The Management of Australian Corporate Philanthropy
Perspectives of Donors and Managers
A Study of Motivations and Techniques

By

P. Dawn Smith MA

Thesis presented in fulfilment of the requirements for the degree
Doctor of Philosophy

Flinders Institute of Public Policy and Management
Faculty of Social Sciences

Flinders University, Adelaide, South Australia

12 October, 2005
“It requires the exercise of not less ability than that which acquires it, to use wealth so as to be really beneficial to the community.”
Andrew Carnegie
(The Gospel of Wealth, 1889)

“We make a living by what we get, but we make a life by what we give.”
Sir Winston Churchill
(ANZ Trustees: Charitable Foundations, 2005)

“I’ve come up the hard way and I suppose it is because of that I feel I should plough something back.”
Sir James Kirby on the occasion of the official launch of the James N. Kirby Foundation on October 17 1967.

“It’s amazing, the more money we give away, the more money the company makes. Generosity works.”
Richard Pratt
(VISY AND SUSTAINABLE DEVELOPMENT: “Opening the dialogue”, 2003)

***Note re the researcher’s name:
Although the author of this thesis is known as Dawn Smith, her first initial (P.) has been used to distinguish her from study participant Dick Smith. Her works are referenced as Smith, P. D., while Dick Smith’s works are referenced as Smith, D.
1. INTRODUCTION

1.1 Study Aim............................... Error! Bookmark not defined.
1.2 Dearth of Research .................. Error! Bookmark not defined.
1.3 Reliable Comparisons Difficult .... Error! Bookmark not defined.
1.4 Sustainability of the Welfare State Error! Bookmark not defined.
1.5 New Data.................................. Error! Bookmark not defined.
1.6 Crisis of the Welfare State .......... Error! Bookmark not defined.
1.7 Defining the Welfare State ......... Error! Bookmark not defined.
1.8 Australian Welfare State ............ Error! Bookmark not defined.
1.9 The Changing Welfare State ....... Error! Bookmark not defined.
1.10 Industry Commission Impact ...... Error! Bookmark not defined.
1.11 Prime Minister’s Community Business Partnership Error! Bookmark not defined.
1.13 The Triple Bottom Line and Corporate Social Responsibility (CSR) Error! Bookmark not defined.
1.14 The Third Way .......................... Error! Bookmark not defined.
1.15 Rationale............................... Error! Bookmark not defined.
1.16 Definitions Relating to Philanthropy Error! Bookmark not defined.
  1.16.1 Philanthropy ......................... Error! Bookmark not defined.
  1.16.2 Altruism .............................. Error! Bookmark not defined.
  1.16.3 Generosity ........................... Error! Bookmark not defined.
  1.16.4 Charity ............................... Error! Bookmark not defined.
  1.16.5 Stewardship ....................... Error! Bookmark not defined.
  1.16.6 Patronage ........................... Error! Bookmark not defined.
  1.16.7 Endowment ......................... Error! Bookmark not defined.
  1.16.8 Enlightened self-interest ......... Error! Bookmark not defined.
1.17 Other Important Definitions ....... Error! Bookmark not defined.
  1.17.1 Not-for-profit sector .............. Error! Bookmark not defined.
  1.17.2 Corporation ....................... Error! Bookmark not defined.
  1.17.3 Gift or giving ...................... Error! Bookmark not defined.
  1.17.4 Civil society ...................... Error! Bookmark not defined.
  1.17.5 Globalisation ...................... Error! Bookmark not defined.
1.18 Social Capital ......................... Error! Bookmark not defined.
  1.18.1 Social capital and government Error! Bookmark not defined.
  1.18.2 Creation and networks .......... Error! Bookmark not defined.
  1.18.3 The downside ...................... Error! Bookmark not defined.
1.18.4 Measuring social capital........................................Error! Bookmark not defined.
1.18.5 Summary .........................................................Error! Bookmark not defined.
1.19 Social Entrepreneur.............................................Error! Bookmark not defined.
1.20 Prescribed Private Funds.......................................Error! Bookmark not defined.
1.21 New Investigation................................................Error! Bookmark not defined.

