

Charity and Funder Relationships: Unlocking the Potential

By

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Abstract

The Australian charity sector is extensive and operates across most aspects of our society. It provides a diverse and frequently complex range of services and delivers essential support for individuals, families and communities. The size, reach and scope of the sector means that any improvements to the effectiveness or efficiency of charities would likely lead to wide-ranging and far-reaching benefits to the whole of Australian society and beyond. Consequently, this research investigates, interrogates and reports on the impact the current model of charity funding has on their effectiveness and efficiency. This research also investigates the nature of the relationship between charities and funders. A mixed method approach was used in this research.

The theoretical framework for this research is a blend of Phenomenology and Resource Dependency Theory (RDT). The former was adopted as a means of exploring ontological understandings and ‘taken for granted’ meanings of the charity and funder relationship in rich and nuanced ways. RDT with its considerations of dependency and relational power was used to undertake a detailed exploration into how the organisational effectiveness and efficiency of Australian charities are being impacted by the current model of funding and how this model is influenced by the power dynamics within the charity/funder relationship.

This research has found that the organisational effectiveness and efficiency of charities is being significantly compromised by how they are funded. This is primarily due to the *fractured charity/funder relationship*, which is skewed, very much, in favour of funders. Funders hold all the power in this relationship; they know it and they exploit it. This *power imbalance* presents, most frequently, in how charity funding is sourced, awarded and then controlled. The mechanisms for securing funding are inconsistent, subjective and consume a significant amount of charity resources, all of which dilutes, not inconsiderably, the value of the funds awarded and therefore the impact that charities can have. Funders’ power extends beyond the initial award of funding to the dictating of where and when funds should be used and the refusing of funding requests for *capacity building* type funding that would afford charities the opportunity to become more organisationally effective and efficient. As a result, organisational competence is further compromised. The charity/funder relationship *matters* less to funders than it does to charities, as does the impact of the funds provided, which is of little importance to funders.

Another important finding of this research is that of the reality of being a charity employee. Funders hold charities and the employees within in low regard. They demonstrate little concern for the well-being of charity employees or their working conditions. Charity employees are compromised regarding income, working conditions and job security. The reality is that being a charity employee is not an attractive proposition.

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My family, for their counsel, kindness and patience.

Declaration

I certify that this thesis:

1. does not incorporate without acknowledgment any material previously submitted for a degree or diploma in any university; and
2. to the best of my knowledge and belief, does not contain any material previously published or written by another person except where due reference is made in the text.

Signed



Thomas W Keenan

Date

19th November 2021

Chapter 1 - Introduction

1.1 Preamble

My history

I began my direct involvement with charities in 2002 when I commenced employment with Origin Energy. Prior to that, my knowledge of individual charities and the wider charity sector was limited. In my role with Origin, I was tasked to develop a hardship program that would help those energy customers who were experiencing difficulties in paying their energy bills. It was through this work that I first started my direct interactions with charities, although the charities I interacted with were limited to those providing financial counselling support to those in the community who were suffering from financial hardship. These dealings continued through to 2010 when I moved to the Origin Foundation and adopted the role of a funder. This change allowed me to build connections across the wider charity sector and progress my understanding of the sector in the process. Subsequent roles with the Audi Foundation and the Panthera Foundation have allowed these interactions to expand and further advance my knowledge of the charity sector.

My standpoint

In summary, I believe the Australian charity sector:

- plays a critical role in supporting the vulnerable and disadvantaged in our societies.
- is less impactful than it might otherwise be due to the work practices forced upon the organisations within.
- is often treated with indifference by the majority of funders including government.
- consists of passionate, driven, but poorly remunerated employees committed to individual, family and community progress.

My motivation

Australian charities have been established for the purpose of serving the needs of others. Many support the at-risk and disadvantaged members of our society in times of need. Others provide opportunities and encouragement to improve self-worth. Most charities look to improve our communities by enhancing personal contribution and, as such, charities play a crucial role in supporting those who are vulnerable and in need ([Australian Charities and Not-](#)

[for-Profit Commission, 2019b](#)). Consequently, if the findings of this study help to improve the organisational effectiveness and efficiency of charities, even by a small amount, the impact will be far reaching.

1.2 Introduction

This section of the chapter introduces the aims of this research and its significance. It provides a brief overview of the not-for-profit sector and the charities within, identifies the underlying problem and presents the research questions. In addition, this chapter recognises the research limitations and describes my personal motivation for undertaking this endeavour. Finally, this chapter outlines the structure of the thesis and closes with a brief summary.

The research undertaken for this thesis emerged after extensively reflecting on my experiences as a funder of charities over several years. In particular, my discussions with charities would frequently turn to focus on what they perceived to be the inefficiencies, limitations, and damaging impact of the current model of funding employed by most funders. The concerns and claims made by charity personnel included:

- The vast majority of funders provide small, short-term donations or grants and securing small, short-term funding from a multitude of funders, rather than just a few, is a less than effective use of available resource.
- Funders show few similarities in their processes, protocols, and objectives, which adds further complexities to fund seeking and drives higher administration costs.
- Funders demonstrate a disdain or disregard for supporting capacity or capability building initiatives, such as employee training and development or upgrading information technology systems. Subsequently, charities do not include the capacity and capability building components in their grant applications, which in turn, exacerbates the lack of targeted funding that would improve the impact these organisations have on the individuals, families and communities they serve.
- Funders can have other intentions which can be contradictory to their formal published objectives, as in, funders are likely to want more from their funds than just community benefit, things such as ongoing recognition and regular employee engagement, all of which take considerable time and effort and have the effect of diluting the value of the initial donation or grant.
- Funders do not consider the impact their practices have on charities.

With regards to the abovementioned claim that funders provide mostly small, short-term funding, this claim cannot be substantiated through existing reporting structures ([Australian Charities and Not-for-Profit Commission, 2020e](#); [Australian Federal Government, 2020c](#);

[SmartyGrants, 2020](#)), which are not specific enough to allow a detailed analysis of the size and term of the donations or grants on offer. Nor can existing reporting confirm that this model of funding increases a charity's administration costs. There is also a dearth of information available that allows evaluation of funders and their impact. As such, claims of a disdain or disregard for supporting capacity building initiatives, contradictory objectives, and a lack of consideration of impact cannot readily be substantiated.

However, a recent funding initiative by the Macquarie Group Foundation did afford a source of support and some insights about the concerns and claims of charities. Put another way, it is an informing albeit minor case study that provides important contextual elements for this research.

The Macquarie Group Foundation is the philanthropic arm of Macquarie Group. It provides support to several hundred charities annually both financially and through volunteering ([Macquarie Group Foundation, 2020a](#)). As part of the Macquarie Group's 50th anniversary celebrations, the Macquarie Group Foundation announced it would be launching its 50th Anniversary Awards and distributing \$50 million to just five charities over a five-year period ([Macquarie Group Foundation, 2020c](#)). The objectives of the awards were as follows:

- *To build on an eligible organisation's ability to address an area of social need.*
 - *To encourage eligible organisations to be bold in their thinking about how to address social needs to support excellence in the implementation of these bold ideas.*
 - *To publicly promote the selected organisations' work and inspire continuing best practice within the social sector.*
- [\(Macquarie Group Foundation, 2020c, p. 1\)](#)

The project offered the successful charities \$2 million a year for five years to support innovative ways of improving their ability to deliver services. However, while the Macquarie initiative provided the chance for a substantial payoff for the successful applicants, a \$10 million grant application is not something that is written in a few hours, especially in a competitive environment. Applicants would have needed to invest significant resources in putting such an application together. While it is not possible to know exactly what resources charities devoted to their initial applications, it is not unreasonable to assume that an initial meeting would occur to decide if an application should be submitted. If the decision were made to progress, further meetings would then be scheduled to decide what the pitch would

be and then how the application should be constructed. Several re-writes would occur, all of which would have to be reviewed and approved, and then there would be a final sign-off. Based on my knowledge of the work required to develop a competitive bid for such a large amount of funding, a conservative estimate of at least four weeks of organisational resources that included a diverse range of personnel would be required.

The Macquarie Group Foundation received almost 1000 applications ([Macquarie Group Foundation, 2020c](#)). Using my above 'best guess' of the time devoted to preparing a competitive bid, the 1000 applications multiplied by four weeks per application would equal 4000 weeks or around 80 working years of resource, and that amount is just for the charities that fell at the first hurdle of considerations. It is important to also recognise that the figures and the overall resource use estimates do not include the resource used by those charities which considered submitting a grant application but did not.

While I acknowledge that the figures I have used in the foregoing analysis are based on my employment experiences plus some documented investigations into charity funding practices ([Herbert, Barnett, Clarke, & Graves, 2013](#); [von Hippel & von Hippel, 2015](#)), they signal a very large input of resourcing in order to secure a large 'prize' but for only a very few of the original entrants. For the 60 charities who made it through to the semi-finals, a comprehensive due diligence process was undertaken by external consultants, and further regional based judging was undertaken across the Americas, Asia, Australia, Europe, the Middle East and Africa ([Macquarie Group Foundation, 2020c](#)). The twelve finalists chosen then had to undergo site visits by the Macquarie Group Foundation prior to the selection of the five winners. Whilst this four-stage selection process may demonstrate how meticulous the Macquarie Group Foundation was in their approach to allocating \$50 million worth of funding, arguably it would have had quite a resource and emotional impact on the charities involved, especially those who made it through to the final and then failed. Beyond the aforementioned estimated cost of 80 years-worth of charity resource, as absorbed by the majority of unsuccessful applicants, the cost to the Macquarie Group Foundation of employing external consultants and undertaking site visits across six continents would have also been significant.

It is also very relevant to the contextual framing for my research to foreground Macquarie Group Foundation methods of funding because they are revealing in terms of the *relational*

complexities existing between funders and charities, namely:

- *Matching staff donations and fundraising*
- *Providing grants to a community organisation with a Macquarie staff member on its board.*
- *Donating to a staff-nominated organisation for 10-year and 25-year employee anniversaries.*
- *Providing financial awards to community organisations recognising outstanding Macquarie staff contributions.*
- *Making grants to organisations which meet our grants criteria (a small number of grants outside of these criteria may also be made at the Foundation's discretion).*

[\(Macquarie Group Foundation, 2020a, p. 1\)](#)

It would appear that if a charity was looking to secure funding from the Macquarie Group Foundation then it must be willing to comply with the aforementioned conditions regarding employee participation. These conditions suggest that the Macquarie Group Foundation would appear to prefer charities which could provide appropriate employee participation activities above charities which may be having greater societal impact but were not able or willing to provide such activities. They also suggest that the Macquarie Group Foundation's approach to funding may, in practice, compromise the stability of existing charity structures in order to successfully achieve its own objectives. In turn, both seem to contradict one of the stated funding principles, "*...we want to achieve the most significant social impact possible...*" [\(Macquarie Group Foundation, 2020b, p. 1\)](#).

As stated at the commencement of this chapter, in my experience, charities often claim that funders can have objectives which contradict the ones they formally publish. In this instance the Macquarie Group Foundation's objectives were all published. However, they were internally contradictory which in turn gave rise to an ambiguity of interpretation and, as a consequence, opens a range of problematics including the influence and power dynamics in funding relationships.

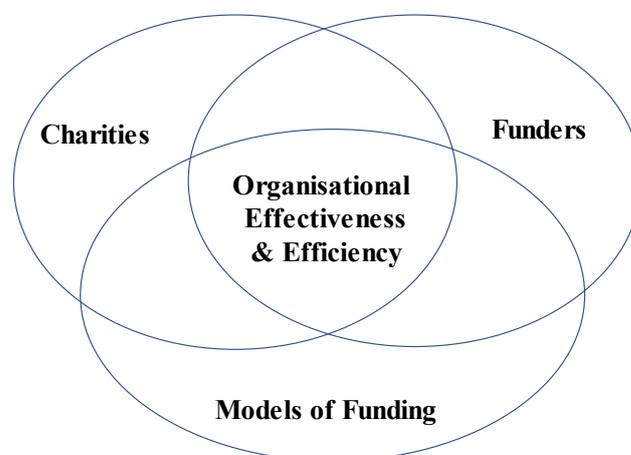
From verifying the current models of funding, to assessing the impact these models may be having on the performance of charities, to exploring the behaviours and motivations of funders, all these issues were ripe and ready for the in-depth investigation that was undertaken.

1.3 Framing and scope of the research

My relational experiences with charities drove my examination of the existing literature regarding the models of charity funding that were being employed and their effects. My experiences also highlighted there was a significant gap in the literature linking how funders fund and how these practices affect the organisational effectiveness and efficiency of charities. There is also a literature gap regarding the nature of the relationship between funders and charities about the impact this relationship has on the effectiveness and efficiency of charities and the effect on employees within the charity sector. This research investigates whether charities could improve the impact they have across the communities, families and the individuals they serve, if funders were to adopt a more nuanced and relational model of funding, and one which better aligned the objectives of charities with the funders who support them.

The scope of this research is illustrated in Chart 1.1, which shows four primary components and the *inter-relationships* existing between these components. The overlapping rings in this chart help visualise the importance of collaboration for organisational effectiveness and efficiency.

Chart 1.1 Scope of the research



This research was located primarily in Australia although some exploration and investigation was undertaken in the U.K. and the U.S.A due to their similarities in the history and practices of charities and funders.

1.4 Research questions

The following questions guided this research:

Main question:

- Is the organisational effectiveness and efficiency of Australian charities impacted by how they are funded?

Sub questions:

- How does the funding of charities currently occur?
- What is the nature of the relationship between charities and their funders?
- What are the motivations of funders?

1.5 Definitions

The primary components of this research were charities, funders, the charity/funder relationship, funding models and the organisational effectiveness and efficiency of charities. Definitions of each were used as follows:

1.5.1 Charities

As defined by the Charity Act 2013 ([Australian Federal Government, 2013](#)), a charity is:

- a not-for-profit entity.
- having only charitable purposes that are for the public benefit.
- not having a disqualifying purpose.
- not being an individual, a political party or a government entity.

An organisation that is endorsed as a charity by the Australian Charities and Not-for-Profit Commission under the Charity Act can attract certain monetary benefits, such as income tax exemptions, General Services Tax (GST) concessions and the ability to receive tax deductible donations or grants ([Australian Tax Office, 2020e](#)). However, and due to the caveat of ‘having only charitable purposes that are for the public benefit’, charity funders such as private and public ancillary funds or philanthropic organisations ([Australian Charities and Not-for-Profit Commission, 2020f](#)) can also be endorsed as charities. For the purposes of this research, charities were defined as organisations who are endorsed as charities and who undertake the *actual delivery of charitable and social services*, such as advancing education, relieving poverty or providing health support.

1.5.2 Funders and motivation

A funder is defined as a person or an organisation that provides money for a particular purpose ([Cambridge Dictionary, 2021b](#); [Oxford Dictionary, 2021b](#)). For the purposes of this research funders were defined as those individuals or organisations that provided funds (donations or grants) to charities. Funding is defined as the act of providing money for a particular purpose. Funders’ practices and behaviour will be influenced by their motivations, which can in turn be defined as the reason why something is done or why someone behaves in a particular manner ([Cambridge Dictionary, 2021d](#); [Oxford Dictionary, 2021a](#)). For the purposes of this research, motivation was defined as the impetus for funders’ behaviour.

1.5.3 The charity/funder relationship

A relationship is defined as the manner in which groups or people regard and behave towards one another ([Cambridge Dictionary, 2021e](#); [Oxford Dictionary, 2021d](#)). For the purposes of this research, the relationship between charities and funders was explored and considered, taking into account such aspects as equity, impact, motivations and outcomes.

1.5.4 Funding models

A model is defined as a particular design of a system or a procedure ([Cambridge Dictionary, 2021c](#); [Oxford Dictionary, 2021c](#)). For the purposes of this research a funding model was viewed as the system or procedure employed by funders to allocate their funding.

1.5.5 Organisational effectiveness and efficiency

Organisational effectiveness can be defined as how well an organisation performs activities similar to a comparable or rival organisation ([Michael E. Porter, 1996](#)). It is concerned with improving performance ([Hill, 2012](#)) and, as such, unproductive processes need to be identified and addressed ([Russell & Taylor, 2005](#)). In the commercial world, this could be the ability to produce products, similar in quality to those of a competitor, but in a faster way. Effectiveness concerns the performance of all aspects of an organisation and includes such items as employee reward and recognition, the quality and quantity of products produced, automation of tasks and the exploitation of information technology ([Adan, Bekkers, Dellaert, Jeunet, & Vissers, 2009](#); [Gomes, Yasin, & Yasin, 2010](#)). Organisational effectiveness represents the internal drivers for organisations ([Gantz, 2013](#)) and it is believed that by improving organisational effectiveness an organisation will perform better ([Michael E Porter, 1996](#); [Santa, Hyland, & Ferrer, 2014](#)). Organisational efficiency differs from organisational effectiveness in that it is concerned with how cost-effective an organisation is at delivering its products or services ([Ostroff & Schmitt, 1993](#)). An organisation is successful when the use of resources is both effective and efficient ([Osbert-Pociecha, Dudycz, & Brycz, 2016](#)).

A real-world example of how organisational effectiveness and organisational efficiency vary can be provided by comparing healthcare performance across differing countries. According to data available from the World Bank ([World Bank, 2020](#)), in 2017 the United States of America had a per capita health expenditure of US\$10,246, with an average life expectancy of 78.5 years. Switzerland had the next largest expenditure at US\$8,217 and a life expectancy of 83.6 years. Norway was third in expenditure at US\$6,518 and a life expectancy of 82.6

years. This would indicate that healthcare in both Switzerland and Norway is more efficient (less per capita cost) and more effective (higher life expectancy) than in the United States of America; it would also suggest that whilst healthcare in Switzerland is more effective than in Norway, it is less efficient ([Io Storto & Goncharuk, 2017](#)).

1.6 Background

The Australian charity and not-for-profit sectors

To undertake this research in a rigorous manner and better understand its possible impact, it was important to have a clear dimensional sense of the not-for-profit sector and the charities within that sector. This section provides an overview of both the Australian not-for-profit sector and the charities within it.

In 2014 there were around 600,000 not-for-profit organisations in Australia, most of which were small and relied on contributions of members and other supporters to survive ([McGregor-Lowndes, 2014](#)). The not-for-profit-sector accounted for around 4% of Australia's Gross Domestic Product (GDP) for 2012–13, with a value of \$57.7 billion, up from \$34.6 billion for 2006–07 ([Australian Bureau of Statistics, 2015](#)). From 2000 through to 2013, the GDP contribution of the sector had an annual growth rate of over 8%, well above that of other Australian industry sectors ([Australian Bureau of Statistics, 2015](#)). There are many categories under which an Australian organisation can register itself as a not-for-profit, which can include:

- churches
- cultural societies
- neighbourhood associations
- public museums and libraries
- sports clubs
- schools and universities

According to the Australian Bureau of Statistics, the not-for-profit sector employed over one million people through 2012–2013. Organisations providing social services accounted for 24.9% of these employees, followed by organisations providing education and research services at 24.5%. 41.4% of employees were classified as permanent full-time, whilst 34.3% were classified as permanent part-time. 24.3% were classified as being casual employees. 40% of the employing not-for-profit organisations provided sport and physical recreation services. ([Australian Bureau of Statistics, 2015](#)). Beyond direct employment, the not-for-profit sector is also active in recruiting and mobilising volunteers across Australia.

“...the role of volunteers in not-for-profit organisations is essential...through 2012–

2013, 3 million volunteers provided over \$17 billion worth of unpaid labour...these volunteers were most likely to be contributing their time to sport, welfare or community organisations and religion institutions...” ([Australian Charities and Not-for-Profit Commission, 2015, p. 46](#)).

The direct value that not-for-profit organisations add to the economy is measured as Gross Value Added¹ (GVA). According to the Australian Bureau of Statistics, through 2012–2013, the not-for-profit sector accounted for \$54,796 million or 3.9% of Australia’s total GVA, which was an increase on the 2006–2007 contribution of 3.2%. With regard to Gross Domestic Product, the sector contributed \$57.7 billion through 2012–2013, up from \$34.6 billion in 2006–07 ([Australian Bureau of Statistics, 2015](#)).

As stated earlier in this chapter, this research is concerned with the Australian organisations within the wider not-for-profit sector that undertake the *actual delivery of charitable and social services*. Examples of such organisations include:

- Camp Quality – a charity that helps children deal with their own cancer diagnosis.
- Guide Dogs Australia – a charity that delivers essential services to those who are blind or vision impaired.
- Oxfam – a charity that works to relieve and eliminate poverty.
- RUOK? – a self-harm prevention charity.
- The Smith Family – a charity that helps children get the most benefit from their education.

Concerning Australian charities within the wider not-for-profit sector, for the 2017/2018 financial year (FY), the Australian Charities and Not-for-profit Commission (ACNC) provided the following summary of their contribution ([Australian Charities and Not-for-Profit Commission, 2020e](#)):

- \$155.4 billion in total revenue
- Over 57,000 registered charities
- \$68 billion received in federal, state and local government funding
- \$10.5 billion received in donations and bequests

¹ ‘Gross Value Added’ is the measure of the value of goods and services in an area, industry or sector of an economy (Australian Tax Office).

- \$148.5 billion in total expenses
- Over 1.3 million employees
- 3.7 million volunteers

With regard to total charity revenue, this has been increasing throughout the past several years Through FY 2012/2013 total charity income was \$100 billion ([Australian Charities and Not-for-Profit Commission, 2014](#)). By FY 2014/015 this income had increased to \$134.5 billion ([Australian Charities and Not-for-Profit Commission, 2015](#)) with the aforementioned \$155.4 billion reached by FY 2017/2018 ([Australian Charities and Not-for-Profit Commission, 2020e](#)). The ACNC also defined the main purpose of Australian charities ([Australian Charities and Not-for-Profit Commission, 2020e](#)) (see Figure 1.2) and the most common beneficiaries ([Australian Charities and Not-for-Profit Commission, 2020e](#)) (see Figure 1.3). Each of these data sources contributed to an understanding of the impact, diversity and reach of the sector.

Chart 1.2 Purpose of Australian charities

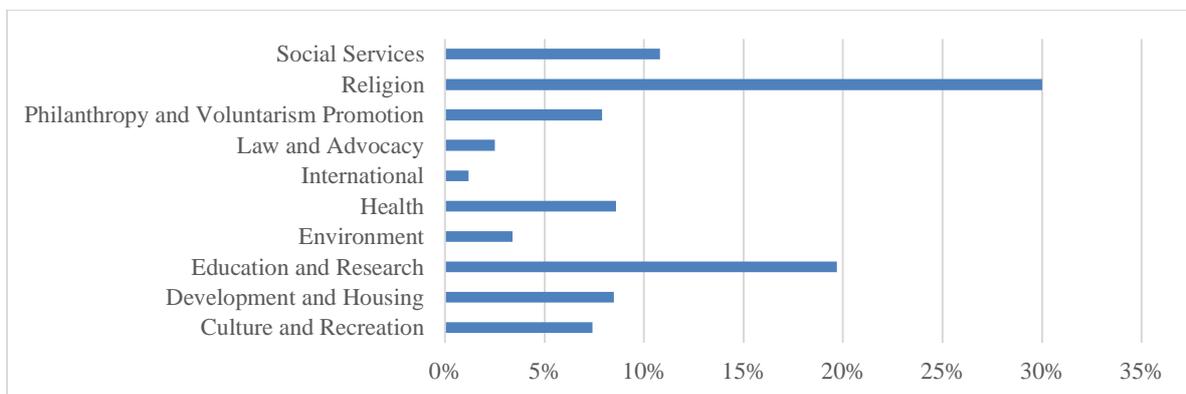
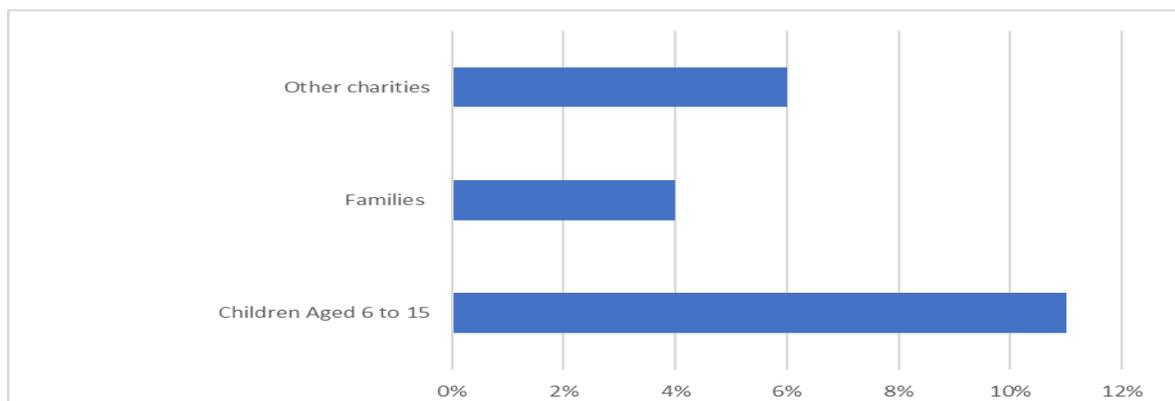


Chart 1.3 Most common beneficiaries of Australian charities



1.7 Reporting and performance

In order to ascertain what impact current models of funding are having on the organisational effectiveness and efficiency of charities, a review of existing charity and funding legislation was undertaken. Reporting obligations for both charities and funders were also explored. An examination of both legislation and reporting was relevant to establishing the background to this research, as these create the framework under which both charities and funders currently operate.

1.7.1 Charities

Throughout the past several decades, there have been various attempts to gain a better understanding of the impact of the not-for-profit sector and the charities within it. Originating post-war in the late 1940s, the current System of National Accounts (SNA) is a standard system of national accounting. Internationally agreed, the SNA looks to provide an amalgamated, comprehensive system of accounts that allows a transnational comparison of all significant fiscal activities ([United Nations, 2020](#)). The first SNA was published in 1953 with Account 4 being specific to ‘households and private non-profit institutions’ ([United Nations, 1953](#)).

Satellite accounts, provide a method by which certain fields or aspects of economic and social life can be focused on and by which the SNA can be tailored to meet the contrasting circumstances and requirements of differing countries. They are intended for precise use, such as in assessing education progression, tourism activity or monitoring the not-for-profit sector ([Eurostat, 2020](#)).

Published in 2003, the United Nations Non-Profit Institutions Handbook encouraged countries to produce regular satellite accounts for not-for-profit organisations, including measurements of the value of volunteer work ([United Nations, 2003](#)). The aim was to help with the task of comparing not-for-profit sector performance across differing countries and economies. The Handbook offered a standard set of guidelines for identifying charities and not-for-profits hidden in other economic sectors. Countries were encouraged to separate such organisations from the sectors to which they had been previously located and combine them

into a composite not-for-profit satellite account that included the value of volunteer work these organisations contributed:

“...the fundamental aim of the present Handbook is to respond to the growing interest that statisticians, policy makers and social scientists have in organizations that are neither market firms nor state agencies nor part of the household sector...such social institutions are variously referred to as “non-profit”, “voluntary”, “civil society” or “non-governmental” organizations and collectively as the “third”, “voluntary”, “non-profit” or “independent” sector..” ([United Nations, 2003, p. 3](#)).

While there was a substantial amount of information on Australia’s Non-Profit Institutions Satellite Account including funding trends, GDP contribution and volunteer hours in 2015 ([Australian Bureau of Statistics, 2015](#)), very little could be deduced from this information about the performance or impact of the not-for-profit sector or the charities within it. The issue was meant to be addressed when, in 2009, to fulfil an election promise, the Australian Federal Government instructed the Productivity Commission to investigate options for maximising the not-for-profit sector’s influence on social inclusion, employment and economic growth. The Commission was specifically asked to consider how the not-for-profit sector's contribution to Australian society was measured at that time and whether those measures could be improved. It was also asked to identify ways to improve the efficiency and effectiveness of not-for-profit organisations, and to consider options for advancing the delivery of government-funded services by those not-for-profit organisations ([Gillard, Stephens, & Bowen, 2009](#)).

Within the press release, Senator the Hon Ursula Stephens, Parliamentary Secretary for Social Inclusion and the Voluntary Sector stated:

“...the study will help improve the way in which the not-for-profit sector operates and make it easier for organisations working in the sector to be effective..” ([Gillard et al., 2009, p. 1](#))

That quotation was important to this research as it indicated an assumption by the Federal Government that the not-for-profit sector was not currently performing at optimum levels; an assumption that was confirmed in the subsequent Productivity Commission Report ‘*Contribution of the Not-for-Profit Sector*’, which stated:

“...not-for-profits are constrained in improving productivity...areas of most concern are inadequate governance skills, low uptake of information technology and lack of capacity in evaluation...” ([Productivity Commission, 2010, p. LVIII](#))

This report included a wide range of observations and findings. It also made a number of recommendations including:

*“...the Australian Government should provide funding for the establishment of a Centre for Community Service Effectiveness to promote ‘best practice’ approaches to evaluation...among its roles, the Centre should provide:
a publicly available portal for lodging and accessing evaluations and related information provided by not-for-profit organisations and government agencies,
guidance for undertaking impact evaluation,
support for ‘meta’ analyses of evaluation results to be undertaken and made publicly available...”* ([Productivity Commission, 2010, p. XLII](#))

This quote is significant in that it acknowledged a lack of ability to easily evaluate the performance of the not-for-profit sector and the charities within it. This thesis contributes to solving this problem by evaluating the impact that the charity/funder relationship and models of funding have on the organisational effectiveness and efficiency of charities.

Annual Information Statements

The Australian Charities and Not-for-profit Commission (ACNC) was established in 2012 ([Australian Charities and Not-for-Profit Commission, 2020a](#)) following recommendations from various inquiries, reports and reviews including the 2008 Senate Economics Committee Inquiry into Disclosure Regimes for Charities and Not-for-profits, the 2010 Review into Australia’s Future Tax System and the abovementioned Productivity Commission Report ([Turnour, 2014](#)). In line with Senator Stephens comments, it provided an excellent opportunity to gain a more rounded understanding of the performance of charities and, quickly enough, the ACNC proceeded to introduce a number of so-called enhancements and improvements with regard to charity and not-for-profit reporting obligations or, more specifically, the requirement to submit an Annual Information Statement (AIS) to the ACNC ([Australian Charities and Not-for-Profit Commission, 2019a](#)). Beyond the AIS, Australian charities still have few reporting obligations other than basic income versus expenditure

statements. There are also some state-based reporting requirements regarding fundraising in several states including New South Wales ([Fair Trading New South Wales, 2020](#)), Victoria ([Consumer Affairs Victoria, 2020](#)) and Western Australia ([Department of Mines Industry Regulation and Safety, 2020](#)), which follow similar formats to those of the AIS. While the introduction of the ACNC helped lessen the previous state-based reporting burdens and reduced some of the more onerous regulatory obligations, an opportunity may have been lost with regard to providing some useful information concerning the performance and impact of charities. The AIS includes questions about a charity's activities, some rudimentary financial information and other questions in an attempt to better understand the charity sector ([Australian Charities and Not-for-Profit Commission, 2020c](#)). Interestingly, some charities, such as basic religious charities and non-government schools, have licence to partially complete the AIS. Charities regulated by the Office of the Registrar of Indigenous Corporations have no requirement to submit an AIS ([Australian Charities and Not-for-Profit Commission, 2021b](#)). According to the ACNC, there were 57,000 registered charities in 2018 ([Australian Charities and Not-for-Profit Commission, 2020b](#)) but only 48,000 of AIS were analysed for the 2018 Charities Report ([Australian Charities and Not-for-Profit Commission, 2020e](#)). A completed AIS does provide a basic overview of each charity, such as annual income, areas of focus and number of employees. Combined, the AIS data provide a limited view of the charity sector due to the partial completion rates or non-participation of certain charities and offer little in regard to charity performance or impact. Additionally, some of the information derived from the AIS and published by the ACNC ([Australian Charities and Not-for-Profit Commission, 2020d](#)) may be misleading, as a proportion of the total revenue of charities is in effect being *double counted*. As stated earlier, funders can also be endorsed as charities, and as such, funders' income will be counted in year when it is received by funders and counted again as income by the charities who receive it in the form of a grant or donation.

Other reporting requirements

Beyond the AIS, many charities, who are also registered as businesses, will have the requirement to submit an end-of-year financial report to the Australian Tax Office, which may include such items as wages, salaries and other work-related payments ([Australian Tax Office, 2020b](#)). But much like the AIS, this submission provides little information on performance or impact. A number of charities also produce an annual report. These reports tend to paint a positive picture of the activities undertaken and results delivered by each

charity. They often provide many individual examples of success and recognition is also given to their funders and supporters ([Benevolent Society, 2019](#); [Salvation Army, 2019](#); [The Smith Family, 2019a](#)). It can be a challenge to find any negative commentary regarding performance or impact in these reports.

The diversity challenge

Charities are diverse. They operate across most aspects of our communities, providing services and support that are complicated and distinct. This diversity can further complicate reporting within the sector. The seemingly simple act of categorising a charity can prove a challenge:

“...would the Salvation Army be a religious or social services organisation and the Red Cross an emergency or International Aid organisation...” ([McLeod, 2016, p. 6](#))

This diversity, married to the lack of any practical independent information regarding the performance or impact of charities, makes it difficult to compare charities:

- Is the Fred Hollows Foundation, which is able to restore someone’s sight for around \$25AUD ([Fred Hollows Foundation, 2019](#)) impactful? And is it more or less organisationally effective than the Australian Indigenous Mentoring Experience, which closes the indigenous education gap and generates \$9 worth of societal benefits for each \$1 invested in the program? ([Australian Indigenous Mentoring Experience, 2019](#))
- Does the \$30,000 cost of training a guide dog to allow a blind or low vision person the freedom and independence to travel about their community at minimal risk ([Guide Dogs Australia, 2019](#)) contribute more to societal progression than the \$52 per month it costs to provide a vulnerable and disadvantaged child comprehensive educational support as long as they are at school through The Smith Family’s Learning for Life program? ([The Smith Family, 2019b](#))

Using reports that are currently available, whether they be sourced from the ACNC’s AIS, end-of-year financial submissions or a charity’s own annual reports, it is not possible to determine if a charity is performing well, having an appropriate level of impact or is organisationally effective or efficient.

1.7.2 Funders

Much like available charity reporting, current reporting on funding and funders is limited. Individual funders have no obligation to disclose any donations or grants made except through an end-of-financial year taxation return in order to secure a tax deduction. Reporting from larger and more organised funders generally happens annually and the range of formats is incredibly diverse, with many differing types of presentation methods used. Only a small number of funders provide full disclosure of donations and grants made including the recipient and size ([Myer Foundation, 2019](#); [Vincent Fairfax Family Foundation, 2018](#)). Some funders provide listings of recipients but omit any useful financial information regarding the grants or donations provided ([English Family Foundation, 2020](#); [Gandel Philanthropy, 2020](#)). Others provide a summary of funding distributed through the reporting period including the total amount distributed and the total number of recipients; commentaries regarding certain recipients may be included ([Ian Potter Foundation, 2019](#); [Minderoo Foundation, 2019](#)). Some large funders do not publish their own information, instead it is made public through the parent company's annual, impact or sustainability report ([Telstra, 2020](#); [Westpac, 2019](#)).

Funders who are registered as businesses have the requirement to submit an end-of-year financial report to the Australian Tax Office which incorporates an income and expenditure statement ([Australian Tax Office, 2020b](#)). This reporting gives visibility to how much a funder has distributed and to whom, but only on an individual basis. There is no straightforward method of aggregating this reporting other than examining each individual report and combining the distributions. Funders, endorsed as charities, have to complete an Annual Information Statement (AIS) and submit it to the Australian Charities and Not-for-profit Commission (ACNC). Analysis of the AIS data could provide a method of demonstrating the size of donations or grants as distributed to charities, as in who gave what and to whom, but the AIS dataset, in its current form, provides only a summary of a funder's distributions and is presented as follows:

- *grants and donations made for use in Australia*
- *grants and donations made for use outside Australia*

([Australian Charities and Not-for-Profit Commission, 2020c, p. 1](#))

Information from charities regarding the receiving of donations and grants is equally limited and presented as follows:

- *revenue from government*

- *donations and bequests*
- *revenue from goods and services*
- *revenue from investments*
- *all other revenue*

([Australian Charities and Not-for-Profit Commission, 2020d, p. 1](#))

This information exists only for the cohort of funders who are endorsed as charities. Funders who are not endorsed as charities do not submit an AIS, although the charities who receive donations or grants from this cohort report this as income through their own AIS.

Funding mechanisms

Some funders establish ancillary funds through which they then provide their funding. An ancillary fund is a mechanism which links funders to the charitable organisations that can receive tax deductible donations as deductible gift recipients (DGR) ([Australian Charities and Not-for-Profit Commission, 2020h](#)). Ancillary funds can also be endorsed as charities and secure DGR status², which allows donations into these funds to be tax deductible. Ancillary funds can take many forms, such as a collection of properties, a share portfolio or a pool of money ([Australian Tax Office, 2020d](#)). There are no rules regarding how ancillary funds, private or public³, distribute their funds other than how much of the fund must be distributed annually. A private ancillary fund must distribute at least 5% of the fund's net assets or at least \$11,000 during the financial year, whichever amount is greater ([Seselja, 2019](#)). Public ancillary funds have similar requirements and must distribute at least 4% of the fund's net assets or at least \$8,800 during the financial year, whichever amount is greater ([Australian Federal Government, 2011](#)).

In summary, ancillary funds provide a tax efficient vehicle for funders regarding their giving. Once established, donations into an ancillary fund are tax deductible and donations can take the form of money shares or property ([Australian Tax Office, 2020a](#)). Assets within the ancillary fund are tax exempt and franking credits from shares are refunded. An inheritance or the sale of a business can often be the motivator for establishing an ancillary fund as it can

²DGR status Item 1 refers to organisations such as charities, schools and hospitals, which are organisations that provide charitable services. DGR Status Item 2 refers to ancillary funds, which are set up solely to provide money or other benefits to DGR Status Item 1 organisations. (Source: <https://abr.business.gov.au/Help/DGR#itaa>)

³ Private ancillary funds can not solicit donations from the general public; public ancillary funds can. (Source: <https://www.ato.gov.au/Non-profit/Getting-started/In-detail/Types-of-DGRs/DGR-table/?page=13>)

aid in the offsetting of a capital gain ([Ruffell, 2014](#)). Funders who use ancillary funds are obligated to report annually. Those who are endorsed as charities with the Australian Charities and Not-for-Profit Commission submit the aforementioned Annual Information Statement. Others submit an Ancillary Fund Return to the Australian Tax Office. This return requires similar information to that of the Annual Information Statement, particularly income, expenses and expenditure. It therefore mirrors the previously referenced reports and provides little information on either performance or impact.

Other funders of charities are federal, state and local governments. Through FY 2017/18, 47% of all charity income came from government ([Australian Charities and Not-for-Profit Commission, 2020e](#)).

Federal government funding

Funds distributed by the Australian Federal Government are administered by the Department of Social Services through the Community Grants Hub (CGH), which facilitates the application processes and awarding of grants for several federal government departments including the Department of Education, the Department of Health and the Department of the Prime Minister and Cabinet ([Australian Federal Government, 2020a](#)). Grants distributed through the CGH are governed by the Commonwealth Grants Rules and Guidelines 2017 (CGRG). A grant under these guidelines is defined as:

“...an arrangement for the provision of financial assistance by the Commonwealth or on behalf of the Commonwealth:

- a. under which relevant money or other Consolidated Revenue Fund money is to be paid to a grantee other than the Commonwealth; and*
- b. which is intended to help address one or more of the Australian Government’s policy outcomes while assisting the grantee achieve its objectives...”*

[\(Australian Federal Government, 2017, p. 6\)](#)

Under the CGRG, grants are provided for many differing activities including capacity building, infrastructure and research but are not used for the procurement of services:

“...for the purposes of the CGRG, the following financial arrangements are taken not to be grants:

- a. the acquisition of goods and services by a relevant entity, for its own use, including the acquisition of goods and services on behalf of another relevant entity or a third party. These arrangements are covered by the Commonwealth Procurement Rules...”*

[\(Australian Federal Government, 2017, p. 7\)](#)

The previous two quotations are important to this research as they define what is and is not a grant. This research is concerned with grants and donations; it is not concerned with the procurement of services.

Procurement of services occurs when an organisation acquires services to meet a need of that organisation ([Cordell & Thompson, 2019](#); [Mangla & Luthra, 2019](#)). A health care provider purchasing physiotherapy services or a supermarket chain purchasing transport and logistical services are examples. Procurement of services agreements are usually commercial arrangements. Over the past few decades, many neo-liberal governments have sought to extract themselves from the responsibilities for providing social services, instead relinquishing those responsibilities to charities ([Spies-Butcher, 2014](#); [Stewart, 2019](#); [Watts, 2016](#)). As a result, many charities now have procurement of service relationships with government. A deeper exploration of these relationships is undertaken in Section 2.10.

A grant is an arrangement when an organisation, typically a funder, provides financial assistance to a charity, which is intended to help address an outcome favourable to the charity and the funder ([Heyman, 2016](#); [Petthey, 2008](#)). Examples include an educational focused funder supporting a charity's reading programme or environmentally focussed funder supporting a charity's tree planting activities. Reporting on the grants distributed by the Australian Federal Government is provided through the Grant Connect website. For the FY 2018/19 30, 820 grants were awarded with a combined value of over \$18.6 billion. ([Australian Federal Government, 2020c](#)).

State government funding

Individual states also distribute grants to charities and tend to follow similar models of application, award and distribution. The procedures involved in securing a grant and subsequent reporting of the monies distributed and outcomes achieved in the five of Australia's most populous states is described below.

New South Wales

The Government of New South Wales uses various interfaces to facilitate grant applications and awards including Service NSW, the My Community Project and Local Community Services Association ([NSW Parliamentary Research Service, 2019](#)). Local governments

within New South Wales collaborate with both federal and state to provide grant opportunities to targeted communities ([Local Government NSW, 2020](#)).

Queensland

In Queensland, grant applications and awards are administered through the Queensland Government Grant Finder Website ([Queensland Government, 2020b](#)) with links to local government grants also provided.

South Australia

The Government of South Australia Government facilitates its grants through its GRANTassist and GrantsSA websites ([Government of South Australia, 2020b](#)), despite both websites seemingly being focussed on achieving the same outcomes, including community participation and wellbeing ([Department of Human Services, 2020](#); [Government of South Australia, 2020a](#)).

Victoria

The Victorian Government follows similar legislation to that the Australian Federal Government in that it clearly defines the definition of a grant through the Victoria Common Funding Agreement. A grant is defined as a sum of money given to an organisation for a certain purpose in order to achieve objectives that are consistent with government policy. A grant is not a donation or a sponsorship agreement nor is it for the procurement of services ([Victoria State Government, 2020c](#)). Victoria's grants are also facilitated in a similar manner, being offered through either the main Victorian Government website or that of Business Victoria ([Business Victoria, 2020](#); [Victorian Government, 2020](#)).

Western Australia

Much like other states, the Government of Western Australia uses a web portal to help potential grantees to locate an appropriate grant ([Government of Western Australia, 2020c](#)), primarily administered by the Department of Communities ([Government of Western Australia, 2020b](#)) and the Department Local Government, Sport and Cultural Industries ([Government of Western Australia, 2020a](#)). With regards to the funding of grants, the use of the government's Lotterywest statutory body signals a significant difference between Western Australia and the other states. Lotterywest sells a number of differing types of lottery tickets through an approved network of newsagents and online applications ([Lotterywest, 2020](#)). Through FY 2018/19, Lotterywest distributed grants to the value of over

\$281 million to 613 different not-for-profit organisations and local government authorities ([Lotterywest, 2019](#)). Lotterywest reports annually on how much and to whom it distributed its grants.

Overall, reporting on government distributed grants is complicated, disconnected and sparse. Due to this lack of available data, a direct comparison cannot be made between the ACNC's stated amount of \$68 billion of government funds distributed through FY 2016/17 and that of federal, state and territory governments' reported distributions. A deeper exploration of funding offered and awarded to charities by federal, state and territory governments is undertaken in Chapter 2.

1.7.3 Conclusions

Whilst both Australian Federal and the Victorian State Governments define what is and what is not a grant, some other states do not afford such rigour to their protocols. For a charity working nationally, it may be that the differences between a grant and the procurement of services could easily become blurred.

Much like charities, there is little available reporting on funders and their impact. Where reporting does exist, a picture of who gave what to whom can be painted. However existing reporting does little to illuminate or demonstrate the efficacy of funders. There is no easily accessible method of assessing whether funders are having a positive or a negative impact on the organisational effectiveness or efficiency of the charities they support.

1.8 Limitations and delimitations

At the commencement of this research, it was deemed prudent to give consideration to factors and influences that may have a bearing on its progress (the limitations), over which I might have had little control. It was also prudent to set boundaries around the research (the delimitations), stating what it would not do.

Limitations

The limitations for this research may have included:

- The health of myself, my family and other participants
- The willingness of both charities and funders to participate in this research
- Access to participants, which may be affected geography, weather or a lack of technology
- The reluctance of participants to openly share their experiences.

Delimitations

This research would not:

- Duplicate current research into charities, funders and funding
- Assess the organisational effectiveness or efficiency of charities.

1.9 The significance of the study

The central tenet of this thesis is that relationship dynamics within and between different organisations, in this case charities and funders, are considerable in influencing and indeed determining the social impact of their joint endeavours. This thesis explores *power imbalance* ([Essabbar, Zrikem, & Zolghadri, 2016](#); [Hendrickson, 2003](#)) and *relationships* ([AbouAssi & Bies, 2018](#); [Giles, 2008](#)) as the central theoretical components underpinning the research, with accompanying ‘field work’ providing data to better understand the nature and strength of the relationship between the two parties, and what action may be required to address matters arising.

The work being undertaken by the charity sector and its funders is of vital importance to the Australian people. This thesis advances knowledge regarding the working of the charity sector, its funders and the challenges faced, in order to enhance their valuable contribution to society.

This study is significant in that any improvements to efficiency, effectiveness or funding of charities are likely to have extensive and comprehensive benefits for the whole of the Australian community. It will also have relevance across a number of other sectors including government, philanthropy and other major funders. Due to the similarities with charity sectors in other countries, this study also has the potential to have a positive international impact.

1.10 Structure

The thesis comprises eight chapters. A description of each chapter follows:

Chapter 1 provides an introduction to the research.

Chapter 2 reviews Australian and international literature to inform this research within the wider body of knowledge and information regarding the effectiveness and efficiency charities, how charities are currently funded, the nature of the charity/funder relationship and the motivations of funders.

Chapter 3 describes how the research question was investigated and what activities were undertaken in pursuit of this goal, including the methodology and the theoretical framework used.

Chapter 4 presents and discusses the results of the financial survey undertaken.

Chapter 5 presents and discusses the results from the interviews with charity leaders.

Chapter 6 presents and discusses the results from the interviews with funders.

Chapter 7 compares and discusses the results presented in Chapters 4, 5 and 6.

Chapter 8 presents the conclusions from this study, provides possible solutions to and recommendations about the issues at hand, and identifies further areas of research.

1.11 Summary

This chapter has presented the scope of this research and its rationale. The research questions articulate the need that exists to better understand how charities are currently funded, what are the effects of this model of funding and is there an opportunity for improvement. The significance of this research is that it has the potential to benefit much of Australia's society and beyond. It will also provide a voice for the charity sector, a sector that has historically been reluctant to be either critical or heard.

Chapter 2 – Literature Review

2.1 Introduction

The aim of this thesis was to explore whether the model used to fund charities has any potential to also improve the organisational effectiveness and efficiency of charities. This chapter reviews Australian and international literature in the following four fields:

- Current models of charity funding.
- Organisational effectiveness and efficiency of charities.
- Motivations of funders.
- The charity/funder relationship.

The Literature Review sets the scene for the thesis by presenting some of the available knowledge which is relevant for this study and in particular for answering the research questions, explaining the problem that this research is addressing, and identifying the gap in existing knowledge and practice. This chapter also considers the role of today's charities and how this role emerged through a review of literature on charity history, charity legislation and the welfare state.

2.2 Relationships within and between organisations

In the private sector, a lack of alignment of the goals of an organisation and its managers can be a critical relationship issue; Agency Theory ([M. C. Jensen & Meckling, 1976](#)) is concerned with this phenomenon. In the charity sector, the key relationship issue is between two different types of organisations, namely the charities and the funders, and can be a function of a potential power imbalance ([Essabbar et al., 2016](#)) between the two organisations. The relationship between charities and funders could be defined as one of ‘give and take’ which, according to Social Exchange Theory, is the basis of almost all relationships ([Homans, 1958](#)).

Coule (2015) explored the relationship between governance and accountability ([Coule, 2015](#)), commenting on governance theories such as Agency Theory ([M. C. Jensen & Meckling, 1976](#)) and Stewardship Theory ([Donaldson & Davis, 1991](#)). Other theories which have relevance to this thesis include Managerial Enrichment Theory ([Shleifer & Vishny, 1989](#)), the premise of which is that managers have an incentive to increase their value to a shareholder even if it is at the expense of accruing value to shareholders as a whole; and Upper Echelon Theory ([Hambrick & Mason, 1984](#)) in which the proposition “...is that organisational outcomes – both strategies and effectiveness – are viewed as reflections of the values and cognitive bases of powerful actors in the organisation...” ([Hambrick & Mason, 1984, p. 193](#)) . These theories help demonstrate the behavioural complexities within organisations as well as between organisations.

2.3 The history of charities and charitable giving

The word ‘charity’ originates from the Latin word ‘caritas’, which is defined as love, affection or esteem ([Lichtenberg, 2009](#)). The Cambridge Dictionary defines charity as: ‘a system of giving money, food, or help free to those who are in need because they are ill, poor, or have no home, or any organization that has the purpose of providing money or helping in this way’ ([Cambridge Dictionary, 2021a](#)). The Oxford Dictionary provides several wider definitions including: ‘an organisation set up to provide help and raise money for those in need’; ‘the voluntary giving of help, typically in the form of money, to those in need’; ‘help or money given to those in need’; ‘kindness and tolerance in judging others’ and ‘love of humankind, typically in a Christian context’ ([Oxford University, 2021](#)). Other synonyms can include aid, altruism, benevolence, giving, humanitarianism, and philanthropy.

Beyond the challenges of securing an understandable and widely accepted definition, there is much evidence that the broad concept of charity, charitable giving and philanthropy has been in existence for many, many centuries. Sanskrit literature in Hinduism quotes ‘charity’, ‘generous giving’ and ‘philanthropy’ in the Rigveda (c. 1500-1200 BC), Manusmriti (c. 1250-1000 BC) and Chandogya Upanishad (c. 800-600 BC) texts ([Hinduwebsite, 2020](#); [Islam & Hinduism, 2020](#); [Sanskriti, 2014](#); [Sugirtharajah, 2001](#)). The ancient Greeks made claim to introducing the term philanthropy, which is broadly defined as the ‘the love of humanity’. It is believed the term was coined 2500 years ago with its use in the myth *Prometheus Bound* ([Bond, 2011](#)). Prometheus, who was punished by Zeus for stealing fire from the Gods, argued that he acted because of his ‘philanthropos’ for mankind ([Philanthrocapitalism, 2020](#)). In ancient Egypt, the Book of the Dead stated that passage to the afterlife was dependent on a lifetime of benevolence toward the suffering ([Science Encyclopedia, 2020](#)). Chinese culture has a long-established focus on compassion toward others. In ancient China, many proverbs exist, such as: ‘a person is genuinely beautiful only if he is benevolent at heart’ and ‘a person is kind and virtuous if his every word and act is intended to be beneficial to others’ ([Zhen, 2012](#)). A 2,000 year old proverb states ‘to have virtuous citizens who are kind to their neighbours, this is precious treasure for a country’ ([Chan, 2015](#)). Many Chinese historical figures hold a special place in history due to their charitable deeds, such as Tao Yuanming of the Jin Dynasty (365 – 427), Zi Rudao of the Yuan Dynasty (1279–1368) and Yang Zhu of the Ming Dynasty (1368-1644) ([Zhizhen, 2010](#)).

Moving forward in time, London's St Bartholomew's Hospital was founded in 1123 by the monk Rahere and has provided free health care to the poor ever since ([Barts Heritage, 2020](#)) and Bethlem Royal Hospital was established in 1247 to provide shelter and care for the homeless ([Science Museum, 2020](#)). Also in London, St Thomas' Hospital was founded in the early 12th century ([British History Online, 2020](#)). In more modern times, as the Ottoman Empire expanded the Islamic practice of *waqf* – endowment of property for religious or charitable purposes – gained favour. Roxelana, the wife of Sultan Suleiman the Magnificent (1494-1566), used *waqf* to establish the Haseki Sultan Imaret charitable complex in Jerusalem, supporting the vulnerable and disadvantaged. By the 18th century corruption was widespread and the complex was no longer financially viable ([Boncuk, 2004](#); [Celik, 2015](#)).

In the mid-17th century in America, two significantly important acts of educational philanthropy occurred. In 1638, John Harvard, an English minister, bequeathed his library of 400 books and half of his estate to the local college, later to be called Harvard. He was the college's first benefactor ([Harvard University, 2020](#)). A few years later in 1643, the very first fundraising event in America was organised by Harvard University to complement a £100 scholarship endowment provided by Lady Anne Radcliffe Mowson, an English businesswoman. This philanthropic concept quickly spread to other educational institutions including Yale and Princeton ([Fuller, 2014](#)).

Founded in Portugal in the late 15th century, the Irmandade da Misericordia (Brotherhood of Mercy) expanded its footprint into South America and in 1739 used philanthropy to establish one of the first examples of a women's and children's institution in Brazil. Shelter and educational opportunities were provided, which set a new standard for charity work ([K. D. McCarthy, 2001](#); [Schwartz, 2010](#)).

During the 19th Century in England, a number of charitable organisations were established with a view to addressing the appalling living conditions found in the city slums. These initiatives were known as Model Dwelling Companies and were privately owned entities such as: the Metropolitan Association for Improving Dwellings of the Industrious Classes, the Peabody Trust and the Artisans, Labourers and General Dwellings Company ([Dennis, 1989](#)). These organisations attempted to improve the housing conditions of the working classes and also earn a competitive rate of return on any investment. This act of philanthropy, married to the intention to gain a return on capital invested, was labelled '5% philanthropy' ([Tarn,](#)

[1974](#)). Also in England and through the mid to late nineteenth century, Octavia Hill, a social reformer, and John Ruskin, an art critic, social thinker and philanthropist, further developed this model as they believed it had failed society's most vulnerable, unskilled labourers ([Walker, 2006](#)). Hill also had a belief that her tenants would benefit from having easy access to the country and other open spaces, and she founded The National Trust ([Boyd, 1982](#); [Craik, 2011](#)). In his book, *Unto This Last and Other Essays on Political Economy*, Ruskin advocated that the state should guarantee the standards of social service, and encouraged such initiatives as youth-training schemes leading to employment, and pensions for the elderly and vulnerable ([Ruskin, 1862](#)). Many of his concepts would be later incorporated into what we now know as the welfare state.

At the same time in the United States of America, Andrew Carnegie was proposing a new method of dealing with wealth inequality beyond the traditional practices of patrimony (handing wealth down to heirs) and bequests to the state for public benefit. He contended that surplus wealth was put to best use when prudently managed by those who had accumulated the wealth ([Carnegie, 1901](#)). By the time of his death in 1919, Carnegie had donated US\$350,000,000, establishing such institutions as: Carnegie Mellon University, the Carnegie Institute of Science, and the Carnegie Foundation for the Advancement of Teaching. He also established over 2,500 libraries worldwide ([Carnegie Corporation of New York, 2020](#)).

Turning to Australia, the New South Wales Society for Promoting Christian Knowledge and Benevolence was founded in 1813 by Edward Smith Hall. Hall migrated from England in 1811 and proved to be an influential figure in the colony. He was a banker, newspaper editor and grazier ([Pike, 1966](#)). In 1818, Hall's charitable organisation was renamed The Benevolent Society of NSW, becoming non-religious ([Benevolent Society, 2020](#)). The establishment in Australia of many other charities followed, including The Saint Vincent de Paul Society in 1854, Mission Australia in 1859 and The Salvation Army in 1880.

Today's charities have their roots in the past, where benevolent practices were intertwined into both community and belief structures. Driven by individuals, these benevolent practices or patterns of giving were in response to the obvious needs of a progressive society, whether that be education, health or employment. Governments, evidenced by their lack of action, were ignorant of these needs and these societal safety nets were initially funded by private sources rather than from government coffers ([Boyd, 1982](#); [Craik, 2011](#); [Walker, 2006](#)).

However, despite apparently being ignorant, deliberately or otherwise, to the needs of society's vulnerable and disadvantaged, governments paid close attention to charitable giving as evidenced by the various forms of legislation introduced. This legislation is explored in the next section of this thesis.

2.4 The history of charity legislation

Charity practices and procedures that developed over centuries in the United Kingdom, and were bestowed on its colonies, remain essential to charity law today:

“...no meaningful analysis of charity law can be attempted...without first grasping how it has developed and now operates in the originating jurisdiction...”

([O’Halloran, McGregor-Lowndes, & Simon, 2008, p. 1](#)).

In Australia, the definition of charity and charitable is stated in the Charities Act 2013. Prior to this legislation being introduced,

“...the meaning of charity in Commonwealth law has largely been that of the common law, based on the preamble to the Statute of Charitable Uses 1601...”

([Australian Federal Government, 2013, p. 1](#)).

The list of activities and purposes in the preamble to this four-hundred year-old legislation, also known as the Statute of Elizabeth 1, has provided the basis of today’s definition of charitable purpose ([House of Commons, 2020](#)).

Prior to the introduction of the *Statute of Charitable Uses 1601*, charitable mechanisms, such as the giving of land or providing food to the poor, fell under the jurisdiction of local magistrate courts and ultimately the King’s courts ([Vines, 2013](#)). However, the Catholic Church also held significant sway over people’s lives in such areas as marriage, legitimacy of children, wills and the passing of personal property. Article 27 of the Magna Carta of 1215 confirmed religious courts’ jurisdiction over such items of those who died intestate ([Helmholz, 2016](#)). It also confirmed that religious institutions should not be given land and then be allowed to release it back to the donor and be given rent from it ([Oosterhoff, 1977](#)). This attempt by the government of the day to block obvious tax evasion through legislation failed, as by the early 16th century many churches, convents and monasteries had become exceptionally wealthy due to the aforementioned Article 27 and the commercial opportunities afforded by their location close to many of the main trade routes ([Smoluk, 2012](#)).

By the time of the *Reformation* in the 16th century, it is estimated that religious institutions held one quarter of all cultivated land in England ([Johnson, 2020](#)). This wealth brought about a change in behaviour from churches and monasteries, moving their attention away from

spiritual enlightenment to a focus on accumulating more wealth and living a life of grandeur, corruption and immorality ([Smoluk, 2012](#)). In his disagreement with the Pope Clement VII over his divorce to Catherine of Aragon and his impending bankruptcy, Henry VIII saw society's rejection of the behaviour of religious institutions as an opportunity to dilute the power of the Catholic Church and elicit some of its wealth. The introduction of the Act of Supremacy in 1534 confirmed the split from the Catholic Church and saw Henry declared the Supreme Head of the newly formed Church of England ([Johnson, 2020](#)). The Suppression of Religious Houses Act of 1535 saw all assets seized from all religious institutions that had an annual income of less than £200 pounds annually and declared to be 'property of the state' ([Bernard, 2011](#)), and when this law did not deliver the anticipated income into the Church of England's coffers, the Suppression of Religious Houses Act 1539 was introduced which was then concerned with institutions whose annual income exceeded £200 ([Woodward, 1993](#)). These acts combined were more commonly known as the '*Dissolution of the Monasteries*'.

