



# TRAILL

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## The pay-off

Moving away from 'chequebook charity' requires mutual understanding by donors and the groups they support.

**M**any individual and corporate donors to the not-for-profit sector say they are frustrated that they do not know whether the money they give has an effect. And for many not-for-profits, there is an uncomfortable feeling that their donors are assessing them more on business measures, such as expense ratios, rather than on the social benefits they are achieving.

Australia needs to move from this chequebook charity mentality to a model of engaged philanthropy. Chequebook charity reflects the "don't ask, don't tell" relationship that often characterises donor-charity connections. Engaged philanthropy is a meaningful partnership between donor and recipient that is anchored in transparency and clarity about the performance of the organisation, the effect of its programs, and the results of the funding. It is based on a depth of understanding so that two-way expectations on the use of funds and the expected results are defined clearly in advance.

So what are the questions an engaged philanthropist should ask and reasonably expect answers to? Just as an assessment of the quality of a business might start with an evaluation of a customer service proposition, the sensible starting point in evaluating an not-for-profit organisation is understanding the group the not-for-profit aims to help:

- What programs are being run by the organisation?
- How do these programs produce results that meet the needs of the target group?
- Are these results being measured?

High-quality not-for-profit organisations think and plan around achieving the best results for the people they support. They use performance reporting systems that consider cost efficiency, but they also track in detail whether the results — in the short, medium and long term — are consistent with the social aims of the organisation.

A good example of rigorous and relevant performance reporting is the Eaglehawk Sales and Recovery Yard, a regional Victorian social enterprise that sells products recovered from the Bendigo tip. Eaglehawk was founded in 1994 by the social entrepreneur Peter Cox with the aim of creating sustainable employment for older men caught



in a cycle of unemployment and welfare dependency. Today, Eaglehawk employs 14 staff and sells a wide range of products, from household furniture to plumbing supplies. It is a sustainable business with a real social benefit, and it is held up as a pioneer in the emerging field of Australian social enterprise. In addition to the substantial qualitative benefit of improving the self-esteem of its employees, Eaglehawk creates real financial benefits for the community. The enterprise makes more than \$400,000 in sales each year. Costs are tightly controlled and more than \$20,000 of this is retained as profit. This translates to a business valuation of \$90,000 and a return of 0.5 (that is, for every dollar invested in the enterprise, the business returns 50¢).

The financial effect goes beyond the business of recycling. Eaglehawk's central mission to create jobs has a benefit for the community. Every job created saves the community, on average, about \$14,000 — \$4000 from new taxes and \$10,000 from no longer paying out the New Start Allowance. With nine full-time equivalent employees, Eaglehawk creates about \$196,000 for the community each year. This equates to returning almost \$6 to the community for every \$1 invested.

Finally, Eaglehawk is reducing landfill at the tip: 80,000 tonnes of waste is dumped in the landfill each year, and the Eaglehawk Sales and Recovery Yard is estimated to divert about 4000 tonnes. This saves ratepayers thousands of dollars in waste costs. ●

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Michael Traill is the founding chief executive of Social Ventures Australia, which works closely with 25 innovative social programs and provides a mix of funding, mentoring and tools to help ventures clarify and report on their social effect.