2. RESEARCH METHODOLOGY........................................Error! Bookmark not defined.
2.1 The Experience and Approach of the Participant Researcher..Error! Bookmark not defined.
2.2 Issues and Questions .............................................Error! Bookmark not defined.
2.3 Developing the Action Research ..............................Error! Bookmark not defined.
  2.3.1 Participative Action Research and Grounded Theory......Error! Bookmark not defined.
  2.3.2 Co-operative inquiry ..........................................Error! Bookmark not defined.
  2.3.3 Considering qualitative research ............................Error! Bookmark not defined.
  2.3.4 Potential for Participative Action Research .............Error! Bookmark not defined.
  2.3.5 Melded research ...............................................Error! Bookmark not defined.
2.4 Relationships between the Three Cousins..................Error! Bookmark not defined.
2.5 Consultancy Work Effect .......................................Error! Bookmark not defined.
2.6 Democratic Dialogue ............................................Error! Bookmark not defined.

3. COLLECTING THE DATA............................................Error! Bookmark not defined.
3.1 Personal Contact....................................................Error! Bookmark not defined.
3.2 Primary Data.......................................................Error! Bookmark not defined.
  3.2.1 Senior company managers .....................................Error! Bookmark not defined.
  3.2.2 Individual philanthropists ....................................Error! Bookmark not defined.
  3.2.3 Trusts and foundations .......................................Error! Bookmark not defined.
  3.2.4 Philanthropy Australia ........................................Error! Bookmark not defined.
  3.2.5 Others..................................................................Error! Bookmark not defined.
3.3 Gift Recipients.......................................................Error! Bookmark not defined.
3.4 Professional Fundraisers.........................................Error! Bookmark not defined.
3.5 Secondary Data.....................................................Error! Bookmark not defined.
3.6 Analysis ...............................................................Error! Bookmark not defined.
3.7 Follow Up.............................................................Error! Bookmark not defined.
3.8 Conclusions and Recommendations........................Error! Bookmark not defined.
3.9 Guide to Where Research Questions are Answered......Error! Bookmark not defined.

4. FINDINGS FROM LITERATURE REVIEW................................Error! Bookmark not defined.
4.1 Tax Measures .......................................................Error! Bookmark not defined.
4.2 Strategic and Venture Philanthropy..........................Error! Bookmark not defined.
4.3 Shareholders’ Views..............................................Error! Bookmark not defined.
  4.3.1 Measuring benefits of gifts....................................Error! Bookmark not defined.
  4.3.2 Foundations and charities stockpiling assets.............Error! Bookmark not defined.
4.4 Philanthropists......................................................Error! Bookmark not defined.
4.5 Individuals ..........................................................Error! Bookmark not defined.
  4.5.1 Stan Perron.......................................................Error! Bookmark not defined.
  4.5.2 Andrew Mellon..................................................Error! Bookmark not defined.
5. STUDY RESULTS..............................................................................

5.1 Corporations .................................................................................. Error! Bookmark not defined.
   5.1.1 BHP Billiton ............................................................................ Error! Bookmark not defined.
   5.1.2 Shell Foundation Australia ......................................................... Error! Bookmark not defined.
   5.1.3 3M .......................................................................................... Error! Bookmark not defined.
   5.1.4 Rio Tinto .................................................................................. Error! Bookmark not defined.
   5.1.5 National Australia Bank Group .................................................. Error! Bookmark not defined.
   5.1.6 The Foundation for Development Cooperation (FDC) ................. Error! Bookmark not defined.
   5.1.7 Bluescope Steel ......................................................................... Error! Bookmark not defined.
   5.1.8 Major World Disaster ................................................................. Error! Bookmark not defined.
   4.6 Corporate .................................................................................. Error! Bookmark not defined.

5.2 Individual Philanthropists ............................................................. Error! Bookmark not defined.

5.3 Trusts and Foundations ................................................................. Error! Bookmark not defined.
   5.3.1 Individual foundations ............................................................... Error! Bookmark not defined.
   5.3.2 Family foundations ................................................................. Error! Bookmark not defined.
   5.3.3 Community foundations ............................................................ Error! Bookmark not defined.
   5.3.4 Corporate foundations .............................................................. Error! Bookmark not defined.
   5.3.5 Government initiated foundations ............................................. Error! Bookmark not defined.
   5.3.6 Trustee companies .................................................................... Error! Bookmark not defined.

5.4 National Bodies ................................................................................ Error! Bookmark not defined.