The Act of Supremacy of 1534 and the subsequent Suppression of Religious Houses Act of 1535 and 1539 are relevant to this research because of their impact on society and on charity legislation. As there were limited educational opportunities for the poor, monastic schools had been key in the education of young men, with convents serving the same role for young women ([Duffy, 2005](#)). Monasteries and convents also provided medical support, with monks and nuns often being experienced healers and a number of the larger institutions having hospitals, which were often the only medical help available to the local communities ([Hodgett, 1971](#)). Monasteries, churches and convents were well known and acknowledged for their charity, regularly providing food and shelter in times of need ([Pound, 1971](#)). As such, the large network of religious institutions provided a comprehensive system of support for the populations of England, Ireland and Wales. When these institutions were dissolved, the associated support systems simply disappeared ([Gasquet, 1911](#)). As a result, there were fewer schools and hospitals and less relief was provided to the poor, despite promises made by Henry VIII that the wealth of the institutions would be used to help the poor ([Pound, 1971](#)). The *Dissolution of the Monasteries* caused significant social problems, with the vulnerable and disadvantaged being most impacted ([Duffy, 2005](#)). Criminal activity increased, vagrants became more noticeable and an army of '*sturdy beggars*', as they were described in the Statute of Charitable Uses 1601 (see below), materialised. These issues, married to an economic depression, high unemployment and a nation-wide famine, all contributed to the social instability that led to the introduction of the Elizabethan Poor Laws ([Dean, 2002](#);

[Pound, 1971](#)). The *Dissolution of the Monasteries* had a notable impact on charitable giving. Since the wealthy could no longer contribute to religious institutions, they instead contributed to allowances for teachers and supported both schools and universities, which basically reshaped education across the country ([Duffy, 2005](#)).

The Elizabethan Poor Laws provided the body of law which governed the relief of poverty for almost 350 years, commencing with the Poor Relief Acts of 1601 and 1662 ([Charlesworth, 1999](#)), the Poor Law Amendment Act 1834 ([Blaug, 2011](#)) and culminating with the National Assistance Act 1948 ([Byrne & Padfield, 1983](#)). It was the first step, anywhere in the world, in establishing a more organised system of social services and support ([Hansan, 2017](#)). It should be noted that the Poor Law Amendment Act 1834 was generated as a result of the Poor Law Report 1834, which concluded that the existing Poor Laws were the primary cause of poverty ([Evans, 2019](#)). The National Assistance Act of 1948 was repealed by the Care Act of 2014 ([Government of the United Kingdom, 2014](#))

The Poor Law legislation consisted of six statutes, of which the aforementioned Statute of Charitable Uses 1601 was one, the other statutes were:

- *The maintenance of tillage (improving the cultivation of land for agricultural purposes).*
- *The means of obviating the decay of townships.*
- *The punishment of 'rogues, vagabonds and sturdy beggars'.*
- *The erection of hospitals, or those 'abiding and working houses' for the poor.*
- *A comprehensive measure for relief of the indigent.* ([Fishman, 2008, p. 26](#))

The Statute of Charitable Uses 1601, entitled '*An Acte to redresse the Misemployment of Landes, Goodes and Stockes of Money heretofore given to Charitable Uses*', had several objectives. Due to the aforementioned corrupt and immoral behaviours that blighted religious institutions and the charities within, the statute had to provide a platform on which to rebuild trust in charitable giving. Indeed, the preamble to this statute stated:

"...charitable funds have been and are still likely to be most unlawfully and uncharitably converted to the lucre and gain of some few greedy and covetous persons, contrary to the true intent and meaning of the givers and disposers thereof..." ([Fishman, 2008, p. 32](#)).

As such, the statute had to include provisions that could detect breaches. The statute also had to encourage philanthropy. It was believed that this more effective oversight would promote more charitable giving, because encouraging philanthropy was a less painful approach than introducing additional levies or taxes to aid the poor ([G. Jones, 1969](#)). Despite the detail afforded to the other statutes within the Poor Law Legislation, the Statute of Charitable Uses 1601 did not actually define what work a charity may undertake. Instead, these following definitions were included in the aforementioned preamble to the statute:

- *Relief of the aged, impotent, and poor people*
- *Maintenance of sick and maimed soldiers and mariners*
- *Schools of learning, free schools, and scholars in universities*
- *Repair of bridges, ports, havens, causeways, churches, seabanks and highways*
- *Education and preferment of orphans*
- *For or towards relief of stock, or maintenance for houses of correction*
- *Marriages of poor maids*
- *Supportation, aid, and help of young tradesmen, handicraftsmen, and persons decayed*
- *Relief or redemption of a prisoner or captive's aide or ease of any poor inhabitants concerning payments of fifteens, setting out soldiers of soldiers and other taxes.*

[\(F. Martin, 2007, p. 1\)](#)

Although more than four centuries have passed since this statute was legislated, the definitions within have played an important role in what now is defined as a charitable purpose. The Statute of Charitable Uses 1601 remained law until 1736 when it was repealed by the Act to Restrain the Disposition of Lands, also known as the Mortmain and Charitable Uses Act ([Oosterhoff, 1977](#)). Following a similar strategy to that of the Magna Carta, this act placed specific restrictions on charities from acquiring and holding land and restrictions on donors in donating it. Any land given to charities must have been donated at least 12 months prior to the donor's death ([Dunn, 2000](#)). The Mortmain and Charitable Uses Act underwent several amendments throughout its life and remained law until finally being repealed by the Charities Act in 1960 ([Government of the United Kingdom, 1960](#); [O. R. Marshall, 1961](#)). Several further versions of the Charities Act were introduced in 1993, enacted in 1993 ([Government of the United Kingdom, 1993](#)), 1995 ([Government of the United Kingdom, 1995](#)) and 2006 ([Government of the United Kingdom, 2006](#)).

The most recently enacted Charities Act of 2011 provides the meaning of charity to be “...an institution which is established for charitable purposes only and...falls to be subject to the control of the High Court in the exercise of its jurisdiction with respect to charities...” ([Government of the United Kingdom, 2011, p. 2](#)). This legislation also provides meanings for *charitable purpose* including:

- The purpose of preventing or relieving poverty.
- The purpose of advancing education.
- The purpose of advancing health or the saving of lives.
- The purpose of advancing the arts, culture, heritage or science.
- The purpose of advancing environmental protection or improvement.

([Government of the United Kingdom, 2011](#))

Indeed, any organisation that can demonstrate a “...public benefit requirement...” ([Government of the United Kingdom, 2011, p. 3](#)) can be deemed to have a charitable purpose.

The Charities Act 2011 is administered by the Charity Commission for England and Wales whose primary objectives are:

- Holding charities to account
- Dealing with wrongdoing and harm
- Helping to inform public choice
- Providing charities with the knowledge and means they need to succeed
- Helping to keep charity relevant in today’s world.

([Charity Commission for England and Wales, 2020a](#))

In 2016, an amendment to the Charities Act 2011 gave the Charity Commission for England and Wales increased powers to investigate, disqualify and remove trustees of charities ([Government of the United Kingdom, 2016](#)). In the other parts of the United Kingdom, Northern Ireland and Scotland, similar legislation and regulatory bodies exist. Charities in Northern Ireland are governed by the Charities Act (Northern Ireland) 2013 ([Northern Ireland Assembly, 2013](#)) and regulated by The Charity Commission for Northern Ireland ([Charity Commission for Northern Ireland, 2020a](#)).

Charities in Scotland are governed by the Charities and Trustee Investment (Scotland) Act 2005 ([Government of Scotland, 2005](#)) and regulated by The Office of the Scottish Charity Regulator ([Office of the Scottish Charity Regulator, 2020a](#))

In Australia, the introduction of the Charity Act 2013 sought to provide “...modern, comprehensive, statutory definitions of charity and charitable purpose, applying for the purposes of all Commonwealth law...” ([Australian Federal Government, 2013, p. 2](#)). Within this legislation, a charity is defined as an entity that is not-for-profit and that has a charitable purpose or purposes ([Australian Federal Government, 2013](#)). The definition of a charitable purpose is broad and includes:

- The purpose of advancing education
- The purpose of advancing health
- The purpose of advancing social and public welfare
- The purpose of advancing and protecting human rights
- The purpose of preventing or relieving the suffering of animals.

[\(Australian Federal Government, 2013\)](#)

Indeed, any “...purpose beneficial to the general public...” ([Australian Federal Government, 2013, p. 10](#)) can be defined as charitable. As such, charities have been given licence to support all aspects of Australian society.

The Charities Act 2013 introduced a statutory definition of a charity and a legal framework for the function of charity law in Australia ([Australian Federal Government, 2013](#)). Further reform across the charity sector has been achieved through the establishment of the Australian Charities and Not-for-profits Commission (ACNC). Established by the Australian Charities and Not-for-profits Commission Act 2012, the ACNC is the primary regulator of charities across the country ([Australian Federal Government, 2012](#)). The ACNC is responsible for a number of activities including:

- Registering organisations as charities
- Assisting charities in understanding and meeting their obligations
- Maintaining a free and searchable charity register.

[\(Australian Charities and Not-for-Profit Commission, 2020a\)](#)

The introduction of the ACNC signalled a movement in Australian charity law towards a more concentrated system of control and regulation ([Visevic & Oakley, 2020](#)), evidenced by an initiative to reduce regulatory reporting burdens on charities, where the ACNC has assumed some of the annual financial reporting obligations of charities across the differing states and territories, including the Australian Capital Territory, South Australia and Tasmania ([Australian Charities and Not-for-Profit Commission, 2020g](#)). The Australian Tax Office also plays a role in regulating charities as it ultimately endorses charities for tax exemptions, albeit in conjunction with the ACNC ([Australian Tax Office, 2020c](#)).

Charity legislation in Australia is similar to that of the United Kingdom, in that it is a regulatory model. One notable difference is that the United Kingdom's legislation refers to a '*charitable resources objective*' which is defined as an objective "...to promote the effective use of charitable resources..." ([Government of the United Kingdom, 2011, p. 7](#)). This quotation is important to this research as it signals that the Government of the United Kingdom saw value in progressing the effectiveness of charities. Unfortunately, there is no further reference to this objective within the legislation and no information from the regulator as to how this objective would be achieved.

With regards to the Australian legislation, there is no reference regarding the effectiveness of charities within the Charities Act 2013, however, there is reference to *effectiveness* within the Australian Charities and Not-for-profits Commission Act 2012. In performing their duties, the Australian Charities and Not-for-profits Commissioner must have regard to "...the maintenance and promotion of the effectiveness and sustainability of the not-for-profit sector..." ([Australian Federal Government, 2012, p. 6](#)). Another objective with the legislation is that registered entities will "...use their resources (including contributions and donations) effectively and efficiently..." ([Australian Federal Government, 2012, p. 25](#)). Unfortunately, and mirroring the omissions in the United Kingdom's legislation, there is no mention of what is meant by the term *effectiveness* or how one would gauge that a charity is using its resources effectively.

In summary, a survey of the literature showed charity legislation has changed little over the past several centuries. The definition of a charitable purpose has remained remarkably similar despite the passing of four centuries. Some purposes including the maintenance of highways, bridges and ports have now fallen under the responsibility of government and private enterprise, but the promotion of education, improving health and supporting society's most

disadvantaged and vulnerable have remained at the forefront, which suggests that addressing these issues has been and continues to be a challenge despite the passing of significant time. Some new purposes have appeared over recent times, such as the promoting of equality and protecting the environment ([Australian Federal Government, 2013](#)), however, as evidenced by the content, both past and current legislation has been and still is very much concentrated around the appropriate distribution of funds. To ensure that any one party does not benefit excessively from either making or receiving charitable donations, “...*the law[s] relating to charities have always been mainly focused on the use of regulatory powers to stop the misuse of funds...*” ([O’Halloran et al., 2008, p. 133](#)). Although this aspect is an exceptionally important aspect of charity legislation, there seems to be little concern to what happens to these donations once they reach the intended destination because, whilst there is reference in current legislation to using of charity resources, including donations, effectively, no mechanism is provided through which this could be assessed.

2.5 The rise of the welfare state

Chancellor of the German Empire, Otto von Bismarck, is often credited with establishing the first welfare state in modern society, primarily on the basis of the social legislation he initiated in the late nineteenth century ([Rose, 1985](#)). However, Bismarck's motivations may not have been solely about improving the welfare of the German population. He recognised that the rapid expansion of industry, driven by the First Industrial Revolution ([Köllmann, 1969](#); [Reuleke, 1977](#)) across Germany, had created a large class of workers who were impoverished and lacked the very basics of social services, and that these workers were now aligning themselves with socialist political parties in ever-increasing numbers ([Khoudour-CastÉRas, 2008](#)). Initially, and in order to maintain his political power, Bismarck tried to suppress the socialists but failed as the party continued to grow in strength, so he changed tack – instead of battling with them, he would beat them at their own game by establishing his own social welfare system ([Meerhaeghe, 2006](#)). Bismarck's approach to countering socialism was built on the following legislation: the Health Insurance of Workers Law of 1883, the Accident Insurance Law of 1884 and the Old Age and Invalidity Insurance Law of 1889 ([Manley, 2015](#)). Bismarck was not the first politician to identify social reform as a tool for subduing the working classes ([Rose, 1985](#)). Beginning in the early 19th century, the Government of the United Kingdom, responding to rising class conflicts, enacted a series of labour and poor laws including:

- The Factory Bill of 1833 which stated that no child under the age of 9 was to work in factories and introduced a maximum 48 hour working week for those aged from 9 to 13. The Bill also made provision for two hours of schooling to be provided to children under 13 each day ([Government of the United Kingdom, 2020a](#)).
- The Poor Law Amendment Act of 1834 was innovative in that it introduced a central role for government in the care of the poor. However, it failed in being able to provide support to individuals and families in genuine financial hardship caused by circumstances beyond their control ([Government of the United Kingdom, 2020c](#)).
- The Mines and Collieries Bill of 1842 banned all forms of underground work for girls and women, and for boys under the age of 10. Later amendments addressed the frequency of accidents by introducing inspectors under the supervision of the Home Office ([Government of the United Kingdom, 2020b](#)).

Other European countries were following similar paths. The Swiss Factory Act of 1877 set a daily limit of working hours at eleven hours per day and banned night and Sunday work, also banning the employment of children of less than 14 years of age and committing factory owners to providing protection for workers and making them liable in the event of accidents ([Siegenthaler, 2014](#)). In France, the Child Labour Law of 1941 was introduced to protect children from being made to work from too early an age and for too long; it also made provisions for children to be schooled in literacy prior to commencing their working life ([Dunham, 1943](#)). The length of the working day in factories was limited to 12 hours in 1848 and in 1851 the ceiling of 12 hours was reduced with regards to women and younger workers ([Bourdieu & Reynaud, 2005](#)). Child Labour Laws were introduced by Samuel Van Houten in the Netherlands in 1874, forbidding children under 12 years of age from working in factories, although some exceptions existed including in agriculture and fishing ([Schuyt, 1997](#)). In 1889, the employment of children under 12 years of age was banned and hours of work were restricted for people under 16 years of age and for women of any age ([Jacobs, 2020](#)).

The first and second Industrial Revolutions drove significant population growth and urbanisation across the United Kingdom and beyond ([Flinn, 1970](#); [Jefferies, 2005](#)). A major change in work practices through this period was the move from work being done at home in cottage industries to work now being done in factories where economies of scale could be made and production rates increased ([Wilkinson, 2021](#)). Within the United Kingdom, the working conditions in these early factories were extremely hazardous and workers, fearful of losing their jobs, would not complain about either the conditions and or the low rates of pay ([Feinstein, 2009](#)). Factory owners quickly realised that they could pay some workers less than others; consequently, child and female labour increased, production costs remained low and profits improved ([Humphries, 2013](#)). As a result, the working class continued to live in poverty whilst the middle-class factory owners grew ever increasingly wealthy. However, a revolt was brewing. The working classes had begun to ‘combine’ together in order to secure more bargaining power but the Combination Acts of 1799 and 1800 made these ‘combinations’ (now known as trade unions) illegal ([Orth, 1987](#)). Further amendments to the 1800 Act restricted the right of workers to strike but it was repealed in 1825 ([Government of the United Kingdom, 1825](#)). The legitimacy of trade unions was established by the Royal Commission on Trade Unions in 1867, which found that these organisations were to the advantage of both employers and employees ([McCready, 1955](#)). Trade unions were legalised

with the introduction of the Trade Union Act of 1871 ([Government of the United Kingdom, 1871](#)).

Following a similar timeline to the establishment and legitimising of the trade union movement was of the reform of the United Kingdom's parliamentary system. Primarily due to the small number of representatives that could be elected, the system was easily corruptible ([Porritt, 1906](#)). There were also the issues of 'extending the franchise' or giving the vote to a wider selection of the population and the unequal distribution of seats which did not reflect where the centres of population and wealth were now located ([Dower, Finkel, Gehlbach, & Nafziger, 2020](#)). The Reform Acts of 1832, 1867 and 1884 afforded a much more democratic representation by extending voting rights beyond the wealthy property holders to the less-wealthy sections of the population ([Chadwick, 1976](#); [M. Roberts, 2011](#)). The enactment of the Corrupt Practices Act of 1883 made voting less corrupt by seeking to eradicate intimidation and bribery ([Rix, 2008](#)). The voice of the people was becoming louder. In the early years of the 20th century, reforms were being implemented in the United Kingdom that would have an impact on both charities and charitable giving. The Liberal Welfare Reforms, introduced from 1906 to 1914, were a series of socially focused legislative acts and represented the emergence of the modern welfare state in the United Kingdom and beyond ([Fraser, 2017](#)). The reforms included:

- The Education (School Meals) Act 1906 gave local councils the authority to provide free school meals to the poorest children. ([Government of the United Kingdom, 1906](#))
- The Childrens Act 1908 made children protected persons. Parents who abused their children could now be prosecuted. The Act banned children from working in dangerous trades and children who committed crimes were now managed through specialist juvenile courts and prisons. ([Government of the United Kingdom, 1908a](#))
- The Old Age Pension Act 1908 provided a pension for people over the age of seventy. The cost of providing this pension was borne by taxpayers and the monetary benefit was set deliberately low in order to encourage workers to continue working to some degree. ([Government of the United Kingdom, 1908b](#))
- The National Insurance Act 1911 introduced the concept of gaining benefit based on contributions paid by the employed and their employer. Benefits included payments when sick or invalided, payments when pregnant and a widow's stipend. ([Government of the United Kingdom, 1911](#))

From an Australian perspective, social progression was also happening but at a slower pace. The Commonwealth of Australia was formed on the 1st of January 1901 and in among many items in the Constitution that had been created, the new parliament was authorised to legislate with regards to invalid and old-age pensions, which it duly did in 1908 ([Government of Australia, 1908](#)). The new invalidity pension commenced operation in July 1909 and the old-age pension commenced in December 1910, superseding the state-based versions, where they existed ([Kewley, 1965](#)). In 1912, the new parliament introduced a maternity allowance, which was provided a lump sum of £5 payable to the mother on the birth of a child ([Government of Australia, 1912](#)). The Commonwealth of Australia did not introduce any further social support payments until 1941 ([Australian Bureau of Statistics, 2020](#)) with the introduction of the Child Endowment Act. This Act endorsed that 5 shillings per week would be paid directly to the mother of each child under the age of 16 years ([Federal Government of Australia, 1941](#)).

Canada's first compulsory social law, the Workmen's Compensation Act, was introduced and passed in Ontario in 1914 ([T. Jennissen, 1981](#)). During the same period, two critical factors accelerated the development of the Canadian welfare state: the demand to support injured soldiers returning from World War 1 and the demand to support families left behind by soldiers who had died during that campaign ([T. E. Jennissen, 1991](#)). Despite the introduction of disability and survivor pensions, there was also a growing need for a national old-age pension scheme, which was introduced in 1927 through the Old Age Pensions Act ([J. S. Morgan, 1952](#)). Much like the United States, Canada was severely impacted by the Great Depression and, through this period, support was provided by local governments and charities in the form of tokens for groceries, fuel and clothing ([Amaral & Macgee, 2002](#)). In June 1935, and motivated by an unemployment rate of around 30% ([L. A. Campbell, 2002](#)) the Canadian government enacted the Employment and Social Insurance Act, based on the British model. The Act provided flat-rate payments for the unemployed founded on the contributions of worker, employer and state contributions ([Government of Canada, 1935](#)). This Act survived for only a few months before it was discontinued by the incoming new government who deemed it to be unconstitutional, a position supported by the Supreme Court of Canada which struck down the legislation for that same reason ([Government of Canada, 2020](#)). Further societal progress was made by the introduction of a pension for the blind in 1938 ([Turner, 1938](#)).

New Zealand's approach to social services and support was progressive. In 1898, the New Zealand government introduced a small means-tested pension for those aged 65 years and older ([Government of New Zealand, 1898](#)). Although Germany had introduced a contributory state pension for those aged 70 years and older in 1889 and reduced the eligible age to 65 years and older in 1916 ([von Herbay, 2013](#)), New Zealand's old-age pension was the first in the world that was funded from general taxation ([New Zealand History, 2020a](#)). Widows were provided for under the Widows Pension Act of 1911 ([Government of New Zealand, 1911](#)); miners suffering from respiratory disease were supported through the Miner's Phthisis Act of 1915 ([Government of New Zealand, 1915](#)); and in 1924 pensions for the blind were introduced ([Government of New Zealand, 1924](#)).

The Social Security Bill of 1938 introduced the concept that every citizen had a right to a reasonable standard of living and that the state should safeguard them from economic misfortune in circumstances where they could not protect themselves ([Government of New Zealand, 1938](#)). It had three primary objects:

- To replace the existing non-contributory pension system with that of a contributory system where citizens would participate at a level according to their financial means and from which they could draw according to need
- To provide a universal superannuation scheme
- To introduce a universal system of medical care and benefits. ([New Zealand History, 2020b](#))

Prior to the Great Depression, social support programs across the United States of America were mainly focussed around church charities, compensation for workers, individual and family efforts, life insurance and sick leave payment programs ([Axinn & Levin, 1975](#)). However, the level of hardship created through the Great Depression compelled the Federal Government to intervene because no support service provider, including the states, local communities and privately funded charities, had the financial resources required to manage the increase in need ([Hansan, 2017](#)). Commencing in 1932, the Federal Government initially provided loans to the states to pay for direct relief; they then implemented national programs of employment support, such as the Civilian Conservation Corps, the Civilian Works administration and the Public Works Administration, commonly known as President Roosevelt's 'New Deal' ([Fishback, 2020](#)). The impact of the Great Depression was

widespread across society and not something that could be resolved in the short-term; other ongoing support mechanisms would be needed ([Fishback, Haines, & Kantor, 2007](#)). Consequently, in 1935, the Federal Government introduced the Social Security Act which would allow the states to make adequate provision for, amongst others, the aged, the blind, dependent and disabled children, and the unemployed ([USA, 1935](#)).

Around the same time that the Child Endowment Act was being introduced, a report was being prepared in the United Kingdom that would have a significant impact on social security, social services and social progression. This report is explored in the next section.

2.6 The Beveridge Report

In the United Kingdom prior to World War II, there was no welfare state as it is known today. Instead, there was an inconsistent raft of services for the vulnerable and disadvantaged provided by a variety of different organisations including charities and commercial insurance companies ([Abel-Smith, 1992](#)). A national health service did not exist and only limited support was afforded to the aged, sick and the unemployed ([Whiteside, 2014](#)).

On 10 June 1941 in the United Kingdom, Arthur Greenwood, MP announced to parliament, “...I have arranged with all the departments concerned for a comprehensive survey of existing schemes of social insurance and allied services...” ([Greenwood, 1941, p. 1](#)). Sir William Beveridge, a social economist and lawyer, was appointed to survey the existing schemes of social insurance and associated services ([J. Harris, 1998](#)). His ‘Social Insurance and Allied Services’ report, better known as the Beveridge Report, was published in November 1942 ([Beveridge, 1942](#)).

Many in the government of the day felt the task assigned to Beveridge was essentially an administrative exercise that would rationalise existing support schemes and services, Beveridge had other ambitions for the task and felt it should lead to fundamental change in policy ([Fraser, 2017](#); [Whiteside, 2014](#)). Indeed, the formulation of the Welfare State can be attributed to the Beveridge Report ([Cooper, 1997](#)) which was underpinned by the following three guiding principles:

1. Proposals for the future should not be influenced or limited by sectional interests.
2. Social insurance should be seen as only one part of a comprehensive policy of social progress.
3. Policies of social security can only be achieved by co-operation between the individual and the State. ([Beveridge, 1942](#))

The report also identified the five barriers on the road to post-war reconstruction:

1. Want (adequate income for all)
2. Disease (access to health care)
3. Ignorance (access to education)
4. Squalor (access to adequate housing)
5. Idleness (the need for gainful employment) ([Beveridge, 1942](#))

In order to overcome the aforementioned five barriers, or '*giants*' as they were more commonly known, the Beveridge Report sought to provide a thorough system of social insurance 'from cradle to grave' ([Thornton, 2006](#)). One of the report's recommendations was that all employed people should make a weekly contribution payment to the state; as reimbursement, benefits would then be paid to the aged, the sick and those who were widowed, in order to ensure that no person fell below an acceptable minimum standard of living ([Beveridge, 1942](#)). Among other recommendations was the establishment of a national health service and an allowance for children to be paid directly to the mother ([Beveridge, 1942](#)). As a result of recommendations within the Beveridge report, the following policies were enacted in the United Kingdom:

- Education Act of 1944 ([Suzanne Hall, 2012](#))
- Family Allowances Act of 1945 ([Land, 1985](#))
- National Insurance Act of 1946 ([Sloman, 2016](#))
- The National Health Services Act of 1946 ([Musgrove, 2000](#))

The National Health Service (NHS) was established on the 5th of July 1948 ([Greengross, Grant, & Collini, 1999](#)). The establishment of the NHS signalled the launch of the Welfare State in the United Kingdom. A welfare state is founded on the principles of equal opportunities for all, equitable distribution of wealth and a public responsibility for those who are disadvantaged or vulnerable ([T. H. Marshall, 1950](#)). It is a type of government that provides protection for its citizens, promoting their economic and social well-being. By advocating a more ambitious agenda for social security and support than had previously been accepted, the Beveridge Report also had influence on other countries with regard to their approach to social reform ([Abel-Smith, 1992](#)).

In the United States of America, and going beyond the support programs specifically established to combat the societal effects of the Great Depression, the National Resources Development Report of 1943 published recommendations that aligned with the Beveridge Report and included: the maintenance of employment; the expansion of social insurance; the provision of a supplementary scheme of public assistance; and the assurance of health and educational services that would better anything that went before ([National Resources Planning Board, 1943](#)). However, the report did not include a financial plan that would aid the implementation of any of these recommendations ([White, 1943](#)).

Authored by Leonard Marsh, a social scientist and professor, the 1943 Report on Social Security for Canada is often cited as one of the most clearly articulated assertions of the purpose and scope of the Canadian welfare state ([Kitchen, 1986](#)). Deliberately not dissimilar to the Beveridge Report, which had already been presented to and its principles accepted by the Canadian Parliament, ([Jaffary, 1943](#)), the Marsh report was based upon its own three underlying principles:

- Full employment is complementary to a sustainable social security system
- A basic minimum income must be provided
- The recognition that the needs of children are separate from those of their parents and should be met through the payment of family allowances. ([L. Marsh, 1943](#))

Marsh proposed a country-wide social security system that would be free of legal disagreement, administratively efficient and one that could provide a basic standard of living to all, the central theme being that, at some point, everyone will face certain challenging circumstances where regular income will not be sufficient to meet living expenses ([Luxton, 2018](#)). While it is difficult to connect subsequent developments in Canadian social policy development directly to Marsh' work, most of the major components of his proposed program had been legislated by 1966 ([Bryden, 1976](#); [L. C. Marsh, 2020](#)).

In Australia, a Commonwealth Parliamentary Joint Committee was formed in 1941 to review social security provisions ([Herscovitch & Stanton, 2008](#)). The committee made a number of recommendations through to 1946 which resulted in the following policies being enacted ([Bancroft, Newton, Pamela, & Herscovitch, 2006](#)):

- Child Endowment Act of 1942
- Widows' Pensions Act of 1943
- The Social Services Consolidation Act of 1947 (incorporating the Unemployment and Sickness Benefits Act)

As one academic stated, “...Australia entered World War II with only a fragmentary welfare provision...by the end of the war it had constructed a ‘welfare state’...” ([Shaver, 1987, p. 411](#)). This quotation helps demonstrate the progress that was made by Australia through this period.

2.61 Beveridge and today's models of charity

With regard to existing charities, Beveridge argued that the government should actively encourage their continued involvement in the provision of social services and that the government should fill the support gaps left by charities, rather than the other way around ([Beveridge, 1942](#); [O'Halloran et al., 2008](#)). However, whilst that argument may have been accepted initially, it has been eroded over time through the rise of neoliberalism ([Spies-Butcher, 2014](#); [Stewart, 2019](#); [Watts, 2016](#)).

Neoliberalism can be defined as:

“...a theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets and free trade...” ([Harvey, 2005, p. 2](#))

Some researchers have viewed neoliberalism as being based on the concepts of an unbound, voracious and possessive individual, with government intervention regarded as authoritarian and oppressive ([Stuart Hall, 2011](#); [Wilson, 2018](#)). While the assumption that free markets can regulate themselves and that governments, seen as generally captive to special interests, should move aside and allow this to happen unhindered may appeal to some, it has proved to be less than successful in recent times. One of the primary causes of the Global Financial Crisis of 2008 was lax regulation ([Reserve Bank of Australia, 2020](#)), and the threat of global climate change has highlighted the inability of markets to accurately put a price on carbon and other forms of pollution ([Andrew, 2008](#)). Indeed, the British economist Nicholas Stern stated that climate change is the greatest example of market failure ([Stern, 2006](#)). Other detractors claim that neoliberalism is unsympathetic to the welfare state due to it being an ideological conviction founded around elitism ([Eskelinen, 2015](#); [Tapper, 2019](#)). Others have stronger convictions, maintaining that it that advocates for ‘cruel to be kind’ welfare cuts, poverty level wages, deregulation and privatisation in a direct attempt to dismantle the welfare state ([Harvey, 2005](#); [Lafer, 2017](#); [MacLean, 2017](#)).

Whatever opinions exist, neoliberalism seems to have provided the platform for governments to reduce social expenditure, citing the need to achieve an economic surplus. But unlike commercial entities who strive for profit in order reward investors, governments generate financial resources to fund activities that are better executed by government, such as

education, health and defence. The proposition that because profit is positive in the commercial world, government ‘profit’ or surplus must also be positive, is not entirely accurate. Australia’s national debt to GDP ratio increased year-on-year from 16.7% in 2009 to 45.1% in 2019 ([International Monetary Fund, 2019](#)), which confirms that a surplus had not been achieved throughout that period or, if it was, it was not used to pay down debt. However, share market⁴ growth increased from 3,111 to 7,227 over the same period ([ASX, 2020](#)), more than doubling the economic value of the organisations within. The United Kingdom saw its national debt to GDP ratio rise from 16.6% in 2009 to 41.8% in 2019, with the share market⁵ almost doubling over the same period from 3,802 in February 2009 to 7,524 by December 2019 ([London Stock Exchange, 2020](#)). These trends were mirrored by those in the United States of America, albeit with significantly higher levels of national debt to GDP ratio starting at 82.3% in 2009 and rising to 106.9% by 2019 ([International Monetary Fund, 2019](#)). The share market⁶ almost quadrupled over the same period growing from 7,278 in March 2009 to 28,455 December 2019 ([NYSE, 2020](#)). Such trends challenge the proposition that a government surplus is positive, indeed they indicate the opposite, yet governments are still striving to deliver a surplus and use it as evidence of robust economic management ([Frydenberg, 2019](#); [Hammond, 2019](#)).

The slow march away from state provision of social services in the United Kingdom was seeded by the election win of Margaret Thatcher in the late 1970s. Her view was that the post war commitment to the Welfare State had led to ever increasing public spending which was not economically sustainable ([Espiet-Kilty, 2016](#)). Her solution was to focus on the establishment of a more rational taxation and benefits system which would provide both a safety-net for the needy and encourage community endeavour and frugality ([Sutcliffe-Braithwaite, 2012](#)). Thatcher further bolstered this position with her ‘no such thing as society’ interview in 1987, stating instead that there was “...a living tapestry of men and women...the beauty of that tapestry and the quality of our lives will depend upon how much each of us is prepared to take responsibility for ourselves...” ([Keay, 1987, p. 1](#)).

In 1970s Australia, an opposite movement was occurring. Gough Whitlam was elected Prime

⁴ Australian Stock Exchange All Ordinaries Index.

⁵ Financial Times Stock Exchange 100 Index.

⁶ New York Stock Exchange Dow Jones Index.

Minister on a platform of reform, with a range of commitments including universal health care, improved interstate transport and the abolition of higher education fees ([Sullivan, 1997](#)). Most of these reforms proved expensive, as illustrated by the increase in school expenditure from \$99 million in 1972 to \$700 million in 1979 ([Bambach, 1979](#)). Economic growth stagnated through the late 1970s and early 1980s until the introduction significant economic reforms by the Hawke–Keating government in an attempt to better integrate Australia into the global economy, including the floating of the Australian dollar ([Stevens, 2013](#)) and the Prices and Income Accord ([C. F. Wright, 2014](#)), both of which occurred in 1983. Financial deregulation and a relaxation of foreign investment rules followed in 1985 ([S. Martin, 1999](#)). Despite being a Labor government, the reforms introduced by Hawke and Keating have often been described as neoliberal ([Collins & Cottle, 2010](#); [Emerson, 2018](#); [Humphrys, 2019](#); [Parker, 2012](#)).

In the United States of America, President Reagan came to power in 1981 promising a movement towards more conservative economic policies, which included a reduction in government activity, reduced taxes and less economic interference ([Mishel, 2015](#)). It was expected that the tax reductions would fund themselves, the economy would grow, and wealth would ‘trickle’ down to the middle and working classes ([Blanchard, Branson, & Currie, 1987](#)). In the short-term, the economy grew and unemployment reduced, however, the greatest impact of Reagan’s neoliberal policies was on wages growth or lack of ([Blanchard et al., 1987](#); [Komlos, 2019](#)). Since the late 1970s, the wages of the bottom 70% of workers have remained stagnant, falling between 2009 and 2013 for 90% of workers. To some, Reagan’s policies seem to have transformed America’s working class into America’s working poor ([Hartmann, 2014](#)).

The adoption of neoliberal policies and the slow march away from the provision of social services has left governments with a conundrum. If the state does not meet the needs of the disadvantaged and vulnerable, who will? ‘Everybody else’ would seem to be the most obvious answer. In 2010, David Cameron, then the British Prime Minister, introduced his concept of the ‘Big Society’ ([Cameron, 2010](#)) which is based on encouraging greater social responsibility from the general public married to increased community activism ([Blond, 2010](#); [Mills & Waite, 2018](#)). Cameron’s vision for Big Society was:

“...where people, in their everyday lives, in their homes, in their neighbourhoods, in their workplace...don’t always turn to officials, local authorities or central

government for answers to the problems they face...but instead feel both free and powerful enough to help themselves and their own communities...” ([Cameron, 2010, p. 1](#)).

This quotation is apt in the context of this research as it strongly implies Prime Minister Cameron’s intentions with regards to providing social support services. In Australia in 2012, the then Leader of the Opposition, Tony Abbott, followed Cameron’s lead with his ‘Plan for Stronger Communities’, borrowing much from the Big Society concept ([Manwaring, 2017](#)) and hinting that he would follow a similar strategy to that of Prime Minister Cameron by stating: “...*the risk when governments tackle problems that are best addressed in the community is that people are denied that chance to achieve something for themselves...*” ([Abbott, 2012, p. 3](#)). Prime Minister Cameron and his Big Society are no longer with us, having been succeeded by Prime Minister May and her ‘Shared Society’ vision, which was not dissimilar to its predecessor ([Espiet-Kilty, 2018](#); [Harrison, 2012](#)) and has also been succeeded. Tony Abbott is also gone, having secured the Australian Prime Ministership in 2013 then being ousted in 2015 ([Encyclopedia Britannica, 2018](#)). However, the neoliberal legacy remains.

Whatever the buzz words used, including active citizenship, increased community participation and social responsibility, the shift of responsibility for social service delivery from governments to the wider society ([Branden, Trommel, & Verschuere, 2017](#)) has not only resulted in a dilution of state provision in health, education and care but also across many other sectors once considered as public services ([Lobao, Gray, Cox, & Kitson, 2018](#)). Throughout the last few decades in Australia, the responsibility for services such as transport and utilities has been discarded by some state governments with the assets being ‘auctioned off’ to the highest private sector bidder ([Redden, 2019](#)), as has been the responsibility for the care of the more senior members of society, which now primarily sits within the domain of private enterprise albeit with a Federal Government subsidy ([Australian Federal Government, 2020b](#)). As evidenced by the Royal Commission into Aged Care, Quality and Safety ([Australian Federal Government, 2020d](#)), this shifting of responsibility has not been without issue and, in some cases, has led to greater levels of inequality across certain geographic areas and socio-demographic groups ([Abramovitz, 2014](#)). This shift in responsibility can be further demonstrated by the increase in the number of charities and the number of charities per head of population over the past several decades with “...*either measure...doubling every 20 years that stretches back at least 60 years...*” ([McLeod, 2016, p. 11](#)). Income for the ‘upper echelons’ of the charity sector has also increased significantly, with the top twenty charities

claiming a combined income of \$1.06 billion in 1994 compared to \$6.71 billion in 2014 ([McLeod, 2016](#)). In England and Wales, the number of charities has increased from around 160,515 in 2009 to 168,195 in 2020 ([Charity Commission for England and Wales, 2020a](#)), with the demand for certain charitable support services such as food banks increasing exponentially ([Loopstra, Lambie-Mumford, & Fledderjohann, 2019](#)). These increases have occurred despite each country's economic growth over a similar period, as referenced earlier in this section.

Government's role in this new paradigm could now perhaps be described as being the custodian of social support and service 'markets' with the purpose of achieving better social outcomes. However, this would imply the need to secure improvements to procurement and commissioning processes to focus more on outcomes, which in turn could only be supported by a 'payment by results' platform ([E. Bennett et al., 2019](#)). Some charities may see the opportunity to secure government funding as a solution to financial uncertainty ([Ketola, 2017](#)) but, beyond the delivery of social services, charities can play an important role in democracy by representing their community's interests. When a charity becomes ever more dependent on government for funding, there is a possibility that it could become less vocal in its advocacy role ([Whelan, 2012](#)). Another risk associated with 'payment by results' government funding is that of scale. The lowest cost of services is likely to win the day and larger charities, advantaged by their economies of scale, can offer lower costs ([Balazard, Fisher, & Scott, 2017](#)), nudging smaller charities out of the running. Charities which provide services that are complex are also likely to be more expensive to operate, as are charities which deal with some of society's more intractable issues and where a 'payment by results' model is not feasible as a consequence ([Aiken & Harris, 2017](#)). All such charities may be, at best, compromised by any 'payment by results' funding model or, at worst, excluded completely from government funding.

Beyond competing with one another, charities also now need to consider competing with commercial organisations, some of which may have differing motivations. An example would be that of the United Kingdom's Work Programme, launched in 2011, which was a welfare to work initiative delivered by commercial, public and charity sector organisations ([Department for Work & Pensions, 2012](#)). A 2015 review into the programme stated that some providers were: "...focusing on easier-to-help individuals and parking harder-to-help claimants, often those with a range of disabilities including mental health challenges..." ([Centre for](#)

[Public Impact, 2016, p. 1](#)). Commercial organisations might well say that if their purpose is to increase shareholder value, then they are likely to follow the road of least resistance to that goal. Charities which are financially vulnerable may also be tempted to seek the easiest route in order to achieve the results that would secure a payment reward. Commercial organisations have an advantage over charities when it comes to ‘payment by results’ funding because charities, unlike commercial organisations whose primary purpose is to increase shareholder value, do not seek to increase their financial worth and consequently they do not have the same level of access to traditional capital markets as their commercial counterparts. As a result, they cannot generate the same reserves of capital, as evidenced by the failure of Red Kite Learning ([Mason, 2012](#)) and Eco-Actif Services ([Clinks, 2013](#)), both in 2012.

Today’s charities operating in this neoliberal welfare structure are no longer aligned with Beveridge’s vision for the Welfare State, where he envisioned that charities would fill the gaps left by governments. The retreat by governments away from the provision of social support and services has instead placed charities front and centre in the battle against disadvantage and vulnerability ([Coule & Bennett, 2016](#); [Gibson, 2015](#)). Today’s charities are no longer just meeting the needs of the individuals, families and communities they support, they are now a key cog in the functioning of the social support system itself ([Cabedo, Fuertes-Fuertes, Maset-Llaudes, & Tirado-Beltrán, 2018](#)).

The main challenge for today’s charities is how to navigate the path ahead. The depletion of government funding for social support services, whether that is sold as the need to achieve a budget surplus, as an austerity drive or just as fiscal constraint, is and will be confronting for many charities. On the flip side, over reliance on government funding, especially in a complex environment of power and political relations ([Coule & Bennett, 2016](#)), presents several risks. Today’s charities operate in a remarkably interesting and unstable environment. When the economy is challenged, unemployment generally increases, tax revenue decreases and cuts to public spending result. So when least equipped to provide an enhanced level of support, charities are asked to deliver more ([Macmillan, 2020](#)). This scenario tells its own story of how governments view the charity sector. Moving forward, and in order to survive and thrive, today’s charities will need to alter how they go about their business or re-invent themselves in some manner ([Lyons, 2007](#)). Securing appropriate funding and improving organisational effectiveness and efficiency will be key to their survival. However, the recent introduction of the ‘Delivering Community Services in Partnership Policy’ by the

Government of Western Australia does provide a framework for a more equitable charity/government relationship ([Government of Western Australia, 2019](#)).

Competition is central to quasi-markets ([Lewis, 2017](#)), and charities who are service providers may have to compete with each other in order to remain in these markets, which may have the effect of undermining collaboration, innovation and trust ([Bredgaard & Larsen, 2008](#); [Shutes & Taylor, 2014](#)). However, such competitive environments can often stifle opportunities to address entrenched disadvantage and promote risk-averse organisational behaviours ([Egdell & Dutton, 2017](#); [Milbourne & Cushman, 2013](#)).

While the private sector performance model drives for-profit organisations to make a profit in competitive markets, the performance model applied to the public sector is primarily based on effectiveness. Public sector organisations are generally monopolies. For example, the Department of Defence has sole responsibility for defending the country. There is no alternative organisation that can solely perform that function. An attempt at cutting costs during a war would be futile if the outcome was defeat. Yet government agencies insist on cost cutting as the basis of the management of public funds ([Colvard, 2001](#)).

2.7 Charity funding

As stated in Chapter 1, charities claim that the majority of funders provide small, short-term donations or grants. This section reviews the available literature on charity funding in order to confirm or deny this claim.

Whilst there is limited available literature regarding the size and shape of funding provided to charities, there is an abundance of literature that suggests that most charities are financially vulnerable ([Frumkin & Kim, 2001](#); [Lyons, 2001](#); [Mohan, Yoon, Kendall, & Brookes, 2018](#); [Saxon, 2017](#); [Unwin, 2004](#)). This has been especially true through the last several years as a result of the Global Financial Crisis of 2008 and the resulting austerity measures introduced ([Mohan et al., 2018](#)). The economic impact of the COVID-19 pandemic on charity finances has yet to be assessed.

Tuckman & Chang (1991) first introduced the concept of financial vulnerability in this context and used four criteria to assess whether a charity had enough financial flexibility to absorb any fiscal shocks ([Tuckman & Chang, 1991](#)). The criteria used were net assets, revenue sources, administrative costs and operating margins. Ratios between each were developed and if two or more ratios declined, a charity was then deemed to be financially vulnerable despite no investigation into why any ratio had declined. Greenlee & Trussel (2000) then developed a more predictive model based on the work of Tuckman and Chang, assessing the financial performance of charities over a longer period of time ([Greenlee & Trussel, 2000](#)). Thomas and Trafford (2013) developed a Financial Exposure Index ([Thomas & Trafford, 2013](#)), which was basically the mean value of the Tuckman and Chang criteria ([de Andrés-Alonso, Garcia-Rodriguez, & Romero-Merino, 2015](#)).

Efforts to reduce financial vulnerability have been focused on improving the financial stability of charities through either revenue concentration or diversification. Some scholars are advocates for revenue concentration, citing savings in transaction and administrative costs ([Brooks, 2000a](#); [Frumkin & Keating, 2011](#); [K. Grønbjerg, 1993](#)). Others are supporters of revenue diversification and suggest it can reduce dependence on any single funder ([Froelich, 1999](#); [Hodge & Piccolo, 2005](#)), bolster financial stability ([Grasse, Whaley, & Ihrke, 2015](#); [Lam & McDougle, 2015](#)) and subsequently reduce financial vulnerability ([Greenlee &](#)

[Trussel, 2000](#); [Lin & Wang, 2016](#)). Throughout the past several decades, scholars have provided evidence to support both arguments ([Lu, Lin, & Wang, 2019](#)), and there is no consensus. There is also no consensus as to how the concentrated or diversified funding should be specifically sought, for example, what percentage of income should be secured from which source of funding.

Several researchers have support the view that in order for a charity to achieve organisational sustainability, establishing and maintaining long-term funding is essential ([Frumkin & Keating, 2011](#); [P. Kim, Perreault, & Foster, 2011](#); [Pallotta, 2008](#)). Unfortunately, securing long-term funding is not that easily achievable. The *Australia's Grant-making Charities 2016* report stated that, of the \$4 billion in donations and grants provided, only 20.9% were distributed through multi-year agreements ([Cortis, Powell, Ramia, & Marjolin, 2018](#)).

The dearth of current literature regarding the models of charity funding that are employed, along with the lack of reporting obligations of funders as stated previously in Chapter 1, meant there were only a few sources that signalled the size and shape of available funding in Australia. In 2013, The Centre for Social Impact published the 'Where the Money Goes Report', which had sampled the \$207 million given by 12 large Australian philanthropic organisations over a three year period ([Anderson, 2013](#)). Key observations were:

- The bulk of grants awarded were small and disjointed, with the majority (80%) being for less than \$50,000.
- 33% of grants were for \$10,000 or less.
- Many organisations sought support by applying for multiple grants from differing sources, however, there was little evidence of collaboration from funders

Noting that the sample was small, due to few philanthropic organisations providing funding details publicly, the aforementioned report suggested to at least one researcher that Australian philanthropy was taking a more tactical rather than strategic position regarding investment in social improvement ([Anderson, 2013](#)). Another recent report that consolidated this view was the 'Snapshot of Sub-Funds in Australia', published by the Centre for Social Impact and Swinburne University, which stated that, for the \$57 million issued in grants via Australian sub-funds through financial year 2017/2018, the average value of grant was \$9,045 ([Seibert, 2019](#)), which implies there were approximately 6,300 grants given out.

Continuing to focus on Australian philanthropy, an article about the top ten contributors through the financial year 2018/2019 published in *The Financial Review* ([Coates, 2020](#)) provided some information about the size and shape of funding that had been distributed and enabled the researcher to in greater detail at information provided by the named organisations:

- The Paul Ramsay Foundation donated \$153 million. This foundation does not publish an annual report nor does it provide any great detail regarding who has received what and over how long ([Paul Ramsay Foundation, 2020](#)).
- The Minderoo Foundation donated \$75.4 million and does publish an annual report which states how much has been donated to each of the foundation's eight areas of focus, including *Flourishing Oceans*, *Thrive by Five* and *Walk Free*. Unfortunately, each of these focus areas is underpinned by many differing organisations and programs, none of which are reported on individually ([Minderoo Foundation, 2019](#)).
- The Judith Neilson Foundation donated \$48.9 million but other than news regarding the establishment of the Judith Neilson Institute for Journalism and Ideas with an endowment of \$100 million in 2019 ([Murray, 2019](#)), there is no further information about this foundation or its activities.
- The Estates of James and Diana Ramsay donated \$38 million to the Art Gallery of South Australia, a one-off donation driven by a bequest on the death of Diana Ramsay ([de Lorme, 2019](#)). This foundation does publish an annual review but it contains no financial information ([De Lorme & Ross, 2019](#)).
- The Ian Potter Foundation donated \$28.4 million and does publish an annual report but the detail provided is limited. It stated that 133 grants to a value of \$25 million had been awarded, equating to an average grant size of \$221,000. The gap between the \$28.4 million donated and \$25 million awarded suggested that a small number of multi-year grants were in play ([Connelly & Goode, 2019](#)).
- The Estates of Bruce and Jenny Prior donated \$22 million, \$10 million of which was gifted to the Australian National University for medical research ([Australian National University, 2019](#)). As for the remaining \$12 million, no other records of this donated amount were publicly available.

- The Lowy Family donated \$21.2 million but, other than some basic commentary regarding gifts to the Lowy Medical Research Institute and the Lowy Institute for International Policy ([Coates, 2020](#)), no other records were publicly available.
- Pratt Philanthropies (PP) donated \$20.1 million through several philanthropic vehicles including the Pratt Foundation, the Pratt Family Foundation and Visy Cares, in support of several causes including food security, mental health, arts and education. None of the PP vehicles publishes an annual report or provides any details regarding the size or term of donations. On its website, Pratt Philanthropies has listed over 100 projects has supported in Australia, with only a few of these projects providing any detail ([Pratt Philanthropies, 2020](#)). The last announcement of funding, issued in 2010, was that of a \$1 million donation over five years to establish the Australian Cancer Survivorship Centre([Pratt Philanthropies, 2010](#)).
- The Graham and Louise Tuckwell Foundation donated \$20 million towards the construction of two halls of residence at the Australian National University (ANU) and in support of the Tuckwell scholarship Programme, also at the ANU ([Tuckwell Foundation, 2016](#)). This donation was part of a larger \$100 million commitment to the ANU, first announced in 2016 ([Australian National University, 2016](#)). This Foundation does not publish an annual report.
- The Kinghorn Foundation donated \$19.6 million. This Foundation supports several causes including medical research and poverty. It has no on-line presence and therefore little information about its funding activities is available.

Combined, these philanthropies donated almost \$450 million through the financial year 2018/2019, which is a notable sum and should be applauded. But as evidenced by their reporting protocols, none of these funders was open to more detailed scrutiny. They all followed similar reporting models that were scant in detail regarding recipients, the shape of funding provided or its impact. This may be because “donors do not face a rigorous market test...there is no hostile audience to which philanthropic failures must be reported” ([Frumkin, 2006, p. 66](#)).

Currently, funders do not have to comply with more rigorous and transparent reporting protocols and therefore what they do provide is of low practical value to others seeking best practice, and in turn was of little use in informing this research.

Moving from a focus on philanthropy to a focus on the grant-making activities of some of Australia's most prominent and valuable commercial organisations provided the following data for FY 2019/2020:

- The ANZ bank had three differing types of grants that could be applied for:
 - The ANZ Community Foundation provided small grants of up to \$30,000 to charities around Australia to fund projects that assisted local communities. It did not report the volume or value of grants provided through this program.
 - The Seeds of Renewal program provided awards of up to \$15,000 for education and employment focussed projects in rural and regional Australia. \$250,000 was distributed across 23 projects.
 - The ANZ Tennis Hot Shots program provided grants of \$10,000 to 20 tennis clubs across Australia annually ([ANZ, 2020](#)).
- BHP contributed US\$55.7 million towards community projects and donations, including a donation of US\$16.57 million to the BHP Foundation and US\$4 million to its 'Matched Giving' and various community grants programs ([BHP, 2020a](#)). BHP did not provide any detailed information as to how its own funds or those of its Foundation were allocated. From an Australian perspective, BHP's 'Benefiting My Community Program' had several areas of focus including environment, education and health. It provided grants of up to \$10,000 for community initiatives in selected geographic areas in NSW and Queensland ([BHP, 2020b](#)).
- CSL made US\$38.7 million in community contributions globally through the financial year 2019/2020, with information regarding the distribution of these funds being limited ([CSL, 2020a](#)). From an Australian perspective, \$500,000 was donated towards bushfire recovery in early 2020 ([CSL, 2020b](#)) and one \$25,000 grant was available annually through the CSL Behring Broadmeadows Community Grant program ([CSL Behring Broadmeadows, 2020](#)).
- Through 2020, the CommBank Staff Foundation awarded 205 charitable organisations \$10,000 each through its Community Grant program ([CommBank, 2020](#)).

- The Westpac Foundation awarded 100 grants of \$10,000 in 2020 through its Community Grant program ([Westpac, 2020a](#)).

From this overview, it appeared that Australia's banks spread their funds thinly across a multitude of charities, which was mirrored by certain activities of the other abovementioned commercial entities. However, in terms of research data for this thesis, it remained a significant challenge about how to obtain an accurate picture of how charities are funded by means of reviewing funders' own public reporting. Another option taken was to explore charity revenue, which it was hoped might provide a more reliable set of data.

As referenced previously in Chapter 1, the Australian charity sector had revenue of \$155.4 billion through the financial year 2017/2018. One might assume that with such a sizeable sum of money involved, the ability to track where it originated; where, when and how it was spent; and the impact it achieved, would firmly be in place. However, this was not the case. The primary source of financial reporting from charities is the Australian Charities and Not-for-profit Commission, which collects only rudimentary financial information from charities via an Annual Information Statement (AIS), collates this information and publishes a 'Charities Report'. But, also as referenced previously in Chapter 1, these reports provide an incomplete overview of the charity sector due to approximately 16% of Australian charities being excused from participating, and some inconsistencies with reporting protocols including 'double counting'. With regards to revenue, the AIS requires that charities group their revenue into the following categories:

- revenue from government
- donations and bequests
- revenue from goods and services
- revenue from investments
- all other revenue
- all other income.

Using 'revenue from government' category as an example, in the 2017/2018 reporting period charities generated 47% or around \$73 billion of their revenue from government ([Australian Charities and Not-for-Profit Commission, 2020e](#)). However, no information was provided about whether this revenue was sourced from federal, state or local governments. Further

complications arose when ‘revenue from goods and services’ was examined. It was stated that 34% or \$53 billion of charity revenue was generated from this source ([Australian Charities and Not-for-Profit Commission, 2020e](#)). There was a caveat however, in that some of this revenue “...*may be subsidised by government funding...*” ([Australian Charities and Not-for-Profit Commission, 2020e, p. 2](#)), so it was challenging to ascertain exactly how much charity revenue was generated from government. No reference to the term of the funding provided to charities was made in any of the ‘Charities Reports’.

With regard to the provision of funding, the Australian Federal Government provides more comprehensive reporting on the grants it distributes. This reporting is sourced via the ‘Grant Connect’ website which also lists all grant opportunities ([Australian Federal Government, 2020c](#)). Through the same 2017/2018 reporting period as examined previously with the Australian Charities and Not-for-profits Commission, the Australian Federal Government distributed over \$18 billion worth of grants to 15,842 organisations⁷. The government departments that contributed most to this distribution were:

- Department of Health - \$11.96b
- Department of the Prime Minister and Cabinet - \$1.68b
- National Disability Insurance Agency – \$1.01b.

The largest single grant was for \$487,633,300, provided by the Department of Agriculture, Water and the Environment to the great Barrier Reef Foundation in order to deliver “...*activities which are consistent with the purposes of the Reef Trust Special Account Determination to achieve the Reef Trust Objectives and assist to protect the Great Barrier Reef World Heritage Area...*” ([Department of Agriculture Water and the Environment, 2020, p. 1](#)). The second largest grant was for \$310,833,703 to the Australian Unity Home Care Services, made by the Department of Health, who also provided the third largest grant of \$284,916,478 to Transport for NSW. The purpose of both of these grants was to “...*support eligible older people to live as independently as possible...in their own home and community...through the provision of timely, entry-level home support services...*” ([Department of Health, 2020, p. 1](#)). Note again that, as previously referenced in Chapter 1, the Australian Federal Government states funding provided for the purchasing or procurement of services is not defined as a grant ([Australian Federal Government, 2017](#)). The inclusion of the aforementioned second and third largest

⁷ Source: <https://www.grants.gov.au/?event=public.reports.GA.published.form>.

grants issued led the researcher to question whether some form of reporting cross contaminations was occurring between sources of charity revenue with grants for many differing types of expenditure, including education, infrastructure, and other government priorities being classified under the one banner, making determining government expenditure on charities problematic. A deeper exploration of the report, sourced from the Grant Connect website ([Australian Federal Government, 2020c](#)), confirmed this view as evidenced by the following examples:

- A grant issued by the Attorney General’s Department stated its purpose as ‘the operation and maintenance of the Commonwealth Sentencing Database during the 2018-19 financial year’.
- A grant issued by the Australian Federal Police stated its purpose was to ‘enable St John Ambulance to deliver the CBR Night Crew Service in the Canberra CBD between 1 April 2018 and 30 June 2018’.
- A grant issued by the Department of Defence stated its purpose as ‘providing free evidence-based, age-appropriate prevention and early intervention mental health services’.

Lack of access to Australian Federal Government grants is another barrier for charities, because 38% of the grants available were categorised as ‘closed non-competitive’ meaning access to these grants was by invitation only, with a further 10% as ‘restricted competitive’ where a few service providers in a particular market were invited to compete for the available funds. Only 23% of the available grants were open to all applicants. One area where the Grant Connect reports were of value to this research was with regard to the term of each grant provided. Of the 15,842 grants provided, the longest term was for 11 years to Optus, Telstra and Vodafone from the Department of Infrastructure, Transport, Regional Development and Communications in order to improve the coverage of telecommunications systems. With regard to the remaining grants, the terms were distributed as follows:

- 27% were for a term of 1 year
- 17% were for a term of 2 years
- 19% were for a term of 3 years
- 33% were for a term of 4 years
- 2% were for a term of 5 years
- 1% were for a term of over 5 years

The average term of grants distributed was 2.4 years with the average amount granted being \$1.15m, neither of which figures aligns with the claims of charities that most funding provided is small and short-term. However, as evidenced previously, grants provided through this process are not just for charitable purposes. Additionally, the \$18 billion in distributions, as stated by the Australian Federal Government, not all of which had been directed to charitable purposes, is a distance from the \$73 billion in revenue from government as reported by the Australian Charities and Not-for-profit Commission, suggesting that the \$55 billion gap was being filled by state and territory governments.

State and territory government grant schemes

As stated previously in Chapter 1, individual states and territories distribute grants to charities and tend to follow similar models of application, award and distribution. This section explores the size and shape of funding on offer across the various states and territories.

The Government of New South Wales offers grants through several schemes, some of which are described in more detail here:

- Create NSW Arts, Screen and Culture ([Create NSW, 2020b](#)) distributed over \$56 million in 456 grants through the financial year 2018/19 and offered a range of grants for charities and community organisations involved in artistic activities through the following schemes:
 - A maximum of \$140,000 in organisational funding provided annually in support of organisations in delivering multiple arts and cultural activities to diverse audiences ([Create NSW, 2020c](#)).
 - Project funding of up to \$60,000 provided in support of a wide range of arts and cultural activity ([Create NSW, 2020c](#)).
 - Small Project Grants of up to \$5,000 provided to support the development and presentation of new work by NSW-based professional artists and arts and cultural workers ([Create NSW, 2020e](#)).
 - Country Arts Support Program grants of either \$3,000 or \$5,000 in support of art and cultural development in regional NSW ([Create NSW, 2020a](#)).
- The ClubGRANTS scheme, funded by gaming machine revenue from NSW, was reported to have distributed over \$100 million annually; areas of focus were community welfare and social services, community development and community

health services or employment support activities ([Clubs NSW, 2020](#)). Most grants allocated were for less than \$10,000 with a more formal arrangement entered into for grants above this amount ([Liquor & Gaming NSW, 2020](#)).

- The NSW Community Building Partnership program awarded grants for community infrastructure projects that delivered positive environmental, recreational or social outcomes ([Government of New South Wales, 2020c](#)). A maximum of \$300,000 was available in each of the 93 NSW electorates and eligible not-for-profit or community organisations could apply for grants of between \$2500 and \$300,000 with the average award being around \$20,000 ([Government of New South Wales, 2020b](#)).
- The NSW Environmental Trust offered grants for projects that rehabilitated or regenerated the environment ([NSW Environmental Trust, 2020a](#)). The promotion of environmental education and sustainability was also a focus with the Trust distributing \$77 million worth of grants through the financial year 2018/2019 ([NSW Environmental Trust, 2020b](#)).

There were numerous other sources of available government funding in New South Wales, including the \$4.5 million available in small grants through the Local Sport Grant Program ([Office of Sport, 2020a](#)), the \$800,000 available via grants of \$10,000 or less through the Multicultural NSW Grants Program ([Multicultural NSW, 2020](#)) and the \$1.2 million available through the Mental Health Sports Fund ([Office of Sport, 2020b](#)).

