts, has been practicing philanthropy for decades. He says he's *"always looking for great projects from quality organisations"*.

His son, Chris Baxter, adds that *"Since 2017 our family has started taking what might be described as a more modern, data-driven approach. We have updated our application forms to capture additional quantitative data so that we can make some calculations, and in some case inferences, about the impact, efficiency and risk of the project. These calculations also help to highlight any cognitive biases that might otherwise result in us making best endeavours but sub-optimal grant distributions. Using these calculations, we now have a second layer of information to assist us in making grant decisions that maximise social impact."*

3. Zombie philanthropy – not thinking things through

Something strange can happen when people start to give. It's almost like they switch off the thought process that made them successful in life or business. Emotion and trust play such an important role in philanthropic decision making that they can sometimes eclipse critical thinking. This isn't what you want.

Good philanthropy requires good thinking. As a philanthropist, you're always trying to ask the right questions. What do I really care about? How can I add value? Am I giving or investing? Do I want to be the fence at the top of the cliff or the ambulance at the bottom? Will intentions be matched by ability? These are deceptively simple questions where the value of the answers depends on the effort applied to obtain them.

If, like many, you favour strategic, outcomes-based philanthropy that measures impact, realise that measuring impact is actually hard and not always reliable. To use a saying often credited to Albert Einstein, not everything that counts can be counted, and not everything that can be counted counts. And remember, someone has to pay for measurement. If not you, who?

The aim of all this thinking is to get to the point where you know *what* you want to achieve, *why* you want to achieve it, *how* you want to achieve it and how that approach will work *in practice*. To get closer to this point, invest time and effort developing your own giving charter, to set out your very own giving philosophy.

You can see the result of this kind of thinking in guidelines published by The English Family Foundation, which detail how the family uses the concept of 'depth and span' when making decisions about who to support.

4. Cryptic philanthropy – not being clear with those you support

This is a tough one. Understandably, being open and transparent can leave people feeling a little exposed. But, really, if you are going to be fair to those who devote considerable time, energy and money trying to win your support, it's the only way to go. Too many funders leave charities guessing about their real aims, priorities and intentions. This often leads to mismatched expectations, disappointment and a waste of time and effort.

Ask yourself, would it be helpful to all involved to confirm simple things like whether you see your funding as a one-off, or whether your funding is conditional on certain outcomes being achieved? Would it help everyone to confirm in advance why you're providing support? Is it, for example, the people, the place or the program that got you involved? Being clear at the start helps everybody proceed accordingly.

One area you might think about being clearer with is your attitude to risk. Many funders define themselves by the cause they care about. Few define themselves by the level of risk they are prepared to take with their funding. This makes it easy for charities to pitch themselves to you, but very difficult for them to know which funding opportunity to present. And that can make all the difference. Why leave them guessing?

Think about your funding in terms of risk appetite and develop a risk appetite statement. Share this with prospective beneficiaries. Let them know whether you are interested in funding proven programs, innovative trials, or both. And instead of thinking just about what you will do, think about what you can't, won't and don't do. Then work out how you might communicate your approach to people desperate for your support.

Have a look at Glasspockets, an initiative that encourages foundations to be more open in their communications. Closer to home, take a look at the RE Ross Trust for an example of a foundation trying to be clear about its approach to giving.

5. Drone philanthropy – not getting personally involved

Drone philanthropy is what Koda calls the practice of solving somebody else's problem from a distance by remote control. Not only is this approach to giving potentially dangerous and misguided, it is almost guaranteed to leave you feeling disconnected and disappointed.

To give really is to receive and the warm glow of a cheque written soon wears off. The people we've known who have got the most satisfaction and enlightenment out of their philanthropic experience have been those who got down into the trenches and got their hands dirty. Volunteering, visiting, meeting real people – this is where it's at.

It's the intersection between money, intention and real life where the learning happens and the connection is made.

So, embrace the opportunity to get up-close and personal. Live your philanthropy. You won't regret it. At least not as much as you'd regret doing it from a distance, with a grant application, via electronic bank transfer.

And think beyond yourself. If you have kids, think about getting them involved as early as possible. It can turn out to be a real investment in them, your family unit and the society they are going to be a part of.