5.5 Discussions with Corporate Informants ....................................... Error! Bookmark not defined.
   5.5.1 Wesfarmers ............................................................................... Error! Bookmark not defined.
   5.5.2 AMP Society ............................................................................. Error! Bookmark not defined.
   5.5.3 James N. Kirby Foundation ...................................................... Error! Bookmark not defined.
   5.5.4 CEPA Trust ................................................................................ Error! Bookmark not defined.
   5.5.5 The Reichstein Foundation ....................................................... Error! Bookmark not defined.
   5.5.6 The Myer Foundation ............................................................... Error! Bookmark not defined.
   5.5.7 The Pratt Foundation ................................................................. Error! Bookmark not defined.
   5.5.8 Westfield Shopping Centres ...................................................... Error! Bookmark not defined.
   5.5.9 The Ian Potter Foundation and The Ian Potter Cultural Trust ....... Error! Bookmark not defined.
   5.5.10 Sylvia and Charles Viertel Charitable Foundation ................. Error! Bookmark not defined.
   5.5.11 Helen M Smith Trust ............................................................... Error! Bookmark not defined.
   5.5.12 Price Waterhouse Coopers Foundation .................................... Error! Bookmark not defined.
   5.5.13 Colonial Foundation Trust (Colonial Foundation Limited)........ Error! Bookmark not defined.
   5.5.14 Telstra Foundation ................................................................. Error! Bookmark not defined.
   5.5.15 Tabcorp .................................................................................. Error! Bookmark not defined.

5.6 Motivations and Techniques ......................................................... Error! Bookmark not defined.

5.7 Recent Changes in Technique ....................................................... Error! Bookmark not defined.
5.7.1 Reactive/Proactive .................................................. Error! Bookmark not defined.
5.7.2 Decision making .................................................. Error! Bookmark not defined.
5.7.3 Staff involvement .................................................. Error! Bookmark not defined.
5.7.4 Making a difference .............................................. Error! Bookmark not defined.
5.7.5 Change not charity ............................................... Error! Bookmark not defined.
5.7.6 Exclusions .......................................................... Error! Bookmark not defined.

5.8 Individual Philanthropists ........................................ Error! Bookmark not defined.
5.8.1 Elisabeth Murdoch .............................................. Error! Bookmark not defined.
5.8.2 Sir Eric Neal, Chancellor, Flinders University ........ Error! Bookmark not defined.
5.8.3 Dick Smith .......................................................... Error! Bookmark not defined.
5.8.4 Robert Champion de Crespigny ......................... Error! Bookmark not defined.
5.8.5 Heytesbury Pty Ltd. ............................................ Error! Bookmark not defined.
5.8.6 The Walter and Eliza Hall Trust ......................... Error! Bookmark not defined.
5.8.7 The R E Ross Trust ............................................ Error! Bookmark not defined.
5.8.8 David Klingberg ................................................ Error! Bookmark not defined.
5.8.9 An embarrassment of riches ............................... Error! Bookmark not defined.

5.9 Community Foundations ......................................... Error! Bookmark not defined.
5.9.1 Foundation for Rural and Regional Renewal .... Error! Bookmark not defined.
5.9.2 Melbourne Community Foundation .................. Error! Bookmark not defined.
5.9.3 Queensland Community Foundation ................. Error! Bookmark not defined.
5.9.4 Western Australian Community Foundation .... Error! Bookmark not defined.

5.10 Trustee companies ................................................ Error! Bookmark not defined.
5.10.1 ANZ Trustees .................................................... Error! Bookmark not defined.
5.10.2 Trust .............................................................. Error! Bookmark not defined.
5.10.3 Perpetual Trustees Australia Limited .............. Error! Bookmark not defined.

5.11 Philanthropy Australia ............................................ Error! Bookmark not defined.

5.12 Professional Fundraisers Focus Group ................ Error! Bookmark not defined.
5.12.1 Characteristics of givers .................................. Error! Bookmark not defined.
5.12.2 Techniques ........................................................ Error! Bookmark not defined.

5.13 Gift Recipients ..................................................... Error! Bookmark not defined.
5.13.1 Good Shepherd Youth and Family Service ...... Error! Bookmark not defined.
5.13.2 Bayley House .................................................... Error! Bookmark not defined.
5.13.3 Australian Rotary Health Research Fund .... Error! Bookmark not defined.
5.13.4 The Smith Family ............................................. Error! Bookmark not defined.
5.13.5 Cottage by the Sea ............................................ Error! Bookmark not defined.
5.13.6 The Graham (Polly) Farmer Foundation .... Error! Bookmark not defined.
5.13.7 Ted Noffs Foundation ..................................... Error! Bookmark not defined.
5.13.8 Upper Murray Family Care ......................... Error! Bookmark not defined.
5.13.9 The Alfred Hospital ........................................ Error! Bookmark not defined.
5.13.10 The Art Gallery of Western Australia ............ Error! Bookmark not defined.
5.13.11 Western Women’s Violence Support Network – Duke Street Community House ... Error! Bookmark not defined.