The Government of New South Wales budget papers stated an expenditure of \$11.3 billion on ‘grants, subsidies and other expenses’ through the financial year 2018/2019 ([Government of New South Wales, 2020a](#)). However, due to the lack of detail within these budget papers and the lack of available reporting on the abovementioned grant schemes, it was difficult to determine exactly how much funding was provided to charities within New South Wales.

In Queensland, during the same financial year, there were several schemes through which grants can be secured including:

- The Gambling Community Benefit Fund was the largest community grants program in Queensland and distributed over \$57 million annually. Charities operating in Queensland could apply for grants from \$500 through to \$35,000 ([Department of Justice and Attorney-General, 2020](#)).

- Established under the trusteeship of the Public Trustee in 1997, the Queensland Community Foundation offered community grants through its general and regional grant-making funds, as well as through the Gulf Area Social Development Trust. Distribution through the financial year 2018/2019 was \$2.9 million, with the largest grants being for the sum of \$30,000 ([Queensland Community Foundation, 2020](#)).
- The Thriving Queensland Communities Grants Program offered grants of between \$2,000 and \$20,000 to help local communities develop and thrive. 72 grants were awarded in 2019 totalling \$800,000, an average of grant award of \$11,111 ([Seniors, 2020](#)).
- The Brisbane City Council's Lord Mayor's Community Fund provided community grants of up to \$10,000 in support of charities or community projects that strengthened communities across Brisbane ([Brisbane City Council, 2020](#)).

Much like New South Wales, it is a challenge to reconcile what funding is being offered by the Queensland Government to charities against what is claimed to have been spent. Through the financial year 2018/2019, the Queensland Government distributed over \$2.4 billion worth of grants including:

- A grant of \$214 million to support service providers in the contestable vocational education and training market.
- A grant of \$109 million to the Department of Transport and Main Roads for contract expenditure that relates to public utility infrastructure.
- \$80 million worth of grants for employers who employed eligible unemployed jobseekers.
- \$50 million worth of grants to fund paid work placements.

[\(Queensland Government, 2020a\)](#)

As pointed out earlier, the fact that grants for many differing types of expenditure, including education and infrastructure, are being classified under the one banner makes determining government expenditure on charities problematic.

Victoria provided grants through some of the following schemes:

- Victoria's Community Support Fund was established in 1991 with the objective of supporting a wide variety of community projects ([Victoria State Government, 2020a](#))

Revenue is derived from a tax on gaming and through FY 2017/18 \$130 million worth of grants was distributed from a revenue of \$146.2 million. Grants provided through this scheme were significant, for example, a grant of \$38.4 million was awarded to Victorian Responsible Gambling Foundation which was to be further distributed ([Victoria State Government, 2020b](#)).

- Creative Victoria provided grants in supports of the state's creative industries including arts, culture and screen. Grants were awarded through some of the following programs:
 - Vic Arts Grants supported art practitioners or organisations with grants of up to \$60,000 available.
 - The Creative Activation Fund supported the development and delivery of programs that could increase community participation. Grants from \$40,000 through to \$300,000 were available.
 - Unlocking Capacity offered a multi-year grant of up to \$35,000 per annum over three years to support targeted skills development activities.
- Victorian Landcare Grants were awarded in support organisations that undertook projects which enhanced and protected the land. Grants of up to \$20,000 were available.

The Victorian Government's 2019/2020 budget papers stated an expenditure of \$2.6 billion on grants on 'other private sector and not-for-profits' ([Treasury and Finance, 2020](#)) but, mirroring what was found with New South Wales and Queensland, any accurate determination of what funds were provided to charities could not and cannot be undertaken without the requisite information being provided.

An examination of the grant schemes across the less populous states and territories provided the following:

- The Government of South Australia Government reported in 2020 that it facilitated its grants through its GRANTassist ([Government of South Australia, 2020a](#)) and GrantsSA ([Department of Human Services, 2020](#)) websites. For financial year 2020/2021 there were about \$15m worth of grants available via GRANTassist across a wide spectrum of activities including education, sport and community development, noting that of the 43 grants available ([Government of South Australia, 2020a](#)).

However, 21 of these grants expired in 2014, which signals a lack of care in the administering of this grant making process. GrantsSA distribute \$3 million worth of individual grants up to the value of \$10,000 ([Department of Human Services, 2020](#)).

- Established in 1999, the Tasmanian Community Fund reported it had distributed \$106 million across 3,000 projects and programs since inception, with \$7.59 million awarded to 143 projects through financial year 2018/2019 ([Tasmanian Community Fund, 2020](#)).
- In Western Australia, “the Department of Local Government and Communities provided \$5.8 million in grant funding in 2017-18 to 335 organisations” ([Department of Local Government and Communities, 2019, p. 1](#)), an average grant of \$17,313 per organisation.
- In the Northern Territory, grants were being offered through the Community Benefit Fund with “the maximum grant for each project being \$10,000...priority is given to applications for lower amounts” ([Northern Territory Government, 2020, p. 1](#)).

International Perspectives

Within the United Kingdom, analysis showed that charities follow similar reporting protocols to their Australian counterparts. For charities in England and Wales, financial information is provided annually to the Charity Commission for England and Wales ([Charity Commission for England and Wales, 2020b](#)). The size or term of individual donations or grants is not required to be submitted. The subsequent Charity Commission Annual Report mirrors the Australian Charities and Not-for-profit Commission’s Charities Report, in that it provides an overview of the charity sector including income, expenditure and the number of employees ([Charity Commission for England and Wales, 2019](#)). Charities within Northern Ireland and Scotland following similar reporting requirements ([Charity Commission for Northern Ireland, 2020b](#); [Office of the Scottish Charity Regulator, 2020b](#)) and, again, are not required to report on the size or term of individual donations or grants.

An analysis of some of the United Kingdom’s largest funders provided the following information regarding their grant-making activities:

- The country’s largest charitable trust, the Wellcome Trust, awarded £1.13 billion in grants through 2019 in support of science, innovation, culture and society ([Wellcome](#)

[Trust, 2019](#)). No further information was provided by Wellcome with regard to the size and term of the grants it had awarded.

- The Garfield Weston Foundation was established in 1958 and focuses its efforts on several areas including arts, education and health. Through 2019 it awarded over £79 million worth of grants to 2100 recipients, an average award amount of £37,600 ([Garfield Weston Foundation, 2019](#)).
- The BBC Children in Need Charity provides grants for projects which focus on vulnerable and disadvantaged children. Through 2019 it awarded 1,700 grants with a combined value of £64.2 million, an average grant award of £35,700 ([Children in Need, 2019](#)).
- The Children's Investment Fund Foundation (CIFF) is the world's largest philanthropic that specifically focuses on improving the lives of children. Through 2019 CIFF awarded grants worth US\$269 but provided no detail as to how these grants were distributed ([CIFF, 2020](#)).
- The Church Commissioners for England awarded £118 million in grants to the Church of England through 2019 but provided little detail as to how these funds were distributed ([Church Commissioners for England, 2019](#)).
- The National Lottery Community Fund, formerly known as the Big Lottery Fund, distributed £511 million worth of grants through the financial year 2018/2019 with 86% of grants being for £10,000 or less ([National Lottery Community Fund, 2019](#)). A similar pattern had been followed in the previous two years with 90% of the £508 million worth of grants distributed through 2017/2018 ([Big Lottery Fund, 2018](#)) and 89% of the £712 million worth of grants distributed through 2016/2017 ([Big Lottery Fund, 2017](#)), all being for less than £10,000.
- Through 2019, Comic Relief awarded 316 grants amounting to £75.4 million, an average award of £238,600 ([Comic Relief, 2019](#)).

In 2015, it was estimated that there were about 8,000 grant-makers in the United Kingdom who awarded almost £3 billion worth of grants, with individual grant averaging around the £10,000 mark ([Traynor & Walker, 2015](#)).

In the United States of America, the Internal Revenue Service (IRS) plays a role similar to that of the Charity Commission of England and Wales in that charities are required to submit

annually a summary of their finances ([Internal Revenue Service, 2020a](#)). Much like their counterparts in Australia and the United Kingdom, America's charities do not have to report on the length of term of individual grants or donations. It should also be noted that the reporting protocols followed by charities in the USA are the same as other 'tax exempt' organisations, which can include churches and religious organisations, private foundations and political parties ([Internal Revenue Service, 2020b](#)). Because of these factors, it was a challenge to extract and analyse IRS data that related only to charities.

An investigation of some of the America's largest funders produced the following information regarding their grant-making activities:

- In 2020, financier Warren Buffett donated US\$2.9 billion to several charities including the Bill and Melinda Gates Foundation ([de la Merced, 2020](#)). No further information was available regarding how much each charity received.
- In 2019, the Bill and Melinda Gates Foundation donated US\$5.1 billion in support of several causes including health, international development and education ([Suzman, 2019](#)). The annual report associated with this expenditure provided only a high-level breakdown of grant-making activities.
- Former Mayor of New York City, Michael Bloomberg, donated US\$767 million through 2018 in support of the arts, education, the environment, innovation and health ([Bloomberg Philanthropies, 2019](#)). No information was available with regard to how this donation was distributed.
- The Walton Family Foundation donated US\$526 million through 2019 via 1283 grants, which varied in size from US\$1,000 to US\$6.9 million ([Walton Family Foundation, 2020](#)). Information regarding every grant distributed since the foundation's inception in 1987, can be found on its website.
- Through 2019, the Open Society Foundations, founded by financier George Soros in 1979, donated \$1.1 billion to several causes including early childhood education, economic equity, justice and journalism ([Open Society Foundations, 2019](#)). The Foundations only provided a high-level summary of their grant-making activities.
- Since its establishment in 2015, the Chan Zuckerberg Initiative had awarded over US\$2 billion in grants, ranging in size from US\$2,400 to US\$60 million. The size and term of each grant distributed was provided, with the longest term being 5 years ([Chan Zuckerberg Initiative, 2020](#)).

- In March 2020, Facebook founder Mark Zuckerberg pledged US\$100 million in support of 30,000 small businesses impacted by Coronavirus, with a US\$3,333 grant available to each ([Tracy, 2020](#)). It is yet to be seen whether any detailed reporting will be provided.
- Through 2019, the Simons Foundation donated US\$60 million in support of research in mathematics and science ([Simons Foundation, 2019](#)). This foundation provided little information about the distribution of its grants.

Sub-section Summary

The purpose of this section of the Literature Review was to demonstrate or disprove the claim that most funders provide small, short-term donations or grants. Current reporting obligations for charities both in Australia and overseas provided little information for that task. The imprecise nature of the financial information sourced by regulators could not be used in any meaningful way to paint a picture of the differing models of funding. Despite formal definitions existing, governments' apparent inability or perhaps unwillingness to separate out grants to charities from grants for the purchase or procurement of services created a further data-collecting challenge for this study, as did the fact that funders other than government have no obligation to provide comprehensive reporting on their distributions, and many do not.

The prevalence of available small grant schemes as revealed by the data does suggest that the small and short-term model of funding could be the model that is most dominant across today's charity sectors. Current available literature hints at this view but it does not empirically prove it is valid. Hence the need for this study, which required further data gathering.

2.8 Organisational effectiveness and efficiency of charities

This section reviews literature on organisational effectiveness and efficiency of charities in order to establish whether there is a link between these two components and the models of funding used.

As stated in Chapter 1, organisational effectiveness can be defined as how well an organisation performs similar activities to those of a comparable or rival organisation and how, by improving organisational effectiveness, an organisation can perform better. Also as stated in Chapter 1, organisational efficiency can be defined as how cost-effective an organisation is at delivering its products or services. The opposite is also true, in that if organisational effectiveness or efficiency is compromised, performance will decline.

The literature on the organisational effectiveness and efficiency of charities is well established ([Gent, Crescenzi, Menninga, & Reid, 2015](#); [Mitchell, 2015](#)) but fragmented due to the many differing sector designations for charities including not-for-profit, non-government, voluntary and civil society organisations ([Schatterman & Waymire, 2017a](#); [Shumate, Cooper, Pilny, & Pena-y-lillo, 2017](#)). The majority of this scholarship examines the challenges of defining and then measuring organisational effectiveness and efficiency ([R. Herman & Heimovics, 1994](#); [Sawhill & Williamson, 2001](#); [Sowa, Selden, & Sandfort, 2004](#)) and observes that the terms organisational effectiveness and efficiency have many definitions and dimensions depending on the subjective perspectives of many stakeholders ([Balsler & McClusky, 2005](#); [R. D. Herman & Renz, 1997](#); [Shilbury & Moore, 2006](#); [Willems, Boenigk, & Jegers, 2014](#)).

A consensus emerging from this literature characterises organisational effectiveness and efficiency more as a social construct that is subjective in nature rather than an objective set of measurements ([R. D. Herman & Renz, 1998](#); [Mitchell, 2015](#)). Despite this consensus, there have been many attempts at developing an effectiveness or efficiency measurement framework. Some scholars utilise available organisational information such as mission statements, a commitment to customer service or independent financial audits in order to gauge performance ([F. Reid, Brown, McNerney, & J. Perri, 2014](#); [R. D. Herman & Renz, 1998](#)). A more objective approach would be to measure an increase in revenue or an ease of

giving ([Kaplan, 2001](#)). However, and specifically in regard to this research, none of these measures indicates how effectively or efficiently a charity is performing ([Pallotta, 2008](#)).

Literature peppered with advice regarding improving the effectiveness or efficiency of a charity is also plentiful ([Drucker, 2012](#); [Sand, 2005](#); [Wolf, 2012](#)) but is generally based on personal experience rather than empirical evidence. Indeed, empirical studies regarding the effectiveness or efficiency of charities are rare ([J. Lecy, Schmitz, & Swedlund, 2012](#); [Peng, Kim, & Deat, 2019](#)). For these reasons, it is difficult to gauge and compare the effectiveness or efficiency of charities ([M. Kim, 2017](#)) despite the fact that funders generally expect charities to perform both effectively and efficiently ([Handy et al., 2010](#); [Tinkelman & Donabedian, 2007](#)). In a 2001 study, Frumkin & Kim concluded that organisational efficiency, whether high or low, “had no statistically significant effect...on contributions” ([Frumkin & Kim, 2001, p. 271](#)). That conclusion was important to this research as it suggested that efficiently operated charities were not rewarded by funders for that organisational condition. It also suggested that funders were indifferent to how well a charity was operating when distributing their funds. Frumkin (2006) argued that questions about charity effectiveness and efficiency were skewed too much towards charity performance rather than being focused on how well funders were achieving their mission and objectives ([Frumkin, 2006](#)).

A number of objective measures of effectiveness or efficiency do exist, according to the literature, although there is no agreement as to their value. One example is that of *overhead ratio* or *program ratio*, which is a comparison of a charity’s expenditure on administration, including fund-raising, with that of its program expenditure ([Garven, Hofmann, & McSwain, 2016](#); [Khumawala, Parsons, & Gordon, 2005](#); [Peng et al., 2019](#)). This measure uses similar protocols to those of the Financial Exposure Index, as referenced in the previous section, and uses primarily financial information to assess charity performance. A low overhead or program ratio can then be used to reassure funders that their donations are being directed to where funders presume they can have most impact, rather than towards payroll, accommodation, or other less ‘sexy’ organisational costs ([Faulk & Stewart, 2017](#); [Mitchell & Calabrese, 2019](#)). Literature regarding overhead or program cost does suggest that higher overall revenue equates to lower overhead costs ([Ecer, Magro, & Sarpça, 2017](#)) but that there is no ‘golden number’ for the overhead or program ratio ([M. Kim, 2017](#)). Indeed, some scholars have argued that a low overhead ratio has the effect of placing a charity in a position

of compromise, as there are fewer options available to cuts cost before eating into program budgets ([Greenlee & Trussel, 2000](#); [Trussel, 2002](#)) or that that programs could be negatively impacted by a dilution of the administrative support that is critical to their operation ([M. Kim, 2017](#)). Charity ‘watchdogs’, such as Charity Clarity ([Charity Clarity, 2020](#)), Charity Navigator ([Charity Navigator, 2020](#)) and the BBB Wise Giving Alliance ([Alliance, 2020](#)) all use such rudimentary financial information to rate the performance of charities. Evidence exists that these ratings do have a positive or negative impact on donations and grants ([Charles, Sloan, & Schubert, 2020](#); [Gordon, Knock, & Neely, 2009](#); [E. E. Harris & Neely, 2016](#)). Unfortunately, the ratings tell little about the actual effectiveness of efficiency of individual charities ([Chapman & Robinson, 2013](#); [Coupet & Berrett, 2019](#)).

Evidence from the literature of attempts to bridge the gap between financial reporting and assessing actual effectiveness and efficiency is sparse. One example is the Social Return on Investment (SROI) framework, described as being a mechanism for measuring values that are not reflected in traditional financial reporting, such as social, economic, and environmental impacts ([Folger, 2019](#)). Analyses of the use of the SROI framework have concluded that it does better inform funders when comparing funding propositions and does assist charity leaders to assess performance ([Lingane & Olsen, 2009](#); [Maier, Schober, Simsa, & Millner, 2015](#)). However, the SROI framework is not without its limitations: evaluation of social impacts can be a highly subjective process, as can the monetising of social phenomena ([Clifford, List, & Theobald, 2010](#); [Zappala & Lyons, 2009](#)).

Summary

The purpose of this section of this study’s Literature Review was to review the available literature on the organisational effectiveness and efficiency of charities as background to determine any link between these two components and the models of funding used. Few empirical studies regarding the effectiveness and/or efficiency of charities were located. Where studies did exist, the focus was on defining effectiveness or efficiency rather than on objectively measuring each. There is a dearth of literature that has investigated the effectiveness and/or efficiency of a charity and linked those factors to the model under which it is funded. Where such literature does exist about aspects such as revenue concentration versus revenue diversification or overhead ratio, no consensus has been attained. Hence the significance of this study which could not be undertaken without further data gathering.

2.9 The motivations of funders

This section reviews the available literature on the motivations of funders and seeks to establish whether or not it contained a link to the effectiveness and efficiency of charities.

The academic literature available on charitable giving is significant. Searching Google Scholar using the words ‘*charitable giving*’ can return over 160,000 results, with the literature scattered over differing disciplines, including economics, psychology and sociology ([Bekkers & Wiepking, 2011b](#)). Consequently, it is a challenge to gain a comprehensive overview of charitable giving and the motivations that drive it.

One view in the literature is that there are only two conflicting motivations, one being altruism and the other self-interest ([Hart & Robson, 2019](#); [Herzog & Price, 2016](#)). Altruism can be described as giving that is driven by a selfless concern for others ([Bekkers & Wiepking, 2011b](#); [Buraschi & Cornelli, 2014](#)). Funders whose giving is driven by self-interest or ‘impure altruism’ ([Andreoni, 1990](#)) might expect something tangible in return, such as a tax benefit or recognition ([Bekkers & Wiepking, 2011b](#); [Harbaugh, 1998](#)). Some researchers have argued that ‘self-less’ altruism cannot exist as one would need free will to be able to act without influence from external pressures or prior experiences, which is unlikely ([Abounader, 2018](#); [Fehr & Fischbacher, 2003](#)); or that self-less altruism must be powered, in part, by empathy, in which altruism provides a counteracting response when one is on a pathway leading to negative emotions, such as melancholy or remorse sees ([Sargeant & Shang, 2010](#); [K. Wright, 2001](#)). Others have concluded that funders’ motivations fluctuate from altruistic to self-interested depending on context ([Kelly, 1998](#); [Mordaunt & Paton, 2007](#)). Another often cited motivation is that of reciprocity, where a donor may donate to a particular cause because that charity has provided some benefit to the donor previously ([Dawson, 1988](#); [Jung, Phillips, & Harrow, 2016](#); [Kocielnik et al., 2018](#))

Beyond altruism, self-interest and reciprocity, some researchers have sought to go deeper to understand the reasons why people and organisations donate to charity ([Casale & Baumann, 2015](#); [D. Grace & Griffin, 2009](#); [Michel & Rieunier, 2012](#); [Verhaert & Van den Poel, 2011](#)). Motivations cited are wide-ranging, including:

- Connection, concern and capacity ([K. S. Grace, 2006](#))

- Altruism, tax benefits and egoism ([Konrath & Handy, 2018](#))
- Sense of morality, religious beliefs and personal experiences ([Charities Aid Foundation, 2013](#))
- Reciprocity, advance a political agenda and perpetuate donor's name ([Worth, Pandey, Pandey, & Qadummi, 2020](#))
- Trusting the charities donated to ([Charities Aid Foundation, 2019](#)).

Bekkers & Wiepking (2011) attempted to reconcile the many motivations discovered ([Bekkers & Wiepking, 2011a](#)) and provided the following determinants of charitable giving:

- *Awareness of Need*: Individuals groups and organisations must be (or become) aware of a need.
- *Solicitation*: The act of being solicited to donate.
- *Costs and Benefits*: The tangible objects of giving.
- *Altruism*: Caring about the consequences of giving.
- *Reputation*: A social consequences of giving.
- *Psychological Benefits*: One of the intangible benefits of giving.
- *Values*: Demonstrating one's validation of certain values to others.
- *Efficacy*: The perception that giving makes a difference.

Bekkers & Wiepking (2011) also claimed that the abovementioned motivations are likely to work in conjunction with each other and may influence each other ([Bekkers & Wiepking, 2011a](#)). In another more recent study, Degasperi & Mainardes (2017) sought to identify funders' external motivations for giving ([Degasperi & Mainardes, 2017](#)) and provided the following:

- *Trust*: Generated by the level of credibility of a charity including its leadership.
- *Reward*: Can be tangible, as in the form of a gift for having donated, or intangible, such as recognition for being a donor.
- *Leadership influences*: The desire to replicate an act of some special person, such as, a celebrity, a sports person, or a commendable leader.
- *Characteristics of the organisation*: The importance attributed to a charity.
- *Environmental influences*: The ability of individual or organisation to influence giving.
- *Personal Benefit*: Giving with the realisation that the giver will be rewarded in some fashion, such as a tax or spiritual benefit.

- *Characteristics of beneficiaries: Contrary to what one may think, a beneficiary with a positive image is considered more deserving, as well as those viewed as vulnerable including the elderly, infirm and children.*
- *Future: Reflecting a funder's interest in giving as they are involved or associated with specific organisations and wish to remain so. ([Degasperri & Mainardes, 2017, p. 369](#))*

There are many motivations cited within existing literature, and many of them are intangible, including spiritual or psychological benefits. Scholars claim that differing motivations interact with one another and can also be prejudiced by external influences, such as economic factors or one's peer group ([Bekkers & Wiepking, 2011a](#); [Degasperri & Mainardes, 2017](#)). As such, it is difficult to define exactly what motivates funders as there are so many differing inputs and scenarios that can influence the decision-making process.

2.9.1 Government funding and the motivations behind it

As stated previously in this chapter, the Australian Federal and State Government provided approximately \$73 billion to charities through the financial year 2017/2018. This section explores how some of that funding is distributed and the motivations that drive those distributions.

As stated earlier in Chapter 1, a significant proportion of annual charity revenue is sourced from federal, state and local government (\$68 billion out of \$115.4 billion) ([Australian Charities and Not-for-Profit Commission, 2020e](#)). As a result, many of Australia's charities rely on government funding to some extent. The ongoing challenge for charities is how to continue to secure government funding. Despite the literature on this subject progressing considerably in recent times ([Garrow, 2010](#); [Stone, Hager, & Griffin, 2001](#); [Suárez, 2011](#)), it is still not comprehensive enough to provide a systematic understanding of the various factors at play ([Nikolova, 2015](#)). As a result, this study used the two following examples of government funding programs that clearly demonstrate the motivations behind the funding decisions made.

Community Sport Infrastructure Grants

Established in 2018, the goal of the Community Sport Infrastructure Grant (CSIG) program is to provide Australians with better access to quality sporting facilities. This, in turn, will

encourage participation in various sports, improve inclusion and increase physical activity across communities ([Australian Sports Commission, 2018a](#)). The grants are administered by the Australian Sports Commission (Sport Australia), which published guidelines stating how each application would be assessed. Applications opened on the 2nd of August 2018 and closed on the 14th of September 2018. 2,056 applications were received, collectively seeking almost \$400 million in grants. Of the 2,056 applications, 684 proved successful, securing grants worth just over \$100 million. These grants were awarded between December 2018 and April 2019 ([Australian Sports Commission, 2019](#)). Following a request from the Shadow Attorney-General, the Hon. Mark Dreyfus QC MP, for an investigation into the awarding of a cheque of \$127,373 to the Yankalilla Bowling Club in South Australia by Georgina Downer, the Liberal candidate for Mayo, the Auditor-General, Grant Hehir, decided to audit the CSIG program ([Hehir, 2020](#)). The primary objective of the audit was to “...*assess whether the award of funding under the CSIG program was informed by an appropriate assessment process and sound advice...*” ([Hehir, 2020, p. 7](#)). The conclusion of the audit was that “...*the award of grant funding was not informed by an appropriate assessment process and sound advice...*” ([Hehir, 2020, p. 8](#)).

More specifically, grant applications were assessed by Sport Australia against the published criteria and 426 applications were recommended for funding ([Hehir, 2020](#)). These recommendations were endorsed by the Sport Australia Board of Directors and sent to the then Minister for Sport, Senator the Hon. Bridget McKenzie, for approval ([Australian Sports Commission, 2019](#)). The Minister’s Office, using a differing set of criteria which were not published, then informed Sport Australia about which applications would be approved ([Hehir, 2020](#)). There was also evidence of bias in the awarding of grants, which focused on ‘marginal’ electorates as held by the Morrison Government, and those electorates held by other political parties which were intended to be targeted at the 2019 Australian General Election ([Hehir, 2020](#)). Grant applications from those electorates were more fruitful in securing funding than they would have been if the applications had been assessed and awarded in line with the published program guidelines ([Hehir, 2020](#)).

In the CSIG 2018 Guidelines document ([Australian Sports Commission, 2018b](#)), the then Minister for Sport, Senator the Hon. Bridget McKenzie, stated:

“...local sport infrastructure plays a critical role in keeping communities healthy, active and connected... it has the capacity to provide benefits beyond sport, as a

place for communities to gather, create connections and develop networks...the Australian Government is committed to ensuring that more Australians have access to quality sport infrastructure, encouraging greater community participation in sport and physical activity..” ([Australian Sports Commission, 2018b, p. ii](#))

Significantly, Senator McKenzie’s statement acknowledged the many benefits that long-term and significant investment can bring and demonstrated that the Australian Federal Government is willing to provide a component of that investment through one of its many grant programs.

What Senator McKenzie did not make clear was that the Australian Government was more committed to getting itself re-elected than it was in achieving the abovementioned goals. In this instance, it was clear Australian Federal Government, acting as a funder, was motivated more by self-interest than by the stated purpose of serving the community. It prioritised its goal of getting re-elected above that of the needs of the community. But what is of greatest concern is that the Federal Government was willing to manipulate over \$100 million worth of tax-payer funds to the detriment of those – using their own published guidelines – who most deserved it. It appears that little thought would have been given to the impact of the Australian Federal Government’s motivations on the initial 2,056 applicants who invested in the application process. Had the Federal Government published its intentions, a lot of time and effort could have been saved by those who could least afford it. One would have thought that being the Minister responsible for this funding debacle would have resigned from cabinet and party leadership, but that did not occur, with Senator McKenzie claiming, like many of her colleagues, that no rules had been broken ([Morrison, 2020](#)) and that she was exercising Ministerial discretion ([Worthington, 2020](#)). After much posturing from the Australian Federal Government, Senator McKenzie eventually resigned her position due to a report undertaken by the Secretary of Prime Minister and Cabinet, which found she had breached the Ministerial Code of Conduct by awarding a grant of \$36,000 to a Wangaratta gun club of which she was a member ([Coorey, 2020](#)). It is difficult to comprehend why the Australian Federal Government would be of the opinion that awarding a \$36,000 grant to a club of which you are a member was a breach of the Ministerial Code but that misappropriating over \$100 million worth of grants for political benefit was not.

Regional Cultural Fund

Established by the New South Wales Government in early 2018, the stated aim of the Regional Cultural Fund was to support the development of cultural infrastructure across regional New South Wales and to look to bolster artistic activities, culture and heritage through an investment of \$100 million ([Create NSW, 2020d](#)). Of the 150 grant applications, 116 proved successful and were ranked in order of merit by a six-person panel that included four independent assessors, as well as one representative from the State Government agency Create NSW and another from the Department of Premier and Cabinet ([Create NSW, 2020d](#)). The advice provided by the six-person panel was largely ignored by the then Deputy Premier of New South Wales, John Barilaro and the then Minister for Arts, Don Harwin, allocated grants to organisations situated in parliamentary seats held by their own government ([Boland & Miskelly, 2020b](#)). They also allocated grants to eight art-based projects that had not been recommended for funding ([Boland & Miskelly, 2020b](#)). Director of Fling Physical Theatre, Rob Mr McCredie, who failed to secure funding stated: "*...ministers can legally give funding to whoever they see fit but the purpose of independent assessors is to ensure equity and probity it's an enormous waste of time for organisations that cannot afford any waste ...*" ([Boland & Miskelly, 2020a, p. 1](#)).

These examples of governments as funders are important to this research as they demonstrate the motivations behind the allocation of those grants. Both the Australian Federal and New South Wales governments had the same motivation – to get re-elected. Little thought was given to the impact of their actions. The misappropriation of public funds may have rewarded organisations that were both ineffective and inefficient, allowing them to carry on regardless of their performance. Charities which are effective and efficient may have been penalised. If both governments had been up-front regarding the process and protocols of awarding and allocating grants, a lot of time, effort and expense could have been saved.

Summary

There is much literature regarding the motivations of funders, with many differing motivations cited within the literature. Many of these motivations are intangible or subjective and cannot be used to construct an objective summary. There are signals that governments are driven, in part, by self-interest but further empirical evidence of this is required. Importantly, no literature was found that linked the organisational effectiveness and efficiency of charities to funders' motivations.

2.10 The charity/funder relationship

This section reviews the available literature on the charity/funder relationship and seeks to establish the impact this relationship can have on the effectiveness and efficiency of charities.

The problems facing today's society are sizeable and numerous; no single organisation, government included, has the capability or capacity to resolve these problems alone ([Ferraro, Etzion, & Gehman, 2015](#); [Head & Alford, 2015](#); [Yaziji & Doh, 2009](#)). As a result, inter-organisational relationships are established between charities and funders ([D. A. Campbell, Lambright, & Bronstein, 2012](#); [Norris-Tirrell, 2014](#)). Funders establish relationships with charities, as charities have the knowledge and ability to address the aforementioned societal problems; charities are welcoming of these relationships as funders can provide the funding charities require to tackle these problems ([C. J. Choi, Cheng, Kim, & Tarek Ibrahim, 2005](#); [Mayhew, 2008](#); [Selsky & Parker, 2005](#)). Literature on inter-organisational relationships tends to be skewed towards the benefits for charities and funders and underplay the issues that may present ([Gazley, 2008](#); [Gazley & Brudney, 2007](#); [Kumar, Kant, & Amburgey, 2007](#)) including the “...additional and often burdensome administration demands...” ([Norris-Tirrell, 2014, p. 309](#)) and does not lend itself to being used to evaluate the impact of the relationships between fundees and funders. With regards to charities having impact, “...the single largest determinant of...success is financial sustainability...” ([Schatteman & Waymire, 2017a, p. 125](#)); consequently, charities can chase funders in pursuit of that determinant ([Fischer, Wilsker, & Young, 2011](#); [Weerawardena, McDonald, & Mort, 2010](#)). But, as stated previously in this chapter, funders take many forms, and each has its own set of demands and motivations.

Charities and businesses

Some scholarship has attempted to explore the implications of *charities* collaborating with *businesses*, with early studies emphasising the potential to efficiently address the aforementioned societal problems by pooling resources ([B. Gray, 1989](#); [Waddock, 1989](#)). However, more recent scholarship has noted that a *power imbalance* in this type of collaboration can lead to undesired outcomes ([Al-Tabbaa, Leach, & March, 2014](#); [van Tulder & Keen, 2018](#)), including a charity's “...competencies, identity, or culture [being] threatened by a more powerful partner...” ([Selsky & Parker, 2010, p. 33](#)). Businesses can seek to establish a relationship with a charity for a multitude of reasons including the bolstering of their brand,

improving legitimacy or enhancing their reputation ([Basil, Runte, Easwaramoorthy, & Barr, 2009](#); [Falck & Heblich, 2007](#)). They may exploit this relationship as a response to political or social demands in a competitive environment or to thwart negative stakeholder actions ([den Hond, de Bakker, & Doh, 2015](#)). These motivations are important as they demonstrate the manner in which businesses can seek to manage a complex and interconnected set of societal expectations, shareholder pressure and government regulation that may affect both profitability and performance ([Burchell & Cook, 2006](#); [Turcotte & Pasquero, 2001](#)). Conversely, charities will seek this type of collaboration primarily for financial reasons ([Al-Tabbaa et al., 2014](#)). Therefore, charities should approach these opportunities with caution as they may not be able to meet the demands placed upon them, such as the provision of employee volunteering opportunities or participation in marketing related activities, and a failure to meet these demands may result in a withdrawal of critical funding ([Bouchard & Raufflet, 2019](#)).

Charities and philanthropy

Scholarship on the impact of charity/philanthropic funder relationship is also fragmented and sparse. Available philanthropic literature generally focuses on the role of philanthropy, with some scholars believing that philanthropy has the ability and capacity to innovate and influence well beyond their wealth ([Dowie, 2002](#); [Stanfield, 2007](#)). Some scholarship posits that philanthropy can champion essential societal change, such as lessening poverty or reducing inequality ([Herro & Obeng-Odoom, 2019](#); [C. Jensen, 2013](#)), because philanthropic organisations are free from competition and accountability ([D. McCarthy & Faber, 2005](#)). On the other side of the coin, philanthropy is criticised for seeking to maintain the current social order and being cautious and passive ([Arnove, 1982](#); [Dowie, 2002](#)); and for protecting the exclusive privilege of the wealthy ([Stanfield, 2007](#)); and even for ownership of key elements of American society. Other criticisms of philanthropy are that it has lost its enthusiasm for experimentation and risk ([Kasper & Marcoux, 2014](#); [Knott & McCarthy, 2007](#); [Minkoff & Agnone, 2010](#)); and its grant-making strategies for resolving society's most pressing problems are inadequate ([Jaskyte, Amato, & Sperber, 2018](#)). Tuan (2004) described the 'courting' activity that a charity must undertake in order to secure a relationship with a philanthropic funder as being a *Dance of Deceit*, in that there is an elaborate performance staged in order to procure funding; the philanthropic seeks proposals on the current 'hot topic' and charities suddenly mutate into experts on that 'hot topic' to capture funding for their financially vulnerable organisations ([Tuan, 2004b](#)). Also, too many philanthropic grant

managers “...confuse proximity to money with having money themselves...the power and ego issues that accompany that confusion delude the gatekeepers into thinking that they are the kingmakers...” (Tuan, 2004a, p. 1). Raymond (2016) supported this distortion in power: “...for me, those with the real “power”...are the grantees and partners who do the work...yet those same organizations...must come to us to obtain resources...therein lies the distortion...” (Raymond, 2016, p. 1). Both these quotations are important to this research as they acknowledge a *power imbalance* in the fundee/philanthropic relationship. Another area where relationship issues within philanthropic partnerships can arise is with regard to the perceived value of a philanthropic gift, in that the funder may have a differing opinion to that of the fundee as to what impact a gift of funds can have (Witkowski, 2021). A gift of \$1m may seem a sizeable sum but if it is being distributed over a 5-year period towards supporting a school of 1,000 pupils, it equates to only \$200 per student annually.

Charities and government

Scholarship on the fundee/government relationship is well established (Alcock, 2016; Levitt, 2012; Salamon, 1995; S. R. Smith & Lipsky, 1995), however, there are varied and contradicting views. *Government Failure Theory* assumes that the relationship between government and charities is competitive in that both deliver social services, with charities fulfilling the more diversified and localised societal needs that the government fails to meet (Grand, 1991; Paarlberg & Zuhlke, 2019; Salamon, 1987; Weisbrod, 1986). *Interdependence Theory* challenges this assumption, arguing that government and charity can establish productive relationships and, at times dependant, partnerships in addressing society’s problems (Bae & Sohn, 2018; Cheng, 2018; K. A. Grønbjerg & Paarlberg, 2001; J. D. Lecy & Van Slyke, 2012). Empirical evidence in the extant literature supports both *Government Failure Theory* (Ben-Ner & Van Hoomissen, 1992; Marchesini da Costa, 2016; Matsunaga & Yamauchi, 2004) and *Interdependence Theory* (Joassart-Marcelli & Wolch, 2003; Marcuello, 1998; Saxton & Benson, 2005).

Over the past several decades, the charity sector has been seen as an increasingly attractive proposition for governments looking for ways in which to reduce the financial burden of the welfare state (Amin, 2009; Austin, Stevenson, & Wei-Skillern, 2006). As a result, there has been a considerable increase in charity/government collaboration (Gazley & Brudney, 2007; Pestoff & Brandsen, 2009; Salamon, 1995). This increase has been as a result of governments ceding responsibility for the delivery of social services (Huxham & Vangen, 1996;

[Thompson & Williams, 2014](#)) with charities and other not-for-profits filling the gap left by government, albeit with mostly government funding, and, consequently, the charity/government funder relationship becoming more mutually dependent ([Cho & Gillespie, 2006](#); [Gazley & Brudney, 2007](#)). As governments increasingly withdraw from the provision of social services, it is reasonable to assume that *Interdependence Theory* will overpower that of *Government Failure Theory* and become the predominant theory in the charity/government relationship sphere ([J. D. Lecy & Van Slyke, 2012](#)) Other contrasting views are those of Young (2000) who argued that charity/government collaborations are complementary ([Young, 2000](#)), whilst Boettke and Prychitko (2004) queried whether these collaborations are a positive development, arguing that charities can cease to function properly, given a government's coercive powers ([Boettke & Prychitko, 2004](#)).

Scholarship regarding *government crowding out* and *government crowding in* also provides differing and opposing views. Government crowding out theory posits that the provision of government funds to a charity, reduces or crowds out funds from other sources with *government crowding in* theory positing that the provision of government funds increases funds from other sources ([Andreoni & Payne, 2003](#); [Heutel, 2014](#)). Reece (1979) found no evidence of government crowding out, whilst Abrams & Schwartz (1978) found partial government crowding out ([Abrams & Schitz, 1978](#)). Roberts (1984) provided evidence of government crowding out on a dollar-for-dollar basis ([R. D. Roberts, 1984](#)) and Kingma (1989) states that "... a change in aggregate funds to a given non-profit organisation can crowd out private charitable contributions..." ([Kingma, 1989, p. 1205](#)). More recently, Heutel (2014) found that private donations or grants crowd out government funding ([Heutel, 2014](#)) with Ferreira Neto (2018) finding "...a positive correlation between donation and government spending in every level...", indicating a crowding in effect ([Ferreira Neto, 2018](#)). Andreoni & Payne (2003) state that government funding can crowd out itself due to charities reducing their fundraising efforts after receiving a government funds . Brooks (2000) posits that government crowding out and government crowding in is not inconsistent with one another as crowding in can occur when government funding is low compared to crowding out occurring when government funding is high ([Brooks, 2000b](#)).

As stated earlier in this chapter, the availability of government funding may seem like an attractive proposition for some charities, but for those who choose to establish a relationship with government through the acceptance of funding, compliance with criteria promulgated

through legislation and regulation may be burdensome, costly and a strain on the relationship ([McBrearty, 2007](#); [Thompson & Williams, 2014](#)). Another challenge emerging from the charity/government relationship includes that of compromised funder relations, where funders realise that their gifts could be being used to subsidise government contracts and may then be circumspect about future contributions ([M. Jones, 2007](#); [Ramrakya, 2002](#); [Weisbrod, 2004](#)). Other scholars argue that this *crowding out* effect occurs only partially ([Payne, 2009](#)) or not at all ([de Wit & Bekkers, 2016](#)).

Some scholarship signals increased financial vulnerability as a concern, with government often being reluctant to meet the full cost of a necessary service, resulting in charities having to reallocate financial and other resources in order to deliver that service ([Seddon, 2007](#); [S. R. Smith & Michael, 1995](#); [Weisbrod, 2004](#)). Another effect of this type of coercive behaviour by government is that of *mission creep*. Typically, the impetus behind *mission creep* is a funder's desire for a charity to alter the scope of the services it provides to better align with that of the funder's requirements ([Doherty, Haugh, & Lyon, 2014](#); [Ebrahim, Battilana, & Mair, 2014](#); [M. Jones, 2007](#)). Due to the significance and extent of the funding provided, concerns regarding *mission creep* are inexorably linked to government funding of the charity sector ([R. Bennett & Savani, 2011](#)).

Summary

Current literature regarding the charity/funder relationship helps reveal the many differing types of relationships and influences that exist between charities and funders. The literature illuminates the obvious need that charities and funders have for each other. It also signals that funders generally want more from the relationship than just a straightforward exchange of resources. Whilst the literature points us towards the sources of some challenges emerging from this relationship, such as government withdrawal from service provision, funding risks and mission drift, it provides little information about the actual effect of these challenges. A *power imbalance* between charities and funders is often signalled but not fully developed: why do funders hold all the power in this relationship as, without charities, they would be inert? Further, who has awarded funders this level of command? Another gap in the literature is that of the *lived experience* within the charity/funder relationship: what are the effects on charity employees when a funder exerts their power and what impact does this have on the effectiveness and efficiency of that charity?

2.11 What is the gap/opportunity that this research seeks to fill?

The purpose of this chapter is to review the available literature regarding the models of charity funding, the organisational effectiveness and efficiency of charities, the motivations of funders and the charity/funder relationship. This chapter has also sought to establish a link between the organisational effectiveness and efficiency of charities and charity funding.

There is little available literature regarding how charities are actually funded, as in the size and term of the funding awarded. There is also a dearth of literature on how funders fund, in relation to how much funders give to individual charities and for what period does this funding last. Reporting obligations for charities both in Australia and overseas provide little assistance in relation to this study as they cannot be investigated in any practical fashion to demonstrate what models of funding exist. A similar pattern follows for funders who have few obligations regarding reporting on their funding allocations. Governments, who are significant funders of the charity sector, demonstrate an inability to separate grant allocations from those given for the procuring of services. This study has sought to fill the gap in the literature regarding how charities are funded.

There are few empirical studies regarding the effectiveness and/or efficiency of charities. Where this literature does exist, such as revenue concentration versus revenue diversification or overhead ratio, no consensus is attained. There is no available literature linking the effectiveness and/or efficiency of a charity to the model under which it is funded

Chapter 3 – Methodology

3.1 Introduction

A mixed method research approach was applied in this research. It was adopted to provide broader and deepening understandings of the presence, role and influence of Resource Dependency Theory and Phenomenology. Engagement with these frameworks involved the collation of quantitative data and experiential stories. The research methodology presented in this chapter was constructed to answer the research question *is the organisational effectiveness and efficiency of charities impacted by how they are funded?*

Chapter 1 of this thesis introduced this research, presenting the field of investigation and the motivations behind undertaking this study. It also specified the research questions to be examined. Chapter 2 explored and considered the current literature in relation to the field of investigation and the research questions. The purpose of this chapter is to describe ‘how’ the research questions were investigated.

3.2 Theoretical Framework

The theoretical framework chosen for this study was a blend of Resource Dependency Theory and Phenomenology. What follows is an overview of each of the framework in order to foreground the understandings and construction of the mixed method research approach that was employed. In addition, descriptions are provided about the context of charities in relation to these major concepts.

Resource Dependency Theory

Organisations of all kinds depend on resources for their operations and existence. At a localised community level, these resources may be comprised almost entirely of the time and expertise of volunteers plus some very modest facilities. They may also include a small income stream from member fees and some small donations or grants. In the Australian context, Landcare Australia is a good example of this type of organisation. With over 6,000 local Landcare groups nation-wide, work is primarily undertaken by over 100,000 volunteers in partnerships with sustainability-focused farmers, small business owners, traditional land managers and many other types of local organisations ([Landcare Australia, 2020](#)). Within rural and regional Australia, the Country Education Foundation of Australia is another example of this type of organisation. Consisting primarily of volunteers, over 40 local education foundations raise funds and provide scholarships in order to progress the educational and career-based aspirations of rural and regional based youth ([Country Education Foundation of Australia, 2020](#)).

In the for-profit sector, and for all types of enterprises, ensuring an adequate supply of financial and human resources is essential. Similarly, there needs to be adequate accommodation, information technology systems and organisational networks, all of which are crucial to maintaining viability, indeed solvency. Critical to maintaining viability is access to resources that will aid in the developing, servicing and expanding of markets that can, in turn, purchase the goods and services on offer.

In contrast to the for-profit sector, the not-for-profit sector and specifically charities as the focus of this thesis, securing resources can be particularly problematic because, typically, those for whom the goods and services are intended are not in a position to pay for them or at

least pay for a substantial part of their costs. Establishing, then maintaining and subsequently improving the output of charities foregrounds the seminal and complex character of the relationships between charities and their funders.

Focussing on charities as a specific type of organisation, securing resources is a challenging process because typically the demands often exceed the means of satisfying them. And, given that many charities are engaged in providing goods and services to people whose circumstances often place them at the margins of a society, there is the added burden of ‘winning the advocacy war’ which is also central to securing resources. Put another way, integral to the *raison d’être* of being a charity is contestation for finite resources to meet virtually infinite demands, and in many instances having to make this argument for causes which might be judged not to be economically viable or of sufficient intrinsic value.

With the constant pressure on charities generated by the need to secure resources so they can continue operating, questions arise as to the potential to ameliorate the relationship dynamics between them and their sources of resourcing, herein referred to as funders, to create improvements in their organisational effectiveness and efficiency. Resource Dependency Theory (RDT), which first came to prominence through the publication of *The External Control of Organizations: A Resource Dependence Perspective* by Pfeffer and Salancik in 1978, is especially germane to investigating the potential for any improvements that can be achieved. In a thirty-year review of the theory of RDT, its impact and contributions ([Hillman, Withers, & Collins, 2009](#)), the authors argued that, despite the effect of external influencers “...managers can act to reduce environmental interdependence and uncertainty...” ([Hillman et al., 2009, p. 1404](#)). Further, the authors commenced their review with a seminal quotation from the original Pfeffer and Salancik article, namely, “...to understand the behavior of an organization you must understand the context of that behavior—that is, the ecology of the organization...” ([Hillman et al., 2009, p. 1404](#)) This very fertile, very generative, insight was especially pertinent to the main focus of this research because it opened spaces and possibilities which might have been constructed while also being organic and therefore mutable and malleable as well as unpredictable and uncertain, that is, processual as well as structural and reciprocal of behaviour and context.

The basis of RDT is that organisations will transact with other organisations or entities in order to acquire the critical resources needed to continue operating. The theory is important

because an organisation's ability to secure and exploit resources better than their competitors can be fundamental to success ([Pfeffer & Salancik, 2003](#)). RDT examines the *relationship between organisations* and the resources they need to operate, which can take many forms, including raw materials, employees and finance. Acquiring the appropriate resources, at the right time, is vital to the effective operation of any organisation. The required resources maybe in short supply, not always easily obtainable or under the control of unhelpful others. When one organisation holds all stock of a particular resource, other organisations dependent on this resource will become reliant on this one organisation in order to be able to continue operating. These lop-sided interactions can generate imbalances in authority, such as who dictates what to whom. As a result, the influence of dependent organisations can be reduced and possibly the ability to access future or additional resources.

In order to avoid this resource dependency, there are generally two differing adaptive responses that dependent organisations can adopt ([Pfeffer & Salancik, 2003](#)). The first adaptive response being the dependent organisation *adapting to* the environment in which it now operates. This 'marketing concept' response has the dependent organisation assessing the needs of the marketplace and then adapting its processes and products to meet those needs ([Kotler, 2015](#)). A recent example of this type of adaptation is that of fast-food retailers and restaurants providing home delivery services when a sit-in dining options have been withdrawn due to COVID-19 restrictions. The second adaptive response being the dependent organisation can try to *adapt the* environment in which it now operates to better align its own capabilities. This 'demand creation' response requires significant effort in generating awareness and engagement from prospective clients/customers or clients ([Galbraith, 2014](#)). The relatively recent introduction of 'green products' that are produced with little or no carbon footprint are an example of a 'demand creation' adaptation.

With regards to this study, funders, and only funders, hold the financial resources on which charities are dependent. Charities attempting to adopt either of the aforementioned adaptive responses would fail. With regards to a 'marketing concept' response, an environmental focussed charity cannot simply adapt its processes, practices and people to shift focus to education where greater funding opportunities may be available. Beyond the operational challenges, there may also be constitutional barriers to such a change. And who would then look after the environment?

With regards to a ‘demand creation’ response, one could argue that the introduction of the National Disability Insurance Scheme (NDIS) is an example of ‘demand creation’ as many health-focussed charities have seen an upturn in demand for their services. However, the demand for additional NDIS type services has always existed. The NDIS funding provided by federal government is a response to that demand not the other way around. The primary adaptation that charities can adopt is that of adapting to the requirements of their funders. Without funders charities will not survive.

However this form of adaptation creates further dependence and too much dependence can create *uncertainty* and, more importantly, *vulnerability* ([Pfeffer & Salancik, 2003](#)).

As noted in Chapter 1, charities claim that their *relationships* with funders are irregular and that funders employ unhelpful practices. Charities also claim that the funding model as employed by most funders creates financial vulnerability. As such, RDT would allow an in-depth exploration of these claims. RDT can also be used to explain the behaviour of organisations ([Nienhuser, 2008b](#)). Decisions made, actions taken and decisions not made are demonstrations of an organisation’s behaviour, which may help explain why funders seemingly employ a less than effective model of funding and why charities, despite their criticisms, continue to conform to it.

Criticisms of RDT include the inability to fully test a theory as complex as RDT due to the many hypotheses contained within as the empirical results will relate to one single hypothesis ([Nienhuser, 2008a](#)) and that RDT provides little indication as to what organisations will ultimately lead their sectors ([Malatesta & Smith, 2014](#)). Another criticism are regarding RDT is its ability to adapt to new organisational environments, such as, the ubiquity of information technologies and globalisation of trade ([Davis & Cobb, 2010](#)). Both of which can lower dependence among purchasers and suppliers as purchasers are able to develop alternative supplies more easily. This new era of behemoth ‘tech’ organisations demonstrate that the ability to secure critical resources is no longer as important as RDT has implied. Instead, as Facebook and Google confirm, an organisation’s power now lies within its market capitalisation rather than volume of sales or the efficiencies within the supply chain management ([Drees & Heugens, 2013](#)).

Alternative theoretical frameworks

Institutional Isomorphism (II), another theoretical framework, was considered as an alternative to using RDT in this study. II was first introduced in the publication *Institutionalized Organizations: Formal Structure as Myth and Ceremony* by Meyer and Rowan in 1977. The authors sought to establish the notion of II as a means through which organisations could attain legitimacy, as in, adhering to legitimate practices and standards ([Meyer & Rowan, 1977](#)). In that context, II can present itself through the adoption of such organisational elements as structures, practices, procedures and values. The Meyer and Rowan publication was followed in 1983 by *The Iron Cage Revisited: Isomorphism in Organizational Fields* by DiMaggio and Powell. These authors claim that II is a constricting system that compels organisations to embrace similar practices whether they add value or not and that there are three primary aspects of II: normative, coercive and mimetic ([DiMaggio & Powell, 1983](#)). These other isomorphism theories were considered as alternatives to RDT.

Normative Isomorphism

Normative Isomorphism (NI) is generally associated with professions and professional standards as in, behavioural traits developed and adopted during ones education are carried forward into employment ([DiMaggio & Powell, 1983](#)). As an example, executives who have had a similar educational journey and comparable career paths are likely to act similarly to one another and this leads to a convergence and uniformity of behaviours and practices across a particular sector ([Teodoro, 2014](#)). As such, restricting recruitment to those who have experience of a particular sector will encourage NI. Australian banks are an example of organisations shaped by NI. They adhere to the same regulations, have similar reporting obligations ([Australian Prudential Regulation Authority, 2020](#)) and are all members of the same external dispute resolution scheme ([Australian Financial Complaints Authority, 2020](#)). Therefore, their practices and procedures in these arenas will not be dissimilar. A scan of the ‘big 4’ banks in Australia (ANZ, CBA, NAB and Westpac), shows that their respective Chief Executive Officers are all university educated and have at least 20 years’ experience across the banking sector ([Australia and New Zealand Banking Group, 2020](#); [Commonwealth Bank, 2020](#); [National Australia Bank, 2020](#); [Westpac, 2020b](#)).

Coercive Isomorphism

Coercive Isomorphism (CI) is generally driven by external pressures, which can be derived from many sources including customers, legislation changes or societal expectations ([Jaja,](#)

[Gabriel, & Wobodo, 2019](#)). An example of CI would be the pressure to reduce the environmental impact of an organisation's current practices. This pressure to improve is being applied to organisations from across a wide spectrum of influences. Governments, world-wide, have introduced legislation aligned with various environmental damage reduction strategies as customers want to know how 'green' a product is, and some organisations will be much faster than their competitors in pursuit of this 'environmental' legitimacy. The automotive industry is one of the most likely to be disrupted by these external pressures and therefore shaped by CI and not due only to the emissions their products produce. Automotive manufactures use large amounts of the planet's resources on the production line, such as metal, plastics and glass. They also consume huge amounts of energy due to the size and scale of their various operations. There is cost of disposing of the products in an environmentally sensitive fashion. However, many organisations within the sector already have plans in place to become 'carbon neutral', as in, the environmental cost of manufacturing and then recycling products is offset against environmentally positive activities including tree planting or capturing carbon dioxide emissions ([AUDI, 2020](#); [BMW, 2020](#); [Ford Motor Company, 2020](#)).

Mimetic Isomorphism

Mimetic Isomorphism (MI), generally originates where uncertainty or ambiguity exists and where an organisation's path to achieving its goals are unclear ([DiMaggio & Powell, 1983](#)). An organisation may then react by imitating another organisation's practises because of the belief that these practices will be beneficial. Additionally, an organisation that mimics another organisation acknowledged as legitimate is a relatively safe path to follow ([Gichuke & Okello, 2015](#)). An example of MI is that of an underperforming retail chain employing, with great fanfare, a top-class chief executive officer in order to be perceived as similar or as legitimate to other successful retail chains. Another example of MI would be that of organisations who have implemented similar business improvement strategies, such as, Total Quality Management in the 1980s, ISO 9000 in the 1990s or more recently Six Sigma, in the belief that organisations certified under a particular standard will gain some form of legitimacy.

Institutional isomorphism was considered as an alternative theoretical framework to Resource Dependency Theory (RDT) but rejected as it did not afford the research the same opportunity to explore the depth of the relationship between charities and their funders. Normative

isomorphism was also considered and rejected due to the diversity of charities within Australia. This diversity includes educational related charities, health related charities, animal welfare related as well as many, many other charities, all with differing areas of focus. The researcher believed this diversity would dilute how normative isomorphism would present. Coercive isomorphism was thoroughly considered as an alternative to RDT. Whilst the external pressures asserted by funders does impact on the behaviour of charities, the researcher is of the opinion that the dependency that charities have to secure funding (or resource) influences their behavior more than the funders themselves. As a result, coercive isomorphism was also rejected as an alternative to RDT. With regards to mimetic isomorphism, whilst the researcher believes that many charities muddle through or take an indirect path towards achieving their mission and objectives, the researcher also believes that this organisational ambiguity and instability is primarily driven by the of the uncertainty of funding. As such, this theoretical framework was not chosen as an alternative to RDT. Due to funders holding the one resource that charities most need, Resource Dependency Theory provided the best framework that could be used to explore the impact that current funding models may be having on the organisational effectiveness and efficiency of charities. It could also provide the framework for exploring the *relationship* between funders and charities, including the behaviours and motivations of both parties.

Phenomenology

Phenomenological research techniques endeavour to better understand perceptions, perspectives and opinions of a particular situation or a particular phenomenon ([Adams & Anders van Manen, 2017](#); [Mayoh & Onwuegbuzie, 2015](#)). In this research, the phenomenon of interest was the *relationships existing between* charities and the funders. The phenomenological nature of the relationships is seen in terms of what is ‘taken for granted’ in the interactions between charities and the funders, as well as the shared understandings of relationships and ‘lived experiences’ that are held but perhaps not articulated ([Giles, 2008](#)). It requires a suspending of assumptions, beliefs and traditional practice as, within the research, a tension exists between the researcher’s prejudices or assumptions and the lived experience of the phenomenon ([J. Smith, Flowers, & Larkin, 2009](#); [van Manen, 2015](#)). In the case of this research, phenomenology provided the theoretical framework that was pertinent to the task of investigating relationships, most particularly the relationship dynamics that currently exist between funders and fundees, and therefore what opportunities might exist to enhance the relationships between funders and charities.

3.3 Research approach

Mixed method approach

This research was both quantitative and qualitative and therefore a mixed-method approach was adopted. The term ‘mixed-method’ generally refers to a methodology of collecting, analysing, integrating and then interpreting quantitative and qualitative data within a single or a series of studies ([Creswell & Cresswell, 2018](#); [Morse & Niehaus, 2018](#)). The basic premise of a mixed-method approach is that the integration of both quantitative and qualitative data allows for a deeper exploration and wider understanding of the available data than would be possible from undertaking separate quantitative and qualitative studies ([Leavy, 2017](#)). Such an approach was used as the basis for learning about, and from, individual perceptions and responses from both charities and funders.

Quantitative and qualitative data

As stated earlier in Chapter 1, charities claim that most of the funding on offer is both small and short-term. However, there is a lack of reporting from either funders or regulators that can assist in substantiating this claim. Only a small number of funders provide full disclosure of the funding awards, which is not helpful to this study. As stated in Chapter 1 and demonstrated in Chapter 2, governments as funders do report on grants provided and include information on both the size and term. However, and despite existing definitions, there is a lack of separation in the reporting between grants and payment for the procurement of services.

The central collection point of a charity’s financial information is the Annual Information Statement (AIS), as submitted to the Australian Charity and Not-for-profit Commission (ACNC). However, information regarding a charity’s donations or grants is limited to:

- Total income derived from donations and bequests.
- Total expenditure of grants and donations made for use in Australia.
- Total expenditure of grants and donations made for use outside Australia.

([Australian Charities and Not-for-Profit Commission, 2020d](#))

'Revenue from government' is also reported but whether this income is payment for the procurement of services or is a grant is not specified ([Australian Charities and Not-for-Profit Commission, 2020d](#)). The AIS does not seek any information from charities regarding the term of any donations or grants received ([Australian Charities and Not-for-Profit Commission, 2020d](#)). As such, the AIS data available from the ACNC could not be used to substantiate the aforementioned claim. As such, a decision was made to undertake a survey to test the claim, and to seek quantitative data from charities regarding funding sources, individual funding amounts and individual funding terms.

Quantitative data can be counted and measured on a numeric scale. An example could be the numbers of students in a particular school on a particular date, or the time it takes for a certain automobile to accelerate from 0-100kms per hour. This type of data is used when trying to quantify a problem and is collected via instruments such as a questionnaire that includes a ratings scale or a stopwatch ([Sreejesh & Mohapatra, 2014](#)). The quantitative data acquired for this research provided results based on numeric data and data analysis included the use of statistics ([Parylo, 2012](#)). A quantitative approach was used to examine and evaluate the financial aspects of the charity sector, primarily the funding sources, funding amounts and funding terms provided to charities. This approach was also used to explore the economic size of each sampled organisation ([Bryman, 2007](#); [Sreejesh & Mohapatra, 2014](#)).

Qualitative data differs from quantitative data in that it is non-numerical and can be collected through observation, experiential accounts, and narratives which are used to describe qualities or characteristics within the data ([Morse, 2016](#)). Qualitative data is also known as categorical data, in that data that can be arranged into categories based on the attributes or properties of an entity or a phenomenon ([Leavy, 2017](#)). The collection of this type of data was relevant to this research as it allowed the collection of information from both charity leaders and funders that related to individual's experiences, observations and decision-making over time ([Given, 2015](#)). These experiences and stories would be analysed for emergent themes through thematic analysis. Hermeneutic considerations would be given to seek deeper meanings within the data ([Frels & Onwuegbuzie, 2013](#)).