We sincerely hope this list helps you with your giving. If it does, it will also help those you care to support. If you would like to talk to Koda about your own philanthropic plans or ideas, we would love to hear from you. You can contact us via the details listed on the following pages.

The original version of this paper was first published as an article titled *Mistakes, I've Made a Few* in the March 2018 edition of Generosity Magazine

About the author

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David heads Koda's specialist Philanthropic & Social Capital team. His primary responsibility is providing strategic advice to charitable, non-profit, and philanthropic investors. Over the least 30 years David has worked for Coutts and Merrill Lynch in the UK and held senior advisory and leadership positions at Perpetual, where he was head of philanthropy, and JBWere, where he was head of philanthropic services.

David is a member of the Centre for Social Impact's Advisory Council, Raise Foundation's Patron's Advisory Council and a Director of three charities: the Sydney Community Foundation, the Foundation for National Parks & Wildlife and BoardConnect. He has completed the AICD's Governance Foundations of Non-Profit Directors course and the Harvard Business School's Governing for Non-Profit Excellence executive education course.

David recently co-founded and now chairs Plus One, a registered charity providing free professional development opportunities to charity leaders. In 2012 David established a Public Ancillary Fund account to encourage philanthropy within his own family.

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About Koda's Philanthropy & Social Capital Team

The Philanthropy & Social Capital team at Koda provides expert and impartial advice to non-profit, charitable and philanthropic investors. By working with those who provide as well as receive social capital, the team has a deep understanding and knowledge of the philanthropic and non-profit sectors. At the time of publication, all members of the team were serving as directors of Australian charities. These charities are dedicated to protecting nature and the environment, mentoring and supporting young people, supporting people working in the charity sector and building strong communities.

In addition to providing philanthropic and non-profit advice, the team leads Koda's work in the emerging field of impact investing. Koda's pioneering impact investment advisory service gives our clients the opportunity to build portfolios that reflect not just their financial objectives, but their values and their desire to invest in social and environmental change.

The Philanthropy & Social Capital team regularly produces philanthropic research, white papers and thought leadership articles. To access this information, visit the Insights page of our website, **www.kodacapital.com**

The team also produces a podcast called *How I Did It*, for the benefit of people interested in for-purpose work. Each episode features a proven leader from the philanthropic or non-profit community talking about how they achieved what they achieved. The emphasis is on the individual and how they did what they did, rather than retelling the story of what was achieved. By focusing on what it takes to get the job done, listeners get to hear the kind of insight you can only get from hearing real leaders talk about their own experience. You can subscribe to the podcast via Apple Podcasts and you can access individual episodes via the Podcasts page of our website, **www.kodacapital.com**

Koda was ranked number one for Philanthropic Advice in the 2019 Euromoney Private Banking and Wealth Management Awards

About Koda

At Koda Capital we are taking an innovative approach to wealth management - an approach that puts your needs first. We are proud to be pioneers, offering professional services unencumbered by pre-existing ownership structures and practices. Our sole focus is giving our clients tailored financial solutions that are well-informed, independent, and transparent. We act as an investment adviser to philanthropic, charitable and non-profit organisations and we also advise our clients how to make impact investments. We go beyond the provision of tailored investment services, to provide expert advice on best practice, governance, regulation, investment strategy and relevant trends in the sector.

Koda's Commitment to Clients

1. We will always be independent, and free from conflicts of interest that could affect our advice.

2. We will always put our clients' best interests ahead of any other considerations, particularly in respect of any investment or product we recommend.

3. We will agree, in writing, the services we will provide and deliver those services to the standards we promise. Our clients will have access to the best solutions available not just a list of solutions restricted by commercial relationships.

4. We will only earn fees which are paid directly and transparently by our clients, and if we were to receive any commissions they will be fully rebated to our clients for their benefit. We will detail the basis on which the fees are charged and will discuss them with clients at any time. Clients have – and will always have – full discretion to choose the type of fee structure that works best for them: be that on a fee-for-service basis, transaction basis, or asset basis. We believe that as advisers we should be rewarded according to the strength of our client relationships and the success of our financial strategies, not by our ability to promote specific products.

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