5.13.12 Summary ....................................................... Error! Bookmark not defined.

6. CONCLUSIONS AND RECOMMENDATIONS .............................. Error! Bookmark not defined.

6.1 Individual Motivations ........................................... Error! Bookmark not defined.
6.1.1 The meaning of philanthropy ............................. Error! Bookmark not defined.


6.3 Trustee Companies ............................................... Error! Bookmark not defined.

6.4 Practical Aspects .................................................. Error! Bookmark not defined.
6.4.1 Methods of giving ............................................ Error! Bookmark not defined.
6.4.2 Decision making and timing ............................ Error! Bookmark not defined.
6.4.3 Gift seeking ..................................................... Error! Bookmark not defined.
7. REFLECTING ON METHOD AND ITS EFFECTIVENESS

7.1 Validity of the Research

7.2 Limitations

7.3 Effectiveness of Research Methodology

7.4 Topics for Further Study

7.5 Relationships between Givers and Receivers
Table 5-1  Summary of Motivations and Techniques - Corporate ........Error! Bookmark not defined.
Table 5-2  Melbourne Community Foundation - Grant Distribution ...Error! Bookmark not defined.
Table 5-3  Giver Motivations * + ................................................Error! Bookmark not defined.
Table 5-4  Recipient/Giver Relationships.................................Error! Bookmark not defined.
Table 6-1  Considerations to Guide Philanthropic Decisions...Error! Bookmark not defined.

LIST OF FIGURES

Figure 1-1 The Meaning of Philanthropy (Fig 4-4 in earlier work)........Error! Bookmark not defined.
Figure 2-2 Genesis of Research..........................................................Error! Bookmark not defined.
Figure 2-3 Practical Sequence of Research Chart in line with Figure 2-2 Error! Bookmark not defined.
Figure 3-1 Iterative Research Spiral .....................................................Error! Bookmark not defined.
Figure 5-1 Connections between Motivations and Social Capital Outcome ....Error! Bookmark not defined.
Figure 5-2 Overview of Donation Process..............................................Error! Bookmark not defined.
Figure 5-3 Overview of Gift Fund ..........................................................Error! Bookmark not defined.
Figure 5-4 Perpetual Distribution to Charitable Bodies..............................Error! Bookmark not defined.
Figure 5-5 The House of Philanthropy ...................................................Error! Bookmark not defined.
Figure 6-1 Individual Motivations towards Philanthropy..........................Error! Bookmark not defined.
Figure 6-2 The Meaning of Philanthropy (Literally “Love of Mankind”) - updated from Figure 1-1, p. 46 and Figure 4-4 in the earlier work ....Error! Bookmark not defined.
Figure 6-3 Techniques of Corporate Philanthropy ..................................Error! Bookmark not defined.
Figure 6-4 Creating Social Capital ........................................................Error! Bookmark not defined.
ABSTRACT

The aim of this study is to extend knowledge about corporate philanthropy in Australia, including the conduct of fundraising and funds management, looking especially at motivations for giving and techniques employed. It follows and builds on the researcher’s MA work on *Corporate Philanthropy in Australia: Principles and Practice* (see Appendix I) and has generated new theories that may be tested in the marketplace by both individuals and groups involved in fundraising and fund management throughout Australia, and perhaps beyond.

The study is based on a method melded together by the researcher from variations on participatory action research, action inquiry and cooperative inquiry. An extensive literature review explored material provided by participants along with material already in the public domain. The data set obtained from this exercise enabled the development of the range of questionnaires put before the participants.

Personal interviews were conducted with individuals, representatives of companies, trusts and foundations, and recipient organisations, along with professionals from Philanthropy Australia. The aim was to hold a discussion with the most senior person possible in every case and that aim was achieved with willingness to participate a strong factor throughout. A focus group conducted with professional fundraisers provided a point of view from ‘the other side’.

The rigour of the work stems from the representative involvement of all interested parties. The researcher’s long involvement in the fundraising industry was a strong enabling factor with iteration of all interviews confirming the findings and mitigating against undue influence from that background.