This research was also underpinned by an interpretive research paradigm and is 'interpretive' in the sense that the researcher was seeking greater knowledge and understandings of the *charity/funder relationship* and the impact of this *relationship* on both parties. It also sought

to explore and understand what opportunities for improvements exist. As interpretive research is “...characterised by a concern for the individual...” (Cohen, Mannion, & Morrison, 2013, p. 21) but can have a “...degree of subjectivity...” (Maroun, 2012, p. 2) it aligned with the purposes of this study. Interpretive research also looks to understand personal experiences of a situation or circumstances from “the point of view of those who live it” (Diaz Andrade, 2009, p. 44) and relies upon the views of participants in the study (Pugh, 2013). This study was interpretive in that it explored the interactions occurring between funders and the charities they supported, and the impact of these interactions on the relationship (Hackley, 2020; Schwartz-Shea, 2012).

Thematic analysis

Braun and Clarke (2006) and King (2004) argue that thematic analysis is useful for examining the viewpoints of differing research participants, allowing for the highlighting of similarities and the generation of unexpected insights (Braun & Clarke, 2006; King, 2004). Thematic analysis can also aid the condensing of a large data set into predominant or key elements (King & Horrocks, 2010).

Braun & Clarke (2006) differentiated between two levels of themes: semantic and latent. Semantic themes are “...within the explicit or surface meanings of the data and the analyst is not looking for anything beyond what a participant has said or what has been written...” (Braun & Clarke, 2006, p. 84). Latent themes: “...identify or examine the underlying ideas, assumptions, and conceptualisations – and ideologies - that are theorised as shaping or informing the semantic content of the data...” (Braun & Clarke, 2006, p. 84).

Hermeneutic considerations

To put it simply, hermeneutics is a form of interpretation (Zimmerman, 2007). Hermeneutical analysis is an exploration of the meanings within the data, rather than a simple coding analysis associated with the words alone. Hermeneutic analysis is concerned with the interpretation of issues that can present when significant human interaction occurs and with the outcomes of those interactions (Malpas, 1992). It enables a researcher to elicit an in-depth understanding of historically influenced interpretations of language, art and many other aspects of life (Gadamer, 2013). Hermeneutic analysis is also a legitimate approach to better understanding the characteristics of professional practice (Paterson & Higgs, 2005) and, as such, was relevant to this research.

These differing but complementary research approaches provided the platform for a deep exploration of the data collected. The mixed method approach allowed for analysis and understanding of both the qualitative and quantitative data gathered. The phenomenological techniques assisted in exploring the experiences, opinions and beliefs of those participating in the research. Hermeneutics aided in explaining why both funders and fundees were behaving in the relationships and manners they were.

3.4 Research parameters - What was in scope and what was not?

As noted in Chapter 2, there are many categories under which an Australian organisation can register itself as a charity, including:

- churches
- community childcare centres
- cultural societies
- neighbourhood associations
- public museums and libraries
- sports clubs
- schools and universities.

This research focused solely on charities that provided support services to individuals, families and the wider communities in which they operated, and who sourced their income through grants or donations.

3.5 Data gathering techniques

The researcher's intention was to seek data that was specifically related to the research question – *'Is the organisational effectiveness and efficiency of charities impacted by how they are funded?'* and the sub-questions

- *How does the funding of charities currently occur?*
- *What is the nature of the relationship between charities and their funders?*
- *What are the motivations of funders?*

To meet this intent, the data for this research was collected in the following three tranches:

Tranche 1 - A survey of charities regarding the size and term of the donations and grants received in order to confirm or deny the following claim:

- The vast majority of funders provide small, short-term donations or grants and securing small, short-term funding from a multitude of funders, rather than just a few, is a less than effective use of available resource. This tranche was designed specifically to answer the sub-question *how does the funding of charities currently occur?*

Tranches 2 and 3 – Interviews with both charity leaders and funders in order to confirm or deny the following claims that charities make:

- Funders have few similarities in their processes, protocols, and objectives, which adds further complexities to fund-seeking and drives higher administration costs.
- The small, short-term model of funding has given rise to a competitive fund-seeking environment. As a result, charities will present funding propositions that are most likely to attract funders rather than those that provide greatest community benefit.
- Funders demonstrate a disdain for supporting capacity or capability building initiatives, such as employee training and development or upgrading information technology systems. Subsequently, charities remove the capacity and capability building components of grant applications, which in turn exacerbates the lack of targeted funding that would improve operational effectiveness and efficiency and therefore impact.

- Funders can often have other intentions which can be contradictory to their formal published objectives, as in funders are always likely to want more from their funds than just community benefit, things such as ongoing recognition and regular employee engagement, both of which take time and effort, diluting the value of the initial donation or grant.
- Funders do not consider the impact their practices have on charities.

Tranche 1 was quantitative in nature and involved the use of an online survey to gain an insight into the size and term of grants and donations received, as well as the sources of that income. Tranche 2 was qualitative in nature and used interviews with charity leaders to discuss the findings from Tranche 1 and explore the impact that this type of funding model might have been having on operational effectiveness and efficiency. This tranche also sought to explore the *relationship* between charities and their funders and the motivations of both. Tranche 3 was also qualitative in nature and not dissimilar to Tranche 2, in that it used interviews with funders to discuss the findings of Tranche 1 and again discuss the impact this type of funding model might have been having on the charities being supported by it. This tranche explored relationships between both parties and the motivations of both. Each of these tranches is explained in more detail in the following sections.

3.5.1 Tranche 1 - Quantitative data gathering and analysis

As stated earlier in this chapter, the initial data gathering tranche of this research was intended to confirm or deny the claim from charities that the vast majority of funding received is small and short-term in nature which was relevant to this research into the size and type of funding awarded and its impact on operational effectiveness and efficiency of charities. This section articulates the processes that were followed and the protocols that were adhered to in order to undertake this data gathering.

As noted in Chapter 1, the Australian Charities and Not-for-Profit Commission reported in 2020 that there were about 57,000 registered charities in Australia ([Australian Charities and Not-for-Profit Commission, 2020b](#)). That figure was used to determine a legitimate sample size from the total population considering Confidence Intervals and Confidence Levels:

- The ‘Confidence Interval’ or ‘Margin of Error’ is the positive and negative deviation presented with survey results which demonstrates the deviation between the opinions

of survey respondents and the total population. In this instance the Confidence Interval was set at 5%. ([Madachy & Houston, 2017](#))

- The ‘Confidence Level’, which is generally expressed as a percentage, represents how often the total population would select a particular answer. A 95% Confidence Level means that a researcher can be 95% certain that the total population would select any particular answer. In this instance the Confidence Level was set at 95%. ([Madachy & Houston, 2017](#))

Several on-line calculators⁸ were used to determine a legitimate sample size from the total population. Using a total population of 57,000 with a Confidence Interval of 95% and a Margin of Error of 5%, a test using each calculator was undertaken and each provided the same answer regarding survey participants required, which was 382 respondents.

SurveyMonkey was chosen as the principle on-line calculator due comprehensive information provided regarding the formulas used in its calculations. The following formula was used by the SurveyMonkey Sample Size tool ([SurveyMonkey, 2021](#)) to determine a legitimate sample size for this aspect of this study:

$$\text{Sample size} = \frac{\frac{z^2 \times p(1-p)}{e^2}}{1 + \left(\frac{z^2 \times p(1-p)}{e^2 N}\right)}$$

(N = population size, e = Margin of error, z = number of standard deviations a given proportion is away from the mean)

With regard to collecting the raw financial data from Australian charities, a number of options were considered such as telephone surveys, mail-based surveys or face-to face interviews. However, an online survey tool (OST) seemed to be the best option due to the number of charities that would be invited to participate. An electronic delivery method of the invitation to the survey participants would be both a cost effective and time efficient option. This survey delivery method would also provide anonymity for respondents and allow real time-access to results including participation rates ([Tourangeau, Conrad, & Coupar, 2016](#)).

⁸ On-line calculators used were:

Survey Monkey - <https://www.surveymonkey.com/mp/sample-size-calculator/>

Flex MR - <https://www.flexmr.net/blog/quantitative-research/2016/2/sample-size-calculator.aspx>

Calculator.net - <https://www.calculator.net/sample-size-calculator>

Survey Monkey⁹ was chosen as the preferred OST in line with advice from Flinders University¹⁰ and the economies of being able to access the University's existing user licences. Further guidance from Flinders University suggested closed-ended questions should be used in an attempt to deliver more objectivity to the answers and limit input errors: "...closed-ended questions also help standardize the survey process by presenting systematic cues to respondents..." (Miller, 2009, p. 1). The closed-ended option also provided a further degree of security regarding answers to financial aspects of their respective organisations which may be commercial-in-confidence or might compromise an organisation should those financial details become public.

The challenge in achieving an appropriate response rate to an on-line survey is that the availability of the data is determined by both the sample selection mechanism (known) and the response mechanism (unknown), as a result, response probabilities remain unknown (Engel, 2014). In order to achieve the aforementioned target of 382 survey respondents, the researcher targeted a sizable proportion (12,000) of the total available sample of 57,000 charities, who were contacted and invited to participate in this research¹¹. This invitation to participate was distributed by the Australian Scholarships Foundation¹² (ASF) and the Foundation for Rural and Regional Renewal¹³ (FRRR) to their charity networks. Those two organisations were selected because the researcher had an already working relationship with both through his previous role as at the Origin Foundation. The Chief Executive Officers at both organisations, Amy Lyden (ASF) and Alexandra Gartmann (FRRR), were both highly supportive of the research being undertaken.

ASF offers scholarships to charity employees with the objective of improving how charities are lead, managed and governed (Australian Scholarships Foundation, 2021). Scholarships are delivered via partner universities, educational providers and funders. Since inception in 2010, ASF has facilitated over 4,000 scholarships to charity employees (Australian Scholarships Foundation, 2021). As a result, ASF has a sizeable network of charity connections and distributed the invitation to participate in this research to approximately

⁹ See: <https://www.surveymonkey.com/>

¹⁰ See: <http://www.flinders.edu.au/library/research/eresearch/statistics-consulting/online-survey-tools.cfm>

¹¹ See: Appendix 1

¹² See: <https://www.scholarships.org.au/>

¹³ See: <http://www.frrr.org.au/>

4,000 charities.

FRRR provides funding at the hyper-local level and uses its networks to align funding with community-led solutions that help build resilience and the long-term viability of remote, rural, and regional communities across Australia ([Foundation for Rural and Regional Renewal, 2021](#)). Since inception in 2000, FRRR has facilitated over 11,000 grants ([Foundation for Rural and Regional Renewal, 2021](#)). Much alike, ASF, FRRR has a sizeable network of charity connections and distributed the invitation to participate in this research to approximately 8,000 charities.

Of the 12,000 charities invited to participate, 528 usable responses were received. This return was significantly above the target of 382 responses required to achieve the aforementioned Confidence Interval of 95% and a Margin of Error of 5%.

The questions were presented to the survey participants using a combination of nominal, interval and ratio scales that would allow for comparison.

With regard to analysing the raw financial data captured through the on-line survey, IBM's Statistical Package for the Social Sciences (SPSS) was the preferred option due to its advanced capabilities in analysing data, the availability of technical support for this program from Flinders University, and the ease of access to existing user licences. Additionally, SPSS is a powerful and user-friendly programme for statistical analysis and manipulation ([Field, 2013](#); [C. Gray & Kinnear, 2012](#); [Landua & Everitt, 2004](#)). With regards to the actual processes that would be followed, the researcher intended to use SPSS software to analyse the collected data, and to use a Repeated Measure Design because this type of analysis uses the same subjects with each research question. The raw data collected from the survey would be extracted from the Survey Monkey system as a Microsoft Excel spreadsheet. Input errors within the extracted data would be removed before the exporting of the data into SPSS and before any analysis was undertaken¹⁴.

With regard to the questions within the survey, a focus group consisting of the following

¹⁴ **Note:** All formula used and outputs received from SPSS can be found at Appendix 2.

charities and the researcher was established to help with the formulation and wording of the survey questions:

- Australian Indigenous Mentoring Experience
- Australian Scholarships Foundation
- Country Education Foundation
- Creative Partnerships Australia
- The Smith Family.

The abovementioned charities were chosen as they had previously indicated an interest in this study and volunteered their services.

The research was explained to the focus group by the researcher, the focus group then provided advice as to what kinds of questions should be asked to meet the research aim. Four questions were agreed upon and the rationale for including each question was as follows:

1. What is your annual income?

This question was deemed important as it would enable a profile of responding charities to be constructed. It would also enable analysis across the differing sizes of charities. As an example, does a charity with an income of over \$50m have the same income sources as a charity with an income of less than \$500,000? The categories of income as the answer options were agreed and were to be presented as follows:

- \$0-\$50,000
- \$50,001 - \$100,000
- \$100,001 - \$250,000
- \$250,001 - \$500,000
- \$500,001 - \$1,000,000
- \$1,000,001 - \$2,500,000
- \$2,500,001 - \$5,000,000
- \$5,000,001 - \$10,000,000
- \$10,000,001 - \$25,000,000
- \$25,000,001 - \$50,000,000
- Over \$50,000,000

2. What are the sources and contribution of those sources to your organisation's annual income?

This question was deemed important as it would provide visibility about where a charity's income was actually derived. It would also provide visibility about what sources of funding contributed what to the charity sector. Whilst this research was concerned with only donations and grants, the focus group felt that if the answer options did not reflect the actual and most common income sources then the quality and accuracy of answers could be compromised. As such, the sources of income as the answer options were to be presented as follows:

- Philanthropy
- Federal Government
- State Government
- Local Government
- Local Council
- Community Organisations
- Corporates & Large Businesses
- Small & Local Businesses
- Universities & Colleges
- Families & Individuals
- Bequests
- Fundraising
- Commercial Enterprises
- Other

3. With regards to your organisation's total annual income and all the donations/grants that contribute to that income, what proportion of donations/grants generates what contribution?

This question was deemed important as it would demonstrate the size of donations and grants on offer to charities and was entirely relevant to this research. Using existing experiences regarding the size of donations and grants secured, the focus group suggested the following answer options, which were then agreed to by the

researcher. The answer options for this question were to be presented as follows:

- \$0-\$10,000
- \$10,001 - \$25,000
- \$25,001 - \$50,000
- \$50,001 - \$100,000
- \$100,001 - \$250,000
- \$250,001 - \$500,000
- \$500,001 - \$1,000,000
- \$1,000,001 - \$2,500,000
- \$2,500,001 - \$5,000,000
- Over \$5,000,000

4. With regards to grant/donations received and the term of each agreement, what term generates what contribution towards your total annual income?

Much like the rationale behind the previous question, this question was deemed important as it would demonstrate the term of donations and grants on offer to charities and again was it entirely relevant to this research. The focus group suggested the following answer options which were then agreed to by the researcher. The answer options for this question were to be presented as follows:

- One Off
- One Year
- Two Years
- Three Years
- Four Years
- Five Years
- Over Five Years

The answer options for Questions 2, 3 and 4 also contained a percentage component. As an example, with Question 2, if 'Philanthropy' was a source of income, respondents were then asked to state what percentage of annual income came from this source. Percentage answer options were to be presented as follows:

- 0%
- 1 - 10%

- 11 – 20%
- 21 – 30%
- 31 – 40%
- 41 – 50%
- 51 – 60%
- 61 – 70%
- 71 – 80%
- 81 – 90%
- 91- 100%

3.5.2 Tranches 2 and 3 - Qualitative data gathering and analysis

As stated earlier in this chapter, a second tranche of data gathering was designed so it could be used to inform the data from Tranche 1 and explore the impact that this type of funding model may be having on operational effectiveness and efficiency. It would also explore the aforementioned claims as made by charities, including the motivations of funders. This tranche would explore the *relationship* between charities and funders from a charity leader's perspective.

Charities were invited to participate in this research by the Origin Foundation, the philanthropic arm of Origin Energy. The Origin Foundation has developed a sizeable network of charity partners since its inception in 2010 and agreed to support this study in allowing the researcher access to this network. The researcher acknowledges that the charities who chose to participate in this study were generally medium to large in size.

Much like the second tranche of data gathering, the third tranche would be used to discuss the findings from Tranche 1 and explore the impact that this type of funding model may be having on operational effectiveness and efficiency from a funder's perspective. It would also explore behaviour and motivation of both charities and funders. This tranche would explore the relationship between charities and funders from a funder's perspective.

Funders were invited to participate in this research by Philanthropy Australia, which has a membership of approximately 700 foundations, trusts, commercial organisations and individual donors. The researcher acknowledges that the funders who chose to participate in

this study may not necessarily be truly reflective of Australia's funding sector.

With regards to collecting the required data from both charity leaders and funders, face-to-face interviews would be used. These have long been the preferred method of data collection in qualitative research ([King & Horrocks, 2010](#)). Relatively recent technological advances such as the mobile telephone and internet now allow many other data collection options to be considered, such as remote telephone interviews or on-line questionnaires and focus groups ([Opdenakker, 2006](#)). Unlike the aforementioned survey, the interviews would use open-ended questions. Open-ended questions differ from closed-ended questions in that the respondent is not provided with answer choices ([Ballou, 2008](#)). The interviewer can also build rapport with the respondent and encourage their participation in the interview ([Dillman, 2014](#)). Open-ended questions are the preferred approach when it is expected that a wide range of answers will be provided by respondents ([Bradburn, 2004](#)).

The researcher constructed the following questions in order to confirm or deny the aforementioned claims made by charities. No direct reference to any of the claims was made in these questions and any similarities in language were removed in an attempt to lessen the chance of answers being manipulated and aligned with the claims ([Ballou, 2008](#)). The questions for charities were as follows:

- What action would your organisation need to take in order to greatly improve its performance/output?
- What are the barriers to implementing these improvements?
- Are these barriers similar across the whole sector?
- What could be done to remove the barriers?

It was decided that, should the topic of models of funding be introduced by charities during the interview as being a barrier to improvement, the findings from Tranche 1 of this research would be provided and discussed.

The questions for funders were as follows:

- What are your funding principles?
- What opportunities exist to greatly improve the performance/output of the charity sector?
- What are the barriers to implementing these improvements?

- What could be done to remove the barriers?

Again, should models of funding be introduced by funders during the interview as a barrier to improvement, the findings from Tranche 1 of this research would be provided and discussed.

This research sought to gather data from charities and funders relating to each individual's experiences, observations and decision-making over time. The technique of collecting data through interviews allows researchers to listen ([Alshenqueeti, 2014](#)) and document the respondent's unique perspective and experiences ([King & Horrocks, 2010](#)). As stated previously, questions were open-ended and the discussion would be conversational in nature, which would allow the respondent to provide a firsthand, first-person account ([DePape & Lindsay, 2016](#)).

With regards to analysing the data captured through both the interviews with charity leaders and the interviews with funders, Nvivo qualitative data analysis software was the preferred option due to its capabilities in coding, categorising and presenting qualitative data as themes. The availability of technical support for Nvivo from Flinders University and the ease of access to existing user licences were also considerations.

Telephone interviews would be used when a face-to-face meeting could not be arranged within the necessary timeframes. On-line questionnaires were considered and dismissed for a number of reasons including: questions being misinterpreted, superficial answers and the inability or unwillingness of participants to respond within the required data collection period ([Milne, 1999](#)). Face-to-face and on-line focus groups were considered and rejected due the concern that charity leaders may not be as open about the challenges their respective organisations were facing if other 'competitors' were also present ([D. L. Morgan, 1998](#)) or if the interaction across the group might have the effect of 'contaminating' the output data, such as more input from an extrovert versus less input from an introvert or dominant voices overwhelming quieter ones ([Smithson, 2000](#)). Ethics approval for this research (6902) was also granted by the Social and Behavioural Research Ethics Committee of Flinders University under the condition that no face-to-face or on-line focus groups would be undertaken for the same reasons as stated above.

With regard to the number of interviews that are required in order to undertake robust

qualitative research, there are many differing opinions. Some literature indicates that through only six interviews 80% of data saturation will occur and the remaining 20% will be found through a further six interviews ([Guest, Bunce, & Johnson, 2006, p. 67](#)). Other literature states “...that ‘saturation’ was largely achieved after 12 interviews and definitely after 30...” ([Galvin, 2015, p. 9](#)). As researchers move towards the point of ‘saturation’, the problem is that of diminishing return, although this problem does provide an indication that the data collection process is nearing completion ([DiCicco-Bloom & Crabtree, 2006](#)). Another challenge is achieving a balance between data saturation and overload, that is, collecting enough raw data to thoroughly analyse but not too much that it becomes burdensome and difficult to manage ([O'Reilly & Parker, 2012](#)). Indeed, one of my supervisors, Professor David Giles, provided some sensible advice when I enquired about the ‘magic’ interview number: ‘keep asking the questions until you stop getting different answers’.

The sample size is an important aspect in any research study, where inferences will be made about a larger population from a sample. In practice, the sample size used in any study will be balanced by the cost of gathering data against the requirement for sufficient statistical merit.

Participation

Taking into account the difficulties experienced in sourcing candid and accurate information from the charity sector and those of determining appropriate sample size ([Lantz, 2012](#)) and confidence levels ([Denscombe, 2010](#)), it was the intention of this research to engage with the following numbers of participants:

- At least 382 charities surveyed (on-line) in order to construct a profile of current models funding.
- Up to 20 charity leaders individually interviewed.
- Up to 20 funders individually interviewed.

3.6 Limitations of the study

There were few legislative or regulatory reporting obligations that could help facilitate the data collection for this study. Because of this, charities were approached directly for their input but, due to the size of the sector, it was impracticable and unworkable to source information from a full and complete representation of a sector which has over 57,000 organisations within it.

It is accepted that charities that are recognised as being less than effective or efficient would have been unlikely to volunteer to participate in this study. Charities that did not have the capacity or capability to participate would also not have participated in this study. Consequently, this study may not be fully representative of the Australian charity sector.

The Centre for Social Impact's 'Where the Money Goes' Report limited its study to just 12 Australian philanthropic organisations because "*...few voluntarily provide detailed information publicly...*" ([Anderson, 2013, p. 6](#)). This position may be common across funders as many may feel that exposing certain levels of information may lead to compromise. Additionally, funders who are of the opinion that they are already proficient in the art of funding, may not see a need to participate in such research. As a result, this research may be limited to those funders who are happy share detailed information about their funding publicly and those who are of the opinion that funding practices can be improved.

3.7 Ethical considerations

As noted earlier, the researcher gained ethical approval (6902) from the Social and Behavioural Research Ethics Committee of Flinders University prior to commencing this work. As the research was not of a clinical nature and information was not being gathered from South Australian Health agencies, approval from the Southern Adelaide Clinical Human Research Ethics Committee was not required.

The collection of data through this research may have raised ethical issues. Some information may involve people implicitly or explicitly and the researcher therefore ensured all participants in the research were highly respected and that the research was undertaken in line with the Australian Government's National Statement on Ethical Conduct in Human Research.

The privacy of individuals and organisations is considered paramount. Confidentiality and anonymity were therefore protected in both written and verbal reporting. All data provided were considered with sensitivity. The researcher sought participants' support for the research through a written invitation supported by a letter of introduction from the primary research supervisor. Explicit informed consent was sought prior to commencement, with each participant maintaining the right to withdraw. Interviews with participants were transcribed, with participants receiving transcripts of interviews for verification prior to use.

Chapter 4 – Findings from the financial survey

4.1 Introduction

As stated in Chapter 3, this research was conducted in three tranches:

- Tranche 1 - Financial Survey
 - This phase of the research was undertaken to discover what funding is available to charities, in relation to what are the size and term of the grants or donations on offer and from where do these funds originate.
- Tranche 2 - Interviews with charity leaders
 - This phase of the research was undertaken to discover how current funding models impact on the organisational effectiveness and efficiency of charities.
- Tranche 3 - Interviews with funders
 - This phase of the research was undertaken to discover what opinion funders have on the effectiveness and efficiency of charities, the funding models they employ and how they view their own performance.

This chapter presents findings from Tranche 1 the Financial Survey, which relates to the research sub-question *how does the funding of charities currently occur?*

As stated in Chapter 3, this tranche of the research was quantitative in nature and was designed to obtain data that could be counted and measured on a numeric scale.

4.2 Financial survey questions

For those charities who agreed to participate in the on-line financial survey, the following four questions were asked:

1. What is the annual income of your organisation?
2. What are the sources and contribution of those sources to your organisation's annual income?
3. With regards to your organisation's total annual income and all the grants/donations that contribute to that income, what proportion of grant(s) generates what contribution?
4. With regards to grant/donations received and the term of each agreement, what term generates what contribution towards your total annual income?

528 charities participated in this survey.

4.3 Outputs and interpretations

With regard to Question 1 – ‘*What is the annual income of your organisation?*’ the information obtained from respondents is displayed in Table 4.1.

The results for this question were calculated using a *Repeated Measure – Analysis of Variance (ANOVA)* statistical technique. This technique is commonly used to compare three or more group means where the participants are the same in each group, which generally occurs in the following two scenarios:

1. when participants are measured multiple times to see changes from an intervention.
2. when participants measured against more than one situation and the responses are to be compared.

([Crowder & Hand, 2020](#); [Girden, 1991](#))

Scenario 2 is appropriate to this question as the annual incomes of survey participants (charities) are being measured across differing annual income bands (e.g., \$50,000 - \$100,000) and then how the contribution each of these annual income bands are distributed across the charities participating.

Table 4.1

Annual income & distribution of this income across all charities surveyed

Annual Income	Contribution	Std. Error	95% Confidence Interval	
			Lower	Upper
Less than \$50,000	18%	1.6	14.8	21.2
\$50,001 - \$100,000	6.8%	1.1	4.7	8.9
\$100,001 - \$250,000	7.2%	1.1	5.1	9.5
\$250,001 - \$500,000	8.7%	1.2	6.6	11.2
\$500,001 - \$1,000,000	9.7%	1.3	7.2	12.1
\$1,000,001 - \$2,500,000	11.9%	1.4	9.1	14.6
\$2,500,001 - \$5,000,000	9.7%	1.3	7.2	12.3
\$5,000,001 - \$10,000,000	9.3%	1.3	6.8	11.7
\$10,000,001 - \$25,000,000	11.6%	1.4	8.9	14.4
\$25,000,001 - \$50,000,000	4.5%	0.9	2.8	6.4
Over \$50,000,000	2.7%	0.7	1.3	4.2

Table 4.1 displays the annual income & distribution of this annual income across all charities surveyed. As examples, 18% of charities participating in this study had an annual income of less than \$50,000, whilst 11.9% of charities participating had an annual income of between \$1,000,001 and \$2,500,000. The 528 charities participating had significantly differing income ranges. A lower number of respondents had an income of over \$10m (18.8%), compared to respondents who had an income less than \$1m (50.4%).

With regard to Question 2 – ‘*What are the sources and contribution of those sources to your organisations annual income?*’ the information obtained is displayed in Table 4.2.

The results for this question were also calculated using a *Repeated Measure – Analysis of Variance (ANOVA)* statistical technique. The aforementioned Scenario 2, as used in Question 1, is also appropriate to this question as the income sources of survey participants (charities) are being measured (e.g., Philanthropy) and then how each of these income sources contributed to a charity’s total annual income.

Table 4.2

Income sources & contribution to total annual income of all charities surveyed

Income Sources	Contribution	Standard Error	95% Confidence Interval	
			Lower	Upper
Philanthropy	11.5%	0.008	10.0	13.0
Federal Government	15.9%	0.012	13.6	18.1
State Government	13.8%	0.012	11.6	16.1
Local Government	2.0%	0.004	1.3	2.7
Local Council	2.4%	0.004	1.7	3.2
Community Organisations	2.6%	0.003	2.0	3.2
Corporates & Large Businesses	9.0%	0.006	7.8	10.2
Small & Local Businesses	2.1%	0.003	1.6	2.7
Universities & Colleges	0.7%	0.001	0.4	0.9
Families & Individuals	9.0%	0.009	7.3	10.7
Bequests	1.6%	0.003	1.0	2.3
Fundraising	22.8%	0.012	20.4	25.3
Commercial Enterprises	6.0%	0.007	4.5	7.4

Table 4.2 displays the various income sources from which charities receive income and the

contribution that these income sources made towards their annual income. As examples, charities participating in this study received 11.5% of their annual income from philanthropy and 22.8% from fundraising.

As can be seen from Table 4.2, the Australian charity sector derives its income from many differing sources. This diversity of funding is important to this research as securing income from such a diverse range of funders is likely to take significant effort and add complexity to the practice of grant or donation seeking. As stated in Chapter 2, this range of diverse income streams has been hinted at in such reports as ‘Where the Money Goes?’ ([Anderson, 2013](#)) and ‘Snapshot of Sub-Funds in Australia’ ([Seibert, 2019](#)) but to my knowledge there are no current empirical studies to either substantiate or contradict these findings.

When a comparison is made between charities of differing income sizes, the profile of income sources did change. Chart 4.1 displays the data previously provided in Table 4.2 in chart form showing the contribution each income source (philanthropy, fundraising, bequests, etc.) made towards the annual income of charities. It also provides a further breakdown of the contribution of each income source when a charity’s annual income was taken into account. In this instance, charities of all incomes have been compared with charities whose income was less than \$500,000 and with those whose income was greater than \$10,000,000.

Chart 4.1

Income sources & contribution to total annual income of all charities surveyed: All Incomes vs. Income < \$500k vs. Income > \$10m

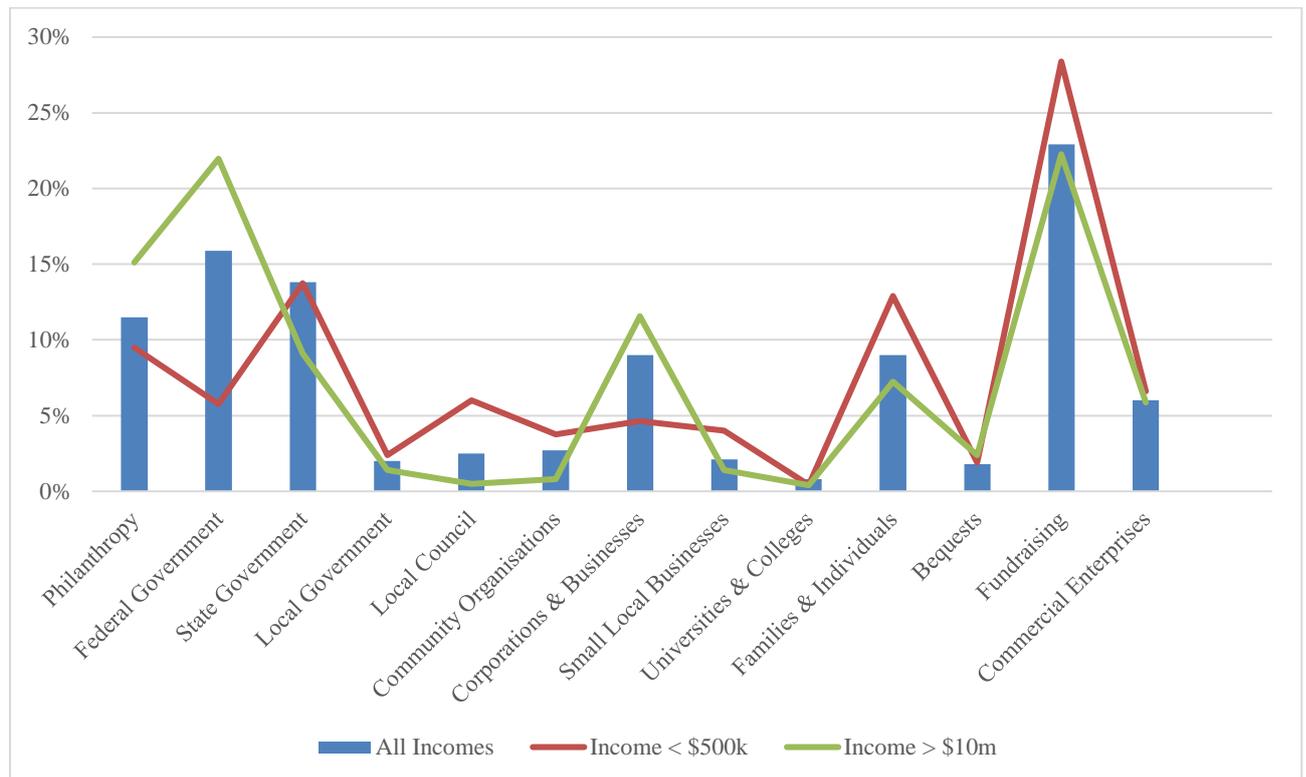


Chart 4.1 displays the data previously provided in Table 4.2 in chart form. It shows the income various income sources of charities, such as, ‘Philanthropy’ or ‘Bequests’ and how these income sources contribute to the total annual income of charities of all incomes combined (All Incomes), charities with an annual income of less than \$500,000 (Income > \$500k) and charities with an annual income of greater than \$10,000,000 (Income > \$1m). As examples, charities with an income greater than \$10,000,000 (Income < \$10m) received 21.96% of their annual income from ‘Federal Government’, charities with an income of less than \$500k (Income > \$500k) received 12.9% of their annual income from ‘Families and Individuals’ whilst all charities of all combined incomes (All Incomes) received 9% of their total annual income from ‘Corporations & Business’. Charities with an income of less than \$500,000 rely less on funding from *Philanthropy*, *Federal Government* and *Corporations & Businesses* than charities with incomes of greater than \$10 million. Indeed, *Federal Government* contributes 22% of the annual revenue of large income charities in comparison to just 5.8% of smaller income charities, or almost four times the amount. *Corporations & Businesses* also seem to have a preference in directing funds to larger income charities, providing 11.6% of annual revenue in comparison to the 4.7% of annual revenue provided to

charities with smaller incomes. The gap is similar with philanthropy which contributes 9.5% of revenue to charities with smaller incomes against 15.1% provided to larger income charities. Charities with an income of less than \$500,000 rely more on *localised* funding, specifically *Local Government, Local Council, Community Organisations* and *Families & Individuals* than their larger income counterparts. But as these smaller income charities also receive fewer funds from *Philanthropy, Federal Government* and *Corporations & Businesses*, this explains why *Fundraising* contributes more to the revenue of smaller income charities in comparison to their larger income counterparts.

With regard to Question 3 – ‘*With regards to your organisation’s total annual income and all the donations/grants that contribute to that income, what proportion of donations/grants generates what contribution?*’, the information obtained from respondents is displayed in the following table. The results for this question were also calculated using a *Repeated Measure – Analysis of Variance (ANOVA)* statistical technique. The aforementioned Scenario 2, as used in Question 1, is also appropriate to this question as the size of donations/grants received by survey participants (charities) are being measured across bands (e.g., \$10,000 - \$25,000) and then how each band of donations/grants contributes to a charity’s total annual income.

Table 4.3

Size of donations/grants received & contribution to annual income of all charities surveyed

Size of Donations/Grants	Contribution	Standard Error	95% Confidence Interval	
			Lower	Upper
Less than \$10,000	35.9%	0.018	32.3	39.5
\$10,001 - \$25,000	14.8%	0.009	13.0	16.6
\$25,001 - \$50,000	15.4%	0.009	13.6	17.2
\$50,001 - \$100,000	13%	0.009	11.2	14.9
\$100,001 - \$250,000	5.6%	0.006	4.4	6.8
\$250,001 - \$500,000	3.5%	0.006	2.3	4.7
\$500,001 - \$1,000,000	1.9%	0.005	0.9	2.9
\$1,000,001 - \$2,500,000	2.8%	0.007	1.4	4.1
\$2,500,001 - \$5,000,000	1.6%	0.006	0.5	2.8
Over \$5,000,000	2.4%	0.007	1.0	3.8

Table 4.3 displays the size of donations or grants from which charities receive income and the contribution that these donations or grants make towards the annual income of charities. As examples, donations or grants of less than \$10,000 contribute up to 35.9% of the annual income of charities participating in this study, whilst donations or grants of over \$5,000,000 contribute just 2.4%. Over a third (35.9%) of donations or grants awarded to Australian charities are for less than \$10,000, and a further 14.8% for less than \$25,000.

This information complements the aforementioned ‘Where the Money Goes’ report, which specifically looked at philanthropic funding and stated:

“...the majority of grants are small and fragmented with 80% of grants made being for less than \$50,000...” ([Anderson, 2013, p. 4](#)).

“...36.3% of grants were for \$10,000 or less...” ([Anderson, 2013, p. 17](#)).

“...many organisations are supported by multiple grants from different foundations, though there is little evidence of co-funding let alone collaboration on projects...” ([Anderson, 2013, p. 4](#)).

Less than one fifth of all donations and grants provided to charities were for over \$100,000, which would suggest that charities are already in a position of financial compromise. The fact that almost 36% of donations or grants is secured from donations or grants of less than \$10,000 signals that the ratio of transactions for each dollar secured will be high. When a comparison is made between charities of differing income sizes, the situation becomes more apparent with the profile of the size of donations and grants changing.

Chart 4.2

Size of donations/grants received & contribution to total annual income of all charities surveyed: All Incomes vs. Income < \$500k vs. Income > \$10m

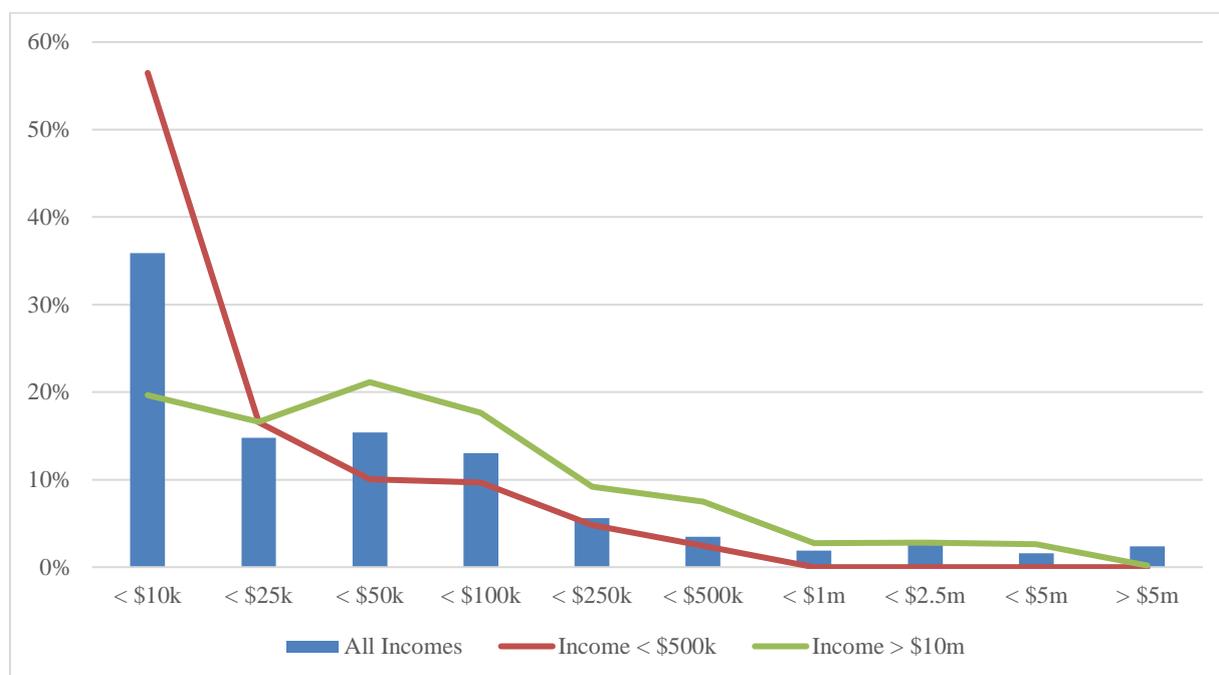


Chart 4.2 displays the data previously provided in Table 4.3 in chart form showing the contribution that donations and grants make towards the annual income of charities. It shows the size of donations/grants received by charities, such as, those of less than \$10,000 (< \$10k) and those of less than \$100,000 (<\$100k) and how these donations/grants contribute to the total annual income of charities of all incomes combined all (All Incomes), charities with an annual income of less than \$500,000 (Income > \$500k) and charities with an annual income of greater than \$10,000.000 (Income > \$10m). As examples, charities with an income greater than \$10,000,000 (Income < \$10m) received 21.1% of their annual income from donations/grants of less than \$50,000 (< \$50k), charities with an income of less than \$500k (Income > \$500k) received 56.5% their annual income from donations/grants of less than \$10,000 (< \$10k) whilst all charities of all combined incomes (All Incomes) received 9.7% of their total annual income from donations/grants of less than \$500,000.

Charities with an income of less than \$500,000 are almost three times as likely to be awarded a donation or grant of less than \$10,000 than are charities with an income of over \$10m. This would signal that smaller income charities have significantly higher administration costs than their larger income counterparts in undertaking what are burdensome grant application

processes and they allocate a far greater ratio of resources towards fundraising activities than to service delivery. With regard to the contribution to income of donations or grants of less than \$10,000, charities with smaller incomes receive more than half (56.5%) of their annual revenue from this source. This compares with charities of all incomes and those with an income > \$10m, who receive 35.9% and 19.7% respectively. When donations or grants start to exceed the \$25,000 mark, the larger income charities attract about double the amount than smaller income organisations. And once beyond the \$1m mark, smaller income charities receive nothing. Larger income charities do seem to be more successful at securing more significant donations or grants over the \$50,000 to \$100,000 mark. This could be due to better attracting of funders who wish to commit more financially than do the smaller income counterparts. Or could it be that these larger income charities are rejecting the opportunity to receive less significant donations or grants?

With regard to Question 4 – ‘With regards to donations/grants received and the term of each agreement, what term generates what contribution towards your total annual income?’, the information obtained from respondents is displayed in Table 4.4.

The results for this question were also calculated using a *Repeated Measure – Analysis of Variance (ANOVA)* statistical technique. The aforementioned Scenario 2, as used in Question 1, is also appropriate to this question as the term of donations/grants received by survey participants (charities) are being measured across bands (e.g., Two Years) and then how each band of donations/grants contributes to a charity’s total annual income.

Table 4.4**Term of donations/grants received & contribution to income of all charities surveyed**

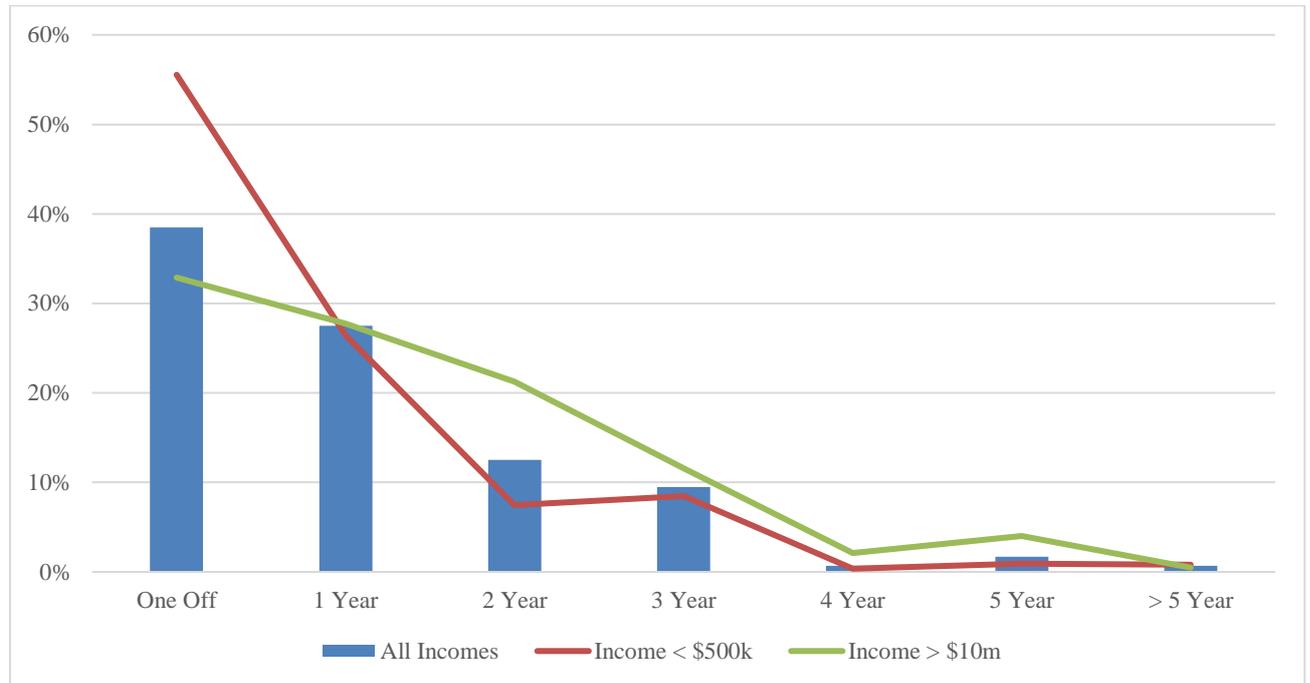
Term of Donations/Grants	Contribution	Standard Error	95% Confidence	
			Lower	Upper
One Off	38.5%	0.016	35.4	41.6
One Year	27.5%	0.013	24.8	30.1
Two Years	12.5%	0.008	10.8	14.1
Three Years	9.5%	0.1	7.6	11.4
Four Years	0.7%	0.02	0.4	1
Five Years	1.7%	0.05	0.8	2.7
Over Five Years	0.7%	0.03	0.2	1.3

Table 4.4 displays the term of donations or grants from which charities receive income and the contribution that these donations or grants make towards the annual income of charities. As examples, donations or grants with a term of one year contributed towards 27.5% of the annual income of charities participating in this study, whilst donations or grants with a term of 5 years contributed 1.7%. Around two-thirds of all donations and grants provided to Australian charities are either one off or for a term of one year ($38.5\% + 27.5\% = 66\%$), which is a model of funding that compromises those charities which are seeking to address society's more deep-rooted issues that need long-term action.

Chart 4.3 displays the data previously provided in Table 4.4 in chart form. It shows the term size of donations/grants received by charities, such as, those of one year (1 Year) or three years (3 Year) and how the term of these donations/grants contribute to the total annual income of charities of all incomes combined all (All Incomes), charities with an annual income of less than \$500,000 (Income > \$500k) and charities with an annual income of greater than \$10,000,000 (Income > \$10m). As examples, charities with an income greater than \$10,000,000 (Income < \$10m) received 21% of their donations/grants with a term of two years (2 Years), charities with an income of less than \$500k (Income > \$500k) received 7% their annual income from donations/grants with a term of two years (2 Years), whilst all charities of all combined incomes (All Incomes) received 28% of their total annual income from donations/grants with terms of two years (2 Years).

Chart 4.3

**Term of donations/grants received & contribution to income of all charities surveyed:
All Incomes vs. Income < \$500k vs. Income > \$10m**



Similar to the findings as displayed in Chart 4.2, charities with larger incomes seem to be better at attracting funds which offer more certainty and stability than are charities with smaller incomes. However, it should be noted that despite better success in securing longer-term funding, the grants or donations that charities with larger incomes receive are still very much in the 'short-term' bracket, with over 60% being either one-off or for one year. Smaller income organisations are compromised further, with over 80% of grants or donations received being either a one-off or for a term of one year.

4.4 Conclusions

The purpose of this chapter was to discover what funding is available to charities in terms of what are the size and term of the grants or donations on offer and from where do these funds originate, in order to answer the research sub-question *'how does the funding of charities currently occur?'* Funders of all types appear to have a preference for providing small, short-term funding and, whilst larger income charities tend to attract slightly longer-term and more financially significant awards, the majority of their funding is still small and short-term. The challenge for smaller income charities is even greater than that faced by their larger income counterparts, as a greater proportion of their income is derived from small and short-term funding, which places an increased administration burden on these smaller income charities.

This chapter fills the gap in existing literature regarding how charities are funded by empirically proving that charities are primarily funded by small, short-term donations and grants. As such, it supports the claim made by charities in Chapter 1 regarding the size and term of donations and grants provided. The impact this model of funding has on the organisational effectiveness and efficiency of charities is explored in Chapter 7.

Chapter 5 - Findings from the interviews with charity leaders

5.1 Introduction

As stated in earlier chapters, this research was conducted in three tranches of data collection:

- Tranche 1 - Financial Survey
 - This phase of the research was undertaken to discover what funding is available to charities in relation to the size and term of the grants or donations on offer and from where do these funds originate.
- Tranche 2 - Interviews with charity leaders
 - This phase of the research was undertaken to discover how current funding models impact on the organisational effectiveness and efficiency of charities.
- Tranche 3 - Interviews with funders
 - This phase of the research was undertaken to discover what opinion funders have on the effectiveness and efficiency of charities, the funding models they employ and how they view their own motivations and performance.

This chapter presents the emergent themes from Tranche 2 of this research, ‘interviews with charity leaders’, which relates to the research sub-questions:

- How does the funding of charities currently occur?
- What is the nature of the relationship between charities and their funders?

As stated in Chapter 3, an initial target of 20 interviews with charity leaders was selected for data collection. However, due to theoretical saturation, data collection was stopped after 12 interviews. Theoretical saturation occurs when the data collected is adequate for the objectives of the research and no new information is being discovered through subsequent interviews ([Faulkner & Trotter, 2017](#); [Saunders et al., 2018](#)).

A profile of the charity leaders interviewed is presented in Table 5.1.

Table 5.1**Profile of charity leaders interviewed**

ID	Position Held	Areas of focus	Income	Income sources
1	CEO	Charity Education	\$2m	Grants & donations.
2	CEO	University scholarships	\$3m	Grants & donations.
3	CEO	Youth at risk	\$10m	Federal Government grants.
4	GM	Vulnerable children	\$120m	Grants & donations, corpus, commercial enterprises.
5	GM	Girls' rights and education	\$50m	Federal Government grants, other grants & donations.
6	COO	Early childhood literacy & numeracy	\$7m	Grants & donations, commercial enterprises.
7	CFO	Early childhood literacy & numeracy	\$13	Grants & donations.
8	GM	Children with cancer	\$15m	Grants & donations.
9	CEO	Schools in need	\$5m	Donations, commercial enterprises.
10	CEO	Vulnerable children	\$10m	Grants & donations.
11	CEO	Youth at risk	\$60m	Grants & donations, commercial enterprises.
12	GM	Children and youth education	\$100m	Grants & donations, commercial enterprises.

As stated previously in Chapter 3, the charities who participated in this research were invited to participate the Origin Foundation, the philanthropic arm of Origin Energy, which has developed a sizeable network of charity partners since its inception in 2010. As defined by the Australian Charities and Not-for-profit Commission, charities can be classified as:

- Small charities if they have an annual revenue under \$250,000.
- Medium charities if they have a revenue of between \$250,000 and \$1 million.
- Large charities if they have an annual revenue of \$1 million or more.

([Australian Charities and Not-for-Profit Commission, 2021a](#))

As no small or medium sized charities volunteered to participate in this study, the researcher acknowledges that the charity leaders participating are representing only large charities and therefore this study may not be truly reflective of Australia's charity sector.

The patterns emerging from the interviews with charity leaders were captured by Nvivo and coded into domain summaries and themes ([Braun & Clarke, 2006](#)), which are presented in Table 5.2.

A *domain summary* can be described as a summary of an area of the data collected, for example, as an abridgement of everything research participants have stated relating to a certain topic or question ([Nowell, Norris, White, & Moules, 2017](#)). Braun & Clarke (2017) described domain summaries as ‘buckets’ into which broad ideas or concepts associated with a particular portion of the data is assigned ([Braun & Clarke, 2017](#)). *Themes*, the things that go into ‘buckets’, can be described as patterns within the data collected or a central concept that unites observations about the data ([Braun & Clarke, 2017](#)).

When undertaking data analysis, the researcher becomes the analysis tool and has to make judgments about allocating data into domain summaries and themes ([Starks & Brown Trinidad, 2007](#)). It is the responsibility of the researcher to ensure integrity and rigour are maintained throughout the process ([Nowell et al., 2017](#)). Domain summaries for this tranche of this study were established by categorising each relevant quotation from charity leaders into ‘buckets’, a process that was repeated many times until the researcher was confident that the content in each ‘bucket’ was appropriate to that ‘bucket’. Themes were then introduced and each relevant quotation from charity leaders were allocated against a theme, a process that was also repeated many times until the researcher was confident with the allocations. Titles for both the domain summaries and themes were then established. A full listing of all quotations taken from Charity Leaders through the interview process and listed under the relevant Domain Summary can be found at Appendix 2 (Quotations taken from ‘Interviews with Charity Leaders’ and listed under ‘Domain Summaries’).

Table 5.2**Domain Summaries and Themes – Charity Leaders**

Domain Summary	Themes
The complexities of securing a grant (Due to space limitations, this Domain Summary is abbreviated to Complexities in Chart 5.1)	Grant application processes Organisational instability 'New' versus 'existing' programmes Motivations Mission Creep
The diminished ability to establish and follow any form of strategic path (Abbreviated to Strategy in Chart 5.1)	Tactical versus strategic funding Size and term of donations or grants
The inability to invest in programmes or projects that would enhance a charity's effectiveness and efficiency (Abbreviated to Performance in Chart 5.1)	Capacity building Administration costs Funding contradictions
The disproportionate amount of organisational resource deployed to secure and maintain future funding streams (Abbreviated to Resourcing in Chart 5.1)	Ineffectiveness and inefficiency Reporting
The realities of being a charity employee (Abbreviated to Reality in Chart 5.1)	Employment issues Funders opinion of charities The well-being of charity employees
The partisan nature of government contracts (Abbreviated to Government in Chart 5.1)	Government Power imbalance
The unwillingness or inability of charities to articulate to funders the deficiencies of the current funding models (Abbreviated to Articulation in Chart 5.1)	Collaboration Feedback Collective voice
Funders' awareness of their impact (Abbreviated to Awareness in Chart 5.1)	Ignorance of impact Performance Community impact Cost neutrality

Examples of *domain summaries* for this tranche of this research are 'The complexities of securing a grant' or 'The diminished ability to establish and follow any form of strategic path' as in Table 5.2.

Examples of themes for this tranche of this research 'Grant application processes' or

‘*Tactical versus strategic funding*’, again in Table 5.2. A proportional representation of the domain summaries and themes, as extracted from Nvivo, can be found in Chart 5.1.

Chart 5.1

Domain Summaries and Themes – Charity Leaders



As presented in Chart 5.1, many themes emerged from *interviews with charity leaders* regarding the effect and consequences that current funding models have on the organisational effectiveness and efficiency of charities. These emergent themes do not stand alone, they are interrelated. As an example, a burdensome *grant application process* is likely to increase *administration costs*, which is an *ineffective* use of charity resource. To enable a deeper exploration, these emergent themes are not explored here at a semantic level, instead a latent

exploration is undertaken as this aids in identifying the underlying assumptions, experiences and perspectives ([Braun & Clarke, 2006](#)).

5.2 Discovering emergent themes

In this section, emergent themes are explored under their respective domain summaries and in the order presented in Table 5.2.

5.2.1 The complexities of securing a grant

There are many differing funding sources available for charities, such as federal and state government, corporate or large business and philanthropy. Charities may see the availability of such a diverse range of funding sources as an advantage, in that the risk of one or more funding stream being withdrawn is diluted if there are many other funding sources available.

Grant application processes

Charities appear to view the many differing funding sources as a disadvantage due to the resources required to administer the vast number of funding applications that have to be submitted in order to just secure sufficient funding to maintain operations. Beyond the volume of applications submitted in the pursuit of securing donations or grants and the associated costs, charity leaders are critical of several aspects of the application processes, which vary significantly from funder to funder.

If an individual, family or organisation chooses to give away a substantial sum of money for community benefit, it would be unlikely that any of them would want this money to be squandered. It would therefore be a reasonable assumption that robust processes would be in place to ensure that this money was not squandered but instead distributed in a manner that was both effective and impactful. However, this is not generally the case. Indeed, the many differing funding application processes employed drive significant inefficiencies across the charity sector, where the highly subjective processes and lack of specific feedback causes great bewilderment to those employed within. Charity leaders captured this pattern as follows: “...most grant application/selection processes are highly subjective... (Charity Leader 10). Another added,

“...selection criteria vary month-to-month and year-to-year within the same funding organisations ... you will submit a grant application one year, which will be successful, submit a very similar application the following year and fail or vice versa...” (Charity Leader 8).

This is indeed a challenging and changeable scenario, fraught with uncertainty. These subjective criteria are not just limited to changes in application criteria. Some funders do not seem to take into account the legitimacy of the application at all, as one charity leader stated: “...some funders encourage you to keep applying again and again, suggesting that the reward is for effort and persistence not the content or validity of your application...” (Charity Leader 8).

When assessments of well-considered documentation are judged against unspecified and subjective criteria or a whim, the respect between the fundee and the funder lessens. For example, adjusting eligibility criteria after finalising the call for applications can be devastating, with one charity leader stating:

“...we recently submitted a grant application to a funder who had supported us the year previously... our application was unsuccessful despite having very similar goals/deliverables to the previous year’s submission ... the reason [feedback] given for our application being unsuccessful was that we had secured a grant the year previous ... this did leave us scratching our head a bit...” (Charity Leader 11).

It is difficult to comprehend that sizeable funds would be distributed in such a subjective manner. What is even more perplexing is that some funders apparently seem happy to expose the fact that they go about the business of giving significant sums of money away using such an approach. Unless the methods of selection used by funders are known by the applicants, a ‘guessing game’ eventuates which can be just as confusing. One charity leader explained the impact as follows:

“...the lack of process transparency and alignment within the trusts/foundation environment puts the third sector at an immediate disadvantage in securing funds from the majority of these organisations as we are often unsure what they are looking for and what is of optimum importance to them...” (Charity Leader 12).

The subjectivity and inconsistency of the many differing funding application processes is not the only contributor to the confusion and exasperation of applicants; feedback and/or lack of feedback also plays a significant part. Several charity leaders noted the absence or lack of opportunity as influencing their future decision making around grants stating:

“...feedback from ... grant applications are more than often not forthcoming ... it is then difficult to know what needs adjusting in order to have success in a future grant

application...” (Charity Leader 3).

“...feedback from funders ... is pretty much non-existent ... consequently, there is no evidence on which to help improve the quality and success rate of grant applications...” (Charity Leader 7).

“...due to a dearth of comprehensive feedback; it can be almost impossible to understand why a grant application was either successful or not...” (Charity Leader 10).

Without appropriate feedback, charities cannot assess the validity of the grant applications they submit. Beyond the acknowledgement from funders regarding the success of a grant funding application, the time taken to provide this acknowledgement can also cause organisational issues.

Organisational instability

Charities need to learn to live in a kind of limbo between the submission of their funding application and notification of some form of feedback regarding the *outcome* of the process. The lack of feedback and responsiveness of funders can hamper everyday decision making and create a financially unstable operating. This environment: *“...reduces the ability of charities to react quickly to whatever issue is at hand...”* (Charity Leader 10). Similarly,

“... the time to receive notification of a grant application outcome, either way, also causes inefficiencies ... the time lag does not afford us stability or allow us to be as quick on our feet as we would like to be...” (Charity Leader 8).

This lack of understanding by funders about the timeliness of their decisions is a concern:

“...a question must be posed to funders regarding their assessment of the efficiency of their application/approval processes, which can take up to a year...and with little feedback to the applicant; what are they doing...” (Charity Leader 5).

Questions need to be asked of funders about why feedback on grant applications is less than forthcoming and why the applications take so long to be processed and brought to a conclusion. An opportunity to improve the quality of applications through such a feedback loop is being overlooked, as is the opportunity to quicken the grant application process. However, these opportunities for improvement seem unimportant to funders.

The unpredictable, inconsistent, and varying funding application processes, along with the lack of reliable feedback from funders, drives an irritation across the charity sector because few can draw productive conclusions as to why an application for funding was successful or not. One charity leader commented on the apparent lack of concern by funders, describing some of the current application processes as being funders taking a scattergun approach to their distributions, stating:

“...this funder wishes to use their funds to support many organisations rather than allocate their funds on the quality of grant applications ... allocating funding in this manner doesn't make much sense as it is clearly not the most effective use of the allocated funds...” (Charity Leader 12).

Perhaps this approach might indicate that many funders may actually have a lack of knowledge around what programmes deliver the best outcomes, as one charity leader suggested: *“...this could indicate an ignorance of what works and works well...”* (Charity Leader 8).

This lack of knowledge from funders regarding what programmes deliver the best outcomes may be a driver in pushing funders towards seeking what they see as newer, more innovative, and more exciting ideas.

‘New’ versus ‘existing’ programmes

Charity leaders were particularly critical of funders seeking to prioritise investment in new programmes and the consequences of such decision making, stating:

“...funders do seem to like funding new programmes and fund pilot programmes that have not been funded previously...” (Charity Leader 7)

“...funders also tend to want to fund new programmes or innovation ... have funders considered that as the sector is bathed in uncertainty...that the inability to plan and operate long term is causing the sector to regress...” (Charity Leader 8)

“...some funders seem to treat philanthropy as a fashion statement, as in, what are this season's new styles ... most grant managers will state that their board wants to see something new...” (Charity Leader 2).

“...there also seems to be a current desire from funders to invest in something new, possible driven by a ‘feel good’ factor that a particular programme/outcome can be attributed back to the funding organisation...” (Charity Leader 4).

An apparently unspoken preference seems to exist for funding new and shorter-term pilot programmes. More than just funding new and innovative programmes, it appears that often funders: *“...lose interest in long-term programmes and often ask why the need remains and why the issue has not been rectified...”* (Charity Leader 7).

Motivations

The concern here is the apparent shift from the ‘betterment of society’ through strategic funding to short-term, quick results for the ‘benefit of funders’. The change in priorities is captured very succinctly in the following reflection:

“...there is little appetite for existing programmes with proven outcomes...which would seem to indicate that some funders have more interest in achieving a short term ‘we did that’ rather than helping deliver long term benefits ...it is quite concerning to think that funders ... believe that long-term entrenched community issues can be resolved via short term programmes or one-off funding cycles...” (Charity Leader 3).

Mission creep

Rather than critique these changing priorities, charities find themselves needing to adopt them if they wish to be successful in securing funding with these un-principled changes in funders’ priorities, leading to a deepening pragmatism. These ideological effects are described as *“mission creep”* (Charity Leader 4). Originally associated with military and humanitarian strategies, ‘mission creep’ in the charity sector is when an organisation strays from the reason it was initially created. It can compromise an organisation to the extent it can no longer effectively pursue its objectives ([Gonzales, 2012](#); [Jonker & Mehan, 2014](#); [Phills, 2005](#)). This ‘mission creep’ could prove a risky proposition for some charities as they may accept conditions associated with funding that they are unable to competently deliver with conviction.

Beyond the complexities associated with funding from the non-government sectors, such as corporates and philanthropics, federal and state governments add additional trials, especially when a programme has a national footprint and expands across differing government

departments. As an example, a charity may be seeking funding to operate a programme that would assist in better preparing young children for school. From a Federal Government perspective, there may be funds available from the Department of Education and Training. Additionally, if the programme has a science component or a focus on a vulnerable or disadvantaged community then there may be further funds available through the Department of Industry, Innovation and Science, or the Department of Social Services, respectively. If the intention is to roll this programme out across all states and territories, then the charity is also likely to seek funding support through the relevant state and territory equivalents of the aforementioned federal government departments. This could equate to as many as 30 differing grant applications, all of which are likely to have differing application processes, selection criteria and timelines. And this is all before consideration is given to other alternative sources of funding, such as private ancillary funds or individual fundraising.

Reflecting on the feedback from charity leaders regarding the complexities of securing funding, it would be difficult to envisage many commercial organisations operating in such an unstable environment with similar administrative burdens. The fickle and subjective nature of the various grant application processes must be known to funders. After all, they are their own processes. Allowing such processes to persist signals a disparity within the funder/fundee *relationship* and appears to pronounce ‘follow our processes or seek ye funds elsewhere’.

5.2.2 The diminished ability to establish and follow any form of strategic path

Tactical versus strategic funding

An organisation’s strategic plan is generally the result of a detailed analysis of how an organisation needs to develop in order to meet its long-term objectives. This plan would state what actions are required in order to achieve the desired organisational changes. Actions may include the development of new products and/or services, recruitment of specific skills, training and development of existing employees, or investment in organisational infrastructure such as information technology. Strategic plans are critical for organisations of all types, yet funders appear to place little value on the need for strategic plans across the charity sector, as one charity leader stated:

“...current funding available from most funders is tactical, as in, the grants are mostly

short-term and small ... as a result, it is challenging to have any strategic focus ... or invest in long term plans ... a change in funders' focus from tactical to strategic would be of great benefit...” (Charity Leader 3).

The lack of forward planning is a risk for charities because it can include a diminishing priority for longer-term sustainability, the priority and creep of pragmatic thinking, and the loss of acknowledgement of the levels of funding needed in order to have a critical impact over a longer period of time. This compromise was captured by one charity leader:

“...the lack of long-term granting compromises charities, who then find it difficult to focus on long-term strategy ... short-term funding does not lead to achieving critical impacts, particularly in areas where change happens over 5 to 10 year periods rather than 1-2 years ... multi-year funding enables long-term planning around key interventions...” (Charity Leader 4).

Size and term of donations or grants

The lack of funding needed to advance strategic initiatives undermines the operational capacities of charities and leads to higher employee turnover in an increasingly unstable context. More specifically,

“...current funding models are driving inefficiencies in the sector ... the inability to secure substantial long-term financial support results in tactical, unstable organisations ... employee turn-over rate is higher as a result ... decision making can also be compromised, which is unsurprising if you have only three months working capital and 50 employees...” (Charity Leader 9).

Additionally: *“...current funding available from most organisations is very tactical...the grants are mostly short term and small...”* (Charity Leader 3). One charity leader summarised the present scenario concisely as, *“...the need for long term funding is critical to the sector progressing ...”* (Charity Leader 4).

The question needs to be asked of funders as to why there is little appetite to help progress the impact of the charities they fund through the provision of longer-term, more significant funding. As a result of this lack of appetite, opportunities for charities to construct their own strategic paths are limited, as it is difficult to secure the more traditional sources of funding commonly available to commercial organisations. One particular charity leader confirmed this position, stating:

“...there are a small number of private philanthropists who are willing to fund ...”

development items but the vast majority of funders will not, preferring instead to fund particular/specific programmes and generally want something new and shiny...most donors want their funding spent on 'front line' activities..." (Charity Leader 1).

However, there are examples of charities taking a more adaptive strategic approach, as evidenced by one charity leader:

"...we previously followed, what I would describe as being a linear model... we would plan an event, raise funds through that event and then donate these funds...our model is now much more project focussed, as in, a particular need will be identified by a hospital or health fund...we will then target our fundraising activities towards funders who are more likely to support this particular need and work towards fundraising for a specific amount that will allow the project to be delivered..." (Charity Leader 11).

Another example of a charity adopting a more adaptive strategy approach in trying to optimise the impact of funding is as follows:

"...we are a large education focussed charity...we do have a proven talent for fundraising, as an income well in excess of \$50m per annum would substantiate ...however...we were seeing a really worrying trend; a drop in corporate partnership income...we knew that we had to change tack and this change would have to be dramatic...we restructured the corporate partnership department...we put an intense focus on securing long term high value partners...and we introduced a pipeline management tool introduced to ensure that we are effectively tracking the prospective income...in the two years since the restructure, we delivered 11.6% growth in 2016 – our best result since the GFC in 2009...even more pleasing when you consider that market growth in this segment (corporate partnerships) had declined 11.3% to FY15 (Pareto Benchmarking)...and we are on track to deliver further growth in FY17..." (Charity Leader 11).

Whilst a small number of charities in the suite of informants for this research were demonstrating innovation and progression, most were not, due to the lack of appetite in providing financial support for such organisational development and capacity building activities.

5.2.3 The inability to invest in programmes or projects that would enhance a charity's effectiveness and efficiency

Capacity building

Beyond the lack of desire to help charities construct and follow a strategic plan, funders are reluctant to provide support for other organisational advancement activities such as training and development or information technology infrastructure that would help boost performance. This approach is noticed by charity leaders and its impacts on everyday activities, but they appear powerless to make a difference. One charity leader lamented this situation, stating:

“...as a leader in the charity sector you can see – very clearly – the opportunities to increase efficiencies, effectiveness and outputs ... but through a lack of funding you can rarely exploit them...this can be soul destroying ... leading an organisation with only three months working capital is very, very challenging...” (Charity Leader 1).

This charity leader also stated that the difference between the resourcing of charities and commercial organisations is explicit:

“...organisational infrastructure, training and development of employees, quality accommodation, reward/remuneration, are all accepted as necessary and even critical investments by commercial organisations in order to progress...” (Charity Leader 1).

Administration costs

A number of charity leaders were consistent in their suggestions as to where additional support might be best utilised. Additional support for IT in particular would reduce administration costs that would then release additional resources to focus on mission and improve impact. This difference in perspective between charities and their funders over organisational development support was described as a disconnect. One charity leader commented,

“...the ability to continually enhance our systems and processes is limited ... as an organisation with a potential footprint of close to 5000 schools across all states and territories, IT advancements would do so much to reduce administration costs, which is what our funders want ... unfortunately, the same funders do not want to fund these administration improvements ... this disconnect needs addressing...” (Charity Leader 9).

In the commercial world, investment in the training and development of employees is a given. This training and development can take many forms, such as being briefed about new products and services, learning about a new I.T. system, or career progression activities

including secondments or post graduate study. The charity sector's inability to afford the time, space or funding to invest in its employees is having a noticeable impact on performance. One charity leader provided a very illuminating example of the impact of limiting investment in training and development:

“...we had a two-year \$50,000 per annum funding agreement with a national courier company that was coming to a conclusion ... the responsible fundraising manager could see a solution to filling this \$100,000 gap but rather than state the obvious he wanted his team to think more laterally and identify the answer themselves ... the manager asked his team to consider all the options...after a few days, the team presented their strategy which focussed on sourcing funds through grant applications to the usual suspects...the manager again pressed the team to consider alternative strategies and they agreed to meet the following week with an updated proposal ... the updated proposal was more of the same, further grant applications but this time to a different raft of funders ...the manager asked his team to try again but the next proposal wasn't much different...getting frustrated with the lack of imagination from his team, the manager took a more explicit tact...he asked his team to review the annual costs associated with their 'School Reading Programme'...the team investigated and provided the following: 40% or around \$100,000 went on buying books, a further 40% went on sourcing and administering the 'reading' volunteers required and the last 20% or around \$50,000 was the cost of delivering the books to the schools...the manager asked the team if they could see an opportunity but despite it being conspicuous to him, they still couldn't...he then asked them if they could get the courier company to deliver the books to the schools for them pro-bono, 'we don't know', was the reply, 'well go and ask'...this example is not a reflection on the capabilities of the employees involved ...they are fabulous at what they do – which is fundraising... the criticism here is of the narrow capability that has been allowed to develop – which is due to the fact that all this team does is fundraise...our managers cannot afford the time or expense to develop their people... as such, our effectiveness is well compromised...” (Charity Leader 12).

Another charity leader put the onus on other charity leaders to provide a differing perspective on the need for greater investment in organisational development from funders: *“...convince funders that investment in people and infrastructure is not just OK but a necessity for better programme outcomes...” (Charity Leader 5).*

Funding contradictions

It would seem a contradictory position that funders, who look to support community progression, would have little interest in helping the very organisations they task to achieve this community progression to get better at what they do. As one charity leader stated: “...charities, whilst generally established for a community purpose, are still organisations and need similar investment in order to thrive ... this point seems to be lost on most funders...” (Charity Leader 1).

Funders generally provide funding in support of charities delivering particular community outcomes, whether they be better health outcomes, improved education attainment or enhanced employment opportunities. This signals that funders are interested in helping certain aspects of the community to progress. However, it would seem funders are saying, I want to provide funds for you to use to support communities who are experiencing health issues, education disadvantage, unemployment and so forth but I do not want you doing too well at what you do. A more effective and efficient charity could deliver more to the community for a lower investment, but this seems to be lost or is apparently of lower importance to funders than other matters.

To an outside observer, the reluctance to fund capacity building type initiatives makes no sense, as this tack inhibits performance progression. Much like the approach taken with regards to their inconsistent and subjective grant application processes, funders are again imposing their control within the funder/fundee *relationship*. Follow our rules or seek ye funds elsewhere. Unfortunately, there are no alternative funding options available to charities.

5.2.4 The disproportionate amount of organisational resource deployed to secure and maintain future funding streams

Ineffectiveness and inefficiency

As stated in the previous section, the many sources of funding and the vastly differing application processes create significant challenges for the whole charity sector. One challenge is that of the resource required to secure and maintain funding streams. In addition to the resource required for grant applications, there is also a resource requirement for maintaining successful grant applications, that is, the resource required in providing acquittal reports back to funders. This can be a significant and sometimes unnecessary amount of organisational

effort. This ineffective use of time and effort is a particular challenge with small grants and donations, with charity leaders stating:

“...small grants/donations are hugely ineffective ... the time and effort expended in pursuing small grants is substantial...” (Charity Leader 7) and *“...the administration required to pursue, and secure small grants/donations is huge..”* (Charity Leader 9).

That grant application processes are often described as onerous is exemplified in the following:

“...applying for grants takes a lot of time ... and you have a low success rate ... due to the current preference from funders to provide small short-term grants, sourcing grants to fund a programme can take many months and the window of opportunity for the programme can often close ... this is a significant waste of resource...” (Charity Leader 6) and *“...the process is onerous, and you have a success rate of around 10% ... success is one or two major wins a year...”* (Charity Leader 5).

Charity leaders are critical of this funding model with one suggesting:

“...funders could be more fleet of foot and not entrenched in funding cycle models which are decades old ... raising pooled funding (small grants from a variety of funders) is hard work...and if total funds for the programme are not raised, you then have to return what was raised...not a good use of our resources...” (Charity Leader 6).

Reporting

Beyond the arduous grant application processes, the perceived value added through the acquittal reporting was questioned and heavily criticised by charity leaders:

“...acquittal reporting takes a significant amount of resource for very little return...our acquittal reports to funders are very rarely challenged or questioned. Why?...” (Charity Leader 3) and *“...funders place unreasonable demands for detailed acquittal reporting...yet from our own experience, very little is ever done with the reports submitted...”* (Charity Leader 8).

A solution would to privilege longer-term grants as a way of offering greater certainty while also lessening acquittal requirements. As a charity leader stated:

“...larger longer-term grants would provide much greater certainty and allow charities to focus on core activities...a reduction in some of the more onerous acquittal reporting requirements from funders – especially for small grants - would also help...” (Charity Leader 2).

There appears to be little or no appreciation from funders regarding the effort expended by

charities participating in such burdensome processes. Funders continue to demand comprehensive acquittal reports, yet charity leaders claim these reports are rarely used. Demanding the use of processes that add little value raises a question about the trust that funders have in charities. Having to demonstrate exactly where every donated dollar went does not indicate that funders have confidence that charities will always behave in the appropriate manner. Indeed, these practices suggest that funders have apparently little trust in the organisations they support.

5.2.5 The realities of being a charity employee

Employment issues

The charity sector often cites poor remuneration as one of the main reasons for its high employee attrition rate. Feedback from charity leaders interviewed for this research confirms this belief. However, there are other factors at play including job security:

“...we have limited ability to attract and retain the best quality of staff...short term funding contributes to this challenge inhibiting our ability to have any form of long-term plan...employees in many, many industries aspire for employment security...why is this goal largely unattainable for most in the sector?... support via longer term more substantial funding would help significantly...” (Charity Leader 8).

Similarly,

“...charities have little ability to invest in attracting and retaining quality staff ... improving recruitment capability would help significantly ... whilst the working environment can offer significant benefits (flexibility, community-minded work, etc), the limitations to offer competitive salaries is a significant barrier in attracting and retaining excellence...” (Charity Leader 7).

The differences in certainty of provision, and the comparisons between charity and for-profit terms and conditions, also have a negative effect:

“...employees within the charity sector ... have the same aspirations as many others, the ability to buy a house and provide a stable safe environment for their families...that can be difficult when you are on a rolling six-month contract...” (Charity Leader 7).

Further,

“...I find it intriguing as to why there seems to be a general consensus that if you work in the charitable sector, there is no need for you to be rewarded financially at an appropriate / market rate ... I’m not sure why this is so but it must be a barrier to

attracting and retaining talent... ” (Charity Leader 11).

Beyond job security, some charity employees want to have suitable facilities from which to work, with one stating:

“...facilities could also be improved – buildings and furniture ... there seems to be a growing acceptance that it is quite satisfactory to house charities in the most run-down buildings available and furnish these buildings with office equipment that is on its way to the dump ... it is not a nice way to be treated...” (Charity Leader 9).

This attitude towards charity employees is perplexing. Why should people who are trying to address some of the most entrenched issues in our communities not be afforded the same employment rewards as their for-profit counterparts? Many of the organisations within the charity sector strive to help lift people out of disadvantage and vulnerability and get them to the point where they are self-reliant both personally and financially. From an economic perspective, this equates to someone now contributing to the tax pool rather than being a burden upon it. Working in the charity sector would seem a more deserving outcome than working in top-end retail selling expensive bags or designer shoes. However, wider society may not make these comparisons with such scrutiny.

An alternative proposition for a charity employee would be to seek employment in the for-profit sector, attracting a significantly higher salary than could be expected in a similar role in the charity sector then donate a good proportion of their for-profit salary to charity ([Pallotta, 2008](#)). Whilst this proposition may make sense financially, it would seem to be an unnecessarily convoluted scheme in order to pacify those who are likely to be ignorant of the actual needs of the charity sector. The following account tells of a person feeling the need to justify their employment agreement:

“...I attended an event where the CEO of a large UK charity was presenting, his opening gambit was around what he earned and why – as his remuneration package had previously attracted criticism ... he articulated his qualifications, experience and achievements and stated that if he was undertaking a similar role in the commercial or business sector he could expect a significantly higher financial reward for his efforts but has chosen to accept these reduced conditions in order to contribute to the sector / community ... the fact that this CEO felt the need to defend his salary tells its own story about how the sector is viewed by many...” (Charity Leader 11).

Funders' opinion of charities

A high employee churn rate is a significant cost to any organisation and addressing this issue would likely contribute to significant cost reductions and subsequent effectiveness efficiency benefits across the charity sector. Certainly, a deficit stigma being felt by employees of charities is counter-productive to colleagues sharing in the attainment of organisational aspirations. Similarly, charity leaders question how employees in the sector are viewed by others, including funders:

“...there is a general perception that those working in the charity sector are underqualified and couldn't cut it in the commercial world... really? ... many employees within the charity arena come from the corporate world, as they want to be involved in making a difference not just making money ... sadly, they eventually return to their former world as they are exhausted ... their human capital has not been invested in wisely ... [however, it is also the case that] many remain in the non-profit arena as they become so embedded within the cause that adequate pay, training or development opportunities or even decent accommodation become less of the focus...”
(Charity Leader 3).

In fact:

“...the whole of community attitude towards the charity sector and its employees needs to change if employees are to remain within the sector long term and to reach the outcomes they set out to achieve...” (Charity Leader 6).

Wellbeing of charity employees

The self-esteem of charity employees is also impacted by the various funding application processes, and not in a positive manner as several charity leaders confirmed:

“...applying for grants takes a lot of administration time ... you have a low success rate ... due to the current preference from funders to provide small short-term grants, sourcing grants to fund a programme can take many months and the window of opportunity for the programme can often close ... this is a significant waste of resource and can be emotionally draining...” (Charity Leader 6).

“...the administration costs required to pursue and secure small grants/donations is huge ... the effort can be exhausting...” (Charity Leader 9).

“...it becomes easier to think you are not good at your job... you can quickly become emotionally tired of pitching...hope gets diluted...” (Charity Leader 5).

“...raising pooled funding (small grants from a variety of funders) is hard work...emotionally exhausting and if total funds for the programme are not raised, returning funds is heart wrenching for the staff member and counterproductive with funders...” (Charity Leader 6).

These powerful statements, married to earlier quotations, clearly articulate the reality of being a charity employee. Their remuneration is compromised, the regard in which they are held by their funders is low and their office facilities are sub-standard. Yet they must have the stamina to maintain their efforts, the emotional resilience to cope with funding failure after funding failure and the motivation to keep coming back and asking for more.

The high administration costs associated with operating a model of funding that provides mostly small and short-term grants rather than larger, longer-term grants is relatively obvious, as is the impact of subjective and inconsistent grant applications processes. A reluctance from funders to support capacity or capability building also has a fairly clear organisational impacts. What is less obvious is the *personal* or *lived* impact, as in, what is it actually like to work in such an environment that is peppered with ambiguity, instability and prejudice, all of which will be explored further in Chapter 7.

5.2.6 The partisan nature of government contracts

Government

As stated in Chapter 1, federal, state, and local governments provide around 47% of the Australian charity sector’s annual income, which equated to approximately \$73 billion through Financial Year 2017/18 ([Australian Charities and Not-for-Profit Commission, 2020e](#)). Considering the sums involved, having fair and efficient grant application and acquittal processes administered by those who are knowledgeable and experienced in the complexities of working across the whole of Australia’s vast charity sector are essential for optimising these resources.

As stated previously, the motivations of government as a funder are not always transparent and some charity leaders support the view of governments prioritising their own objectives over those of society. One charity leader pointed out deficiencies in government’s understanding of the charity sector and its needs, stating:

“...a number of our funders, including government, did not take kindly to the proposed changes that we put to them ... they had difficulty understanding why we would not

want to accept their money – if it was on offer... ” (Charity Leader 9).

Charities are becoming critical of the way in which government is now managing grants, with government increasingly pushing the financial risk component of community programmes towards the charities funded. This is done by ignoring mid-term contract adjustments or insisting on payment by results, where payment is made only when the results are achieved, which dismisses the investment made by each charity, all in a testing economic environment. One charity leader commented:

“...managing government funding has always been a challenge ... the environment that has developed over the last few years is significantly increasing the financial risk to charities, which in turn is driving further organisational inefficiencies...” (Charity Leader 11).

This charity leader was not alone with having these concerns, adding,

“...discussions with other charity CEOs has confirmed that the majority of the sector is wrestling with the issue of managing the risk now associated with government grants...” (Charity Leader 11).

Moreover,

“...many government grants have a mid-term adjustment, which takes into account increases in the cost of delivering any particular programme, such as wages or inflation... if the government of the day finds itself in a challenging economic position, the government may renege on the mid-term adjustment ... the result being a good news story for the government but a funding shortfall for the charity tasked with delivering a particular programme ... it is certainly a material variation to the contract...” (Charity Leader 11).

Considering the magnitude of the funds provided to the charity sector by government, and the number of organisations that are likely to be reliant on these funds for survival, seeking alternatives to government funding is unlikely to be a consideration for many. However, for those organisations that can, it may be an option. One charity leader chose to steer clear of government contracts altogether:

“...we are a large charity with an annual income of over \$50 million yet less than 10% of our income comes from government (federal or state)...this is deliberate tactic as we have been burned a few times in the past...we secure a 5-year funding agreement for a particular programme, recruit the associated resource and initiated the programme activities, then 18 months later due to a change of minister and focus, the funding gets pulled...and don't you dare try to question or challenge the decision or you'll get

blacklisted...so we now try and keep our distance...” (Charity Leader 12).

For charities that have become reliant on government funding, a very real concern regarding the penalty of non-delivery is illustrated in the following extensive reflection:

“...charities may find themselves with (government) funds for a programme that they cannot competently or financially deliver ... if this proves to be the case, the charity then has to pay fines for failing to deliver the heavily varied contract and can be required to fund the re-tendering process ... the financial and reputation risks associated with the aforementioned scenarios force charities to allocate resources away from its core purpose into risk mitigation, driving up operational costs unnecessarily...” (Charity Leader 11).

Power imbalance

Despite the criticisms of government, the same charity leader provided a possible solution to the power imbalance between government and the charities they fund:

“...if all charities associated with government contracts were to remove themselves from future applications, the government may be forced to review its protocols ... but not because of a concern over process inefficiency or contract inequity, a review would only be forced on government due to public and media pressure ... the recent move towards ‘Payment By Results’ contracts is also causing challenges for the charity sector ... ‘Barriers to Entry’ can be significant and as charities cannot access traditional capital markets, alternative riskier method of funding, such as asset dilution, are being explored ... social bonds may be a solution but only for funding programmes that can demonstrate a reasonable return on investment...” (Charity Leader 11).

A power imbalance occurs when one organisation, group or an individual has greater power than another ([Essabbar et al., 2016](#); [Hendrickson, 2003](#)). It is generally accepted that power must be similar if a negotiation is to be fair. If one party has more power than the other, an outcome can be imposed by the stronger party and the weaker party will be forced to accept it purely because they have no other choice. When a power imbalance is considerable, it can have significant effect on the ‘supposed’ relationship. With regards to improving the effectiveness and efficiency of charities, the same charity leader stated asserted:

“...government departments are one of the main barriers to improving efficiency within the charity sector ... the sector is afforded very few rights through the application

processes...this says a lot about the opinion government must have of the sector ...”

(Charity Leader 11).

The *power imbalance* in the funder/fundee relationship can make applying for a government grant a risky proposition for charities. This is because the process appears to be highly partisan, with all the power firmly on the government side of the relationships. Consequently, employees within charities reliant on government funding are likely to find securing funding arduous. Ensuring that general deed variations and mid-term adjustments are administered by government in a fair and proper manner has been highlighted as a significant challenge by one charity leader.

Government behaviour may also be driving *mission creep*, a concept introduced earlier in this chapter, as charities which are reliant on government funding may do what they can to appease that source of income, whatever that may involve. One must also consider why governments think that it is acceptable to act in a fashion which closely borders on being ‘unlawful’, as one charity leader claimed. Governments are more than likely to be aware that they will receive little push to change their behaviour from the charity sector and so the behaviour endures. These practices also tell their own story about the motivations of government and are also an indication of its own low opinion of the charities. It is also interesting to note that only two of the twelve charity leaders interviewed were openly critical of government practices and behaviour.

5.2.7 The unwillingness or inability of charities to articulate to funders the deficiencies of the current funding models

Collaboration

Charities do engage in self-reflection and can be critical of their own behaviour and lack of courage in conveying a strong message back to funders as shown by:

“...both charity boards and leaders need to be more courageous and make the correct decisions – decisions that meet purpose not ego ... I can understand why funding that does not quite align with organisational outcome would be gratefully accepted, especially if that funding secures everyone’s employment for the next 12 months ... but isn’t this just delaying the inevitable...” (Charity Leader 10).

The same charity leader continued,

“...having assessed my own...organisation, I knew that we would be unable to progress

under the current operating regime ... we could not continue the strategy of doing more and more with less and less ... this is a significantly flawed process and followed by many in the sector ... it forces unnecessary competition, damages trust and dilutes the opportunities for collaboration...” (Charity Leader 10).

Another charity leader pointed towards collaboration as a solution to these concerns:

“...there is a need for more collaboration between charities and leadership should be asking do we still need to be here or are others doing what we are doing only better ... unfortunately, this does not happen very often, and leadership biases can get in the way...” (Charity Leader 4).

In addition, *“...there remains a lack of willpower to consolidate charities that are pursuing similar missions with similar interventions...”* (Charity Leader 11).

As stated previously in Chapter 1, the Australian charity sector is significant in size with over 57,500 registered charities receiving a collective annual income of over \$155 billion. As such, it is not unreasonable to assume that duplication occurs across the sector and that the opportunity for collaboration could often occur. Yet this does not appear to be the case. Charity leaders are aware of the need to reshape the sector but do not seem to have the impetus to do so.

Feedback

Another area where charities can improve their performance is in the conversations they have with their funders, with one charity leader stating,

“...the sector does need to improve its ability in articulating the value and return of organisational investment to funders ... the alternative...to walk away from programme funds when administration costs must be sourced from elsewhere – however, it can be almost impossible for a charity to refuse funding when you only have a few months working capital...” (Charity Leader 6).

Another charity leader suggested that existing conversations between funders and fundees are not fully transparent and that some charities may be contributing to the issue at hand by telling funders what they want to hear: *“...it is almost impossible to evidence the impact of a small grant, yet funders seem ignorant to this fact ... what are the charities telling funders?...”* (Charity Leader 3).

One charity leader broadened the conversation with funders by stating:

“...the whole of the charity sector needs review ... funders are driving inefficiencies by the size, term and conditions attached to the majority of grants ... the charity sector also needs to take a good long hard look at itself...” (Charity Leader 10).

The relationship that charities have with their funders is puzzling. On the one hand, charities appear to be acutely aware of the deficiencies of current funding models yet seem loathe to communicate these deficiencies to their funders. This could be due to the dependence that charities have on funders for their existence and they do not wish to be seen as being critical of the hand that feeds them for fear of the hand being completely withdrawn. However, if this feedback is never provided, funders may never know a problem exists.

Collective voice

If individual charities are apprehensive about revealing the negative effect their funders are having on their performance, a combined effort may be a solution, with one charity leader stating *“...a collective voice for the sector may help...”* (Charity Leader 1). This view of a *collective voice* and its impact was supported by another charity leader who stated, *“...the sector needs to get better at articulating the value and return of organisational investment...”* (Charity Leader 5).

5.2.8 Funders’ awareness of their impact

Ignorance of impact

The major current challenge faced by the charity sector is an increase in demand for services provided along with a reduction in funding. The sector is being asked to do more and more with less and less. Charity leaders need to progress the performance of their respective organisations, but they feel constrained by current funding models. As one charity leader put it: *“...the need for long term funding is lost on those who can best provide it...”* (Charity Leader 4).

Beyond the awarding of donations or funds, feel-good interactions between funders and fundees also occur. However, these can take time and effort to arrange – sometimes resulting in moving valuable resources from front line activities. But again, little thought of the impact seems to be given by funders:

“...funders like to participate in some form of volunteering but there is an expectation

that this interaction should be free ... as in 'we (busy, professionals) are giving you (the poor charity sector) our extremely valuable time' ... whilst volunteering can add some value to both organisations, it does not have anywhere near the same impact as a grant and takes a huge amount of time to administer ... funders should be more willing to fund the administration costs associated with volunteering ..." (Charity Leader 5).

Another charity leader pointed to an imbalance between funders and fundees, namely:

“...I think there is a misalignment between funds available and expectation of how much time we can spend providing information, organising visits to projects, etc...”
(Charity Leader 9).

Performance

Funders are persistent in seeking opportunities to provide small, short-term financial support whilst continuing to prosecute the argument for efficient organisations or low administration costs. Yet these same funders will not provide the support required to achieve such objectives. As a result, charities are not having the requisite impact on the individuals, families and communities they serve. If the charities they support are not performing at an optimal level, due in part to the funding models employed, can funders claim to be performing well? This question will be explored fully in the next chapter.

Community impact

Beyond the effect the current funding models have on the impact of charities, do funders ever consider the impact their funding models may be having on the individuals, families and communities they are trying to support? As one participant expressed it,

“...improved awareness from funders regarding what impact short-term funding cycles deliver ... with specific regards to youth at risk, it takes several years to engage with youth, fully gain their trust and then help them develop the skills required to grow ... you cannot reasonably expect to undo a life-time of damage with a 12/18-month intervention package – and expect the kids to thrive when they are cut loose ... the fact that this point is lost on many funders is incredibly concerning...” (Charity Leader 4).

Similarly,

“...many of the people we work with have not had positive relationships in their lives at all, let alone enduring connections – either as children or adults ... short-term projects usually mean a short-term relationship with a worker ... this translates to yet another face of someone they are going to have to share their personal lives with and who will

not stay long enough in their lives to build their hope (they just see a revolving door of workers/strangers) ... in some ways, this reminds them of their personal histories, including the lack of stable relationships and love that led them to this point in the first place ... they feel like they are failures and not worthy enough to have someone care about them...” (Charity Leader 3).

The most vulnerable time for people who have experiences of disadvantage or who suffer from complex vulnerabilities comes post-programme:

“...there is plenty of evidence to show that when these people transition between programmes or organisations for support, they are more likely to slip through the cracks and disengage ... it takes time to embed new skills and ways of being that help people from highly disadvantaged backgrounds navigate life’s challenges and achieve new goals ... short-term projects can be detrimental and it is more realistic to provide longer term funding so lives can change for the long term...” (Charity Leader 3).

Much like previous statements, if charities are unwilling to openly communicate the full effects of short-term funding due to a fear that this funding may be withdrawn, funders are unlikely to change tack.

Cost neutrality

An issue that should be of significant interest to both charities and funders is that of *cost neutrality*, which occurs when the financial effort to secure funds is equal to the funds awarded. As such, the waste associated with applying for small grants could be substantial considering that the “*...cost neutrality of grants is around \$10,000...*” (Charity Leader 9). This sum was supported by another charity leader who stated that “*...cost neutrality is around the \$10,000 mark...*” (Charity Leader 7). Another charity leader used a cost neutrality assessment before participating in the grant application process: “*...an employee could now assess the value of applying for a grant and not apply if that particular grant did not help us achieve our goals...such as...being cost neutral...*” (Charity Leader 10). Cost neutrality will be explored further in Chapter 7.

5.3 Conclusion

As stated earlier, this chapter sought to explore the direct and indirect effects of the current models of funding. With regards to claims made by charities in Chapter 1, the findings presented in this chapter reveal that the current preference by funders for small, short-term donations and grants is causing three main issues:

- Small, short-term funding is creating and perpetuating ineffectiveness and inefficiency across the Australian charity sector and is largely ineffective when looking to address chronic disadvantage.
- A critical impasse exists in the relationship between funders and fundees with regards to models of funding employed.
- The impact on charity employees of working in such an unstable and unrewarding environment is significant but given little consideration by funders.

These issues signal a warning both to the impact of charities and to the existence of many others. Currently the '*relationship*' between funders and fundees can be described as subjective, inconsistent, bewildering, exasperating and emotionally exhausting. Such descriptions do not bode well for a more productive and hopeful future.

It is ironic that a sector as critically important as the Australian charity sector currently operates in this state of paralysis. Most alarming seems to be the absence of leadership to restore balance and morality to the funder/fundee relationship. But now is not a time to wallow in this status quo. Similarly, blaming and other such behaviours are counterproductive to removing the impasse. Who are and where are the champions who will lead this charge?

As demonstrated by their participation and financial contribution to individuals, families and the wider community, it is apparent that funders want better outcomes for society. It is also the case that certain types of funders, such as large businesses or corporations, would want to gain some form of material benefit from funds invested, such as a corporation wanting to have their employees afforded volunteering opportunities or a large business wanting to communicate to its customers how many school uniforms it has provided to vulnerable and disadvantaged children in local communities. What is difficult to comprehend is the fact that

most funders do not seem to want to employ the most effective funding model to optimise being able to promote and profile benefits and outcomes such as these. Indeed, if one was tasked to develop a funding model that would significantly compromise the Australian charity sector's ability to support and enhance society's most vulnerable, one could do no better than continue to use the existing model of small, short-term grants as currently preferred by most funders. As a result, a significant opportunity to help society progress is being underutilised. Many charity leaders point towards an ignorance of funders to the needs of the charities they support as the reason for the current funding model, and that charities should be doing more to educate their respective funders regarding these needs.

But is this opinion accurate and defensible? As stated previously, funders have little apparent interest in supporting organisational development. Beyond individual donors, it is difficult to accept that funders such as government, business and philanthropy, do not understand the critical nature of such an investment. Looking inwardly, charities are acutely aware that a continual investment is required to ensure the development of their own capabilities. With this point in mind, it becomes an ever more challenging proposition that funders are apparently unaware of the negative impact they are having on charities by not supporting this type of investment.

With regards to small, short-term funding there is a need and place for small grants, whether that be to buy musical instruments or sporting equipment for a school or help establish a community garden. This type of grant can bring much value. However, when looking to address entrenched disadvantage it becomes difficult to accept that most funders believe that short-term, low-cost intervention can deliver the required outcomes. As such, funders' ignorance cannot be used as an excuse for employing a model of funding that is not only ineffective but also drives substantial inefficiencies into the very organisations that funders are asking to make things better.

Are funders sincere in the pursuit of their objectives? If they are, why do they show such little regard for the needs of the organisations they choose to support and treat the employees within in such a condescending fashion. At first glance, the scattergun approach to funding employed by most funders may seem right, as in, 'many organisations will benefit from our contributions rather than just a few' and in this instance maybe the charity sector could be stronger in its communication regarding the impact of employing only such a funding model.

Chapter 6 – Findings from the Interviews with Funders

6.1 Introduction

As stated in earlier chapters, this research was separated into the following three tranches of data collection:

- Tranche 1 - Financial Survey
 - This phase of the research was undertaken to discover what funding is available to charities in relation to the size and term of the grants or donations on offer and from where do these funds originate.
- Tranche 2 - Interviews with charity leaders
 - This phase of the research was undertaken to discover how current funding models impact on the organisational effectiveness and efficiency of charities.
- Tranche 3 - Interviews with funders
 - This phase of the research was undertaken to discover what opinion funders have on the effectiveness and efficiency of charities, the funding models they employ and how they view their own performance.

This chapter presents the emergent themes from Tranche 3 of this research, ‘interviews with funders’, which relates to the research sub-questions:

- What is the nature of the relationship between charities and their funders?
- What are the motivations of funders?

As stated in Chapter 3, an initial target of 20 interviews with funders was selected for data collection. However, due to theoretical saturation, data collection was stopped after 14 interviews. Theoretical saturation occurs when the data collected is adequate for the objectives of the research and no new information is being discovered through subsequent interviews ([Faulkner & Trotter, 2017](#); [Saunders et al., 2018](#)). A profile of the funders interviewed is presented in Table 6.1.

Table 6.1**Profile of funders interviewed**

ID	Position held	Structure	Areas of focus	Annual Distributions
1	CEO	Private Ancillary Fund	Arts, early childhood development, environment and medical research	\$30m
2	CEO	Private Ancillary Fund	Health and education	\$5m
3	CEO	Private Ancillary Fund	Children and young Australians	\$2m
4	Grants Manager	Private Ancillary Fund	Arts, education and health	\$3m
5	Head of Foundation	Public Ancillary Fund	Education	\$5m
6	Program Manager	Private Ancillary Fund	Arts, education and environment	\$25m
7	CEO	Public Ancillary Fund	Diversity/inclusion and human rights	\$1m
8	CEO	Private Ancillary Fund	Aboriginal and Torres Strait Islander children	\$2m
9	CEO	Private Ancillary Fund	Arts, community, education, environment and health	\$5m
10	GM	Private Ancillary Fund	Education and health	\$1m
11	Head of Philanthropy	Public Ancillary Fund	Arts, education and environment	\$15m
12	Director	Public Ancillary Fund	Early childhood education	\$5m
13	CEO	Private Ancillary Fund	Eradicating poverty.	\$5m
14	CEO	Private Ancillary Fund	Arts, medical research and youth at risk.	\$30m

As stated previously in Chapter 3, the funders who participated in this research were invited by Philanthropy Australia, which has a membership of approximately 700 foundations, trusts, commercial organisations and individual donors. Unlike charities, whose size is defined as

small, medium or large by the Australian Charities and Not-for-profit Commission ([Australian Charities and Not-for-Profit Commission, 2021a](#)) funders are not categorised in such a manner. As a result, the researcher acknowledges that the funders participating are representing only funders with the abovementioned ‘Annual Distributions’ and therefore this study may not be truly reflective of Australia’s charity sector.

The emerging patterns from the interviews with funders were coded into domain summaries and themes ([Braun & Clarke, 2006](#)) and are presented in Table 6.2.

Table 6.2
Domain Summaries and Themes – Funders

Domain Summary	Theme
The Australian charity sector	Too many charities Collaboration Mission creep
Charity performance	Administration costs Capacity building Measurement Cost neutrality
The charity/funder relationship	Funders opinion of charities Power imbalance Feedback Submitting to funders
Funders and funding practices	Size and term of grants or donations Funding directions Funders’ performance Board diversity Funders’ motivations Employment issues
Government	Funding Risks

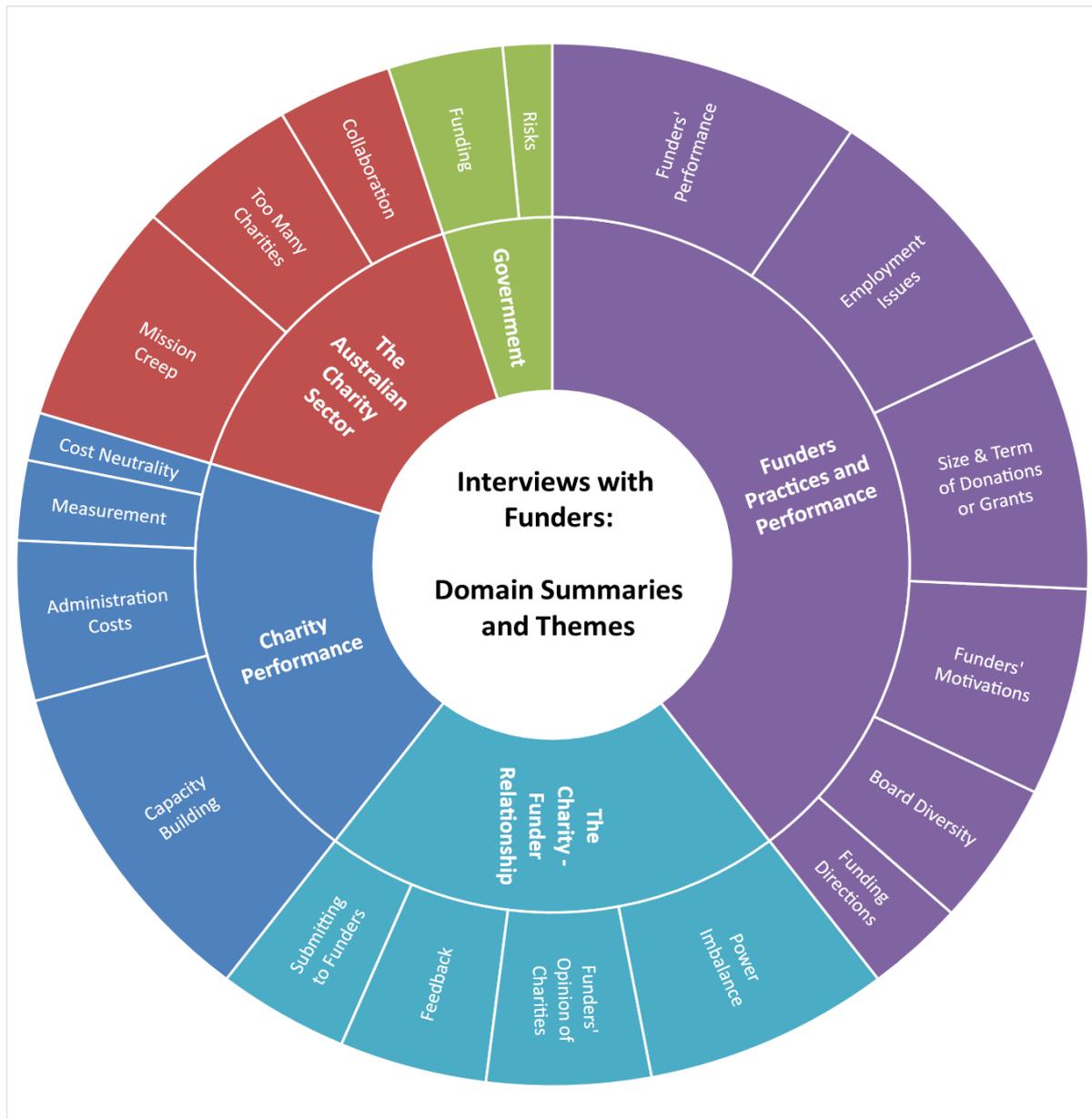
As stated in Chapter 5, a *domain summary* can be defined as a ‘bucket’ into which broad ideas or concept associated with a particular portion of the data is assigned ([Braun & Clarke, 2017](#)), such as *Charity performance* or *Government* as in Table 6.2. A *theme* captures

something valuable about the data with specific relevance to the research question(s) and represents a meaning or pattern within the data set ([Braun & Clarke, 2006](#)), such as *Administration Costs* or *Funders' opinion of charities*, again as in Table 5.2. A proportional representation of the domain summaries and themes, as extracted from Nvivo, can be found in Chart 6.1.

The process of establishing domain summaries and themes for this tranche of this research mirrored that described in Chapter 5. A full listing of all quotations taken from Funders through the interview process and listed under the relevant Domain Summary can be found at Appendix 2 (Quotations taken from 'Interviews with Funders' and listed under 'Domain Summaries').

Chart 6.1

Domain Summaries and Themes - Funders



As presented in Chart 6.1, many themes emerged from interviews with funders regarding the effect and consequences current funding models have on the ability of charities to have impact. A number of themes also emerged regarding how these models can become a vehicle for improving charity performance. As in Chapter 5, these themes do not stand alone, they are interrelated. In addition, these emergent themes were explored at a semantic level, instead a latent exploration was undertaken to aid in identifying underlying assumptions, experiences and perspectives ([Braun & Clarke, 2006](#)).

6.2 Discovering the emergent themes

In this section, emergent themes are explored under their respective domain summaries and in the order presented in Table 6.2.

6.2.1 The Australian charity sector

Too many charities

As stated in previous chapters, the Australian charity sector is significant in size with over 57,000 registered charities. Some funders are of the opinion that there are far too many charities in Australia with many undertaking similar work: “...commentators raise the issue of too many charities in Australia and this is a valid point ... many are replicating services and adding unnecessary administration costs...” (Funder 4). Indeed, one funder provided a specific example, stating “...[Country town] in South Australia has 23 charities in a town of just over 2000 population...” (Funder 6). Additionally, “...there are many, many organisations working in the charity sector...with an estimated 3,300 in this city alone...” (Funder 13)

This abundance of charities does not just mean the unnecessary replication of services and the administration costs that support each one, it also drives replication across fundraising activities with many charities competing for available funds. Several funders commented on this: “...if you look at the vast number of charities that currently exist, you can quickly see another problem – too many organisations, many doing similar things, all chasing the same dollar...” (Funder 3). In addition, “...this is not helped by the volume of charities all jostling for competitive funds...” (Funder 9). One funder went even further in their critique, observing that, “...there are far too many charities in Australia...we don’t need 60 breast cancer charities and the costs associated...” (Funder 11).

Funders posited the view that one contributor to the abundance of charities was their own behaviour, stating: “...one of the reasons we have too many charities is that people donate to them...” (Funder 11). Similarly, “...in some ways, funders are contributing to this issue, by allocating their granting to a large number of organisations...” (Funder 4). Another funder’s granting practices were seen to be contributing to the issue: “...our usual practice is to make relatively small monetary grants, in a range of \$5000 to \$30,000, to many different organisations and programmes rather than to make fewer grants at higher levels of monetary support...” (Funder 2).

Collaboration

Funders identified collaboration as a solution to problem of too many charities, stating:

“...there is far too much replication across the charity sector and not enough collaboration...” (Funder 6). Indeed, *“...the sector needs to work smarter to amortise costs and increase efficiencies through partnership and collaboration...”* (Funder 9). More specifically, *“...consolidation across the charity sector is long overdue...”* (Funder 2).

One funder suggested the following change:

“...if funders supported only a few charities, consolidation would occur through ‘natural selection’...those that were most appealing to funders would secure the long-term more significant funds available, those who didn’t would disappear with their client base then seeking support elsewhere...” (Funder 3).

Another funder advocated the use of existing research to make more informed funding decisions, stating,

“...if funders were more disciplined, they would do the research and only back the efficient users of capital, similar to the for-profit world ... the less efficient operators would then merge or close...” (Funder 11).

However, funders did acknowledge there was a downside with this suggestion, stating,

“...unfortunately, much knowledge and community relevance will be lost in this process, something that we as funders don’t like to see...” (Funder 2).

Another funder highlighted the obvious stating: *“...effective collaboration requires major investment in infrastructure and resources, and a cultural change...”* (Funder 9).

Funders clearly stated their concerns regarding the number of charities across Australia and suggested that consolidation married to more collaboration could go some way to potentially rationalising the sector. And this could indeed lead to a fewer number of charities. But this proposition is only likely to be successful if funders also undertake a similar ‘rationalisation’ exercise and agreed to focus their funds on a small number of charities.

Mission Creep

Funders suggested that *mission creep* could also be contributing to the issue of *too many charities* and were critical of the practice:

“...many charities engage in deliberate ‘mission creep’ and look to design a program that will appeal to a particular funder rather than focus on their core competences

...this paints a picture about both funders, who are attracted to new and shiny, and charities who will manipulate their practices in order to secure their own future ...”

(Funder 2).

There appears to be a type of un-principled game-playing that is integral to securing funding, where the integrity of the leadership and organisational alignment to the stated mission is questionable:

“...accepting funding when it is not your core competence is mission creep and this happens all too often...if you can't secure funding to pursue your mission, there is something fundamentally wrong and maybe it is time to move on...the beneficiary of social funding must be the community, the service provider is simply the conduit for delivering the benefit...” (Funder 9).

For many charities, surviving into another year is the primary focus:

“...there are many charities whose primary goal is to exist next year ... this causes organisations to stray from their mission...the result being that a lot of charities follow the money and try to adapt to a ‘sexy’ cause, when they are ill equipped to deliver in this space ... this occurs in many charities who are primarily government funded...”

(Funder 10).

Charities, with few capital reserves, find it difficult to refuse funding. One reason could be the desire to keep their respective organisations afloat. Another could be a tactic of not refusing funding for fear of losing out in the future. One funder suggested there were others driving this behaviour, noting there were: *“...some funders, including government, pressing charities to accept funds and undertake activities that will have little benefit to either their organisation or client base...”* (Funder 2).

With the realities of mission creep, some funders appear to cross over the line, dictating how a charity must use funds despite being unfamiliar with the realities of a service provider:

“...funders can also be arrogant and impose processes and set unrealistic timelines and expectations ... many insist on exactly what a grantee should be doing with their funds without having the experience or understanding of the service provider ... and charities desperate for funding will pander to these requests...” (Funder 9).

Although the issue of *mission creep* was hinted at by other charity leaders, the term was used by only one charity leader, but several funders also raised the underlying concept as an issue and, as such, it may be more common within their sector than charity leaders believe.

Other funders also seemed to think the solution to the ‘mission creep’ problem was obvious, stating, “...*I feel that more charities should be less beholden to funders and push back a bit more ...*” (Funder 8).

Funders are critical of the volume of charities currently existing but will continue to support this large number by taking a scattergun approach to funding. This is quite a quandary. So how does this impasse get resolved?

6.2.2 Charity performance

An obvious answer to resolving the aforementioned quandary is for funders to adjust their funding practices and seek to provide alternatives to the small, short-term model of funding employed.

Administration costs

One funder could see the value in providing the basics:

“...funders seem to have this pervasive belief that administration costs are the devil’s work, and they should be kept to the bare minimum ... yet the majority of funders will balk at requests for funding back office – the very investments that will reduce administration costs...” (Funder 7).

One funder had an ambition to provide nothing but funds that ‘keep the lights on’, stating:

“...looking to the future, an ambition would be to provide more core operational and administration support as most of the support we provide is still program or project based...” (Funder 6).

And whilst keeping the lights on is a priority for most charities, there any other areas that funders should consider supporting with one funder stating:

“...not enough funders provide capacity building grants ... many charities are doing great work and, if appropriate funding was available, could scale their activities ... most funders limit their support to ‘effective’ charities but are reluctant to help charities become more effective ... counterintuitive indeed...” (Funder 14).

Capacity building

Capacity building would seem to be a compelling and obvious proposition for funders, as in building the capacity of the charities they support to have an even greater impact. Many

funders participating in this research were attracted by the ‘capacity building’ proposition, albeit the approaches varied:

“...historically, we have distributed around 50–75% of our funds towards capacity building ... moving forward it will be 100% ... when some funders decline to fund due to a dearth of skills to deliver a program in a certain community or a lack of available assets, we tend to see that as the obvious reason to fund...” (Funder 8).

Whilst one funder was moving towards funding nothing but capacity building, this appeared to be exceptional, as not all funders had the same commitment: *“...we also support capacity building ... around 20% of our funds are used in pursuit of this objective ... more effective not-for-profit organisations can deliver more/better outcomes...”* (Funder 5). The proportion of funds given for this purpose differed. One funder said: *“...we also look at providing support with capability and/or capacity building ... although there is only about 10-15% of our funds directed towards this goal...”* (Funder 6). Another stated that, *“... we will look at grant applications that support capacity building in organisations – which is currently around 6% of our expenditure ...”* (Funder 2). Finally, a third funder expressed their aspirations as follows, *“...we recognise the importance of capacity building and have increased our annual distribution over the past few years: 2015 – 5%, 2016 – 10%, 2017 – 12%...”* (Funder 3).

As signalled by their participation in this research, funders contributing to this study appeared to want societal progression. Yet even these funders did not seem fully committed to funding reform, with most providing only a small percentage of their available funds towards improving the capability and capacity of the charities they funded. Beyond the provision of administration and capacity building funding support, funders claim there is another aspect of their practice that can be improved.

Measurement

Funders suggest that more could be done to articulate the results being achieved by charities and that improving the measurement of outcomes could help in preferencing funding to charities that can best communicate their achievements, stating: *“...charities could demonstrate a stronger commitment to measurement ... it does not need to be highly complicated more around, what can you actually count...”* (Funder 5). More explicitly, *“...measurement or more specifically the ability to articulate outcomes could be improved...”* (Funder 6). Another funder stated that measurement was critical to attracting funding: *“...why will we continue to fund the organisations*

that can provide little evidence of impact or progression ...” (Funder 2). One funder stated that it was easier said than done:

“...one challenge is assessment, as in, how do you measure the success of a program ... can you compare a program that helps at-risk youth into the workforce against that of a program helping females who are experiencing domestic violence ... or is an early childhood numeracy and literacy education program a more favourable proposition than helping males with prostate cancer...” (Funder 11).

One funder did provide a rationale as to why some charities may not be that willing to expose their performance: *“...charities are unlikely to provide such feedback for fear of compromising an income stream...”* (Funder 9). Measurement can help in articulating the outcomes achieved by a particular organisation or program but a comparison measurement across the whole charity sector is probably out of reach at the moment.

As noted earlier, comparing the performance of charities operating across differing aspects of society is a challenge and in many cases nonsensical. The outcomes cannot easily be compared and the cost of attempting to define and align the benefits of such a complicated equivalence is likely to outweigh the costs of the support in the first place. If funders have, as one would assume, thoroughly assessed the organisations and programs they support and are happy with the input versus output, where is the problem? The problem is that funders would likely have to continue funding what could then be described as ‘successful’ programs, adopting a longer-term funding model. The ability to just ‘up and leave’ would be reduced, as would be the opportunities to announce the number and types of organisations supported.

Cost neutrality

As stated in Chapter 5, the *cost neutrality* theme is important to this research as it locates where the financial effort to secure funds is equal to the fund awarded. Whilst *cost neutrality* was only cited by one funder, *“...despite the size of grant or donation provided...not-for-profits will not refuse funding...this can easily lead to a grant or donation being cost neutral or even cost negative...”* (Funder 2), it signals an acknowledgement that this issue exists. Indeed, this funder has further introduced *cost negativity*, which is when the financial effort to secure funds exceeds that of the fund awarded, a circumstance which would directly impact the effectiveness and efficiency of the charities involved. The theme of *cost neutrality* will be explored further in Chapter 7.

6.2.3 The charity/funder relationship

Funders' opinion of charities

As stated in previous chapters, the Australian charity sector serves the most vulnerable and disadvantaged in our communities, providing services and support that are complex and diverse, yet it is held in low regard by those who fund it, with several funders making statements such as:

“...there is an underlying opinion – which few are likely to admit - that charities and their employees deserve less ... if you work in the sector it is for the love of it, therefore you should be happy to be paid less, have sub-standard accommodation, poor equipment and very little organisational support...” (Funder 6).

There is also a general perception *“...that sector leaders are a little bit dopey, which is highly ill-informed but readily accepted by funders...” (Funder 9).* This perception of sector leaders needs to change:

“...the opinion of the sector needs to improve ... most funders have little regard for the capability and competence of sector leaders ... this is a difficult position to understand ... it is ill-informed and demonstrates a high level of arrogance and points to a power imbalance...” (Funder 6).

These opinions of funders are seriously concerning, seemingly having little substance. Equally disturbing is that these poorly evidenced opinions can have an impact on the behaviour of funders, with some funders stating: *“...funders can feel they are better qualified than the sector to make the best decisions – ‘here is what you should do’...” (Funder 9).* Some funders viewed the sector as:

“...a breed apart in that, they are doing it for the love of it ... administration can be seen as an unnecessary overhead especially by funders whose directors have been focussed on the ‘cost out’ models of organisational efficiencies...” (Funder 5).

Another funder highlighted the risk associated with such ill-informed opinions stating:

“...I doubt government could mobilise volunteers in the manner that the charity sector can ... this is a huge risk for governments, but they seem content in continuing to abuse the power they hold as major funders of the sector...” (Funder 7).

The description continued,

“...I have often thought about the risk the government runs in treating charities poorly ... changes of government equate to a change in policy and a withdrawal of promised funds, which impact many, many charities...the same can be said for ministerial changes ... all of which contribute to the instability of the sector...” (Funder 7).

The funder's view is a serious concern, raising the spectre of abusive and damaging relationships:

“...whilst the sector has much room to improve, the way it is viewed by all types of funders is a serious concern ... Australia's charity sector has many highly qualified, intelligent and knowledgeable individuals who are trying to address the most challenging problems our country faces ... yet they don't have a decent chair or up-to-date software ... why the disparity between the commercial and charity sectors ... why do we think that charities not only need less but deserve less...” (Funder 11).

It would seem that many funders are of the opinion that charities are operated by a raft of sub-standard employees who do not require to be afforded the same working conditions as those of their for-profit counterparts. And the fact that these employees are accepting of lower remuneration and sub-standard facilities is of no concern to anyone as they are doing the job ‘for the love of it’. Such a perspective could be informed by:

- a) The fact that funders have no comparative data from which to assess the performance of charities or the employees within, an issue which cannot be readily resolved easily due to the diversity of services provided and outcomes achieved by differing charities.
- b) Funders are reticent to provide funding for such *luxuries* as up-to-date information technology systems or office accommodation.
- c) The diluted ability to reward employees when a charity has three to six months' worth of working capital due to the small and short-term nature of the majority of funding provided.

The apparent low level of opinion is alarming, especially when considered in terms of searching for ways and means to change the dynamics between funders and fundees to deliver improvements across the charity sector. Similar to feedback received from charity leaders, one funder quoted the ‘power imbalance’ that exists between funders and charities. How do funders view this ‘power imbalance’ and what effect does it have?

Power imbalance

As stated in Chapter 5, a power imbalance occurs when one organisation, group or an individual within a relationship has greater power than another. The reference to a power imbalance in the previous section of this chapter is of concern. If a power imbalance exists between funders and the organisations they support and it is abused in some manner, it could

have a serious impact on the relationships and the effectiveness and efficiency of charities. Unfortunately, this may very well be the case, with one funder stating, “...there is a significant power imbalance ... there is no onus on funders to be effective...” (Funder 8). Another funder held a similar view stating that:

“...there is a huge power imbalance ... true altruism is rare ... funders will take their cash elsewhere if they are not appeased – despite the outcomes that a program or organisation is delivering ... I have difficulty in comprehending why this occurs...” (Funder 6).

If funders are exploiting this imbalance, why are charities not fighting back? The answer is obvious and financially driven, with funders stating that it:

“...is highly unlikely a charity, in need of funds ... would choose not to pursue a partnership with us ... or any other funder ... therefore, in reality the power in all these relationships sits firmly with the funders...” (Funder 3).

As well, the charity sector is seen as less strategic and less aggressive:

“...I have found that the sector has differing characteristics ... it is far less strategic in its thinking and much less aggressive in its negotiations ... the lack of aggression may be as a result of the obvious power imbalance between funders and fundees, as in, charities may be a bit frightened of biting off the hand that feeds them...” (Funder 7).