It was clear early in the study that there was difficulty in separating individual motivations from corporate motivations, as the individual beliefs and experiences spilled over into corporate involvements. For some the motivation was that philanthropy was the price of doing business, although the gifts might be directed to projects of lifetime interest to the participants. Some companies were clear about the direction of their corporate philanthropy into the communities in the areas where they operate, while others were still developing policy. Some representatives preferred to name their giving as ‘social activism’ rather than ‘philanthropy’. A template has been developed to assist informed decision making about gifts.
Participants spoke of a variety of techniques of giving employed under the umbrellas of the Triple Bottom Line, the Third Way, Corporate Social Responsibility (CSR), and corporate sustainability. Those techniques include direct gifts or grants, sponsorships, strategic or venture philanthropy, Cause-Related Marketing (CRM), workplace giving or payroll deduction, bequests, and fundraising events. It was noted that workplace giving is growing.

Changes to Australian tax laws have made it sensible for individuals and some companies to develop Prescribed Private Funds, while others have opted for corporate trusts or foundations, or board committees. CEOs seem not to be as powerful in gift decision making as was found in the earlier MA study.

Several clear trends were identified, one related to companies making fewer larger grants, rather than many small ones. A further trend is for companies, trusts and foundations, and individuals to seek out recipient organisations for themselves, in accordance with their areas of interest and grants priorities. This changes the scenario for fundraisers who must find new ways of gaining the attention of grant and gift makers. A third trend is to require outside evaluation of projects and assessment of project progress. None of the participants in the study indicated that they carry out policy research before making gifts. Likewise not all givers indicated regular reporting requirements.

Community foundations are growing with new ones being developed during the course of the study. At the same time some organisations are allowing voting rights to donors, and shareholders are becoming more vocal about corporate giving.

Gaps in welfare funding vary considerably with many charities relying on companies, trusts and foundations and individuals to ‘plug the gaps’.

The concept of ‘social capital’ is explored and a new definition put forward. It is revealed that the term is capable of holding many different meanings. It was clear that durable networks are almost vital to the development of social capital.

The gap in their understanding of corporate philanthropy between givers and receivers revealed by the MA study was found still to exist, although the whole process was found to be more open with the commercial confidentiality cited in the earlier study not appearing as a strong factor in this study, particularly as much material was available from the World Wide Web.
In the end, the area of corporate philanthropy may still be considered to be almost ‘virgin territory’ thus providing a fertile field for aspiring researchers. Suggestions are provided for a number of areas of future research.
DECLARATION

I certify that this thesis does not incorporate without acknowledgement any material previously submitted for a degree or diploma in any university, and that to the best of my knowledge and belief it does not contain any material previously published or written by another person except where due reference is made in the text.

There is material here which is commercially copyrighted by the author.

PATRICIA DAWN SMITH

I believe this thesis is properly presented, conforms to the specifications for the thesis and is of sufficient standard to be, *prima facie* worthy of examination.

JANET McINTYRE
ACKNOWLEDGEMENTS

My sincere appreciation is expressed to the many corporate executives, individual givers, trust and foundation managers, trustee company managers, professional fundraisers and senior gift recipient representatives who demonstrated genuine interest in this investigation, and took the time and trouble to complete questionnaires, participate in personal face to face and telephone discussions and to forward documentation from their organisations. My gratitude goes to them for taking the time and making the effort to check both the first and second drafts of the section of the work involving them or their organisation. Appreciation is expressed also to those informants who carried out further checks as required.

My special thanks go to:

Dr Colin Sharp (formerly of the Flinders Institute of Public Policy and Management at Flinders University, now of the Gibaran Institute, Adelaide) and Dr Janet McIntyre of the Flinders Institute of Public Policy and Management, who both supervised, advised and encouraged this researcher.

Elizabeth Cham, Executive Director of Philanthropy Australia and staff members, Vanessa Meacham and Grant Hooper for readily providing information, library material and personal attention throughout the study process.

Lorraine Smith and Karen Smith for carefully editing the thesis and providing valuable comments.

Sandy Huxtable for untiring formatting and computer assistance.

Lachlan Smith, Craig Smith, Mark Surman and Andrew Surman for assistance with a considerable number of computer, internet access and printing problems.

Wayne Smith for being alert to useful data and forwarding it to me.

Margaret Bowden of Em Bees Editing Services for efficient formatting of the thesis and its attachments.

And lastly, to my husband Doug Smith who maintained his patience with my preoccupation during the long hours of work on this project. It would not have been possible without his support.