Feedback

A lack of authentic feedback from charities regarding the deficiencies of the funding provided appears to be consolidating this power imbalance: “...without transparent feedback on the impact of their funding practices, funders are unlikely to change...” (Funder 9). This lack of fundee to funder feedback does have a significant downside, with funders stating that:

“...the charity sector doesn't help as it rarely provides any negative feedback about funding – it is never too small or too short-term ... it will always make such a difference, when the opposite is more often than not true...” (Funder 11).

The communication between funders and fundees could be much better: “...despite the size of grant or donation provided and the associated costs of reporting on it, charities will not refuse funding...” (Funder 2). This quote is important to this research as it hints at the shallow depth of the working capital reserves of charities. It also signals how charities prioritise fundraising above other objectives, in that securing income today is of paramount importance, and the cost of securing and reporting on such income is for consideration tomorrow. Unwin (2004)

described the fundee/funder relationship as a *complex dance* in which neither party is able to be completely frank ([Unwin, 2004](#)).

Submitting to funders

Other funders claimed that charities go further than providing agreeable and less than authentic feedback, stating: “...*the majority of not-for-profit organisations tend to appease their funders... not-for-profits tell the funders what they think they want to hear...*” (Funder 10) and “...*‘this \$5000 will make such a difference’ ...when they know it will fill a need but not create the impact, they [the funders] want...*” (Funder 10). As one funder stated “...*once you become a philanthropist, you have told your last bad joke...*” (Funder 11). This quote clearly signals the power imbalance existing within the charity/fundee relationship and a charity’s awareness of their deferential role.

As in all affiliations, game playing and second guessing are detrimental to the relationship. Charities undertaking this subservient behaviour do nothing but reinforce the aforementioned power imbalance. Rather than focussing all efforts on achieving better outcomes for their client base, charity resources are diverted into building and presenting agreeable funding propositions. One funder had coined their own phrase for this behaviour: “...*the term I use for this is ‘sophisticated begging’ ...as it all seems to be focussed on making the funders feel good rather than pursuing...better community outcomes...*” (Funder 2). And the same participant had seen the results of charities taking such a subservient approach:

“...*this has led to some funders...including government...pressing not-for-profit organisations to accept funds and undertake activities that will have little benefit to either their organisation or client base...*” (Funder 2).

One funder posited that funders are complicit in this *power imbalance* between charities and their funders:

“...*charities can be apprehensive of honest communication ... it should be acceptable for fundees to say to their funders ... this isn’t quite working the way we had hoped ... but it is not ... charities are fearful of such honesty will be judged failure, rather than a mature response ... this says as much about funders, and their attitudes, as it does fundees...*” (Funder 5).

It would appear that other funders have come to the same conclusion. One funder provided an eloquent insight as to how funders could better view their partnerships with charities:

“...*this tells a story about our differences in value ... we may not put the same value or*

importance against an activity or asset that our (charity) partners would ... we also need to recognise that something that is important to us may not be to others...” (Funder 5).

This funder also provided a truly disturbing insight:

“...some funders seem to enjoy the power imbalance ... it sits comfortably with their ego centric model of philanthropy ... an approach which is a lot more common than many would want to believe...” (Funder 5)

Some funders’ low opinion of the charity sector, married to how they exploit the obvious power imbalance in the relationships with the organisations they support, calls into question their motivations. If the primary motivation of funders is not societal progression, then what is it? The motivations of funders are explored in the next section.

6.2.4 Funders practices and performance

Funders’ motivations

Some funders suggested that self-interest was one motivation, stating: *“...many are serving to enhance their CVs or their chance of appearing on the honours list...”* (Funder 11) and *“...too many pat themselves on the back for distributing the cash but have little interest in what the funds are actually achieving...”* (Funder 8). Others suggested that some corporate philanthropics behaved in a less than altruistic manner:

“...philanthropy is all about not expecting a reward or recognition for your contribution...yet many align their ‘philanthropic’ activities with their customer acquisition and retention strategies...and spread their funds far too thinly...” (Funder 7).

Governments, as funders, also received some harsh criticism regarding both their motivations and intransigence: *“...government spending is influenced by the need to get re-elected...it is not always about what will deliver the most benefit to the community...but...what will deliver the most political benefit...”* (Funder 12). Additionally, *“...it is interesting to note that our education expenditure has doubled over the last couple of decades...yet our performance has regressed...why are alarm bells not ringing in the corridors of power...”* (Funder 9). Indeed, intransigence was not limited to government, as one funder stated: *“...it would be very difficult to change the entrenched views of many funders...”* (Funder 11).

Funders, many of whom are or have been effective business leaders, are likely to be informed by their own successes. As such, they may feel they may know better than most. And if it is

their own money they are donating, they may feel they have a right to direct where it should be spent and what it should achieve. Funders seem to be saying, it is my money and I will tell you what to do with it. And as charities, rightly or wrongly, submit to the will of funders, the behaviour is reinforced and continues. So, it is possible that funders see charities as both weak and in need of direction. But do funders ask question about their own qualifications? Are they equipped with the knowledge of how to best address the issues facing the most vulnerable and disadvantaged in our societies? The performance of funders is explored in the next section.

Funders' performance

Following on from the criticisms of funders' motivations, it appears there are many opportunities for funders to raise their game, with several funders stating they would like to see improved reporting from funders regarding descriptions of impact:

"...directors and trustees also have a duty of care ... they are obliged to ensure that money they distribute is spent wisely and achieves impact, impact that is describable in some way ... there is too little reporting on effectiveness of funders ... no-one challenges how you choose to do it ... it is your money and you can do what you want ... funders expect fundees to be accountable so perhaps funders need to abide by the same rule..." (Funder 5).

Other funders were critical of the less than scientific approach often taken to grant making, stating:

"...the biggest barrier is how most funders fund ... I tend to use the phrase emotional philanthropy, where someone sees something and reacts to it without a deeper investigation of the facts ... this approach is quite common but ill-informed and disparate with impact..." (Funder 3).

Critical and robust advice and guidance can be absent from boards of funders:

"...you have these very astute and capable businesspeople sitting as directors who don't always bring their business principles to the organisation ... they become all warm and fuzzy and start making emotional decisions rather than ones which are fully objective..." (Funder 8).

This same funder criticised the time it can take to secure funds, stating: *"...a lot boast about being responsive to the needs of community ... yet it can take up to a year to get a grant application*

over the line and by then the opportunity is lost... ” (Funder 8).

The issue of responsiveness was raised in Chapter 5, with several charity leaders stating that intervention opportunities were often lost due to delays in securing funding. It is interesting to note that *funders identified the same issue*. It is also interesting to note that there is no requirement on funders, legislative or otherwise, to be effective. Funders can fund in any fashion they wish, supporting any charity they choose. Some were concerned about how the term of funding could easily present as indifference towards both charities and the communities they supported:

“...if you take providing a commitment of funds for one year towards a program, it will take the charity a month or two to recruit the appropriate staff ... another couple of months to get the program up and running ... so you may get 3 to 4 months’ worth of decent output before the aforementioned staff, and understandably so, start seeking alternative employment opportunities ... then the program stops no matter what outcomes are being achieved...” (Funder 6).

In addition, some funders could walk away the first time a potential issue arose:

“...some well-meaning philanthropists invest in a program that they claim to be the best thing since sliced bread – a big song and dance is made of the investment...then things don’t go quite as well as they had hoped and they walk away after a couple of years...beyond the impact on the organisation involved, think about what this is saying to the community – I just don’t care about you anymore...” (Funder 8).

Funders also derided the inability and unwillingness of other funders, specifically board members, to better understand the needs of the charity sector and modify their behaviour to improve their impact:

“...boards could be educated more with regards to the needs of the charity sector ... our own board gets it at one level when the impact is easily understood but they can struggle to see the link between the dollars invested and individuals / families / communities benefitting if the outcomes are not obvious and measurable ... ” (Funder 5).

As well, board members could be heavily prejudiced through their own experiences:

“...if a board member is not receptive to change, grant making protocols are unlikely to change – no matter what evidence is tabled...” (Funder 4).

Board diversity

Criticism of board members did not stop at entrenchment; several funders also raised the issue of board diversity, or lack of, with one stating:

“...most funders’ board members are white, Anglo-Saxon males in their sixties or seventies who don’t have a deep understanding of the challenges facing Australia’s most deprived ... many are serving to enhance their CVs or their chance of appearing on the honours list...” (Funder 11).

The same funder said,

“...the boards of funders could be more diverse ... we are moving towards that goal with a 60% – 40% split male – female but all are white and well educated ... board members of most funders are male, pale and stale ... we need to start targeting the next generation of funders ... we need diversity around the Foundation/Trust Board table ... diversity will bring less entrenched views and more opportunities for change ... specific training is required regarding systems change and tackling entrenched social issues ... why do we pay board members of for-profit boards, and not for not-for-profit boards ... when the role of the latter is more difficult and far more important to the future of our country...” (Funder 11).

In the best scenario, the board should have rich and rigorous debate for the sake of others who are more needy: *“...as a family foundation, our board and advisers consist of two very differing generations which leads to some quite disruptive thinking ... but it sparks meaningful and constructive discussion...”* (Funder 8).

Another funder was optimistic that change would occur for the better with time with the arrival of new funders:

“...I do have a sense this behaviour is generational...where beliefs have been set over many decades and are difficult to change not matter what new evidence or research is available...hopefully, as the next generation of philanthropists and funders start to infiltrate, a more evidence based, less emotional approach will start to be taken...” (Funder 6).

Funders are singing a similar song to charity leaders in the sense that the way funders choose to fund is hindering progression. It would seem that there are several options open to funders for improving their own performance including: improving reporting regarding the

effectiveness of funders; making more objective and less emotional funding decisions; and becoming more fleet of foot.

Employment issues

With regard to improving charity performance, funders raised employment as an issue:

“...most charities [appear to] spend a lot of their time chasing the money and replacing people...”
(Funder 6).

In addition: *“...the high turnover of staff is an issue...we endeavour to build relationships with organisations but this can prove challenging when staff are being changed out every 12–18 month...CEOs included...”* (Funder 3).

Why would the charity sector have such difficulty in attracting and retaining employees? One funder provided an insight: *“...I feel that the financial constraints the sector works under does not lend itself to attracting the best qualified and capable employees – especially at leadership level...”* (Funder 7).

Another funder was alert to the impact of a lack of administrative or capacity building funding, stating: *“...[charities] often do not have the capability to treat their people in a rewarding manner...as in...reasonable accommodation, training and development...this can result in high attrition rates and less than effective organisational performance...”* (Funder 13). Additionally, *“...people rarely pass on what they do not receive themselves...this becomes evident when staff themselves feel they are not valued as they should be...”* (Funder 13).

Increased remuneration does not necessarily lead to increased organisational performance; if it did, the best performing organisations would always have the best paid employees. However, the ability for a charity to offer a salary package that is competitive in relation to the for-profit sector would be likely to be, at times, beneficial. Drawing parallels with statements that were made by charity leaders regarding employment conditions, it is interesting to note that funders were also raising similar issues. Yet few funders seem willing to support ‘organisational capacity building’ type investment in such items as training and development, accommodation or reward and recognition.

Size and term of grants or donations

As stated in Chapter 5, charity leaders claim that the majority of funding received is mostly small and short-term. This is a view that is also shared by some funders:

“...our usual practice is to make relatively small monetary grants...in a range of \$5000 to \$30,000...to many different organisations and programmes rather than to make fewer grants at higher levels of monetary support...” (Funder 2) and “...the grants we provide are small and allocated to many different organisations...” (Funder 4).

With regard to the term of funding provided:

“...we limit our granting to a period of 12 months...recipients will use best endeavours to complete the programme/project within 12 months from the date of receipt of the grant...”

(Funder 2) and

“...funders are less than knowledgeable about the sector and how to achieve the best outcomes...hence the short-term funding model employed by many...” (Funder 14).

Not only do funders continue to fund the large number of existing charities, but they are also prepared to fund new ones despite little evidence of impact. Many funders are rightly critical of this practice:

“...here is a great idea...let’s invest in another executive team, another administration team, another operational team, office accommodation and an IT system, which will allow us to do the exact same as many, many others, but probably not as efficiently or effectively...”

(Funder 11).

Each charity established must have funds to operate and those funds must be sourced from somewhere. And that somewhere is the same pool of funds that all other charities use.

Funding directions

Beyond persisting with a model of funding that does little to improve the effectiveness and efficiency of charities, funders appear to feel better qualified than the charities they are supporting to decide how their funds should be used:

“...unfortunately, it is a common and arrogant practise for funders to dictate what not-for-profits/charities should do with the funds provided...despite not being best qualified to do so...” (Funder 14).

“...many insist on exactly what a grantee should be doing with their funds without having the experience or understanding of the service provider...” (Funder 9).

In defence of funders, it is not unreasonable to expect that they would have some say in how their funding should be used, but to try and dictate to an experienced and reputable charity what is the best way forward regarding supporting its client base is possibly a step too far.

6.2.5 Government

Funding

Funders' opinion of government was much like the feedback from charity leaders; both were critical of government funding, with one funder stating:

“...government funding is risky and influenced by political cycles ... both state and federal governments are major funders of the charity sector ... but political cycles are a destructive force across the sector ... a change of government normally equates to a completely different direction and focus ... hence many programs are stopped mid-cycle despite the outcomes they are delivering ... the same can be said for a change of Minister, where the new appointee needs to be seen to be doing something and the same occurs...” (Funder 6).

An objective of every political party is to get elected or re-elected. Focussing on this objective too often may lead to a decline in servicing the needs of the community:

“...a single \$10m project provides only one media opportunity, compared to ten \$1m projects which provide many more times the coverage...” (Funder 12).

It would seem that funders are of the opinion that government's main motivation is to get re-elected and the strategy employed is to look for ways to embellish their achievements, however minor they may be. As funders have previously stated, this is a risky proposition for charities that could have their funding withdrawn no matter what fabulous outcomes are being achieved. As noted in Chapter 5, charity leaders were highly critical of the partisan nature of government contracts and raised the issue of the significant risks associated both with accepting and rejecting a government contract. One funder supported this proposition stating:

“...change of governments and / or ministers can cause issues for the charity sector ... the incoming need to be seen to be doing something, and this can include cancelling or restructuring existing government programs that no longer align with the new strategy ... there is a power imbalance, whereby those impacted by the cuts may not want to be seen as being critical of the Government for fear of any criticism impacting their future

funding...” (Funder 12).

Funders are as equally concerned by the behaviour of government as their charity counterparts because government seems to be prioritising its own longevity over the needs of the community despite the information to hand. One funder (quoted here again) provided the rationale as to why this occurs:

“...governments rely on numbers to tell a positive story ... we are investing \$xx million more in health or education ... it is interesting to note that our education expenditure has doubled over the last couple of decades yet our performance has regressed ... yet we keep doing the same over and over again...why are alarm bells not ringing in the corridors of power...” (Funder 9).

Government funding and the motivations that drive it was explored in Chapter 2. The misuse of the Community Sport Infrastructure Grants and the Regional Cultural Fund, both happening in 2018, also provides recent evidence that government is motivated by self-interest. What is interesting is that government’s inappropriate and self-serving behaviour continues and the electorates continue to do nothing about it. The impact of governments’ funding motivations on the communities that charities support is not obvious. It would be difficult for the general public to fully understand the not-for-profit sector and the charities within. As referenced earlier in this chapter, should financial support be provided to families of children impacted by cancer or should the focus be on funding more research into finding a cure for the disease? Or does protecting the environment take precedence over protecting women from domestic violence?

These are complex questions that require significant investment in time and effort to reach a conclusion, if indeed any conclusion can be reached. It is therefore an unrealistic expectation that the general public would have an informed view on the activities and impact of charities. However, when it comes to funders, specifically government with vast resources at hand, it is a much more reasonable expectation that they should have the ways and means to help society progress. Can societal progression be triumphed by populist politics? There must be some risks associated with how poorly governments treat charities. Several funders agreed, with Funder 7’s comment worth repeating here:

“...you are unlikely to hear the charity sector ... being critical of government ... and what would happen if they stood up for themselves and walked away from government

contracts ... the government would then have to deliver these services themselves...I doubt government could mobilise volunteers in the manner that charities can ... this is a huge risk for governments but they seem content in continuing to abuse the power they hold as major funders of the charity sector...” (Funder 7).

Risks

As stated above, the risk to government of a form of rebellion by the charity sector would leave both federal and state governments in a position of significant compromise due to the fact that they would have to deliver the services currently undertaken by charities, and which are, as noted earlier, both significant and complex. But is there a change coming or will governments continue to act as before? One funder could sense a change, stating: “...there is evidence that traditional political strategies are wearing thin, hence the rise of One Nation and the independents in Australia ... Donald Trump’s election in the US ... and Brexit in the UK...” (Funder 6).

And there does seem to be recent evidence that the charity sector has teeth and is willing to use them. As noted in Chapter 1, the Australian Charities and Not-for-profit Commission (ACNC) was established in late 2013 under the Rudd/Gillard governments with the following objectives:

- Enhance, maintain and protect the public’s trust and confidence in the not-for-profit sector through improved accountability and transparency.
- Support and maintain an independent, innovative and robust not-for-profit sector.
- Promote the reduction of superfluous regulatory obligations on the not-for-profit sector.

Prior to 2013, once a charity was endorsed by the Australian Tax Office, they had no reporting obligations or requirement to contact any government department again. Along with the introduction of the Charities Act 2013, which established the first statutory definition of ‘charity’ in Australia, the ACNC was seen as a positive step forward for governance within the sector.

Under the Abbott government, Minister for Social Services Kevin Andrews looked to unwind the ACNC in 2014 and replace it with the Civil Society National Centre for Excellence (NCE). However, as was argued successfully by many in the not-for-profit

sector, the NCE would not be a replacement for the ACNC as it had no regulatory functions ([Department of Social Services, 2014](#)). Kevin Andrews' tenure as Minister for Social Services lasted from 18th September 2013 to the 23rd December 2014 ([Federal Government, 2018](#)). One must ask as why the Abbott government wanted to wind back the regulatory and reporting obligations of the charity and not-for-profit sectors? One might assume it was a ploy to keep the sector opaque, for reasons unknown.

Beyond such a 'dark side' view, one funder provided some light at the end of the charity tunnel: "*...on the flip side, some aspects of government do show promise, an example being the social enterprise agenda being currently pushed by the Victorian government...*" (Funder 6).

Much like the previous feedback from charity leaders, feedback from funders was extremely critical of how governments go about their business. Is it any wonder that Australia's educational performance is going backwards despite increasing expenditure ([Gurria, 2018](#)), and that efforts in 'Closing the Gap' in regard to employment, health and education are making little progress ([Department of the Prime Minister and Cabinet, 2020](#)).

6.3 Conclusion

The funders who participated in this research acknowledged the need for change in the policies and practices of funders. Despite the rhetoric of progression, the findings of this research show that their behaviours undermine this rhetoric and mirror those of the majority of their peers, which work to support a continuation of the status quo.

What is called for is a reconsideration of funders' responsiveness to the opportunities that present, not be clouded by power but motivated by service to the community. Power is obvious and constant in the charity/fundee relationship and sits firmly under the control of the funder. Funders are under no obligations, regulatory or otherwise, to demonstrate their effectiveness or impact. Indeed, the vast majority of funders would not want to try to validate their worth to society because they would be unable to do so. The absence of reporting obligations gives licence to funders to fund in any manner they deem appropriate, with most allocating their funds in a purely tactical fashion. There appears to be little appetite from funders to support more strategic opportunities.

In addition to the description above, the charity sector is also contributing to the aforementioned status quo, and more particularly to the proliferation of organisations and mission creep. Funders are critical of the large number of Australian charities. The volume and the diversity of activities undertaken demonstrate the difficulties funders can experience in choosing which charity to support, especially when so many have great competency in providing a compelling proposition, no doubt developed through the ongoing repetitive practice of submitting grant applications. This could be a contributing factor to the scattergun approach to funding that many funders take.

Funders also stated their concerns regarding charities' lack of consolidation and collaboration, some having suggested that this type of activity could go some way to rationalising the sector. This suggestion could provide one solution to improving the sector's effectiveness and efficiency, but to undertake consolidation and merge organisations does take investment, as do collaborative activities. As funders have demonstrated, the majority are not keen on supporting organisational capacity building costs, so it is also unlikely there would be an appetite for funding this type of activity.

Funders could undertake their own 'rationalisation' exercises and agree with each other to collaborate and focus their funds on a smaller number of organisations. But which funders would actively collaborate, and which charities would be selected? These are not easy questions to answer as most funders are likely to have differing perspectives and differing decision-making protocols.

With regard to mission creep, it is understandable that charity leaders undertake this type of behaviour in order to secure the future of their respective organisations, themselves and the employees within. Whilst funders were keen and correct to criticise the sectors for this practice, in their own way they were the catalysts for this type of behaviour. Small, short-term funding provides little stability for charities and the employees within. In reality, it creates a high level of instability which can only lead to survivalist-type behaviour and, as a consequence, mission creep occurs.

It is a complex scenario. Charities work hard to appease their funders and keep them engaged and, if they continue to do so, there is small likelihood of positive change. However, funders are not without blame. There is no assessment of the effectiveness of funders and there is little appetite to have it. Feedback from both funders and charity leaders suggested that if funders were required to report on the effectiveness of their funding this may improve the impact of the funds provided, but what would this effectiveness report look like?

Individually, each of us may be able to assess certain grants or motivations of funders and ascertain success but collectively, across all types of funders and the grants allocated, this is close to impossible to achieve. As demonstrated by their participation in and financial contribution to individuals, families and the wider community, it is clearly apparent that funders must want better outcomes for society. However, and at the same time, it is concerning to note the low regard in which funders hold the charity sector.

Are we so narrow in our opinions about charity employees? Could it be that, unless you have managed a multinational or made a fortune on the stock exchange you present with little value to most funders? This is a concerning finding and one which could block all attempts to improve the practices of funders to progress the performance of the charity sector. But should we first try to understand why some funders have this opinion?

Funders, many of whom are or have been effective business leaders, are likely to be informed by their own successes. As such, they may feel they may know better than most. And, if it is their own money they are donating, they may feel they have a right to direct where it should be spent and what it should achieve. Funders seem to be saying, it is my money and I will tell you what to do with it.

And with charities, rightly or wrongly, pandering to the wishes of funders, the behaviour is reinforced and continues. So, it is possible that funders see charities as both weak and in need of direction, but do funders ask similar questions about their own qualifications? Are they equipped with the knowledge of how best to address the issues facing the most vulnerable and disadvantaged in our societies? The answer to that question has become clearer.

In the many scenarios explored in this chapter, it would seem evident that, due to the dependence charities have on funders and the dynamics within the charity/fundee relationship, only funders have the ability to progress the organisational effectiveness and efficiency of charities.

Chapter 7 – Discussion

7.1 Introduction

Summary of findings

This research has found that the organisational effectiveness and efficiency of charities is being significantly and negatively compromised by how they are funded. This is primarily due to the *fractured* charity/funder relationship, where a *power imbalance* is currently in play, and where funders are the dominant party. This power imbalance presents, most frequently, in how funding is sourced, awarded, and then controlled. The mechanisms for securing funding are onerous, contradictory and require a copious amount of charity resources, which lessens, and not inconsiderably, the value of the funds awarded. Of the funds awarded, funders look to maintain some form of control over it, often dictating where and when it should be used and refusing requests for capacity building type funding that would afford charities the opportunity to become both more effective and efficient.

The current charity/funder relationship is peppered with *taken-for-granted assumptions* held by funders, who also demonstrate a serious lack of understanding of the everyday realities of being a charity or a charity employee. As evidenced from this research, every day, many thousands of charity employees persist in supporting society's most vulnerable and disadvantaged whilst having limited, if not archaic, administrative networks, sub-standard facilities, and the challenge of locating the necessary and substantial resources for the continuous identification, construction, and submission of new funding applications. This tragic scenario does not bode well for the well-being and welfare of charity employees who might also see themselves as facing hopeless and uncertain futures.

7.2 Comparing the emergent themes

The purpose of this research was to investigate whether *the organisational effectiveness and efficiency of charities is being impacted by the manner in which they are funded*. This chapter compares the research findings presented in the previous three chapters from two perspectives. Those perspectives are, first, that of phenomenology, or the phenomenon of ‘being in’ the charity–funder relationship; and second, that of Resource Dependency Theory (RDT) which posits that organisations will transact with each other in order to acquire the resources critical to a continuing operation ([Drees & Heugens, 2013](#); [Pfeffer & Salancik, 2003](#)).

Acquiring the required resources, at the right time, is vital to the effective operation of any type of organisation. Challenges may present during the acquisition process because the resources required may be in short supply, not easily secured or be controlled by uncooperative others ([Ebers & Semrau, 2015](#); [Pfeffer & Salancik, 2003](#)). For example, Organisation A can become reliant on Organisation B if Organisation B holds all reserves of a critical resource. This can result in the interactions becoming unbalanced or asymmetrical and can cause an imbalance in authority or power ([Chen, 2018](#); [Pfeffer & Salancik, 2003](#)). In this study, RDT was used to explore the relationship between charities and those organisations which hold the critical resource they require, the funders.

Many themes emerged from the interviews with charity leaders¹⁵ and the interviews with funders¹⁶. This section discusses the emergent themes relating to the research questions. This discussion of themes will be undertaken at the latent level, which Braun & Clarke (2006) described as being “...*beyond the semantic content of the data, and starts to identify or examine the underlying ideas, assumptions, and conceptualizations – and ideologies – that are theorized as shaping or informing the semantic content of the data...*” ([Braun & Clarke, 2006, p. 84](#)). A deeper exploration of these themes was undertaken because “...*the purpose was to find ... [emergent] themes in a whole sense [across stories] rather than themes relating to each participant...*” ([Giles, 2008, p. 92](#)). When emergent themes are explored more deeply, enduring and powerful

¹⁵ See Chapter 5, Section 5.1, Table 5.1, for a full list of themes emerging from *Interviews with Charity Leaders*.

¹⁶ See Chapter 6, Section 6.1, Table 6.1, for a full list of themes emerging from *Interviews with Funders*.

themes can arise. These enduring or powerful themes can address the question, what is ‘taken for granted’ about the inter-relationships in this research? ([Giles, 2008](#))

The charity sector

Before proceeding with the in-depth discussion of themes, it is important to briefly restate the size, scope and reach of the sector, along with some of the ‘funding’ challenges faced.

Worldwide, charities have made an enormous contribution to the well-being and life chances of millions of people over many centuries. To do their good works, charities have relied on funding provided by the general public through donations, philanthropists and others, including government. Closer to home, charities in Australia today touch the lives of many individuals, families and communities and range from very high-profile charities like The Smith Family and the Salvation Army to very targeted charities which have started often as a result of a particularly tragic event or an especially worthy achievement. The Amy Gillet Foundation, set up to commemorate the life of a champion cyclist tragically cut down in France in the prime of her life, combines elements of both motivations ([Amy Gillet Foundation, 2021](#)). There are also organisations which perhaps most Australians would not see as being a charity, such as Surf Life Saving Australia and the Royal Flying Doctors Service.

To do what they do, charities of all sizes and complexities need resources, principally of the most fundamental kind which is money. Through the financial year 2017/2018, the total income of Australian charities was \$155.4 billion, which represented about 4% of the nation’s GDP ([Australian Charities and Not-for-Profit Commission, 2020e](#)). Whilst this income was very large and covered over 57,000 charities, much of those funds end up with the larger, higher profile charities, with the 50 largest charities accounting for over a third of the sector’s entire revenue ([Australian Charities and Not-for-Profit Commission, 2020e](#)). The remainder went to many thousands of smaller, lesser-known charities, mostly on the basis of an annual competitive bidding process. That process, this ‘way of doing business’, consumed and still consumes large amounts of time and energy, with no guarantees whatsoever of being successful and thereby keeping the doors of each charity open in order to serve the needy.

The charity/funder relationship

Explorations of the phenomenon of ‘relationships’ have revealed understandings that we typically ‘take for granted’ ([van Manen, 2015](#)). Amongst these understandings is the centrality, complexity and significance of the ‘relationship’ that exists between charities and funders. In a nutshell, relationships have been found to be the ‘essence’ of lived experiences ([Giles, 2008](#)). In this research, the phenomenon of ‘relationships’ has been considered from two perspectives:

1. the rich narratives (or experiential accounts) of ‘being-in’ the relationship, and;
2. the theoretical implications of the data considered from an RDT perspective.

Phenomenological inquiry always presents more questions than answers ([Neubauer, Witkop, & Varpio, 2019](#)). In the case of the relationship between charities and funders, the following questions were especially pertinent to this study as they were of primary importance when interrogating and path to improvement:

What is the nature of the ‘relationship’ between funders and fundees?

What appears to be ‘mattering’ in the relationship that exists between them?

It has been generally taken for granted that the relationship between charities and their funders is productive in pursuing a common goal, that of societal progression. This study has found that the relationship between charities and their funders is *fractured*, as it produces significantly less than its potential and compromises the ability of both charities and funders to pursue their missions. Due to the manner in which the majority of funding is awarded, this relationship is also transitory. As a result, charities and funders both relinquish the opportunity to build deeper, more enduring relationships; relationships that could provide benefits beyond the funding awarded, such as knowledge, differing perspectives and new ideas.

This fractured and transitory relationship in turn negatively impacts the effectiveness and efficiency of charities, mostly through the following practices:

- The manner in which funding is awarded
- Control over the funding awarded
- The treatment of charity employees.

These practices are explored later in this chapter in sections 7.2.1, 7.2.2 and 7.2.3.

An uncertain relational context of inquiry

In these uncertain times, we need to understand more fully the ‘improvisations’ and ‘uncertainties’ that play out within and between the charity/funder ‘relationship’, which Unwin (2004) described as a “...*complex dance in which the agenda of those wishing to make grants is reconciled with the agenda of those applying for them...*” ([Unwin, 2004, p. 2](#)). This ‘dance’ or game-playing between charities and funders commences early in the relationship and is essentially initiated and perpetuated by the *power imbalance* that exists between charities and their funders.

Power imbalance

With few exceptions, charities are very much in a dependency relationship with funders. This dependency presents as a *power imbalance*, with funders the dominant partner. In order for one organisation to have power over another organisation, the exchange relationship must be asymmetrical ([Davis & Cobb, 2010](#); [Pfeffer & Salancik, 2003](#)). In that situation, the exchange of resources is more important to one of the organisations involved: “...*without asymmetry...neither organisation will possess a particular power advantage...*” ([Pfeffer & Salancik, 2003, p. 53](#)). If a funder was eager to partner with a certain charity, that charity would hold the power and be able to influence what funds should be provided and how these funds should be used. Unfortunately for charities, this is generally not the case. Funders, due to the resources they hold, can assert their power over charities ([J. Choi, 2017](#); [Pfeffer & Salancik, 2003](#)). This *power imbalance* is pervasive throughout the charity/funder relationship and influences most aspects of funding, many not for the better.

7.2.1 The environment in which funding is awarded

Charities, like most organisations, are dependent on the resources they acquire for survival ([Ebers & Semrau, 2015](#); [Pfeffer & Salancik, 2003](#)). Pfeffer & Salancik (2003) defined dependency as “...*the product of the importance of an input [resource] by a given organisation and to the extent that is controlled by relatively few organisations...*” ([Pfeffer & Salancik, 2003, p. 52](#)). This dependency is grounded in the fact that charities are restricted in where they can source funding. Access to traditional capital markets is limited for charities as these funding sources typically require a return for their investors ([Gary, 2017](#); [Tarczynski & Nermend, 2019](#)). As charities, in general, serve those who are not in a position to pay for the goods and services afforded to them, a return on an initial investment is unlikely. Some charities may have

commercial enterprises which generate a revenue, such as the Australian Red Cross ([Australian Red Cross, 2021](#)) or the Salvation Army ([The Salvation Army, 2021](#)). Others may seek donations direct from the general public, which by the nature of collection are likely to be of a small dollar value, but in general charities rely on funders for the majority of their income rather than a commercial entity.

Pfeffer and Salancik (2003) also stated that “...*the fact that a resource is important to the organisation’s function, in itself, is not the source of the organisation’s problems...*” ([Pfeffer & Salancik, 2003, p. 47](#)); problems arise due to the *environment* in which these resources are acquired ([Davis & Cobb, 2010](#); [Pfeffer & Salancik, 2003](#)). And herein lies the problem. The Australian charity sector’s income is significant and has increased considerably over the past several years from \$100 billion through FY 2012/2013 ([Australian Charities and Not-for-Profit Commission, 2014](#)) to \$155.4 billion FY 2017/2018 ([Australian Charities and Not-for-Profit Commission, 2020e](#)). Whilst one may argue that charity funding has increased in line with demand, the funding increase available is not the issue to hand; rather, it is the *environment* in which the funding is awarded, in particular the relational dynamics between charities and funders that are critical to improving the organisational effectiveness and efficiency of charities.

Size and term of donations and grants

As stated in Chapter 4, Tranche 1 of this research confirmed that the size of donations and grants on offer to Australian charities is generally small. These findings were supported by findings from Tranche 2 of this research with charity leaders stating: “...*current funding available from most organisations is very tactical...the grants are mostly small...*” (Charity Leader 3) and “...*the current focus from funders on providing many small grants to many organisations causes significant inefficiencies...*” (Charity Leader 7). Findings from Tranche 3 of this research also supported these findings with funders stating: “...*the grants we provide are small and allocated to many different organisations...*” (Funder 4) and “...*our usual practice is to make relatively small monetary grants in a range of \$5000 to \$30,000...*” (Funder 2).

With regard to the term of donations and grants on offer to Australian charities, Tranche 1 of this research found that the majority were short-term. These findings were supported from Tranche 2 of this research with charity leaders stating: “...*current funding available from most funders is small and short-term...*” (Charity Leader 4) and “...*the inability to secure substantial long-term financial support results in tactical, unstable organisations...*” (Charity Leader 9).

Findings from Tranche 3 of this research also provided support, with funders stating: “...*the short-term approach by most funders is hindering progress*” (Funder 8) and “*the current short-term funding available has led to many not-for-profit organisations compromising themselves...*” (Funder 5).

Resource requirements

As a result of the current small, short-term model of funding on offer, charities must invest significantly into identifying opportunities for funding and applying for them. It is a relatively self-evident proposition that when a charity has to secure funding from many, many differing sources rather than just a few, additional organisational resources will be required. But what does additional organisational resources actually mean? This section will quantify this question and demonstrate how the current model of funding is essentially ravaging charity resources on an enormous scale.

As displayed previously in Table 4.3¹⁷, 35.9% of donations and grants awarded to Australian charities were for \$10,000 or less. Through the FY 2017/2018, the Australian Charities and Not-for-profit Commission (ACNC) reported that the charity sector had an income of \$155.4 billion ([Australian Charities and Not-for-Profit Commission, 2020e](#)). This equates to charities receiving approximately \$55.8 billion of income in donations or grants of \$10,000 or less.

Using a very conservative assumption that all of the monies awarded in this range were for \$10,000, this would equate to 5,578,860 donations and grants being awarded at a rate of around 107,000 per week. If a charity, in seeking funding, used 4 hours of its time to identify an opportunity, then submit an application, this would equate to 22,315,440 hours used by all charities through FY2017/2018 in securing funding through donations or grants of \$10,000 or less. Assuming a 100% application success rate, aligning the aforementioned 22,315,440 hours to a working week equates to 557,886 weeks at 40 hours per week or 12,128 years using a 46-week¹⁸ working year, which equates to over 12,000 charity employees being assigned to fundraising activities through FY2017/2018 but that is only for the component of donations or grants which were for \$10,000 or less. Should the assumptions used in the previous paragraphs become less conservative, in that the award amount was the mid-point of

¹⁷ See Chapter 4, page 119 for Table 4.3.

¹⁸ Annual leave allowance in Australia is 4 weeks. Plus 2 weeks-worth of public holidays.

the \$0 - \$10,000 range at \$5,000, more than 24,000 charity employees would be assigned to fundraising activities annually, which again would double to 48,000 charity employees if the success rate of was dropped to 50% rather than 100% previously used. This 48,000-employee estimate is still on the conservative side, as it assumes that all employees are fully utilized at all times and does not take into account 'shrinkage' activities, such as team meetings, training or various types of leave.

Again, referring to Table 4.3¹⁹ and using the same calculations as previously stated, for donations or grants in the \$10,001 to \$25,000 range, assuming each awarded was for \$25,000, then 919,968 donations or grants were awarded. If the same 4 hours of time was used to identify an opportunity and then submit an application, this would equate to 3,679,872 hours, 91,998 weeks or 2,000 employees. Moving the award amount to the mid-point of \$17,500 and assuming a success rate of 50%, increases the employee number to 5,714. As the size of the donation or grant increases the employee resource required to secure these larger amounts is significantly less. Through FY 2017/2018, using similar calculations and extrapolations as previously, 54,225 (48,512 + 5,714) charity employees were utilised to secure the abovementioned 50.7% of charity income²⁰, whilst just 4,258 charity employees secured the remainder. If funders halved the contribution of donations and grants awarded from the \$0-\$10,000 range from 35.9% to 17.95% (or \$55.8 billion to \$27.9 billion) and awarded these monies within the higher \$10,001 to \$25,000 range, a reduction of 16,360 charity employees assigned to fundraising activities would be achieved annually²¹. Additionally, if the smallest donation or grant award was limited to \$10,000, the number of charity employees assigned to fundraising activities on an annual basis would reduce from 58,484 to 23,832²².

From a charity perspective, organisational effectiveness can be defined as how well a charity achieves its purpose ([Pfeffer & Salancik, 2003](#)). Such as, how many undernourished children have been provided breakfast prior to attending school or how much plastic has been recovered from Australia's waterways? If a charity has to allocate employee resources to fundraising activities instead of service delivery, that

¹⁹ See Chapter 4, page 119 for Table 4.3.

²⁰ Assuming the Award Amount at the mid-point of each donation/grant range and a 50% success rate.

²¹ Assuming the Award Amount at the mid-point of each donation/grant range and a 50% success rate.

²² Assuming the Award Amount at the mid-point of each donation/grant range and a 50% success rate.

charity becomes less effective, as less children will receive breakfast and less plastic will be collected. Organisational efficiency can be defined as the ratio of resources used to the output produced ([Pfeffer & Salancik, 2003](#)). When charities have to secure funding from many differing sources rather than just a few, additional organisational resources will be required. As a result, charities become less efficient. This efficiency is challenged further as fundraising continues year in, year out. There is no interruption. Larger, longer-term funding would improve the effectiveness and efficiency of charities. Another impost on a charity's resources is that of raising pooled funding, as one charity leader stated, "*...raising pooled funding [small grants from a variety of funders] is hard work...emotionally exhausting and if total funds for the program are not raised, returning funds is heart wrenching for the staff member...*" (Charity Leader 6). That is a strong statement and one that helps demonstrate the realities of 'being in' the charity/funder relationship. These are not jobs for the faint hearted.

Grant application processes

Beyond the significant organisational resource required in administering the volume of grant applications submitted, charity leaders are critical of many aspects of the grant application process itself, which fluctuates considerably from funder to funder. Many processes are highly subjective and cause great confusion, with one charity leader describing these processes as follows: "*...most grant application/selection processes are highly subjective ...*" (Charity Leader 10),

Another leader stated,

"...selection criteria vary month-to-month and year-to-year within the same funding organisations ... you will submit a grant application one year, which will be successful, submit a very similar application the following year and fail or vice versa ..." (Charity Leader 8).

This subjectivity is not just limited to charities applying for grants, as evidenced by the following quotation:

"...some funders encourage you to keep applying again and again, suggesting that the reward is for effort and persistence not the content or validity of your application ..." (Charity Leader 8).

In making such a suggestion, funders appear to be confirming that they themselves are unaware of the selection criteria are used. It is a challenge to understand why significant

funds would be granted in such a fashion. Even more difficult to grasp is why funders appear to happily reveal the inconsistencies in their approach.

Confusion and frustration driven by the subjective and inconsistent nature of grant applications processes is further bolstered by a lack of feedback. Charity leaders identify this absence as influencing their judgment regarding grant applications, stating:

“...feedback from ... grant applications are more than often not forthcoming ... it is then difficult to know what needs adjusting in order to have success in a future grant application...” (Charity Leader 3)

and

“...feedback from funders...is pretty much non-existent... there is no evidence on which to help improve the quality and success rate of grant applications...” (Charity Leader 7).

Comprehensive and timely feedback from funders about why a grant application has been successful or not would afford charities the opportunity to inform future grant-seeking decisions. Without this feedback, the prospect of improving current grant seeking practices and protocols is denied and uncertainty prevails. Pfeffer and Salancik (2003) defined uncertainty as *“...the degree to which future circumstances cannot be anticipated or accurately predicted...”* ([Pfeffer & Salancik, 2003, p. 67](#)) and stated that uncertainty can become problematic in that it can drive questionable organisation behaviours ([Ebers & Semrau, 2015; Pfeffer & Salancik, 2003](#)). Current grant application processes can be described as both uncertain and problematic and may be the impetus for charities taking a scattergun approach to securing funding; they scatter applications for funding across many funders in the hope that some will be successful. Some charity leaders claim that this uncertainty also contributes to a high turnover of staff stating: *“...current funding models are driving inefficiencies...and unstable organisations...employee churn rate is high as a result...”* (Charity Leader 9) and *“...high employee churn rates are driven by the uncertainty of funding...”* (Charity Leader 7). Another Charity Leader painted an even bleaker picture, stating: *“...employee turnover is even higher in fundraising roles...this uncertainty takes its emotional toll...”* (Charity Leader 2). A relatively obvious and significant cost is that of having to regularly replace employees when recruitment, training and lost productivity are all taken into account.

Unsuccessful grant applications

Another consideration of impact is that of the employee resource associated with

unsuccessful grant applications. As one charity leader stated “...*applying for grants take a lot of time...you have a success rate of around 10%...*” (Charity Leader 5). If this success rate were common across the charity sector, the picture painted of unproductive employee resource earlier in this chapter could be significantly worse. Again, one must give consideration to charity employees operating in this environment. If funding applications are more often than not unsuccessful, motivation must be impacted. The impact of this situation was captured in the following: “...*it becomes easier to think you are not good at your job... you can quickly become emotionally tired of pitching...hope gets diluted...*” (Charity Leader 5). That is another strong statement and one that captures the bleakness of ‘being in’ a charity/funder relationship.

The silent and the silenced

Much like the awarding of small, short-term donations and grants, funders are allowed to persist with highly subjective grant application processes due to the *power imbalance* in the charity/funder relationship. Through these processes, the relationship between charities and funders could be described as between ‘the silent’ and ‘the silenced’. Funders, unable or willing to accurately articulate why an application has been successful or not, remain silent. Charities are silenced by a fear of antagonising funders with criticism of existing processes, despite the significant impact on charity employees. As such, the status quo remains. Pfeffer & Salancik (2003) would describe the relationship between charities and funders as being constrained, stating: “...*actions can be said to be constrained whenever a response to a given is more probable than any other response...*” ([Pfeffer & Salancik, 2003, p. 14](#)). In this instance, ‘no response’ from either party is the more probable response and suggests that charities have to develop the ability for *highly nuanced behaviour* within the charity/funder relationship.

Cost neutrality

Silence from both charities and funders is also evident regarding the critical issue of *cost neutrality*, which can be defined as when the financial effort expended equals that of the financial resources secured ([T. Martin, 2018](#); [Meizlish & Lovell, 1997](#)). With regard to this study, cost neutrality occurs when the cost of applying for a grant and reporting on it equals that of the sum granted. Charity leaders stated that the cost neutrality point of grants awarded within Australia is “...*is around \$10,000...*” (Charity Leader 9) and “...*is around the \$10,000 mark...*” (Charity Leader 7). It is of significant concern that a grant of \$10,000 is deemed to be *cost neutral* and therefore *inert*. As stated earlier in Section 1.7, Australian charities had an income of \$155.4 billion through Financial Year 2017/18 ([Australian Charities and Not-for-](#)

[Profit Commission, 2020e](#)). In addition, as stated earlier in this section, 35.9% of all grants and donations awarded to Australian Charities are for \$10,000 or less. This equates to \$55.8 billion worth of funds being cost neutral, which could be seen as a ridiculous amount of money from which no benefit is derived. The aforementioned quotations from charity leaders could be viewed as *dormant information*, in that cost neutrality is acknowledged as an issue but this information is not acted upon. Instead, it lies dormant and has *no impact*, much like the funds associated with cost neutrality. Equally ridiculous is that any funding award provided for less than \$10,000 is actually leaving the charity applicant financially worse off.

7.2.2 Control over the resources awarded

Charities, due to their financial vulnerability, are generally more eager to partner with funders in order to secure the critical resource of funding. As a result, funders are afforded discretion over the allocation of the resources they hold by the charities they fund. Pfeffer and Salancik (2003) stated that a “...*determinant of control is the extent of discretion granted regarding allocation and use of the resource...*” ([Pfeffer & Salancik, 2003, p. 47](#)). Additionally, some funders demand more control over the funding provided. This level of control afforded to funders by charities can vary and is often determined by the scale of the funding provided ([Nienhuser, 2008b](#); [Pfeffer & Salancik, 2003](#)), in that the funds granted contribute significantly towards a charity’s total annual income. Funders that provide significant funds are more likely to be afforded greater control over these funds than funders who provide lesser amounts.

The criticality of the funding provided is another determinant of control ([Pfeffer & Salancik, 2003](#); [Sacristán López de los Mozos, Rodríguez Duarte, & Rodríguez Ruiz, 2016](#)), in that a charity’s ability to function is compromised due to the absence of funding. As a result, funders who provide significant funding or funding when it is most needed will be afforded a higher level of control over those funds. Affording funders discretion over how their funds are allocated is another example of how the *power imbalance* presents in the charity/funder relationship. One could expect that when a donation or grant of significant value is awarded that the funder will have some input as to how it is used. However, the need by funders to have some form of control over the funds awarded extends well beyond that of large donations and grants, as funders state:

“...unfortunately, it is a common and arrogant practice for funders to dictate what charities should do with the funds provided...despite not being best qualified to do so...” (Funder 14) and “...many insist on exactly what a grantee should be doing with their funds without having the experience or understanding of the service provider...” (Funder 9).

Controlling the funds awarded is a demonstration of the power funders hold over charities. Another less obvious demonstration is *refusing to fund activities critical to the effective and efficient operation of charities.*

Administration costs

The administration costs of a charity can be defined as all the expenses not related to service delivery and they therefore do not directly contribute to creating impact ([Burkart, Wakolbinger, & Toyasaki, 2018](#)). They are used by some in an attempt to provide an indication of a charity’s performance. Charity Navigator, a charity evaluator, uses administration costs as one of their performance metrics and states that *“...lower is better...”* ([Charity Navigator, 2021, p. 1](#)), as does Charity Watch, another charity evaluator, that affords an efficiency rating of A+ only to charities that have administration costs of 10% or less ([Charity Watch, 2021](#)). Administration costs as a ratio of total expenditure can be used as a measure of organisational effectiveness and efficiency, as it supposedly affords funders confidence that their funds are going to service delivery and therefore maximising impact ([Frumkin & Kim, 2001](#); [Gregory & Howard, 2009](#)). In theory, this ratio can be used by funders to compare administration expenditure across charities, in an attempt to identify those making the most efficient use of the funds provided. Charity leaders and funders were both critical of this approach stating that *“...funders are not receptive to grant applications that support administration costs...”* (Charity Leader 5) and funders see: *“...administration...as an unnecessary overhead...”* (Funder 5). Further *“...more needs to be done about the educating of funders regarding administration costs...”* (Charity Leader 2). Gregory & Howard (2009) state that charities can *“...feel pressure to conform to funders’ unrealistic expectations...”* ([Gregory & Howard, 2009, p. 1](#)) regarding administration costs. Other funders supported the premise that these costs are not just a necessary expenditure but a crucial one, stating: *“...how can a charity operate if the lights are off...”* (Funder 7) and *“...these are real and critical costs...”* (Funder 6).

With reference to Resource Dependency Theory (RDT), a parallel can be drawn between *administration costs and efficiency*; Pfeffer & Salancik (2003) state that efficiency *“...asks how much is produced for what cost...what is being produced is not considered...”* ([Pfeffer &](#)

[Salancik, 2003, p. 35](#)). Efficiency, as a “...socially valued ideal...” ([Pfeffer & Salancik, 2003, p. 35](#)), can be used to promote or restrain endeavours which are better assessed by other measurement sets ([Khieng & Dahles, 2015](#); [Pfeffer & Salancik, 2003](#)). Funders can use low administration costs, as promoted by charities such as Care Australia ([Care Australia, 2021](#)) or World Vision ([World Vision, 2021](#)), as substantiation that their funds are having greatest impact no matter what is actually being delivered. Funders’ expectations regarding acceptable levels of administration costs and the subsequent rewarding of charities that meet these expectations could be a risk for the charities that market themselves in this manner. If 10% administration costs were the benchmark this year, will it be 9% next year? At some point, the further decreasing of these costs will only be achieved by reducing essential administration activities or by misreporting which, in both cases, will lead to organisational compromise ([J. D. Lecy & Searing, 2015](#)).

Consideration must also be given to those employed within these *administration* functions, where funders see them as an “...unnecessary overhead...” (Funder 5), undertaking the “...devil’s work...” (Funder 7). No matter what contribution the employee is making, *it is not recognised as having value by funders*. Charity managers may be doing all they can to motivate these employees, acknowledging the value of their input, but both managers and their subordinates know that the powers that be, the funders, have a differing opinion. As such, self-worth is compromised, giving another example of the challenges faced when ‘being in’ a charity/funder relationship.

Capacity building

As well as convincing funders to support administration costs, charity leaders are eager to secure the type of funding to help progress the organisational effectiveness and efficiency of their respective organisations. This *capacity building* funding would also deliver a reduction in *administration costs* – an outcome favoured by funders – but securing this type of support from funders has proved a challenge, as several charity leaders lamented: “...*IT advancements would do so much to reduce administration costs, which is what our funders want...unfortunately, the same funders do not want to fund these improvements...*” (Charity Leader 9) and “...*we have little ability to invest in core organisational needs, such as IT systems, facilities or accommodation ...investment in such items would improve our effectiveness and efficiency...ask any commercial organisation...*” (Charity Leader 8).

Updating information technology infrastructure, much like the aforementioned administration costs, would seem to be a well-recognised expenditure necessary for effective organisations in today's environment, but most funders are reluctant to support such initiatives. If a for-profit or commercial organisation is looking to remain relevant and competitive, investment in information technology is a must. Technology is pervasive in society. We cannot escape it and we are becoming more and more reliant on it. No more boarding passes at the airport or waiting for a movie to become available on DVD. Satellite Navigation in cars, booking restaurants or ordering take-away online, all are now the norm. Yet do funders really believe that the payroll for charities should still be manually operated and employees should get a little brown envelope at the end of the week? Or that the telephone, wired to the desk, should be the primary means of communication? Pfeffer & Salancik (2003) stated that I.T. systems can offer "*...insight to those seeking to analyse or diagnose organisations...*" ([Pfeffer & Salancik, 2003, p. 13](#)). Additionally, the collection, selection and processing of information helps an organisation better understand the environment in which it operates ([Drees & Heugens, 2013](#); [Pfeffer & Salancik, 2003](#)). Capacity building type funding would afford charities the opportunities to better achieve these goals.

Funders are keen for charities to reduce administration costs but will not provide the financial muscle required to do so. There were a *few funders* who did recognise the importance of investment in capacity or capability building, stating: "*...there is massive potential for philanthropy to invest in infrastructure and capacity building ...which will ensure the sector is able to perform at its most effective and efficient...*" (Funder 8) and "*...not enough funders provide capacity building grants...most funders limit their support to 'effective' charities but are reluctant to help charities become more effective...counterintuitive indeed...*" (Funder 14).

However, it should also be noted that whilst there were some funders who could see the value in providing capacity building funding, these funders were still treading very carefully, with only a small proportion of available funds being used for this purpose:

"...we will look at grant applications that support capacity building in organisations – which is currently around 6% of our expenditure..." (Funder 2) and "*...we also look at providing support with capability and/or capacity building...although there is only about 10-15% of our funds directed towards this goal..."* (Funder 6). Further "*...over the years, a handful of capacity building grants have supported institutions to fund major building works and / or investment in state-of-the-art technology...typically, this would be approx. 10–20% of total*

annual funding allocation...there is currently no intention to increase this percentage...
(Funder 4).

Charities are organisations

Most large funders, whether government, philanthropy, corporates or substantial family trusts, are complex organisations in their own right. As such, they will have a sound comprehension of the needs of an organisation, whatever type of organisation that may be. As one charity leader stated:

“...organisational infrastructure, training and development of employees, quality accommodation, reward/remuneration, are all accepted as necessary and even critical investments by commercial organisations in order to progress...” (Charity Leader 1).

Yet the relatively simple proposition of providing funding that would improve the organisational effectiveness and efficiency of the charities they support, doesn't fully resonate with funders. Much like the aforementioned administration costs, funders appear to be indifferent to requests for capacity building funding and the benefits it can bring and choose to ignore requests for it.

If a charity can progress its organisational effectiveness and efficiency, the impact on its client base will be greater. After all, charities are still, in their basic form, an organisation and organisations exist *“...because no-one can do everything themselves...”* ([Greener, 2010, p. 7](#)) and *“...because groups of people working together can achieve more than the sum of the achievements which the individuals in the organisation could produce when working separately...”* ([The Open University, 2021, p. 1.2](#)). If one accepts the two aforementioned propositions, then organisations, whether commercial or charitable, are established within the same basic framework and will, as a consequence, have the same or very similar basic requirements, which would include:

- A productive and motivated workforce.
- An effective operating model
- Financial health and predictability.

Consequently, effective and efficient organisations, whether commercial or charitable, need similar types of inward investment. Without this type of ongoing investment, organisations will become ineffective. Indeed, a commercial organisation without inward investment will be quickly by-passed by their competitors and go out of business. Charities on the other hand continue to plod on, scrimping and saving where they can, then handing out the 'begging

owl' to funders. A denial of capacity building type funding will directly result in a denial of support being afforded to those in need, however it was not clear whether funders ever consider those who will not be afforded support as a result of their funding decisions.

Impact on charity employees

Capacity building type funding can also bring benefits to charity employees. The upgrading of an I.T. system may result in the automation of some tedious, time-consuming tasks and allow for a redistribution of employees back to service delivery and the consequential improved organisational effectiveness. Funders apparent failure to support this type of funding seems incomprehensible. It also reveals, again, the indifference funders have to the impact of their practices and the wellbeing of charity employees; and further demonstrates the reality of 'being in' the charity/funder relationship.

Power and trust

French and Raven (1959) first categorised power into five types; reward power, coercive power, legitimate power, referent power, and expert power ([French & Raven, 1959](#)). Funders can exert reward power, which is the ability to reward ([Ran & Qi, 2019](#)). In this study the reward is funding. Funders can also exert coercive power, which is the ability to take something away or punish someone ([Ran & Qi, 2019](#)); in this study the punishment would be to withhold or withdraw funding. As a result, funders have power over charities seeking funding despite the absence of a formal relationship and power over the charities they do fund due to their ability to abandon that relationship. This gives funders licence to behave how they wish without penalty. Funders can fund whoever or whatever they want and in any manner they choose. As one funder stated: "*some funders seem to enjoy the power imbalance ...it sits comfortably with their ego centric model of philanthropy*" (Funder 5). That is a strong statement and one again that demonstrates one of the challenges associated with 'being in' the charity/funder relationship.

7.2.3 Treatment of charity employees

The *power imbalance* in the charity/funder relationship also presents through how funders view and treat charity employees. Funders, by their own admission, can have a low opinion of charity employees stating: "*...the opinion of the sector needs to improve ... most funders have little regard for the capability and competence of sector leaders ... this is a difficult position to understand ... it is ill-informed and demonstrates a high level of arrogance and points to a power*

imbalance...” (Funder 6). Further: “...that sector leaders are a little bit dopey, which is highly ill-informed but readily accepted by funders...” (Funder 9).

Beyond the low regard in which charity employees are held, funders also seem keen to use their power to keep employment ambitions such as appropriate remuneration and job security out of reach. Charity leaders often attribute the high attrition rate of charity employees to remuneration, stating: “...whilst the working environment can offer significant benefits (flexibility, community-minded work, etc)...the limitations to offer competitive salaries is a significant barrier in attracting and retaining excellence...” (Charity Leader 7), and “...an expectation that people working in the sector are in it for the cause...as such...appropriate remuneration, training/development opportunities or even decent accommodation are not required...” (Charity Leader 5).

Beyond remuneration, there are other factors contributing to an unsatisfactory employment environment with charity leaders stating “...employees in many, many industries aspire for employment security...why is this goal largely unattainable for most in the sector?...” (Charity Leader 8) and “...employees within the charity sector ... have the same aspirations as many others, the ability to buy a house and provide a stable safe environment for their families...that can be difficult when you are on a rolling six-month contract...” (Charity Leader 7).

Office facilities and equipment can also be included in the long list of disappointments for charity employees, with charity leaders stating: “...it is quite satisfactory to house charities in the most run-down buildings available and furnish these buildings with office equipment that is on its way to the dump...it is not a nice way to be treated...” (Charity Leader 9) and “...people working in the sector are in it for the cause...as such, appropriate remuneration, training/development opportunities or even decent accommodation are not required...” (Charity Leader 5).

Funders also supported this position, stating: “...if you work in the sector it is for the love of it, therefore you should be happy to be paid less, have sub-standard accommodation, poor equipment and very little organisational support...” (Funder 6). The persistence of charity employees is evident, as is their stamina. However, charity leaders are likely to be aware that this level of effort cannot be maintained indefinitely and are conscious of the personal and emotional impact funders practices are having on their employees with several stating: “...the administration costs required to pursue, and secure small grants/donations is huge ... the effort can

be exhausting...” (Charity Leader 9) and “...sourcing grants to fund a program can take many months and the window of opportunity for the program can often close ... this is a significant waste of resource and can be emotionally draining...” (Charity Leader 6).

One charity leader asked the question: “...have funders thought of the impact such processes may have on people...” (Charity Leader 8). The answer appears to be, no they have not. As evidenced by their continuation of practice, funders appear to have little regard for the charities they support, the employees within or the client base these charities serve.

The realities of ‘being in’ the charity/funder relationship again comes to the fore. The model of funding as employed by most funders creates uncertainty and instability across the charity sector and impacts most heavily on the employees within. But not only do these employees have to deal with the job insecurity this model of funding causes, they have to accept that their remuneration will also be compromised. They are then compelled to persist with contradictory and prejudiced funding practices which cause ongoing exasperation and aggravation. Yet that is what they do; these employees persist in pursuing their mission despite the obstacles placed in their path by funders.

This study has established that the funding practices employed by funders are not only inefficient and ineffective in their own right but that they also reduce the overall organisational effectiveness and efficiency of the sector they are designed to support. If the charity sector’s performance is being negatively impacted, so too must be the performance of funders. Yet there is still little appetite for change. Funders seem indifferent to the impact their practices have on the organisations they support or the employees within. It would appear that funders persist with their practices and behaviours, even at the expense of their own performance, because they can.

In many instances, this dependency results in charities being prepared to stray from their founding mission just so they can continue to operate. The big challenge for charities and their funders is shifting from a dependency dynamic to a partnering dynamic. Doing this would release and realise the full impact of the resources in this sector of the economy; financial, human, built infrastructure and the plethora of human services and other supports.

7.3 Addressing the research questions

The main research question of this study asked:

Is the organisational effectiveness and efficiency of charities impacted by how they are funded?

The sub-questions asked:

How does the funding of charities currently occur?

What is the nature of the relationship between charities and their funders?

What are the motivations of funders?

The sub-questions will be answered below before addressing the main research question.

7.3.1 Sub-question 1 - How does the funding of charities currently occur?

Australian charities are primarily funded by small, short-term donations and grants. Over one third of funds awarded have a value of \$10,000 or less (See Table 4.3²³). Less than 9% of the funds awarded are for sums in excess of \$500,000 (See Table 4.3). The term in which these funds are provided is short, with two thirds being for a term of one year or less (See Table 4.4²⁴). This small, short-term model of funding results in over 5 million individual funding amounts being applied for and awarded annually, a rate of over 100,000 per week. As stated earlier in this chapter, the number of charity employees required to administer this model of funding is conservatively estimated at over 50,000.

This number of employees is one of the many costs associated with today's model of charity funding. Another cost is that of neutrality; charity leaders claim that a funding award of \$10,000 is cost neutral, in that the financial effort expended equals that of the financial resources secured. This equates to over \$55 billion worth of Australian charity funding being squandered each year. Funders' reluctance to provide funding in support of initiatives that would bring improvements to the effectiveness and efficiency of the charities they support can also be described as opportunities squandered. These capacity building initiatives,

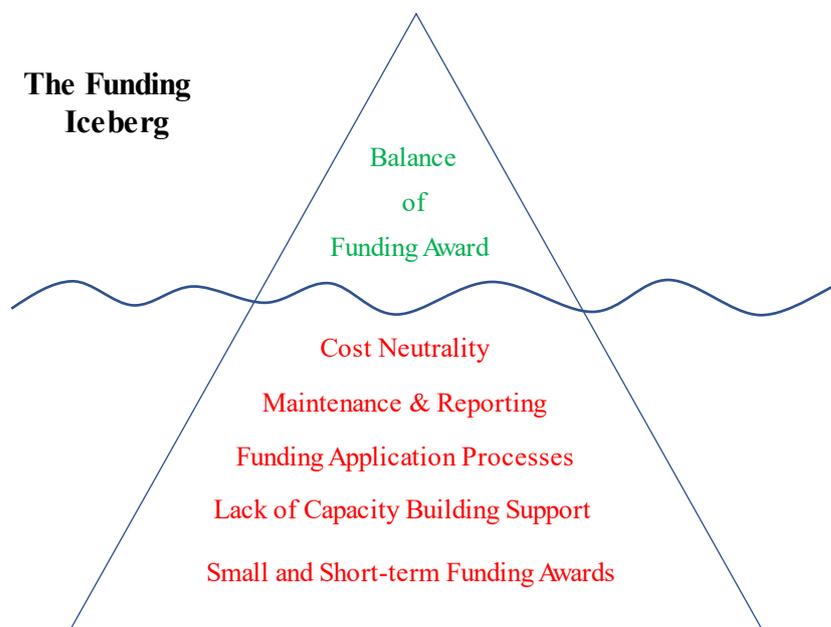
²³ See Chapter 4, page 119 for Table 4.3.

²⁴ See Chapter 4, page 121 for Table 4.4.

including investment in I.T. system upgrades or employee training, could progress the performance of charities but most are denied.

The many costs associated with the current model of charity funding are significant but hidden and are generally borne by charities. Whenever a funder announces that funding is available, it is applauded. There is further applause when that funding is awarded. Little thought is given to the effort expended by the charity successful in securing such an award or indeed to the charities who expended effort and received nothing. There is a failure to consider the cost of maintaining an award of funding. Funders generally want something in return, which may be recognition of some sort, a photograph with a big cheque, a seat at the top table or some form of volunteering. This ‘maintenance’ work associated with the funding award also has associated costs, as does reporting on the funding award which can be burdensome. The manner in which Australian charities are funded can be described as a ‘funding iceberg’ (Chart 7.1), in that, what appears above the water line is what is left of the initial funding award. There is much atrophy.

Chart 7.1



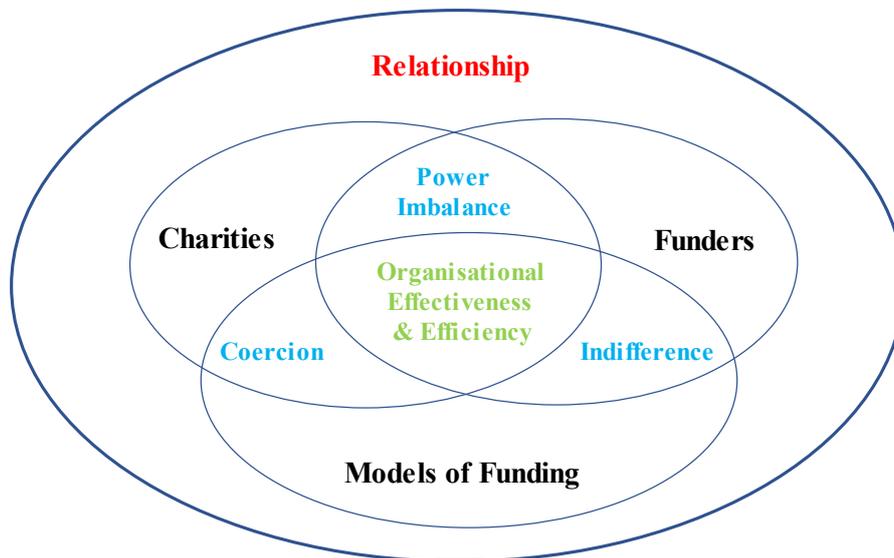
Whilst objective estimations can be placed on *cost neutrality* and the *employee resource* needed to administer the vast volumes of small and short-term funding awards, other ‘under the water line’ costs are not easily calculable such as the cost of not providing capacity building investment. Another cost absent from the ‘funding iceberg’ is the cost associated

with charities which were unsuccessful with their funding applications. It is difficult to quantify how many funding applications are submitted to funders annually in Australia, as there are no obligations for funders to report on such activities. However, these costs are real and ones for which there are no mechanism for charities to seek any form of reimbursement.

7.3.2 Sub-question 2 - What is the nature of the relationship between charities and their funders?

The chart below was first presented in Chapter 1, as ‘Chart 1.1 Scope of the Research’, to help visualise the scope of this research and the existing inter-relationships. Chart 7.1 below has been expanded to provide a visualisation of the inter-relational influences – coercion, indifference and power imbalance – now identified as impacting most on the effectiveness and efficiency of charities, all of which are grounded within the charity/funder relationship.

Chart 7.2 Interrelation Influences



Whether mixed methods research explorations gather stories or numeric data, invariably the analysis points to the essential nature and reciprocity of relationships between those involved ([Giles, 2008](#)). One of the primary factors that deeply influences the development of relationships between organisations is a power imbalance. This imbalance is primarily observed because a stronger organisation, such as a funder, could impose unfavourable conditions on weaker partners, such as charities ([Essabbar et al., 2016](#)).

Power Imbalance

In the charity/funder relationship the power imbalance is obvious. It presents as funders commanding discretion over the allocation of funding provided, and criticism of charity performance without support for improvement and superiority. It also presents as charities submitting to the will of funders and pandering to their requests for recognition and reward.

Indifference and coercion

The power imbalance also gives funders licence to persist with a model of funding that significantly dilutes the value of the monetary award. Funders appear to be indifferent to the negative impacts of this model, preferring to place more importance on being cosseted and recognised for their contribution. To an outside observer it may appear that charities are complying with the conditions attached to the funding provided, however, as charities have few alternative sources of funds, having to comply with a funder's conditions can be better described as charities being 'coerced' into complying with the requirements of the current models of funding.

Emergent relationship themes

Themes emerging from this study show different characteristics of the relationships phenomenon, one being the 'mattering' of a relationship as in, when do relationships matter and when do they not matter? A second theme focuses on the different 'ways of being' in the relationship that are felt and read by others.

Mattering

One can understand why a charity would submit to the will of a funder when there is a critical need for funding. One can also understand a charity's behaviour towards a funder if that funder was providing funding of scale. What is more difficult to comprehend is why there is a need for this type of subservient behavior at all? As one charity leader stated: "...charities tend to appease their funders... this causes a bit of a vicious circle..." (Charity Leader 10).

One driver of this subservient behavior is the 'mattering' of the charity/funder relationship. Elliot et al (2010) defined mattering as: "...the extent to which we make a difference in the world around us..." ([Elliott, Kao, & Grant, 2010, p. 339](#)). The relationship between charities and their funders 'matters' more to charities because the resource that funders provide allows charities to pursue their stated, or implied, purposes. Without this relationship, and

subsequent resource, charities would be unable to provide support to society's most disadvantaged and vulnerable. This pinpoints the motivations of charities and their employees and explains, in part, their subservience. For funders, the relationship with charities appears to 'matter' less. The impact that charities have is less important when assessing how one distributes one's funds. The nature of mattering differs according to each participant and situation but is deeply important to the relational experience ([Elliott et al., 2010](#); [Giles, 2008](#)).

'Ways of being'

The phenomenon or 'lived experience' of *being a charity employee* is challenging. Not only do they have to submit to the will of funders with regards to their questionable practices and protocols, they also have to submit to a funder's 'superior knowledge' of how society's most vulnerable and disadvantaged should be supported. This is despite their qualifications, in-depth knowledge of the subject matter and past successes. Additionally, their *masters* hold them in low regard, have little concern about their remuneration, the quality of their office accommodation, or the systems and mechanisms they use in undertaking work. Importantly, they do not appear care about the *personal impact* of operating in such an environment.

Furthermore, the relationship the charity employee has with funders matters less to funders than it does to the employee. As a result, charity employees develop their own 'ways of being' within the charity/funder relationship, acknowledging their 'place' in this relationship. These 'ways of being' or comportment ([Ciocan, 2015](#)) could present as an indifference to the task at hand or a reluctance to engage with funders. No matter the manner in which these 'ways of being' depict themselves, one's 'authentic self' ([Gullick & West, 2020](#)) is not being fully represented. As a result, charity employees and funders may be together in the same 'space' but never fully *engaged or connected*.

7.3.3 Sub-question 3 - What are the motivations of funders?

Funders appear to be primarily motivated by self-interest and self-reward. Why else would you continue to fund a plethora of ineffective organisations, operated by such an ignorant and asinine bunch of employees? That might seem a bit harsh but, unlike the charities they support, *funders are not motivated by societal progression*. Instead, they are motivated by the act of giving, but altruism is not enough. Funders want to be recognised for their giving, indulged by the charities they support and, most importantly, maintain authority over the

resources they command.

This authority presents in the funding practices they employ. Charities must jump through inconsistent and subjective hoops in order to secure funding. Funders are indifferent to the financial cost of such practices. They are also indifferent to the humanitarian cost, a cost that extends beyond that of charity employees and into their families. Evading concern regarding their practices indicates a lack of care. If funders do not care about the charities they fund then, by default, they cannot care for the *client base* these charities serve.

Impetus for future funding

The contradictory behaviour of funders is a puzzle. They employ a *resource hungry* funding model that does little but negatively impact the organisational effectiveness and efficiency of charities, yet this model of funding persists. Funders criticise aspects of charity operations and performance but do little to help charities overcome these organisational inadequacies, as their appetite for providing capacity building type funding is deficient. They hold the charity sector and the employees in low regard and use their power or perceived superiority to command use over the funds they provide. Considering the funding practices employed, their behaviour towards, and their opinion of the charity sector, there would seem to be little motivation for funders to continue funding. Indeed, the current charity/funder condition could be presented as that of an exasperated supplier organisation wishing to extricate itself from a non-productive commercial agreement with a recipient organisation ([Pfeffer & Salancik, 2003](#)).

One can then ponder, in what circumstances would this current charity/funder condition be an impetus for funders to continue funding? In a conventional relationship, there would be no impetus to continue, however, the charity/funder relationship is not conventional. In a conventional supplier/recipient relationship, the supplier organisation is financially rewarded by the recipient organisation through the provision of a resource; the recipient organisation can then use that resource to improve its outputs and value ([Pfeffer & Salancik, 2003](#)). In the charity/funder condition, the funders' reward is not financial and, as such, other rewards must be sought. Rather than being able to take solace from the fact their funds are being used for charitable purposes, funders demand more and these demands can significantly dilute the value of the funding awarded.

7.3.4 Main research question - Is the organisational effectiveness and efficiency of charities impacted by how they are funded?

Organisational effectiveness

Pfeffer and Salancik (2003) defined organisational effectiveness as the “...*external standard of how well an organisation is meeting the demands of the various groups...concerned with its activities...*” (Pfeffer & Salancik, 2003, p. 11). They claimed it was a socio-political proposition, in that decisions informed by an organisation’s effectiveness are not only guided by economic considerations but are also influenced through an appraisal of the value created by the resources that have been consumed (Pfeffer & Salancik, 2003). This could present as a customer choosing to purchase a premium brand motor vehicle over that of a less expensive option or buying a more expensive bottle of wine than usual due to a special celebration. Their definition is important to this research as it signals that value differs and is dependent on the party undertaking the valuation. From a charity perspective, organisational effectiveness can be defined as how well a charity achieves its stated, or implied, purpose (Pfeffer & Salancik, 2003), such as, how many children have been helped in improving their reading age or how many long-term unemployed have been supported in finding work?

As demonstrated in the previous section, a significant amount of charity resource is allocated to fundraising activities and therefore not to service delivery. Assuming that overall organisational costs remain constant, if less resource is available to help children improve their reading age or less long-term unemployed are supported in finding work, a charity will be less effective, a point which is not lost with both charity leaders and funders stating: “...*providing many small grants to many organisations causes significant inefficiencies...effort expended... is substantial...*” (Charity Leader 7); “...*small grants/donations are hugely ineffective...time...pursuing small grants is substantial...*” (Charity Leader 8); and, “...*grant application processes can be onerous and time consuming which inevitably leads to great unnecessary costs...*” (Funder 2). Charities migrating organisational resource away from service delivery to fundraising or other activities will become less effective.

Organisational efficiency

Pfeffer and Salancik (2003) defined organisational efficiency as the “...*internal standard of performance...measured by the ratio of resources utilised to output produced...*” (Pfeffer &

[Salancik, 2003, p. 11](#)). That definition is important to this research as it signals a relatively straight forward method of assessing organisational efficiency. If fewer resources can be used to provide the same output, an organisation will become more efficient. As stated earlier in this chapter, it is the case that when charities have to secure funding from many differing sources rather than just a few, additional organisational resources will be required. Having to allocate additional employee resources to fundraising activities results in less efficient charities.

Efficiency is further compromised as fundraising is without respite; it continues year in year out due to the short-term nature of funding on offer. Beyond the aforementioned resources required to administer many small, short-term funding awards, funders will not support requests for capacity building type funding. As a result, the opportunity to do more with less is lost and charities maintain their inefficiencies.

Whilst the allocation of resource away from service delivery and towards fundraising may be a necessary undertaking to secure the funds that will ensure a charity's survival, who is demonstrating a concern for those in the community who can no longer be supported? Charity management will be aware that they will now be able offer less but they are faced with a critical conundrum. Do they allow their charity to fail due to a lack of financial resources? Or do they change tack? Whatever the choice, it is highly likely that less support will be afforded to those who need it. If the charity is allowed to fail, a cohort of vulnerable and disadvantaged people will have to find the courage and motivation to seek support elsewhere. If the charity changes tack, the capacity to serve its client base will be reduced and a cohort of vulnerable and disadvantaged will have to do the same. Thought must also be given to charity employees operating in this environment and having to make the decision regarding who will and will not be supported under the new regime. More specifically, which clients will be retained and which will be discarded? When a charity employee makes such a decision, the impact will extend beyond the workplace and intrude into one's personal life. As for the clients who are discarded, one can only imagine how they must feel.

As stated earlier in Section 7.2.1, the total revenue of Australian charities has been increasing annually through the past several years, and therefore these poignant and possibly life-changing decisions that have to be made by charity employees are unlikely to be driven by a

lack of sector funding. The cause is more likely that of how funders are choosing to allocate their funding or the environment ([Pfeffer & Salancik, 2003](#)) in which the funding is awarded.

As presented in Chart 7.1 - The Funding Iceberg, there are several other 'hidden' costs that dilute the value of funding awarded and further compromise the effectiveness and efficiency of charities. Another cost that may prove to be significant, and which was not presented in Chart 7.1 is that of the costs associated with charities in submitting unsuccessful funding applications, which cannot be quantified under current reporting regimes.

Indirect impacts

It is a relatively obvious proposition that awarding charities short-term funding will cause some form of organisational instability and help maintain the state of financial vulnerability. What is less obvious is that a charity in a position of financial vulnerability is more likely to protect its own fiscal position by affording only short-term employment contracts to its employees. Also less obvious are the effects on morale of being poorly paid or working in a bleak office space without up-to-date technology. Very little thought is given to the impact on charity employees of working in such an unstable, coercive environment. This is despite these employees being the very people tasked to help society's most vulnerable and disadvantaged.

As highlighted earlier, the reality of 'being in' the charity/funder relationship is that your remuneration is compromised, the regard in which you are held by your funders is low, and your office facilities are sub-standard, yet you must have the stamina to maintain your efforts, the emotional resilience to cope with funding failure after funding failure, and the motivation to keep coming back and asking for more. Which employers wouldn't want an employee with such a skillset? Yet funders maintain their opinion that charity employees are less worthy than their for-profit counterparts and continue to impose their unfavourable funding practices upon them.

In conclusion, the small, short-term model of funding as employed by most funders impacts negatively and significantly on the organisational effectiveness and efficiency of charities.

7.4 Closing commentary

A key question which this research has addressed is: 'what is the nature of the *relationship* between charities and their funders?' This research has shown, very vividly, that there are serious relationship problems between the charities and the funders. Funders' behaviour is having a profound impact on the charity sector, its employees and its client base.

Many people have an *unconscious bias* towards those who give to charity. They believe funders to be righteous, upstanding, role models with a great concern for the welfare of others. After all, if they give to charity they must be doing good, right? Many also believe or 'take for granted' that charities and funders are combining their efforts and producing societal outcomes greater than the sum of their parts. In both these instances the answer is the contrary of what one may expect.

The current model of charity funding is having a significant and detrimental effect on the organisational effectiveness and efficiency of charities; as a consequence, the impact that charities can have on the most vulnerable and disadvantaged in our communities is substantially compromised. This inadequate model of funding is maintained by the *power imbalance* that exists between charities and their funders, with the latter being the dominant party.

To improve the organisational effectiveness and efficiency of charities, and their impact, a shift is needed from a model of *resource dependency* and power to one characterised by *resource security* that requires funders and charities to see and treat each other as *genuine partners* committed to working relationally in driving societal improvements. As well as a bipartisan approach to tackling some of the most enduring and entrenched issues would also liberate both parties to innovate on many fronts of crucial public policy from medicine to homelessness to endangered species, which governments are reluctant to address for fear of sectional voter backlash. In summary, charities and funders need to become *fully engaged and connected* with each other.

In none of the interviews undertaken in this study was there much evidence of productive discussions between charities and funders, or collaboration within the charity and funder sectors, or between the two sectors. A key finding from this research is the strong, consistent

evidence of poor relationships, and frustrations, between the two protagonists in an area which makes a significant contribution to Australian society. Whilst there is little evidence that funders would be agreeable to such change in the charity/funder condition, the opportunities for progression within the charity/funder condition are abundant and could be the trigger for a more vibrant, productive and sustainable charity sector. One outcome of this research is that, in presenting feedback from charities and funders, in particular the strength of feelings by both parties toward each other, the groundwork is provided for commencing a process to improve the relationship between the two parties for the benefit of society as a whole.

From the *ravaging* of charity resource through *cost neutrality* to the *treatment of charity employees*, funders' motivations and practices are having a colossal and destructive impact on the charity sector. The scale of the damage is already immense. It would seem that a stand must be made and be made now.

Chapter 8 – Conclusion

8.1 Purpose of the research

The purpose of this research was to answer the question, is the organisational effectiveness and efficiency of charities impacted by how they are funded? As stated in Chapter 2, existing scholarship regarding the organisational effectiveness and efficiency of charities is available ([Gent et al., 2015](#); [Mitchell, 2015](#)) but disjointed due to the many sector designations, including not-for-profit, non-government, voluntary and civil service organisations ([Schatteman & Waymire, 2017b](#); [Shumate et al., 2017](#)). Due to the complexities in defining organisational effectiveness and efficiency across such a wide range of diverse entities, a consensus emerging from this scholarship has posited that organisational effectiveness and efficiency is more a subjective social construct than an objective set of measurements ([R. D. Herman & Renz, 1998](#); [Mitchell, 2015](#)).

There is, however, a dearth of scholarship regarding how charities are funded. Additionally, the vagaries of reporting from both funders and regulators do not lend themselves to any form of forensic analysis. This research has answered the abovementioned research question and defined and shown how charities are funded and how this model of funding impacts on their organisational effectiveness and efficiency and gone some way towards filling the existing gap in the literature.

8.2 Summary of findings

The main finding from this research is that the relationship between charities and funders is *fractured*. Today's societal problems are considerable and numerous; no single organisation, government included, has the capability or capacity to resolve these problems alone. As a result, inter-organisational relationships are established. Together, charities and funders should be well equipped to support the most vulnerable and disadvantaged in our communities; with charities providing the knowledge and experience and funders providing the financial resources required. However, the fractured nature of the charity/funder relationship results in a combined output significantly below its potential. This study has found that there is a significant *power imbalance* in the charity/funder relationship, which is skewed very much in favour of funders. Funders hold all the power in this relationship; they know it and they exploit it. This exploitation presents, most frequently, in how funding is located, awarded and then controlled.

This study has found that the processes for securing funding are unreliable, at times irrational, and require a huge amount of charity resource to administer. With regard to the funding awarded, this study has found that most is small and short-term, resulting in a fundraising cycle that is without respite. The processes for securing funding, married to the manner in which funding is awarded, are costly and these costs are borne by charities. Another finding of this study is that of *cost neutrality*, where a funding award of \$10,000 has cost that amount to submit a successful funding application and report on it.

This study has found that funders' power extends beyond the award of funding, as they look to maintain control over these funds by commanding how these funds should be used. Funders' power also extends to the refusal of funding requests for *capacity building* type of funding that would allow charities to become more effective and efficient as a result organisational competence continues to be compromised.

Another finding from this study is the poor regard in which charity employees are held by funders. As evidenced by their practices, funders demonstrate little concern for the well-being of charity employees or their working conditions. Charity employees are compromised

regarding income, working conditions and job security. The reality is that being a charity employee is not an attractive proposition.

This study has found that funders are indifferent to the impact of the funding they provide and how they provide it. This indifference is driven by funders' motivations, which are those of self-interest and self-reward. The impact of the funding provided and the manner in which it is provided matter little to funders.

8.3 Contribution to knowledge

This research contributes to new knowledge in three areas: the fractured nature of the charity/funder relationship; the ‘shape’ of the current model of a charity funding and the atrophy within; and cost neutrality. Importantly, it has quantified the cost impost that exists with the current charity funding model and demonstrated how that model of funding is essentially ravaging charity resources on an enormous scale.

The fractured nature of the charity/funder relationship

The charity/funder relationship is fractured on several levels. A significant power imbalance exists in the charity/funder relationship, which is skewed, very much, towards funders. This power imbalance presents through the inconsistent, unreliable and resource hungry model of funding as employed by most funders. Funders’ power allows this model to persist despite its many deficiencies. The power imbalance also presents through the indifference funders demonstrate regarding the humanitarian cost of such a model of funding, a cost that impacts, most heavily, on charity employees and can extend into their families and clients. ‘Being in’ the charity/funder relationship as a charity employee is a challenge. Funders, without substantiation, have a low opinion of charity employees and exhibit little concern for their well-being or their working conditions. As a result, charity employees are compromised regarding many aspects of their employment conditions including income, working conditions and job security. Funders’ power gives them licence to ignore such impacts of their practices and without penalty. In opposition to the charities they support, funders are not motivated by societal progression, instead, they are primarily motivated by self-interest and self-reward. Funders are driven by a need to be recognised for their giving and cosseted by the charities they support. The charity/funder relationship can be viewed as that of a *master and servant* in that it is heavily biased towards the master (funders) and requires obedience from the servants (charities).

The ‘shape’ of the current model of charity funding and the atrophy within

The current model of charity funding, as employed by most funders, awards mainly small and short-term grants or donations. As stated in Chapter 4²⁵, 35.9% of awards are for sums of \$10,000 or less, with a further 14.8% awarded for a sums between \$10,001 and \$25,000.

²⁵ See Table 4.3, Section 4.3, page 119.

Only 8.7% of the funds awarded were for a sum exceeding \$500,000. Also as stated in Chapter 4²⁶, 66% of awards were for the term of one year or a one-off award. Only 2.4% of the funds awarded were for a term of 5 years or greater. This small, short-term model of funding drives much atrophy, because a considerable amount of the funds is being lost to the costs of administering such a model of funding. These administration costs include: the cost associated with securing many, many small and short-term funding awards; the costs associated with the maintenance and reporting on the funds awarded; and the costs associated with cost neutrality.

Cost neutrality

The research has introduced the phenomenon of cost neutrality within charity funding. From a charity perspective, cost neutrality occurs when the cost of locating, applying for and securing funds married to the ongoing maintenance and reporting associated with the funding award equals that of the award itself. In this study charity leaders have quoted a cost neutrality figure of \$10,000 (also see Section 8.5).

²⁶ See Table 4.3, Section 4.3, page 122.

8.4 Further research

The findings of this study offer a good platform from which further research can be undertaken. A broadening of this study, considering the scale, reach and potential impact of the global charity sector, could explore the existence of the same funding phenomena in other countries.

The fractured nature of the charity/funder relationship could be further investigated through designing a study with charities and funders whereby those organisations could explore the advantages and disadvantages of moving from a resource dependent relationship to one of resource security and power equality. The phenomenon of cost neutrality in charity funding could be more deeply explored, as could the common organisational needs of charities that could be addressed through the provision of capacity building type funding.

Chart 7.1 of this study has presented the ‘funding iceberg’, displaying the waste associated with the current model of charity funding. One cost absent from the ‘funding iceberg’ is that of submitting unsuccessful funding applications. That particular cost associated with the current model of charity funding has gone unnoticed and unremunerated and would provide another area for future research.

8.5 Implications for practice

It is acknowledged that the issues identified by this research may have implications for the practice of participants across the charity sector. These implications are summarised below:

- Improved awareness and management from both charities and funders regarding the fractured nature of the current relationship could lead to more considered, collaborative and impactful funding awards.
- Funders' improved awareness regarding the impact of existing funding practices, including small, short-term awards, cost neutrality and capacity building, could lead to improved effectiveness and efficiency across the charity sector and therefore to its impact.
- The awarding of longer-term, more substantial funds would bring benefits to charity employees by improving job security and working conditions if capacity building type funding was also provided.
- Due to their motivations, funders could ignore the findings of this research and continue with existing practice, which in turn would continue to compromise the performance of the charity sector.

Limitations

This research has identified a number of causes for why the Australian charity sector is organisationally ineffective and inefficient, including the resource required to administer the current model of funding, the lack of capacity building funding and cost neutrality. However, in any research undertaking there will be limitations. This research may have benefitted from a wider sample of participants, although data saturation was achieved.

Charities that believed they were less than organisationally effective or efficient were unlikely to have volunteered to participate in this study. Other charities may not have had the capacity or capability to participate. Consequently, this study may not be fully representative of the Australian charity sector.

With regards to funders, collecting detailed financial and other information from a wide range of funders such as corporates, philanthropics and government was a challenge as few were willing to provide such information. Governments, of all types, showed no interest in

participating in this research. As such, this study may not be fully representative of Australian funders.

8.6 Concluding comments

This research explored the impact of current models of funding on charities' organisational effectiveness and efficiency and the nature of the charity–funder relationship.

The findings have filled a gap in the literature by demonstrating that the charity/funder relationship is fractured and delivers well below its potential. A strong opinion from charity leaders was that, in order for charities to improve, a change to a more long-term, substantial funding model, one that supports capacity building, must occur. Many participants pointed to the negative impact the current model of charity funding has on charity employees and to a misalignment between the needs of the charity sector and the motivations of the funders who support it. Suggestions have been made for future research, as this research raises issues relevant to the global charity sector.

I have endeavoured to express the opinion of the participants on the many issues raised and then provide my own interpretation of what was discovered. This research has also provided the opportunity to consider how the future may look for the charity sector and the individuals, families and communities they support. Without significant change, that future does look bleak.

Appendices

Appendix 1

Data Analysis – Formulas used and outputs achieved.

Appendix 2

Quotations taken from *Interviews with Charity Leaders* listed under Domain Summaries.

Appendix 3

Quotations taken from *Interviews with Funders* listed under Domain Summaries.

Appendix 4

Calculations - Charity resource requirements Section 7.2.1.

Appendix 1

Data Analysis – Formulas used and outputs achieved

As stated in Chapter 3, IBM’s Statistical Package for the Social Sciences (SPSS) was chosen to analyse the raw data captured through Questions 1, 2, 3, and 4 of the on-line financial survey. This appendix provides the actual statistical outcomes derived from SPSS and the formulas used to achieve these outcomes.

Contents

Question 1

What is the annual income of your organisation?

Formula and Output from SPSS Page 2

Question 2

What are the sources and contribution of those sources to your organisation’s annual income?

Formula and Output from SPSS Page 5

Question 3

With regards to your organisation’s total annual income and all the grants/donations that contribute to that income, what proportion of grant(s) generates what contribution?

Formula and Output from SPSS Page 16

Question 4

With regards to grant/donations received and the term of each agreement, what term generates what contribution towards your total annual income?

Formula and Output from SPSS Page 25

Question 1 - Formula and Output from SPSS

Formula

```

GET DATA /TYPE=XLSX
  /FILE='C:\Users\TWKee\Desktop\Survey Data\Q1 SPSS Input.xlsx'
  /SHEET=name 'Q1 Final'
  /CELLRANGE=full
  /READNAMES=on
  /ASSUMEDSTRWIDTH=32767.
EXECUTE.
DATASET NAME DataSet1 WINDOW=FRONT.
BOOTSTRAP
  /SAMPLING METHOD=SIMPLE
  /VARIABLES INPUT=Income
  /CRITERIA CILEVEL=95 CITYPE=PERCENTILE NSAMPLES=3000
  /MISSING USERMISSING=EXCLUDE.
  
```

Output

Bootstrap

Notes

Output Created	11-OCT-2016 14:54:27	
Comments		
Input	Active Dataset	DataSet1
	Filter	<none>
	Weight	<none>
	Split File	<none>
	N of Rows in Working Data	528
	File	
Syntax	BOOTSTRAP /SAMPLING METHOD=SIMPLE /VARIABLES INPUT=Income /CRITERIA CILEVEL=95 CITYPE=PERCENTILE NSAMPLES=3000 /MISSING USERMISSING=EXCLUDE.	
Resources	Processor Time	00:00:00.02
	Elapsed Time	00:00:00.01

Bootstrap Specifications

Sampling Method	Simple
Number of Samples	3000
Confidence Interval Level	95.0%
Confidence Interval Type	Percentile

Frequencies

Notes

Output Created	11-OCT-2016 14:54:27	
Comments		
Input	Active Dataset	DataSet1
	Filter	<none>
	Weight	<none>
	Split File	<none>
	N of Rows in Working Data File	1003105
Missing Value Handling	Definition of Missing	User-defined missing values are treated as missing.
	Cases Used	Statistics are based on all cases with valid data.
Syntax	FREQUENCIES VARIABLES=Income /ORDER=ANALYSIS.	
Resources	Processor Time	00:00:07.59
	Elapsed Time	00:00:08.33

Statistics

Income

		Statistic	Bootstrap ^a			
			Bias	Std. Error	95% Confidence Interval	
		Lower			Upper	
N	Valid	528	0	0	528	528
	Missing	0	0	0	0	0

a. Unless otherwise noted, bootstrap results are based on 3000 bootstrap samples

Income

		Freq	%	Valid %	Cum. %	Bootstrap for Percent ^a			
						Bias	Std. Error	95% Confidence Interval	
								Lower	Upper
Valid	25000.0000	95	18.0	18.0	18.0	.0	1.6	14.8	21.2
	75000.0000	36	6.8	6.8	24.8	.0	1.1	4.7	8.9
	150000.0000	38	7.2	7.2	32.0	.0	1.1	5.1	9.5
	375000.0000	46	8.7	8.7	40.7	.1	1.2	6.6	11.2
	750000.0000	51	9.7	9.7	50.4	.0	1.3	7.2	12.1
	1750000.0000	63	11.9	11.9	62.3	.0	1.4	9.1	14.6
	3750000.0000	51	9.7	9.7	72.0	.0	1.3	7.2	12.3
	7500000.0000	49	9.3	9.3	81.3	.0	1.3	6.8	11.7
	17500000.0000	61	11.6	11.6	92.8	.0	1.4	8.9	14.4
	37500000.0000	24	4.5	4.5	97.3	.0	.9	2.8	6.4
	50000000.0000	14	2.7	2.7	100.0	.0	.7	1.3	4.2
Total		528	100	100		.0	.0	100.0	100.0

a. Unless otherwise noted, bootstrap results are based on 3000 bootstrap samples

Question 2 - Formula and Output from SPSS.

Formula

```

GET DATA /TYPE=XLSX
  /FILE='C:\Users\TWKee\Desktop\Survey Data\Q2 SPSS Input.xlsx'
  /SHEET=name 'Q2 Final '
  /CELLRANGE=full
  /READNAMES=on
  /ASSUMEDSTRWIDTH=32767.
EXECUTE.
DATASET NAME DataSet1 WINDOW=FRONT.
GLM Philanthropy Federal State LocalGov LocalCouncil Community Corporation SmallBusiness
  UniversitiesandColleges Families Bequests Fundraising Commercial
  /WSFACTOR=IncomeSources 13 Repeated
  /MEASURE=Contribution
  /METHOD=SSTYPE(3)
  /SAVE=ZRESID
  /PLOT=PROFILE(IncomeSources)
  /EMMEANS=TABLES(OVERALL)
  /EMMEANS=TABLES(IncomeSources) COMPARE ADJ(BONFERRONI)
  /PRINT=ETASQ
  /CRITERIA=ALPHA(.05)
  /WSDSIGN=IncomeSources.

```

Output

General Linear Model

Notes

Output Created		11-OCT-2016 15:59:31
Comments		
Input	Active Dataset	DataSet1
	Filter	<none>
	Weight	<none>
	Split File	<none>
	N of Rows in Working Data	435
	File	
Missing Value Handling	Definition of Missing	User-defined missing values are treated as missing.
	Cases Used	Statistics are based on all cases with valid data for all variables in the model.

Syntax		GLM Philanthropy Federal State LocalGov LocalCouncil Community Corporation SmallBusiness UniversitiesandColleges Families Bequests Fundraising Commercial /WSFACTOR=IncomeSources 13 Repeated /MEASURE=Contribution /METHOD=SSTYPE(3) /SAVE=ZRESID /PLOT=PROFILE(IncomeSources) /EMMEANS=TABLES(OVERALL) /EMMEANS=TABLES(IncomeSources) COMPARE ADJ(BONFERRONI) /PRINT=ETASQ /CRITERIA=ALPHA(.05) /WSDSIGN=IncomeSources.
Resources	Processor Time	00:00:01.13
	Elapsed Time	00:00:00.36
Variables Created or Modified	ZRE_1	Standardized Residual for Philanthropy
	ZRE_2	Standardized Residual for Federal
	ZRE_3	Standardized Residual for State
	ZRE_4	Standardized Residual for LocalGov
	ZRE_5	Standardized Residual for LocalCouncil
	ZRE_6	Standardized Residual for Community
	ZRE_7	Standardized Residual for Corporation
	ZRE_8	Standardized Residual for SmallBusiness
	ZRE_9	Standardized Residual for UniversitiesandColleges
	ZRE_10	Standardized Residual for Families
	ZRE_11	Standardized Residual for Bequests
	ZRE_12	Standardized Residual for Fundraising
	ZRE_13	Standardized Residual for Commercial

Within-Subjects Factors

Measure: Contribution

IncomeSources	Dependent Variable
1	Philanthropy
2	Federal
3	State
4	LocalGov
5	LocalCouncil
6	Community
7	Corporation
8	SmallBusiness
9	Universitiesand Colleges
10	Families
11	Bequests
12	Fundraising
13	Commercial

Multivariate Tests^a

Effect		Value	F	Hypoth esis df	Error df	Sig.	Partial Eta Squared
IncomeSources	Pillai's Trace	.906	338.550 ^b	12.000	423.00 0	.000	.906
	Wilks' Lambda	.094	338.550 ^b	12.000	423.00 0	.000	.906
	Hotelling's Trace	9.604	338.550 ^b	12.000	423.00 0	.000	.906
	Roy's Largest Root	9.604	338.550 ^b	12.000	423.00 0	.000	.906

a. Design: Intercept

Within Subjects Design: IncomeSources

b. Exact statistic

Mauchly's Test of Sphericity^a

Measure: Contribution

Within Subjects Effect	Mauchly's W	Approx. Chi-Square	df	Sig.	Epsilon ^b		
					Greenhouse-Geisser	Huynh-Feldt	Lower-bound
IncomeSources	.000	3848.885	77	.000	.456	.462	.083

Tests the null hypothesis that the error covariance matrix of the orthonormalized transformed dependent variables is proportional to an identity matrix.

a. Design: Intercept

Within Subjects Design: IncomeSources

b. May be used to adjust the degrees of freedom for the averaged tests of significance. Corrected tests are displayed in the Tests of Within-Subjects Effects table.

Tests of Within-Subjects Effects

Measure: Contribution

Source	Type III Sum of Squares	df	Mean Square	F	Sig.	Partial Eta Squared	
IncomeSources	Sphericity Assumed	24.268	12	2.022	79.542	.000	.155
	Greenhouse-Geisser	24.268	5.467	4.439	79.542	.000	.155
	Huynh-Feldt	24.268	5.545	4.377	79.542	.000	.155
	Lower-bound	24.268	1.000	24.268	79.542	.000	.155
Error(IncomeSources)	Sphericity Assumed	132.412	5208	.025			
	Greenhouse-Geisser	132.412	2372.661	.056			
	Huynh-Feldt	132.412	2406.441	.055			
	Lower-bound	132.412	434.000	.305			

Tests of Within-Subjects Contrasts

Measure: Contribution

Source	IncomeSources	Type III Sum of Squares	df	Mean Square	F	Sig.	Partial Eta Squared
IncomeSources	Level 1 vs. Level 2	.817	1	.817	8.537	.004	.019
	Level 2 vs. Level 3	.176	1	.176	1.405	.237	.003
	Level 3 vs. Level 4	6.097	1	6.097	95.709	.000	.181
	Level 4 vs. Level 5	.008	1	.008	.688	.407	.002
	Level 5 vs. Level 6	.001	1	.001	.091	.763	.000
	Level 6 vs. Level 7	1.802	1	1.802	86.262	.000	.166
	Level 7 vs. Level 8	2.048	1	2.048	94.731	.000	.179
	Level 8 vs. Level 9	.096	1	.096	21.710	.000	.048
	Level 9 vs. Level 10	2.988	1	2.988	89.299	.000	.171
	Level 10 vs. Level 11	2.339	1	2.339	64.032	.000	.129
	Level 11 vs. Level 12	19.585	1	19.585	261.768	.000	.376
	Level 12 vs. Level 13	12.402	1	12.402	119.943	.000	.217
Error(IncomeSources)	Level 1 vs. Level 2	41.526	434	.096			
	Level 2 vs. Level 3	54.386	434	.125			
	Level 3 vs. Level 4	27.648	434	.064			
	Level 4 vs. Level 5	5.237	434	.012			
	Level 5 vs. Level 6	3.954	434	.009			
	Level 6 vs. Level 7	9.068	434	.021			
	Level 7 vs. Level 8	9.384	434	.022			
	Level 8 vs. Level 9	1.912	434	.004			
	Level 9 vs. Level 10	14.520	434	.033			
	Level 10 vs. Level 11	15.856	434	.037			
	Level 11 vs. Level 12	32.470	434	.075			
	Level 12 vs. Level 13	44.875	434	.103			

Tests of Between-Subjects Effects

Measure: Contribution

Transformed Variable: Average

Source	Type III Sum of Squares	df	Mean Square	F	Sig.	Partial Eta Squared
Intercept	2.544	1	2.544	33970.201	.000	.987
Error	.033	434	7.489E-5			

Estimated Marginal Means

1. Grand Mean

Measure: Contribution

Mean	Std. Error	95% Confidence Interval	
		Lower Bound	Upper Bound
.076	.000	.076	.077

2. Income Sources

Estimates

Measure: Contribution

IncomeSources	Mean	Std. Error	95% Confidence Interval	
			Lower Bound	Upper Bound
1	.115	.008	.100	.130
2	.159	.012	.136	.181
3	.138	.012	.116	.161
4	.020	.004	.013	.027
5	.024	.004	.017	.032
6	.026	.003	.020	.032
7	.090	.006	.078	.102
8	.021	.003	.016	.027
9	.007	.001	.004	.009
10	.090	.009	.073	.107
11	.016	.003	.010	.023
12	.228	.012	.204	.253
13	.060	.007	.045	.074

Pairwise Comparisons

Measure: Contribution

(I) Income Sources	(J) Income Sources	Mean Difference (I-J)	Std. Error	Sig. ^b	95% Confidence Interval for Difference ^b	
					Lower Bound	Upper Bound
1	2	-.043	.015	.286	-.094	.008
	3	-.023	.015	1.000	-.075	.029
	4	.095*	.009	.000	.065	.125
	5	.091*	.009	.000	.061	.121
	6	.089*	.008	.000	.062	.117
	7	.025	.008	.219	-.004	.054
	8	.094*	.008	.000	.065	.122
	9	.109*	.008	.000	.082	.135
	10	.026	.012	1.000	-.017	.068
	11	.099*	.008	.000	.070	.128
	12	-.113*	.015	.000	-.164	-.063
	13	.056*	.011	.000	.017	.094
	2	1	.043	.015	.286	-.008
3		.020	.017	1.000	-.038	.078
4		.139*	.012	.000	.097	.180
5		.134*	.013	.000	.091	.177
6		.133*	.012	.000	.091	.174
7		.068*	.014	.000	.022	.115
8		.137*	.012	.000	.094	.180
9		.152*	.012	.000	.112	.192
10		.069*	.016	.001	.015	.123
11		.142*	.012	.000	.100	.184
12		-.070*	.020	.034	-.138	-.002
13		.099*	.014	.000	.049	.149
3		1	.023	.015	1.000	-.029
	2	-.020	.017	1.000	-.078	.038
	4	.118*	.012	.000	.077	.160
	5	.114*	.012	.000	.072	.156
	6	.113*	.012	.000	.071	.154
	7	.048	.014	.065	-.001	.098
	8	.117*	.012	.000	.075	.159
	9	.132*	.012	.000	.092	.172
	10	.049	.016	.137	-.005	.102
	11	.122*	.012	.000	.080	.164
	12	-.090*	.020	.001	-.158	-.022

	13	.079*	.014	.000	.030	.127
4	1	-.095*	.009	.000	-.125	-.065
	2	-.139*	.012	.000	-.180	-.097
	3	-.118*	.012	.000	-.160	-.077
	5	-.004	.005	1.000	-.022	.014
	6	-.006	.005	1.000	-.022	.011
	7	-.070*	.008	.000	-.096	-.044
	8	-.001	.005	1.000	-.018	.015
	9	.013	.004	.055	.000	.027
	10	-.070*	.010	.000	-.103	-.037
	11	.004	.005	1.000	-.014	.021
	12	-.208*	.014	.000	-.255	-.162
	13	-.040*	.008	.000	-.068	-.011
	5	1	-.091*	.009	.000	-.121
2		-.134*	.013	.000	-.177	-.091
3		-.114*	.012	.000	-.156	-.072
4		.004	.005	1.000	-.014	.022
6		-.001	.005	1.000	-.017	.014
7		-.066*	.008	.000	-.092	-.040
8		.003	.005	1.000	-.013	.019
9		.018*	.004	.001	.004	.031
10		-.065*	.010	.000	-.098	-.032
11		.008	.005	1.000	-.009	.026
12		-.204*	.013	.000	-.250	-.158
13		-.035*	.008	.001	-.063	-.007
6		1	-.089*	.008	.000	-.117
	2	-.133*	.012	.000	-.174	-.091
	3	-.113*	.012	.000	-.154	-.071
	4	.006	.005	1.000	-.011	.022
	5	.001	.005	1.000	-.014	.017
	7	-.064*	.007	.000	-.088	-.041
	8	.004	.004	1.000	-.010	.018
	9	.019*	.003	.000	.008	.030
	10	-.064*	.009	.000	-.096	-.032
	11	.010	.004	1.000	-.006	.025
	12	-.203*	.013	.000	-.248	-.158
	13	-.034*	.008	.003	-.061	-.006
	7	1	-.025	.008	.219	-.054
2		-.068*	.014	.000	-.115	-.022
3		-.048	.014	.065	-.098	.001
4		.070*	.008	.000	.044	.096

	5	.066*	.008	.000	.040	.092
	6	.064*	.007	.000	.041	.088
	8	.069*	.007	.000	.044	.093
	9	.083*	.006	.000	.062	.105
	10	.001	.011	1.000	-.038	.039
	11	.074*	.007	.000	.049	.098
	12	-.138*	.014	.000	-.186	-.091
	13	.031	.010	.203	-.004	.065
8	1	-.094*	.008	.000	-.122	-.065
	2	-.137*	.012	.000	-.180	-.094
	3	-.117*	.012	.000	-.159	-.075
	4	.001	.005	1.000	-.015	.018
	5	-.003	.005	1.000	-.019	.013
	6	-.004	.004	1.000	-.018	.010
	7	-.069*	.007	.000	-.093	-.044
	9	.015*	.003	.000	.004	.026
	10	-.068*	.009	.000	-.099	-.037
	11	.005	.004	1.000	-.010	.021
	12	-.207*	.013	.000	-.251	-.163
	13	-.038*	.008	.000	-.065	-.011
9	1	-.109*	.008	.000	-.135	-.082
	2	-.152*	.012	.000	-.192	-.112
	3	-.132*	.012	.000	-.172	-.092
	4	-.013	.004	.055	-.027	.000
	5	-.018*	.004	.001	-.031	-.004
	6	-.019*	.003	.000	-.030	-.008
	7	-.083*	.006	.000	-.105	-.062
	8	-.015*	.003	.000	-.026	-.004
	10	-.083*	.009	.000	-.113	-.053
	11	-.010	.003	.438	-.021	.002
	12	-.222*	.013	.000	-.265	-.178
	13	-.053*	.007	.000	-.078	-.028
10	1	-.026	.012	1.000	-.068	.017
	2	-.069*	.016	.001	-.123	-.015
	3	-.049	.016	.137	-.102	.005
	4	.070*	.010	.000	.037	.103
	5	.065*	.010	.000	.032	.098
	6	.064*	.009	.000	.032	.096
	7	-.001	.011	1.000	-.039	.038
	8	.068*	.009	.000	.037	.099
	9	.083*	.009	.000	.053	.113

	11	.073*	.009	.000	.042	.105
	12	-.139*	.016	.000	-.195	-.082
	13	.030	.011	.705	-.009	.069
11	1	-.099*	.008	.000	-.128	-.070
	2	-.142*	.012	.000	-.184	-.100
	3	-.122*	.012	.000	-.164	-.080
	4	-.004	.005	1.000	-.021	.014
	5	-.008	.005	1.000	-.026	.009
	6	-.010	.004	1.000	-.025	.006
	7	-.074*	.007	.000	-.098	-.049
	8	-.005	.004	1.000	-.021	.010
	9	.010	.003	.438	-.002	.021
	10	-.073*	.009	.000	-.105	-.042
	12	-.212*	.013	.000	-.257	-.167
	13	-.043*	.008	.000	-.070	-.016
12	1	.113*	.015	.000	.063	.164
	2	.070*	.020	.034	.002	.138
	3	.090*	.020	.001	.022	.158
	4	.208*	.014	.000	.162	.255
	5	.204*	.013	.000	.158	.250
	6	.203*	.013	.000	.158	.248
	7	.138*	.014	.000	.091	.186
	8	.207*	.013	.000	.163	.251
	9	.222*	.013	.000	.178	.265
	10	.139*	.016	.000	.082	.195
	11	.212*	.013	.000	.167	.257
	13	.169*	.015	.000	.116	.222
13	1	-.056*	.011	.000	-.094	-.017
	2	-.099*	.014	.000	-.149	-.049
	3	-.079*	.014	.000	-.127	-.030
	4	.040*	.008	.000	.011	.068
	5	.035*	.008	.001	.007	.063
	6	.034*	.008	.003	.006	.061
	7	-.031	.010	.203	-.065	.004
	8	.038*	.008	.000	.011	.065
	9	.053*	.007	.000	.028	.078
	10	-.030	.011	.705	-.069	.009
	11	.043*	.008	.000	.016	.070
	12	-.169*	.015	.000	-.222	-.116

Based on estimated marginal means

*. The mean difference is significant at the .05 level.

b. Adjustment for multiple comparisons: Bonferroni.

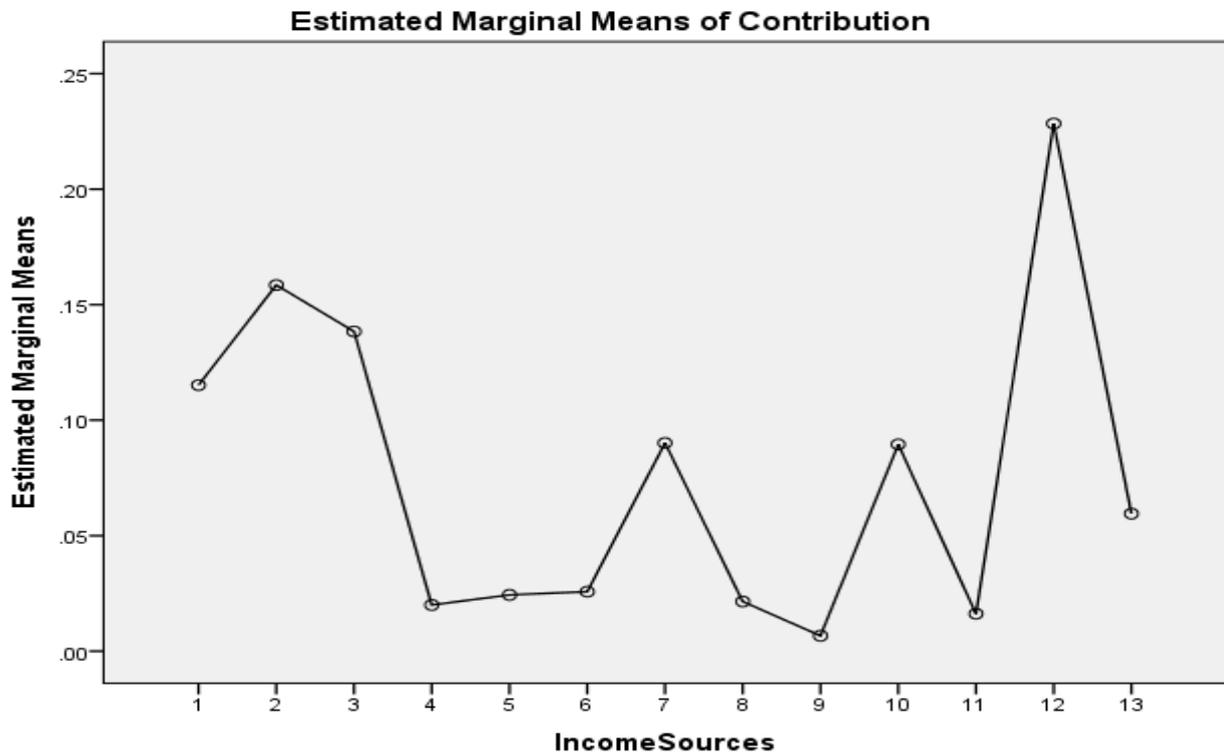
Multivariate Tests

	Value	F	Hypothesis df	Error df	Sig.	Partial Eta Squared
Pillai's trace	.906	338.550 ^a	12.000	423.000	.000	.906
Wilks' lambda	.094	338.550 ^a	12.000	423.000	.000	.906
Hotelling's trace	9.604	338.550 ^a	12.000	423.000	.000	.906
Roy's largest root	9.604	338.550 ^a	12.000	423.000	.000	.906

Each F tests the multivariate effect of IncomeSources. These tests are based on the linearly independent pairwise comparisons among the estimated marginal means.

a. Exact statistic

Profile Plots



Question 3 - Formula and Output from SPSS.

Formula

```
GET DATA /TYPE=XLSX
/FILE='C:\Users\TWKee\Desktop\Survey Data\Q3 SPSS Input.xlsx'
/SHEET=name 'Q3 Final'
/CELLRANGE=full
/READNAMES=on
/ASSUMEDSTRWIDTH=32767.
EXECUTE.
DATASET NAME DataSet1 WINDOW=FRONT.
GLM lt$10000 @$10001$25000 @$25001$50000 @$50001$100000 @$100001$250000
@$250001$500000
@$500001$1000000 @$1000001$2500000 @$2500001$5000000 gt$5000000
/WSFACTOR=IncomeSize 10 Repeated
/MEASURE=Contribution
/METHOD=SSTYPE(3)
/SAVE=ZRESID
/PLOT=PROFILE(IncomeSize)
/EMMEANS=TABLES(OVERALL)
/EMMEANS=TABLES(IncomeSize) COMPARE ADJ(BONFERRONI)
/PRINT=ETASQ
/CRITERIA=ALPHA(.05)
/WSDESIGN=IncomeSize.
```

Output

General Linear Model

Notes

Output Created		11-OCT-2016 16:03:26
Comments		
Input	Active Dataset	DataSet1
	Filter	<none>
	Weight	<none>
	Split File	<none>
	N of Rows in Working Data File	361
Missing Value Handling	Definition of Missing	User-defined missing values are treated as missing.
	Cases Used	Statistics are based on all cases with valid data for all variables in the model.
Syntax		GLM It\$10000 @\$10001\$25000 @\$25001\$50000 @\$50001\$100000 @\$100001\$250000 @\$250001\$500000 @\$500001\$1000000 @\$1000001\$2500000 @\$2500001\$5000000 gt\$5000000 /WSFACTOR=IncomeSize 10 Repeated /MEASURE=Contribution /METHOD=SSTYPE(3) /SAVE=ZRESID /PLOT=PROFILE(IncomeSize) /EMMEANS=TABLES(OVERALL) /EMMEANS=TABLES(IncomeSize) COMPARE ADJ(BONFERRONI) /PRINT=ETASQ /CRITERIA=ALPHA(.05) /WSDESIGN=IncomeSize.
Resources	Processor Time	00:00:01.20
	Elapsed Time	00:00:00.42
Variables Created or Modified	ZRE_1	Standardized Residual for It\$10000
	ZRE_2	Standardized Residual for @\$10001\$25000
	ZRE_3	Standardized Residual for @\$25001\$50000

ZRE_4	Standardized Residual for @\$50001\$100000
ZRE_5	Standardized Residual for @\$100001\$250000
ZRE_6	Standardized Residual for @\$250001\$500000
ZRE_7	Standardized Residual for @\$500001\$1000000
ZRE_8	Standardized Residual for @\$1000001\$2500000
ZRE_9	Standardized Residual for @\$2500001\$5000000
ZRE_10	Standardized Residual for gt\$5000000

Within-Subjects Factors

Measure: Contribution

IncomeSize	Dependent Variable
1	lt\$10000
2	@\$10001\$25000
3	@\$25001\$50000
4	@\$50001\$100000
5	@\$100001\$250000
6	@\$250001\$500000
7	@\$500001\$1000000
8	@\$1000001\$2500000
9	@\$2500001\$5000000
10	gt\$5000000

Multivariate Tests^a

Effect		Value	F	Hypothesis df	Error df	Sig.	Partial Eta Squared
Income Size	Pillai's Trace	.674	80.839 ^b	9.000	352.00 0	.000	.674
	Wilks' Lambda	.326	80.839 ^b	9.000	352.00 0	.000	.674
	Hotelling's Trace	2.067	80.839 ^b	9.000	352.00 0	.000	.674
	Roy's Largest Root	2.067	80.839 ^b	9.000	352.00 0	.000	.674

a. Design: Intercept

Within Subjects Design: IncomeSize

b. Exact statistic

Mauchly's Test of Sphericity^a

Measure: Contribution

Within Subjects Effect	Mauchly's W	Approx. Chi-Square	df	Sig.	Epsilon ^b		
					Greenhouse- Geisser	Huynh- Feldt	Lower- bound
IncomeSize	.029	1262.962	44	.000	.412	.416	.111

Tests the null hypothesis that the error covariance matrix of the orthonormalized transformed dependent variables is proportional to an identity matrix.

a. Design: Intercept

Within Subjects Design: IncomeSize

b. May be used to adjust the degrees of freedom for the averaged tests of significance. Corrected tests are displayed in the Tests of Within-Subjects Effects table.

Tests of Within-Subjects Effects

Measure: Contribution

Source		Type III Sum of Squares	df	Mean Square	F	Sig.	Partial Eta Squared
IncomeSize	Sphericity Assumed	37.578	9	4.175	126.675	.000	.260
	Greenhouse-Geisser	37.578	3.704	10.145	126.675	.000	.260
	Huynh-Feldt	37.578	3.748	10.027	126.675	.000	.260
	Lower-bound	37.578	1.000	37.578	126.675	.000	.260
Error (Income Size)	Sphericity Assumed	106.795	3240	.033			
	Greenhouse-Geisser	106.795	1333.540	.080			
	Huynh-Feldt	106.795	1349.126	.079			
	Lower-bound	106.795	360.000	.297			

Tests of Within-Subjects Contrasts

Measure: Contribution

Source	IncomeSize	Type III Sum of Squares	df	Mean Square	F	Sig.	Partial Eta Squared
Income Size	Level 1 vs. Level 2	16.148	1	16.148	86.070	.000	.193
	Level 2 vs. Level 3	.013	1	.013	.273	.602	.001
	Level 3 vs. Level 4	.198	1	.198	4.026	.046	.011
	Level 4 vs. Level 5	1.997	1	1.997	49.837	.000	.122
	Level 5 vs. Level 6	.160	1	.160	7.232	.007	.020
	Level 6 vs. Level 7	.095	1	.095	4.148	.042	.011
	Level 7 vs. Level 8	.027	1	.027	1.045	.307	.003
	Level 8 vs. Level 9	.045	1	.045	1.563	.212	.004
	Level 9 vs. Level 10	.021	1	.021	.687	.408	.002
Error (Income Size)	Level 1 vs. Level 2	67.540	360	.188			
	Level 2 vs. Level 3	16.890	360	.047			
	Level 3 vs. Level 4	17.685	360	.049			
	Level 4 vs. Level 5	14.425	360	.040			
	Level 5 vs. Level 6	7.965	360	.022			
	Level 6 vs. Level 7	8.228	360	.023			
	Level 7 vs. Level 8	9.465	360	.026			
	Level 8 vs. Level 9	10.462	360	.029			
	Level 9 vs. Level 10	10.972	360	.030			

Tests of Between-Subjects Effects

Measure: Contribution

Transformed Variable: Average

Source	Type III Sum of Squares	df	Mean Square	F	Sig.	Partial Eta Squared
Intercept	3.393	1	3.393	32708.582	.000	.989
Error	.037	360	.000			

Estimated Marginal Means

1. Grand Mean

Measure: Contribution

Mean	Std. Error	95% Confidence Interval	
		Lower Bound	Upper Bound
.097	.001	.096	.098

2. IncomeSize

Estimates

Measure: Contribution

IncomeSize	Mean	Std. Error	95% Confidence Interval	
			Lower Bound	Upper Bound
1	.359	.018	.323	.395
2	.148	.009	.130	.166
3	.154	.009	.136	.172
4	.130	.009	.112	.149
5	.056	.006	.044	.068
6	.035	.006	.023	.047
7	.019	.005	.009	.029
8	.028	.007	.014	.041
9	.016	.006	.005	.028
10	.024	.007	.010	.038

Pairwise Comparisons

Measure: Contribution

(I) Income Size	(J) Income Size	Mean Difference (I-J)	Std. Error	Sig. ^b	95% Confidence Interval for Difference ^b	
					Lower Bound	Upper Bound
1	2	.211*	.023	.000	.137	.286
	3	.206*	.024	.000	.127	.284
	4	.229*	.024	.000	.150	.308
	5	.303*	.021	.000	.234	.373
	6	.324*	.021	.000	.257	.392
	7	.341*	.020	.000	.275	.406
	8	.332*	.021	.000	.264	.400
	9	.343*	.020	.000	.277	.409
10	.335*	.021	.000	.267	.404	
2	1	-.211*	.023	.000	-.286	-.137
	3	-.006	.011	1.000	-.043	.032
	4	.017	.013	1.000	-.024	.059
	5	.092*	.011	.000	.054	.129
	6	.113*	.011	.000	.075	.151
	7	.129*	.011	.000	.094	.165
	8	.120*	.012	.000	.080	.160
	9	.132*	.011	.000	.095	.168
10	.124*	.012	.000	.084	.164	
3	1	-.206*	.024	.000	-.284	-.127

	2	.006	.011	1.000	-.032	.043
	4	.023	.012	1.000	-.015	.062
	5	.098*	.011	.000	.062	.134
	6	.119*	.011	.000	.081	.156
	7	.135*	.011	.000	.099	.171
	8	.126*	.012	.000	.086	.166
	9	.138*	.011	.000	.100	.175
	10	.130*	.012	.000	.089	.171
4	1	-.229*	.024	.000	-.308	-.150
	2	-.017	.013	1.000	-.059	.024
	3	-.023	.012	1.000	-.062	.015
	5	.074*	.011	.000	.040	.109
	6	.095*	.011	.000	.059	.132
	7	.112*	.011	.000	.075	.148
	8	.103*	.012	.000	.062	.144
	9	.114*	.011	.000	.076	.152
	10	.107*	.012	.000	.066	.147
5	1	-.303*	.021	.000	-.373	-.234
	2	-.092*	.011	.000	-.129	-.054
	3	-.098*	.011	.000	-.134	-.062
	4	-.074*	.011	.000	-.109	-.040
	6	.021	.008	.337	-.005	.047
	7	.037*	.008	.000	.011	.064
	8	.029	.009	.113	-.002	.059
	9	.040*	.009	.000	.011	.068
	10	.032	.010	.056	.000	.065
6	1	-.324*	.021	.000	-.392	-.257
	2	-.113*	.011	.000	-.151	-.075
	3	-.119*	.011	.000	-.156	-.081
	4	-.095*	.011	.000	-.132	-.059
	5	-.021	.008	.337	-.047	.005
	7	.016	.008	1.000	-.010	.042
	8	.007	.009	1.000	-.024	.039
	9	.019	.009	1.000	-.010	.047
	10	.011	.010	1.000	-.021	.043
7	1	-.341*	.020	.000	-.406	-.275
	2	-.129*	.011	.000	-.165	-.094
	3	-.135*	.011	.000	-.171	-.099
	4	-.112*	.011	.000	-.148	-.075
	5	-.037*	.008	.000	-.064	-.011
	6	-.016	.008	1.000	-.042	.010

	8		-0.009	.009	1.000		-0.037	.019
	9		.002	.008	1.000		-0.022	.027
	10		-0.005	.009	1.000		-0.035	.024
8	1		-.332*	.021	.000		-.400	-.264
	2		-.120*	.012	.000		-.160	-.080
	3		-.126*	.012	.000		-.166	-.086
	4		-.103*	.012	.000		-.144	-.062
	5		-.029	.009	.113		-.059	.002
	6		-.007	.009	1.000		-.039	.024
	7		.009	.009	1.000		-.019	.037
	9		.011	.009	1.000		-.018	.041
	10		.004	.010	1.000		-.030	.037
9	1		-.343*	.020	.000		-.409	-.277
	2		-.132*	.011	.000		-.168	-.095
	3		-.138*	.011	.000		-.175	-.100
	4		-.114*	.011	.000		-.152	-.076
	5		-.040*	.009	.000		-.068	-.011
	6		-.019	.009	1.000		-.047	.010
	7		-.002	.008	1.000		-.027	.022
	8		-.011	.009	1.000		-.041	.018
	10		-.008	.009	1.000		-.038	.023
10	1		-.335*	.021	.000		-.404	-.267
	2		-.124*	.012	.000		-.164	-.084
	3		-.130*	.012	.000		-.171	-.089
	4		-.107*	.012	.000		-.147	-.066
	5		-.032	.010	.056		-.065	.000
	6		-.011	.010	1.000		-.043	.021
	7		.005	.009	1.000		-.024	.035
	8		-.004	.010	1.000		-.037	.030
	9		.008	.009	1.000		-.023	.038

Based on estimated marginal means

*. The mean difference is significant at the .05 level.

b. Adjustment for multiple comparisons: Bonferroni.

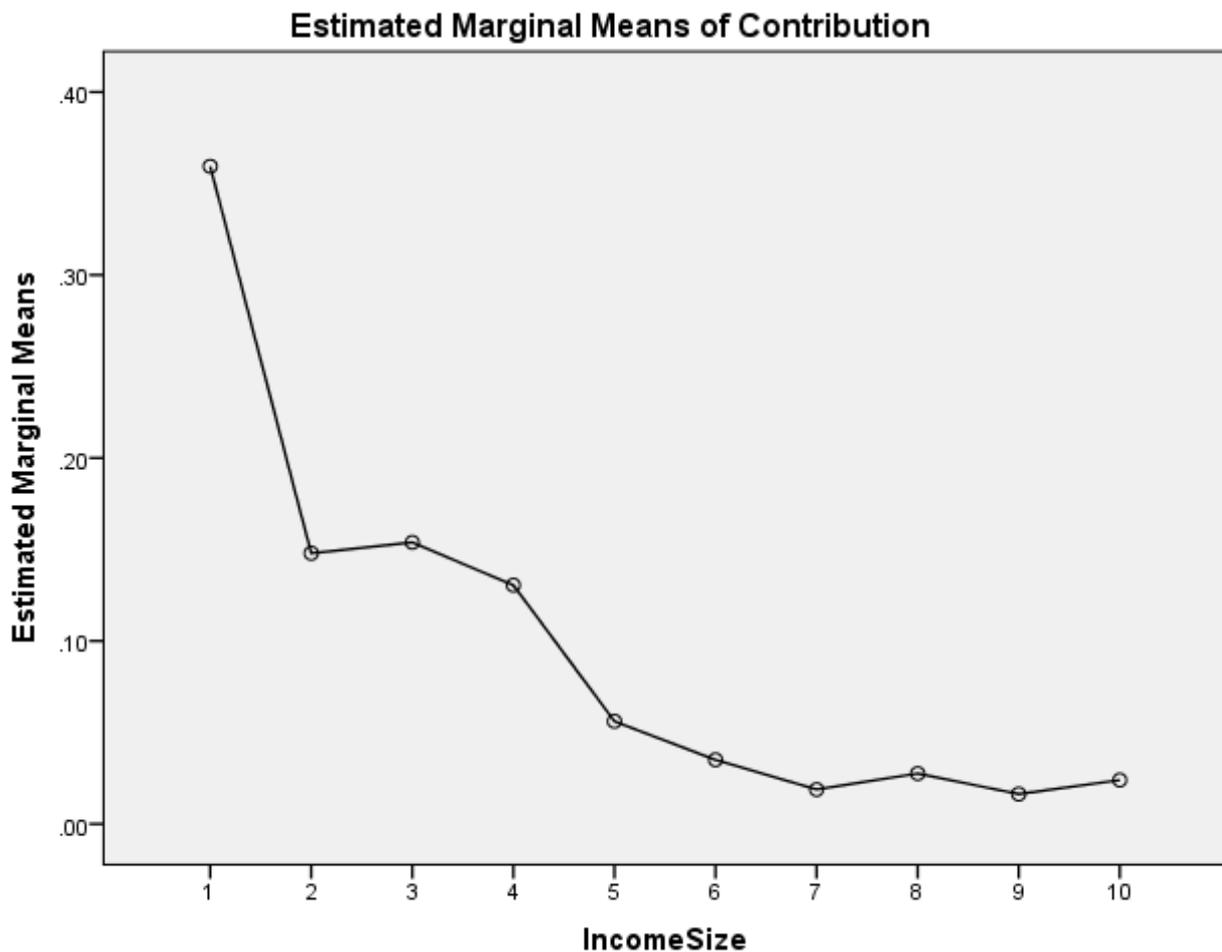
Multivariate Tests

	Value	F	Hypothesis df	Error df	Sig.	Partial Eta Squared
Pillai's trace	.674	80.839 ^a	9.000	352.000	.000	.674
Wilks' lambda	.326	80.839 ^a	9.000	352.000	.000	.674
Hotelling's trace	2.067	80.839 ^a	9.000	352.000	.000	.674
Roy's largest root	2.067	80.839 ^a	9.000	352.000	.000	.674

Each F tests the multivariate effect of IncomeSize. These tests are based on the linearly independent pairwise comparisons among the estimated marginal means.

a. Exact statistic

Profile Plots



Question 4 - Formula and Output from SPSS

Formula

```
GET DATA /TYPE=XLSX
/FILE='C:\Users\TWKee\Desktop\Survey Data\Q4 SPSS Input.xlsx'
/SHEET=name 'Q4 Final'
/CELLRANGE=full
/READNAMES=on
/ASSUMEDSTRWIDTH=32767.
EXECUTE.
DATASET NAME DataSet1 WINDOW=FRONT.
GLM Oneoff @1year @2years @3years @4years @5years gt5years
/WSFACTOR=GrantTerm 7 Repeated
/MEASURE=Contribution
/METHOD=SSTYPE(3)
/SAVE=ZRESID
/PLOT=PROFILE(GrantTerm)
/EMMEANS=TABLES(OVERALL)
/EMMEANS=TABLES(GrantTerm) COMPARE ADJ(BONFERRONI)
/CRITERIA=ALPHA(.05)
/WSDESIGN=GrantTerm.
```

Output

General Linear Model

Notes

Output Created		11-OCT-2016 16:13:33
Comments		
Input	Active Dataset	DataSet1
	Filter	<none>
	Weight	<none>
	Split File	<none>
	N of Rows in Working Data	436
	File	
Missing Value Handling	Definition of Missing	User-defined missing values are treated as missing.
	Cases Used	Statistics are based on all cases with valid data for all variables in the model.
Syntax		GLM Oneoff @1year @2years @3years @4years @5years gt5years /WSFACTOR=GrantTerm 7 Repeated /MEASURE=Contribution /METHOD=SSTYPE(3) /SAVE=ZRESID /PLOT=PROFILE(GrantTerm) /EMMEANS=TABLES(OVERALL) /EMMEANS=TABLES(GrantTerm) COMPARE ADJ(BONFERRONI) /CRITERIA=ALPHA(.05) /WSDSIGN=GrantTerm.
Resources	Processor Time	00:00:01.14
	Elapsed Time	00:00:00.40
Variables Created or Modified	ZRE_1	Standardized Residual for Oneoff
	ZRE_2	Standardized Residual for @1year
	ZRE_3	Standardized Residual for @2years
	ZRE_4	Standardized Residual for @3years
	ZRE_5	Standardized Residual for @4years
	ZRE_6	Standardized Residual for @5years
	ZRE_7	Standardized Residual for gt5years

[DataSet1]

Within-Subjects Factors

Measure: Contribution

GrantTerm	Dependent Variable
1	Oneoff
2	@1year
3	@2years
4	@3years
5	@4years
6	@5years
7	gt5years

Multivariate Tests^a

Effect		Value	F	Hypothesis df	Error df	Sig.
GrantTerm	Pillai's Trace	.916	785.356 ^b	6.000	430.000	.000
	Wilks' Lambda	.084	785.356 ^b	6.000	430.000	.000
	Hotelling's Trace	10.958	785.356 ^b	6.000	430.000	.000
	Roy's Largest Root	10.958	785.356 ^b	6.000	430.000	.000

a. Design: Intercept

Within Subjects Design: GrantTerm

b. Exact statistic

Mauchly's Test of Sphericity^a

Measure: Contribution

Within Subjects Effect	Mauchly's W	Approx. Chi-Square	df	Sig.	Epsilon ^b		
					Greenhouse-Geisser	Huynh-Feldt	Lower-bound
GrantTerm	.005	2297.404	20	.000	.441	.444	.167

Tests the null hypothesis that the error covariance matrix of the orthonormalized transformed dependent variables is proportional to an identity matrix.

a. Design: Intercept

Within Subjects Design: GrantTerm

b. May be used to adjust the degrees of freedom for the averaged tests of significance. Corrected tests are displayed in the Tests of Within-Subjects Effects table.

Tests of Within-Subjects Effects

Measure: Contribution

Source		Type III Sum of Squares	df	Mean Square	F	Sig.
Grant Term	Sphericity Assumed	56.664	6	9.444	208.392	.000
	Greenhouse-Geisser	56.664	2.647	21.410	208.392	.000
	Huynh-Feldt	56.664	2.664	21.268	208.392	.000
	Lower-bound	56.664	1.000	56.664	208.392	.000
Error (Grant Term)	Sphericity Assumed	118.282	2610	.045		
	Greenhouse-Geisser	118.282	1151.261	.103		
	Huynh-Feldt	118.282	1158.959	.102		
	Lower-bound	118.282	435.000	.272		

Tests of Within-Subjects Contrasts

Measure: Contribution

Source		Type III Sum of Squares	df	Mean Square	F	Sig.
Grant Term	Level 1 vs. Level 2	5.273	1	5.273	18.356	.000
	Level 2 vs. Level 3	9.825	1	9.825	82.328	.000
	Level 3 vs. Level 4	.379	1	.379	4.777	.029
	Level 4 vs. Level 5	3.373	1	3.373	80.871	.000
	Level 5 vs. Level 6	.042	1	.042	3.786	.052
	Level 6 vs. Level 7	.041	1	.041	2.930	.088
	Error (Grant Term)	Level 1 vs. Level 2	124.969	435	.287	
Level 2 vs. Level 3		51.912	435	.119		
Level 3 vs. Level 4		34.484	435	.079		
Level 4 vs. Level 5		18.144	435	.042		
Level 5 vs. Level 6		4.873	435	.011		
Level 6 vs. Level 7		6.151	435	.014		

Tests of Between-Subjects Effects

Measure: Contribution

Transformed Variable: Average

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Intercept	7.385	1	7.385	15944.439	.000
Error	.201	435	.000		

Estimated Marginal Means

1. Grand Mean

Measure: Contribution

Mean	Std. Error	95% Confidence Interval	
		Lower Bound	Upper Bound
.130	.001	.128	.132

2. GrantTerm

Estimates

Measure: Contribution

GrantTerm	Mean	Std. Error	95% Confidence Interval	
			Lower Bound	Upper Bound
1	.385	.016	.354	.416
2	.275	.013	.248	.301
3	.125	.008	.108	.141
4	.095	.010	.076	.114
5	.007	.002	.004	.010
6	.017	.005	.008	.027
7	.007	.003	.002	.013

Pairwise Comparisons

Measure: Contribution

(I) GrantTerm	(J) GrantTerm	Mean Difference (I-J)	Std. Error	Sig. ^b	95% Confidence Interval for Difference ^b	
					Lower Bound	Upper Bound
1	2	.110*	.026	.000	.032	.188
	3	.260*	.020	.000	.198	.322
	4	.290*	.021	.000	.225	.354
	5	.378*	.016	.000	.328	.427
	6	.368*	.017	.000	.315	.421
	7	.377*	.016	.000	.327	.428

2	1	-.110*	.026	.000	-.188	-.032
	3	.150*	.017	.000	.100	.201
	4	.180*	.018	.000	.124	.235
	5	.268*	.014	.000	.226	.309
	6	.258*	.015	.000	.212	.303
	7	.267*	.014	.000	.225	.310
	3	1	-.260*	.020	.000	-.322
2		-.150*	.017	.000	-.201	-.100
4		.029	.013	.617	-.012	.071
5		.117*	.009	.000	.091	.144
6		.108*	.010	.000	.078	.138
7		.117*	.009	.000	.090	.145
4		1	-.290*	.021	.000	-.354
	2	-.180*	.018	.000	-.235	-.124
	3	-.029	.013	.617	-.071	.012
	5	.088*	.010	.000	.058	.118
	6	.078*	.011	.000	.045	.111
	7	.088*	.010	.000	.057	.119
	5	1	-.378*	.016	.000	-.427
2		-.268*	.014	.000	-.309	-.226
3		-.117*	.009	.000	-.144	-.091
4		-.088*	.010	.000	-.118	-.058
6		-.010	.005	1.000	-.025	.006
7		.000	.003	1.000	-.010	.010
6		1	-.368*	.017	.000	-.421
	2	-.258*	.015	.000	-.303	-.212
	3	-.108*	.010	.000	-.138	-.078
	4	-.078*	.011	.000	-.111	-.045
	5	.010	.005	1.000	-.006	.025
	7	.010	.006	1.000	-.008	.027
	7	1	-.377*	.016	.000	-.428
2		-.267*	.014	.000	-.310	-.225
3		-.117*	.009	.000	-.145	-.090
4		-.088*	.010	.000	-.119	-.057
5		.000	.003	1.000	-.010	.010
6		-.010	.006	1.000	-.027	.008

Based on estimated marginal means

*. The mean difference is significant at the .05 level.

b. Adjustment for multiple comparisons: Bonferroni.

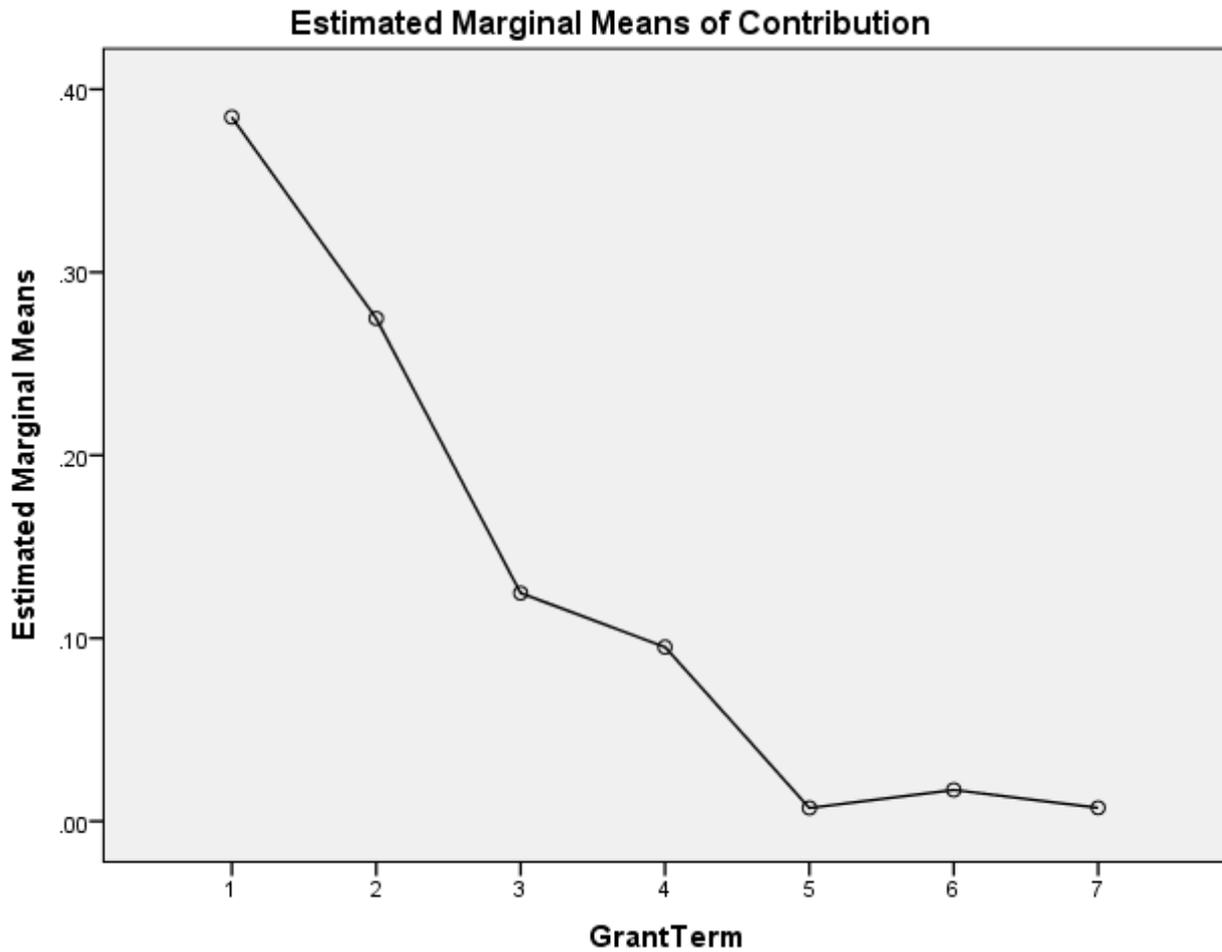
Multivariate Tests

	Value	F	Hypothesis df	Error df	Sig.
Pillai's trace	.916	785.356 ^a	6.000	430.000	.000
Wilks' lambda	.084	785.356 ^a	6.000	430.000	.000
Hotelling's trace	10.958	785.356 ^a	6.000	430.000	.000
Roy's largest root	10.958	785.356 ^a	6.000	430.000	.000

Each F tests the multivariate effect of GrantTerm. These tests are based on the linearly independent pairwise comparisons among the estimated marginal means.

a. Exact statistic

Profile Plots



Appendix 2

Quotations taken from ‘Interviews with Charity Leaders’ and listed under ‘Domain Summaries’

Domain Summary - The complexities of securing a grant

“...most grant application/selection processes are highly subjective...” (Charity Leader 10)

“...selection criteria vary month-to-month and year-to-year within the same funding organisations ... you will submit a grant application one year, which will be successful, submit a very similar application the following year and fail or vice versa...” (Charity Leader 8)

“... some funders encourage you to keep applying again and again, suggesting that the reward is for effort and persistence not the content or validity of your application...” (Charity Leader 8)

“...we recently submitted a grant application to a funder who had supported us the year previously... our application was unsuccessful despite having very similar goals/deliverables to the previous year’s submission ... the reason [feedback] given for our application being unsuccessful was that we had secured a grant the year previous ... this did leave us scratching our head a bit ...” (Charity Leader 11)

“...the lack of process transparency and alignment within the trusts/foundation environment puts the third sector at an immediate disadvantage in securing funds from the majority of these organisations as we are often unsure what they are looking for and what is of optimum importance to them...” (Charity Leader 12)

“...feedback from ... grant applications are more than often not forthcoming ... it is then difficult to know what needs adjusting in order to have success in a future grant application ...” (Charity Leader 3).

“... feedback from grant applications...both successful/unsuccessful, is vague at best ...” (Charity Leader 5)

“... feedback from funders ... is pretty much non-existent ... consequently, there is no evidence on which to help improve the quality and success rate of grant applications ...” (Charity Leader 7).

“... due to a dearth of comprehensive feedback; it can be almost impossible to understand why a grant application was either successful or not ...” (Charity Leader 10)

“... reduces the ability of charities to react quickly to whatever issue is at hand” (Charity Leader 10)

“... the time to receive notification of a grant application outcome, either way, also causes inefficiencies ... the time lag does not afford us stability or allow us to be as quick on our feet as we would like to be...” (Charity Leader 8)

“...a question must be posed to funders regarding their assessment of the efficiency of their application/approval processes, which can take up to a year...and with little feedback to the applicant; what are they doing...” (Charity Leader 5)

“... this funder wishes to use their funds to support many organisations rather than allocate their funds on the quality of grant applications ... allocating funding in this manner doesn't make much sense as it is clearly not the most effective use of the allocated funds ...” (Charity Leader 12)

“...this could indicate an ignorance of what works and works well...” (Charity Leader 8)

“... funders do seem to like funding new programs and fund pilot programs that have not been funded previously...” (Charity Leader 7)

“...funders also tend to want to fund new programs or innovation ... have funders considered that as the sector is bathed in uncertainty...that the inability to plan and operate long term is causing the sector to regress...” (Charity Leader 8)

“... some funders seem to treat philanthropy as a fashion statement, as in, what are this season's new styles ... most grant managers will state that their board wants to see something new ...” (Charity Leader 2).

“... there also seems to be a current desire from funders to invest in something new, possible driven by a 'feel good' factor that a particular program/outcome can be attributed back to the funding organisation ... “ (Charity Leader 4)

“... lose interest in long-term programs and often ask why the need remains and why the issue has not been rectified ...” (Charity Leader 7)

“... there is little appetite for existing programs with proven outcomes...which would seem to indicate that some funders have more interest in achieving a short term 'we did that' rather than helping deliver long term benefits ...it is quite concerning to think that funders ... believe that long-term entrenched community issues can be resolved via short term programs or one-off funding cycles ...” (Charity Leader 3)

Domain Summary - The diminished ability to establish and follow any form of strategic path

“... current funding available from most funders is tactical, as in, the grants are mostly short-term and small ... as a result, it is challenging to have any strategic focus ... or invest in long term plans ... a change in funders’ focus from tactical to strategic would be of great benefit ...” (Charity Leader 3)

“...the lack of long-term granting compromises charities, who then find it difficult to focus on long-term strategy ... short-term funding does not lead to achieving critical impacts, particularly in areas where change happens over 5 to10 year periods rather than 1-2 years ... multi-year funding enables long-term planning around key interventions ...” (Charity Leader 4)

“... current funding models are driving inefficiencies in the sector ... the inability to secure substantial long-term financial support results in tactical, unstable organisations ... employee turn-over rate is higher as a result ... decision making can also be compromised, which is unsurprising if you have only three months working capital and 50 employees ...” (Charity Leader 9)

“...current funding available from most organisations is very tactical...the grants are mostly short term and small...” (Charity Leader 3)

“... the need for long term funding is critical to the sector progressing ...” (Charity Leader 4)

“...there are a small number of private philanthropists who are willing to fund...development items but the vast majority of funders will not, preferring instead to fund particular/specific programs and generally want something new and shiny...most want their funding spent on ‘front line’ activities...” (Charity Leader 1)

“... we previously followed, what I would describe as being a linear model... we would plan an event, raise funds through that event and then donate these funds...our model is now much more project focussed, as in, a particular need will be identified by a hospital or health fund...we will then target our fundraising activities towards funders who are more likely to support this particular need and work towards fundraising for a specific amount that will allow the project to be delivered...” (Charity Leader 11)

“... we are a large education focussed charity...we do have a proven talent for fundraising, as an income well in excess of \$50m per annum would substantiate ...however...we were seeing a really worrying trend; a drop in corporate partnership income...we knew that we had to change tack and this change would have to be dramatic...we restructured the corporate partnership department...we put an intense focus on securing long term high value partners...and we introduced a pipeline management tool introduced to ensure that we

are effectively tracking the prospective income...in the two years since the restructure, we delivered 11.6% growth in 2016 – our best result since the GFC in 2009...even more pleasing when you consider that market growth in this segment (corporate partnerships) had declined 11.3% to FY15 (Pareto Benchmarking)...and we are on track to deliver further growth in FY17...” (Charity Leader 11).

Domain Summary - The inability to invest in programs or projects that would enhance a charity’s effectiveness and efficiency

“... as a leader in the charity sector you can see – very clearly – the opportunities to increase efficiencies, effectiveness and outputs ... but through a lack of funding you can rarely exploit them...this can be soul destroying ... leading an organisation with only three months working capital is very, very challenging ...” (Charity Leader 1)

“... organisational infrastructure, training and development of employees, quality accommodation, reward/remuneration, are all accepted as necessary and even critical investments by commercial organisations in order to progress...” (Charity Leader 1)

“... the ability to continually enhance our systems and processes is limited ... as an organisation with a potential footprint of close to 5000 schools across all states and territories, IT advancements would do so much to reduce administration costs, which is what our funders want ... unfortunately, the same funders do not want to fund these administration improvements ... this disconnect needs addressing...” (Charity Leader 9)

“... we had a two-year \$50,000 per annum funding agreement with a national courier company that was coming to a conclusion ... the responsible fundraising manager could see a solution to filling this \$100,000 gap but rather than state the obvious he wanted his team to think more laterally and identify the answer themselves ... the manager asked his team to consider all the options...after a few days, the team presented their strategy which focussed on sourcing funds through grant applications to the usual suspects...the manager again pressed the team to consider alternative strategies and they agreed to meet the following week with an updated proposal ... the updated proposal was more of the same, further grant applications but this time to a different raft of funders ...the manager asked his team to try again but the next proposal wasn’t much different...getting frustrated with the lack of imagination from his team, the manager took a more explicit tact...he asked his team to review the annual costs associated with their ‘School Reading Program’...the team investigated and provided the following: 40% or around \$100,000 went on buying books, a further 40% went on sourcing and administering the ‘reading’ volunteers required and the last 20% or around \$50,000 was the cost of delivering the books to the schools...the manager asked the team if they

could see an opportunity but despite it being conspicuous to him, they still couldn't...he then asked them if they could get the courier company to deliver the books to the schools for them pro-bono, 'we don't know', was the reply, 'well go and ask'...this example is not a reflection on the capabilities of the employees involved ...they are fabulous at what they do – which is fundraising... the criticism here is of the narrow capability that has been allowed to develop – which is due to the fact that all this team does is fundraise...our managers cannot afford the time or expense to develop their people... as such, our effectiveness is well compromised..." (Charity Leader 12)

"...convince funders that investment in people and infrastructure is not just OK but a necessity for better program outcomes ..." (Charity Leader 5)

"...charities, whilst generally established for a community purpose, are still organisations and need similar investment in order to thrive ... this point seems to be lost on most funders ..." (Charity Leader 1)

Domain Summary - The disproportionate amount of organisational resource deployed to secure and maintain future funding streams

"... small grants/donations are hugely ineffective ... the time and effort expended in pursuing small grants is substantial..." (Charity Leader 7)

"... the administration required to pursue, and secure small grants/donations is huge..." (Charity Leader 9)

"... applying for grants takes a lot of time ... and you have a low success rate ... due to the current preference from funders to provide small short-term grants, sourcing grants to fund a program can take many months and the window of opportunity for the program can often close ... this is a significant waste of resource..." (Charity Leader 6).

"... the process is onerous, and you have a success rate of around 10% ... success is one or two major wins a year ..." (Charity Leader 5)

"... funders could be more fleet of foot and not entrenched in funding cycle models which are decades old ... raising pooled funding (small grants from a variety of funders) is hard work...and if total funds for the program are not raised, you then have to return what was raised...not a good use of our resources..." (Charity Leader 6)

"...acquittal reporting takes a significant amount of resource for very little return...our acquittal reports to

funders are very rarely challenged or questioned. Why? (Charity Leader 3)

“... funders place unreasonable demands for detailed acquittal reporting...yet from our own experience, very little is ever done with the reports submitted ...” (Charity Leader 8).

“...larger longer-term grants would provide much greater certainty and allow charities to focus on core activities...a reduction in some of the more onerous acquittal reporting requirements from funders – especially for small grants - would also help...” (Charity Leader 2)

Domain Summary - The realities of being a charity employee

“... we have limited ability to attract and retain the best quality of staff...short term funding contributes to this challenge inhibiting our ability to have any form of long-term plan...employees in many, many industries aspire for employment security...why is this goal largely unattainable for most in the sector?... support via longer term more substantial funding would help significantly...” (Charity Leader 8)

“... charities have little ability to invest in attracting and retaining quality staff ... improving recruitment capability would help significantly ... whilst the working environment can offer significant benefits (flexibility, community-minded work, etc), the limitations to offer competitive salaries is a significant barrier in attracting and retaining excellence ...” (Charity Leader 7)

“...employees within the charity sector ... have the same aspirations as many others, the ability to buy a house and provide a stable safe environment for their families...that can be difficult when you are on a rolling six-month contract...” (Charity Leader 7)

“... I find it intriguing as to why there seems to be a general consensus that if you work in the charitable sector, there is no need for you to be rewarded financially at an appropriate / market rate ... I’m not sure why this is so but it must be a barrier to attracting and retaining talent ...” (Charity Leader 11)

“...facilities could also be improved – buildings and furniture...there seems to be a growing acceptance that it is satisfactory to house charities in the most run-down buildings available and furnish these buildings with office equipment that is on its way to the dump ... it is not a nice way to be treated ...” (Charity Leader 9).

“... I recently attended an event where the CEO of a large UK charity was presenting, his opening gambit was around what he earned and why – as his remuneration package had previously attracted criticism ... he articulated his qualifications / experience / achievements and stated that if he was undertaking a similar role

in the commercial / business sector he could expect a significantly higher financial reward for his efforts but has chosen to accept these reduced conditions in order to contribute to the sector / community ... the fact that this CEO felt the need to defend his salary tells its own story about how the sector is viewed by many ...” (Charity Leader 11).

“...there is a general perception that those working in the charity sector are underqualified and couldn't cut it in the commercial world... really? ... many employees within the charity arena come from the corporate world, as they want to be involved in making a difference not just making money ... sadly, they eventually return to their former world as they are exhausted ... their human capital has not been invested in wisely ... [however, it is also the case that] many remain in the non-profit arena as they become so embedded within the cause that adequate pay, training or development opportunities or even decent accommodation become less of the focus...” (Charity Leader 3)

“... the whole of community attitude towards the charity sector and its employees needs to change if employees are to remain within the sector long term and to reach the outcomes, they set out to achieve ...” (Charity Leader 6).

“... applying for grants takes a lot of administration time ... you have a low success rate ... due to the current preference from funders to provide small short-term grants, sourcing grants to fund a program can take many months and the window of opportunity for the program can often close ... this is a significant waste of resource and can be emotionally draining ...” (Charity Leader 6).

“...the administration costs required to pursue, and secure small grants/donations is huge ... the effort can be exhausting...” (Charity Leader 9).

“...have funders thought of the impact such a process may have on the people who are submitting the applications...” (Charity Leader 8).

“...it becomes easier to think you are not good at your job... you can quickly become emotionally tired of pitching...hope gets diluted...” (Charity Leader 5).

“... raising pooled funding (small grants from a variety of funders) is hard work...emotionally exhausting and if total funds for the program are not raised, returning funds is heart wrenching for the staff member and counterproductive with funders ...” (Charity Leader 6)

Domain Summary - The partisan nature of government contracts

“... a number of our funders, including government, did not take kindly to the proposed changes that we put to them ... they had difficulty understanding why we would not want to accept their money – if it was on offer ...” (Charity Leader 9)

“... managing government funding has always been a challenge ... the environment that has developed over the last few years is significantly increasing the financial risk to charities, which in turn is driving further organisational inefficiencies... (Charity Leader 11)

“... discussions with other charity CEOs has confirmed that the majority of the sector is wrestling with the issue of managing the risk now associated with government grants...” (Charity Leader 11)

“... many government grants have a mid-term adjustment, which takes into account increases in the cost of delivering any particular program, such as wages or inflation... if the government of the day finds itself in a challenging economic position, the government may renege on the mid-term adjustment ... the result being a good news story for the government but a funding shortfall for the charity tasked with delivering a particular program ... it is certainly a material variation to the contract...” (Charity Leader 11)

“... we are a large charity with an annual income of over \$50 million yet less than 10% of our income comes from government (federal or state)...this is deliberate tactic as we have been burned a few times in the past...we secure a 5-year funding agreement for a particular program, recruit the associated resource and initiated the program activities, then 18 months later due to a change of minister and focus, the funding gets pulled...and don't you dare try to question or challenge the decision or you'll get blacklisted...so we now try and keep our distance ...” (Charity Leader 12)

“... charities may find themselves with (government) funds for a program that they cannot competently or financially deliver ... if this proves to be the case, the charity then has to pay fines for failing to deliver the heavily varied contract and can be required to fund the re-tendering process ... it is also highly likely that any charity that pursues argument about material changes to the viability of the contract with government regarding the content or cost of a contract will be subject to a series of 'audits' in order to satisfy the department that it remains financially viable ... so rather than negotiate a new contract that is favourable to both parties, the government's response is to undertake an in-depth audit of a charity...this is done to avoid admission of market failure, which is bad news for a Minister ... the 'audit' provides the government with the opportunity to create a picture of ineptitude or even corruption ... most organisations that withdraw from delivery of a government contract will likely be banished from participation in any future government tendering ... the financial and reputation risks associated with the aforementioned scenarios force charities to allocate resources away from its core purpose into risk mitigation, driving up operational costs

unnecessarily ...” (Charity Leader 11)

“... if all charities associated with government contracts were to remove themselves from future applications, the government may be forced to review its protocols ... but not because of a concern over process inefficiency or contract inequity, a review would only be forced on government due to public and media pressure ... the recent move towards ‘Payment By Results’ contracts is also causing challenges for the charity sector ... ‘Barriers to Entry’ can be significant and as charities cannot access traditional capital markets, alternative riskier method of funding, such as asset dilution, are being explored ... social bonds may be a solution but only for funding programs that can demonstrate a reasonable return on investment ...”
(Charity Leader 11)

“... government departments are one of the main barriers to improving efficiency within the charity sector ... the sector is afforded very few rights through the application processes...this says a lot about the opinion government must have of the sector ...”. (Charity Leader 11)

Domain Summary - The unwillingness or inability of charities to articulate to funders the deficiencies of the current funding models

“... both charity boards and leaders need to be more courageous and make the correct decisions – decisions that meet purpose not ego ... I can understand why funding that does not quite align with organisational outcome would be gratefully accepted, especially if that funding secures everyone’s employment for the next 12 months ... but isn’t this just delaying the inevitable ...” (Charity Leader 10)

“... having assessed my own...organisation, I knew that we would be unable to progress under the current operating regime ... we could not continue the strategy of doing more and more with less and less ... this is a significantly flawed process and followed by many in the sector ... it forces unnecessary competition, damages trust and dilutes the opportunities for collaboration ...” (Charity Leader 10)

“... there is a need for more collaboration between charities and leadership should be asking do we still need to be here or are others doing what we are doing only better ... unfortunately, this does not happen very often, and leadership biases can get in the way ...” (Charity Leader 4).

“...there remains a lack of willpower to consolidate charities that are pursuing similar missions with similar interventions...” (Charity Leader 11)

“... the sector does need to improve its ability in articulating the value and return of organisational

investment to funders ... the alternative...to walk away from program funds when administration costs must be sourced from elsewhere – however, it can be almost impossible for a charity to refuse funding when you only have a few months working capital...” (Charity Leader 6)

“... it is almost impossible to evidence the impact of a small grant, yet funders seem ignorant to this fact ... what are the charities telling funders...” (Charity Leader 3)

“...the whole of the charity sector needs review ... funders are driving inefficiencies by the size, term and conditions attached to the majority of grants ... the charity sector also needs to take a good long hard look at itself ...” (Charity Leader 10)

“... a collective voice for the sector may help...” (Charity Leader 1).

“... the sector needs to get better at articulating the value and return of organisational investment...” (Charity Leader 5)

Domain Summary - Funders’ awareness of their impact

“... the need for long term funding is lost on those who can best provide it ...” (Charity Leader 4)

“...funders like to participate in some form of volunteering but there is an expectation that this interaction should be free ... as in ‘we (busy, professionals) are giving you (the poor charity sector) our extremely valuable time’ ... whilst volunteering can add some value to both organisations, it does not have anywhere near the same impact as a grant and takes a huge amount of time to administer ... funders should be more willing to fund the administration costs associated with volunteering ...” (Charity Leader 5)

“... I think there is a misalignment between funds available and expectation of how much time we can spend providing information, organising visits to projects, etc ...” (Charity Leader 9)

“... improved awareness from funders regarding what impact short-term funding cycles deliver ... with specific regards to youth at risk, it takes several years to engage with youth, fully gain their trust and then help them develop the skills required to grow ... you cannot reasonably expect to undo a life-time of damage with a 12/18-month intervention package – and expect the kids to thrive when they are cut loose ... the fact that this point is lost on many funders is incredibly concerning ...” (Charity Leader 4).

“... many of the people we work with have not had positive relationships in their lives at all, let alone

enduring connections – either as children or adults ... short-term projects usually mean a short-term relationship with a worker ... this translates to yet another face of someone they are going to have to share their personal lives with and who will not stay long enough in their lives to build their hope (they just see a revolving door of workers/strangers) ... in some ways, this reminds them of their personal histories, including the lack of stable relationships and love that led them to this point in the first place ... they feel like they are failures and not worthy enough to have someone care about them ...” (Charity Leader 3)

“ ... there is plenty of evidence to show that when these people transition between programs or organisations for support, they are more likely to slip through the cracks and disengage ... it takes time to embed new skills and ways of being that help people from highly disadvantaged backgrounds navigate life’s challenges and achieve new goals ... short-term projects can be detrimental and it is more realistic to provide longer term funding so lives can change for the long term ...” (Charity Leader 3)

“...cost neutrality of grants is around \$10,000...” (Charity Leader 9)

“...cost neutrality is around the \$10,000 mark ...” (Charity Leader 7).

“...an employee could now assess the value of applying for a grant and not apply if that particular grant did not help us achieve our goals...such as...being cost neutral...” (Charity Leader 10)

Appendix 3

Quotations taken from ‘Interviews with Charity Leaders’ and listed under ‘Domain Summaries’

Domain Summary - The Australian charity sector

“... commentators raise the issue of too many charities in Australia and this is a valid point ... many are replicating services and adding unnecessary administration costs ...” (Funder 4)

“... if you look at the vast number of charities that currently exist, you can quickly see another problem – too many organisations, many doing similar things, all chasing the same dollar...” (Funder 3)

“...in some ways, funders are contributing to this issue, by allocating their granting to a large number of organisations...” (Funder 4)

“...our usual practice is to make relatively small monetary grants, in a range of \$5000 to \$30,000, to many different organisations and programmes rather than to make fewer grants at higher levels of monetary support...” (Funder 2)

“...we limit our granting to a period of 12 months...recipients will use best endeavours to complete the programme/project within 12 months from the date of receipt of the grant...” (Funder 2).

“...funders are less than knowledgeable about the sector and how to achieve the best outcomes...hence the short-term funding model employed by many (Funder 14).

there is far too much replication across the charity sector and not enough collaboration ...” (Funder 6).

“...the sector needs to work smarter to amortise costs and increase efficiencies through partnership and collaboration...” (Funder 9).

“... consolidation across the charity sector is long overdue” (Funder 2).

“... if funders were more disciplined, they would do the research and only back the efficient users of capital, similar to the for-profit world ... the less efficient operators would then merge or close ...” (Funder 11)

“...unfortunately, much knowledge and community relevance will be lost in this process, something that we

as funders don't like to see...” (Funder 2)

“...effective collaboration requires major investment in infrastructure and resources, and a cultural change...” (Funder 9)

“...accepting funding when it is not your core competence is mission creep and this happens all too often...if you can't secure funding to pursue your mission, there is something fundamentally wrong and maybe it is time to move on...the beneficiary of social funding must be the community, the service provider is simply the conduit for delivering the benefit...” (Funder 9)

“... some funders, including government, pressing charities to accept funds and undertake activities that will have little benefit to either their organisation or client base ...” (Funder 2)

“... funders can also be arrogant and impose processes and set unrealistic timelines and expectations ... many insist on exactly what a grantee should be doing with their funds without having the experience or understanding of the service provider ... and charities desperate for funding will pander to these requests ...” (Funder 9)

“... I feel that more charities should be less beholden to funders and push back a bit more ...” (Funder 8)

“... the best way forward for the sector, and for funders, is to take the subjectivity out of funding decisions ...charities should be clear on what their focus is and be able to articulate this ... fundees should respect this and not try and fit the proverbial square peg application into a round hole ...” (Funder 2)

“... charities could demonstrate a stronger commitment to measurement ... it does not need to be highly complicated more around, what can you actually count ...” (Funder 5)

“...measurement or more specifically the ability to articulate outcomes could be improved...” (Funder interviewee 28)

“...why will we continue to fund the organisations that can provide little evidence of impact or progression...” (Funder 2).

“...one challenge is assessment, as in, how do you measure the success of a program ... can you compare a program that helps at-risk youth into the workforce against that of a program helping females who are experiencing domestic violence ... or is an early childhood numeracy and literacy education program a more favourable proposition than helping males with prostate cancer ...” (Funder 11)

“...charities are unlikely to provide such feedback for fear of compromising an income stream...” (Funder 9)

Domain Summary - The use of donations or grants

“... funders seem to have this pervasive belief that administration costs are the devil’s work, and they should be kept to the bare minimum ... yet the majority of funders will balk at requests for funding back office – the very investments that will reduce administration costs ...” (Funder 7)

“... looking to the future, an ambition would be to provide more core operational and administration support as most of the support we provide is still program or project based ...” (Funder 6)

“... not enough funders provide capacity building grants ... many, charities are doing great work and, if appropriate funding was available, could scale their activities ... most funders limit their support to ‘effective’ charities but are reluctant to help charities become more effective ... counterintuitive indeed ...” (Funder 14)

“... historically, we have distributed around 50–75% of our funds towards capacity building ... moving forward it will be 100% ... when some funders decline to fund due to a dearth of skills to deliver a program in a certain community or a lack of available assets, we tend to see that as the obvious reason to fund ...” (Funder 8)

“... we also support capacity building ... around 20% of our funds are used in pursuit of this objective ... more effective not-for-profit organisations can deliver more/better outcomes ...” (Funder 5)

“... we also look at providing support with capability and/or capacity building ... although there is only about 10-15% of our funds directed towards this goal ...” (Funder 6).

“... we will look at grant applications that support capacity building in organisations – which is currently around 6% of our expenditure...” (Funder 2)

“... we recognise the importance of capacity building and have increased our annual distribution over the past few years: 2015 – 5%, 2016 – 10%, 2017 – 12% ...” (Funder 3)

“...unfortunately, it is a common and arrogant practise for funders to dictate what not-for-profits/charities should do with the funds provided...despite not being best qualified to do so...(Funder 14). “...many insist on exactly what a grantee should be doing with their funds without having the experience or understanding

of the service provider...” (Funder 9)

Domain Summary - The fundee/funder relationship

“... there is an underlying opinion – which few are likely to admit - that charities and their employees deserve less ... if you work in the sector it is for the love of it, therefore you should be happy to be paid less, have sub-standard accommodation, poor equipment and very little organisational support ...” (Funder 6)

“...that sector leaders are a little bit dopey, which is highly ill-informed but readily accepted by funders ...” (Funder 9)

“... the opinion of the sector needs to improve ... most funders have little regard for the capability and competence of sector leaders ... this is a difficult position to understand ... it is ill-informed and demonstrates a high level of arrogance and points to a power imbalance ...” (Funder 6)

“... funders can feel they are better qualified than the sector to make the best decisions – ‘here is what you should do’...” (Funder 9)

“...a breed apart in that, they are doing it for the love of it ... administration can be seen as an unnecessary overhead especially by funders whose directors have been focussed on the ‘cost out’ models of organisational efficiencies ...” (Funder 5)

“... I doubt government could mobilise volunteers in the manner that the charity sector can ... this is a huge risk for governments, but they seem content in continuing to abuse the power they hold as major funders of the sector ...” (Funder 7)

“... I have often thought about the risk the government runs in treating charities poorly ... changes of government equate to a change in policy and a withdrawal of promised funds, which impact many, many charities...the same can be said for ministerial changes ... all of which contribute to the instability of the sector ...” (Funder 7)

“... whilst the sector has much room to improve, the way it is viewed by all types of funders is a serious concern ... Australia’s charity sector has many highly qualified, intelligent and knowledgeable individuals who are trying to address the most challenging problems our country faces ... yet they don’t have a decent chair or up-to-date software ... why the disparity between the commercial and charity sectors ... why do we think that charities not only need less but deserve less ...” (Funder 11)

“... there is a significant power imbalance ... there is no onus on funders to be effective ...” (Funder 8)

“... there is a huge power imbalance ... true altruism is rare ... funders will take their cash elsewhere if they are not appeased – despite the outcomes that a program or organisation is delivering ... I have difficulty in comprehending why this occurs ...” (Funder 6)

“... is highly unlikely a charity, in need of funds ... would choose not to pursue a partnership with us ... or any other funder ... therefore, in reality the power in all these relationships sits firmly with the funders ...” (Funder 3)

“... I have found that the sector has differing characteristics ... it is far less strategic in its thinking and much less aggressive in its negotiations ... the lack of aggression may be as a result of the obvious power imbalance between funders and fundees, as in, charities may be a bit frightened of biting off the hand that feeds them ...” (Funder 7)

“...without transparent feedback on the impact of their funding practices, funders are unlikely to change...” (Funder 9)

“...the charity sector doesn't help as it rarely provides any negative feedback about funding – it is never too small or too short-term ... it will always make such a difference, when the opposite is more often than not true...” (Funder 11)

“...despite the size of grant or donation provided and the associated costs of reporting on it, charities will not refuse funding...” (Funder 2).

“...the majority of not-for-profit organisations tend to appease their funders... not-for-profits tell the funders what they think they want to hear...” (Funder 10) and *“... 'this \$5000 will make such a difference' ...when they know it will fill a need but not create the impact, they [the funders] want...”* (Funder 10)

“...the term I use for this is 'sophisticated begging' ...as it all seems to be focussed on making the funders feel good rather than pursuing...better community outcomes...” (Funder 2)

“...this has led to some funders...including government...pressing not-for-profit organisations to accept funds and undertake activities that will have little benefit to either their organisation or client base...” (Funder 2)

“... charities can be apprehensive of honest communication ... it should be acceptable for fundees to say to

their funders ... this isn't quite working the way we had hoped ... but it is not ... charities are fearful of such honesty will be judged failure, rather than a mature response ... this says as much about funders, and their attitudes, as it does fundees ... (Funder 5)

"... this tells a story about our differences in value ... we may not put the same value or importance against an activity or asset that our (charity) partners would ... we also need to recognise that something that is important to us may not be to others ..." (Funder 5)

"... some funders seem to enjoy the power imbalance ... it sits comfortably with their ego centric model of philanthropy ... an approach which is a lot more common than many would want to believe ..." (Funder 5)

"...many are serving to enhance their CVs or their chance of appearing on the honours list..." (Funder 11)

"...too many pat themselves on the back for distributing the cash but have little interest in what the funds are actually achieving..." (Funder 8)

"...philanthropy is all about not expecting a reward or recognition for your contribution...yet many align their 'philanthropic' activities with their customer acquisition and retention strategies...and spread their funds far too thinly...." (Funder 7)

"...government spending is influenced by the need to get re-elected...it is not always about what will deliver the most benefit to the community...but...what will deliver the most political benefit..." (Funder 12).

"...it is interesting to note that our education expenditure has doubled over the last couple of decades...yet our performance has regressed...why are alarm bells not ringing in the corridors of power..." (Funder 9)

"...it would be very difficult to change the entrenched views of many funders..." (Funder 11)

Domain Summary - Performance of funders and charities

"... directors and trustees also have a duty of care ... they are obliged to ensure that money they distribute is spent wisely and achieves impact, impact that is describable in some way ... there is too little reporting on effectiveness of funders ... no-one challenges how you choose to do it ... it is your money and you can do what you want ... funders expect fundees to be accountable so perhaps funders need to abide by the same rule ..." (Funder 5)

"... the biggest barrier is how most funders fund ... I tend to use the phrase emotional philanthropy, where

someone sees something and reacts to it without a deeper investigation of the facts ... this approach is quite common but ill-informed and disparate with impact ...” (Funder 3)

“...you have these very astute and capable businesspeople sitting as directors who don’t always bring their business principles to the organisation ... they become all warm and fuzzy and start making emotional decisions rather than ones which are fully objective ...” (Funder 8)

“... a lot boast about being responsive to the needs of community ... yet it can take up to a year to get a grant application over the line and by then the opportunity is lost ...” (Funder 8)

“... if you take providing a commitment of funds for one year towards a program, it will take the charity a month or two to recruit the appropriate staff ... another couple of months to get the program up and running ... so you may get 3 to 4 months’ worth of decent output before the aforementioned staff, and understandably so, start seeking alternative employment opportunities ... then the program stops no matter what outcomes are being achieved ...” (Funder 6)

“...some well-meaning philanthropists invest in a program that they claim to be the best thing since sliced bread – a big song and dance is made of the investment...then things don’t go quite as well as they had hoped and they walk away after a couple of years...beyond the impact on the organisation involved, think about what this is saying to the community – I just don’t care about you anymore...” (Funder 8)

“... boards could be educated more with regards to the needs of the charity sector ... our own board gets it at one level when the impact is easily understood but they can struggle to see the link between the dollars invested and individuals / families / communities benefitting if the outcomes are not obvious and measurable ...” (Funder 5)

“... if a board member is not receptive to change, grant making protocols are unlikely to change – no matter what evidence is tabled ...” (Funder 4)

“... most funders’ board members are white, Anglo-Saxon males in their sixties or seventies who don’t have a deep understanding of the challenges facing Australia’s most deprived ... many are serving to enhance their CVs or their chance of appearing on the honours list ...” (Funder 11)

“... the boards of funders could be more diverse ... we are moving towards that goal with a 60% – 40% split male – female but all are white and well educated ... board members of most funders are male, pale and stale ... we need to start targeting the next generation of funders ... we need diversity around the Foundation/Trust Board table ... diversity will bring less entrenched views and more opportunities for

change ... specific training is required regarding systems change and tackling entrenched social issues ... why do we pay board members of for profit boards, and not for not-for-profit boards ... when the role of the latter is more difficult and far more important to the future of our country ...” (Funder 11)

“... as a family foundation, our board and advisers consist of two very differing generations which leads to some quite disruptive thinking ... but it sparks meaningful and constructive discussion ...” (Funder 8)

“...I do have a sense this behaviour is generational...where beliefs have been set over many decades and are difficult to change not matter what new evidence or research is available...hopefully, as the next generation of philanthropists and funders start to infiltrate, a more evidence based, less emotional approach will start to be taken...” (Funder 6)

“... most charities [appear to] spend a lot of their time chasing the money and replacing people ...” (Funder 6).

“...the high turnover of staff is an issue...we endeavour to build relationships with organisations but this can prove challenging when staff are being changed out every 12–18 month...CEOs included...” (Funder 3)

“...I feel that the financial constraints the sector works under does not lend itself to attracting the best qualified and capable employees – especially at leadership level...” (Funder 7)

“...[charities] often do not have the capability to treat their people in a rewarding manner...as in...reasonable accommodation, training and development...this can result in high attrition rates and less than effective organisational performance...” (Funder 13)

“...people rarely pass on what they do not receive themselves...this becomes evident when staff themselves feel they are not valued as they should be...” (Funder 13)

Domain Summary - Government

“... government funding is risky and influenced by political cycles ... both state and federal governments are major funders of the charity sector ... but political cycles are a destructive force across the sector ... a change of government normally equates to a completely different direction and focus ... hence many programs are stopped mid-cycle despite the outcomes they are delivering ... the same can be said for a change of Minister, where the new appointee needs to be seen to be doing something and the same occurs ...” (Funder 6)

“...a single \$10m project provides only one media opportunity, compared to ten \$1m projects which provides many more times the coverage ...” (Funder 12)

“... change of governments and / or ministers can cause issues for the charity sector ... the incoming need to be seen to be doing something, and this can include cancelling or restructuring existing government programs that no longer align with the new strategy ... there is a power imbalance, whereby those impacted by the cuts may not want to be seen as being critical of the Government for fear of any criticism impacting their future funding ...” (Funder 12)

“... governments rely on numbers to tell a positive story ... we are investing \$xx million more in health or education ... it is interesting to note that our education expenditure has doubled over the last couple of decades yet our performance has regressed ... yet we keep doing the same over and over again ...why are alarm bells not ringing in the corridors of power ...” (Funder 9)

“...you are unlikely to hear the charity sector ... being critical of government ... and what would happen if they stood up for themselves and walked away from government contracts ... the government would then have to deliver these services themselves...I doubt government could mobilise volunteers in the manner that charities can ... this is a huge risk for governments but they seem content in continuing to abuse the power they hold as major funders of the charity sector ...” (Funder 7)

“...there is evidence that traditional political strategies are wearing thin, hence the rise of One Nation and the independents in Australia... Trump’s election in the US ... and Brexit in the UK ...” (Funder 6).

“...on the flip side, some aspects of government do show promise, an example being the social enterprise agenda being currently pushed by the Victorian government...” (Funder 6)

Appendix 4

Calculations - Charity resource requirements Section 7.2.1.

Assumption is that all grants awarded will be awarded at the top of the donation/grant range. As examples, a donation/grant awarded in the \$0-\$10,000 range will be for the sum of \$10,000 or a donation/grant awarded in the \$50,000-\$100,000 range will be for the sum of \$100,000.

(Distributions of donations and grants from Table 4.1)

Size of donation/grant	FY 2017/2018 Income	Contribution to income	Amount awarded (billion)	Donations/grants awarded	Total hours @ 4 hours per application	Weeks @ 40 hours per week	Years @ 46 weeks per year
\$0-\$10,000	\$155.4 billion	35.90%	(a) \$55.8	(b) 5,578,860	(c) 2,2315,440	(d) 557,886	(e) 12,128
\$10,001 - \$25,000		14.80%	\$23	919,968	3,679,872	91997	2,000
\$25,001 - \$50,000		15.40%	\$23.9	478,632	1,914,528	47863	1,040
\$50,001 - \$100,000		13%	\$20.2	202,020	808,080	20202	439
\$100,001 - \$250,000		5.60%	\$8.7	34,810	139,238	3481	75.7
\$250,001 - \$500,000		3.50%	\$5.4	10,878	43,512	1088	23.6
\$500,001 - \$1,000,000		1.90%	\$2.9	2,953	11,810	295	6.4
\$1,000,001 - \$2,500,000		2.80%	\$4.4	1,740	6,961	174	3.8
\$2,500,001 - \$5,000,000		1.60%	\$2.5	497	1,989	50	1.1
Over \$5,000,000		2.40%	\$3.7	373	1,491	37	0.8
Totals				7,230,731	28,922,924	723,073	15,719

Calculations

For donations/grants in the range \$0-\$10,000, contribution to FY 2017/2018 is 35.9%.

Amount awarded	=	\$155.4 billion x 35.9%	=	(a) \$55,788,600,000 (rounded to \$55.8b)
Donations/grants awarded at \$10,000	=	\$55,788,600,000 / \$10,000	=	(b) 5,578,860 donations/grants
Total hours at 4 hours per application	=	5,578,860 donations/grants x 4hours	=	(c) 2,315,440 hours
Weeks at 40 hours per working week	=	2,315,440 hours / 40 hours	=	(d) 557,886 weeks
Years at 46 working weeks per year	=	557,886 weeks / 46 weeks	=	(e) 12,128 years

Formula has been carried on through all ranges of donations/grants.

Assumption is that all grants awarded will be awarded at the mid-point of the donation/grant range. As examples, a donation/grant awarded in the \$0-\$10,000 range will be for the sum of \$5,000 or a donation/grant awarded in the \$50,000-\$100,000 range will be for the sum of \$75,000.

(Distributions of donations and grants from Table 4.1)

Size of donation/grant	FY 2017/2018 Income	Contribution to income	Amount awarded (billion)	Donations/grants awarded	Total hours @ 4 hours per application	Weeks @ 40 hours per week	Years @ 46 weeks per year
\$0-\$10,000	155.4 billion	35.90%	(a) \$55.8	(b) 11,157,720	(c) 44,630,830	(d) 1,115,772	(e) 24,256
\$10,001 - \$25,000		14.80%	\$23	1,314,240	5,256,960	131,424	2,857
\$25,001 - \$50,000		15.40%	\$23.9	638,176	2,552,704	63,818	1,387
\$50,001 - \$100,000		13%	\$20.202	269,360	1,077,440	26,936	585
\$100,001 - \$250,000		5.60%	\$8.7	49,728	198,912	4,973	108
\$250,001 - \$500,000		3.50%	\$5.4	14,504	58,016	1,450	31.5
\$500,001 - \$1,000,000		1.90%	\$2.9	3,937	15,747	394	8.6
\$1,000,001 - \$2,500,000		2.80%	\$4.4	2,486	9,946	249	5.4
\$2,500,001 - \$5,000,000		1.60%	\$2.5	663	2,652	66	1.4
Over \$5,000,000		2.40%	\$3.7	497	1,989	50	1.1
Totals				13,451,312	53,805,246 (hours)	1,345,131 (weeks)	29,242 (years)

Calculations

For donations/grants in the range \$0-\$10,000, contribution to FY 2017/2018 is 35.9%.

Amount awarded = \$155.4 billion x 35.9% = (a) \$55,788,600,000 (rounded to \$55.8b)

Donations/grants awarded at \$5,000 = \$55,788,600,000 / \$5000 = (b) 1,115,772 donations/grants

Total hours at 4 hours per application = 5,578,860 donations/grants x 4hours = **(c) 44,630,880 hours**
Weeks at 40 hours per working week = 2,315,440 hours / 40 hours = **(d) 131,424 weeks**
Years at 46 working weeks per year = 557,886 weeks / 46 weeks = **(e) 24,256 years**

Formula has been carried on through all ranges of donations/grants.

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