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## Lost conversations in philanthropy

by Fiona Higgins | May 11, 2017

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Who's ready to talk about failure in philanthropy? Fiona Higgins is. Here she ponders three reasons why we fail to talk about failure and gives an account of one of her own philanthropy fails.



**Let's talk about failure! Why aren't we talking about failure? Can't we share our failures and learn from them together?**

These are familiar catchcries for many, especially for those who frequent philanthropy-related conferences and seminars. Inevitably someone in the room observes that it would be useful if we analysed our failures and shared these learnings across the sector, and everyone else nods. And that's where we leave it, typically.

Failure analysis is routine in engineering (Why *did* that 767 drop out of the sky?), royal commissions (How *did* a fake doctor get appointed to a public hospital?) and wherever incident reporting takes place (Why *did* the police take so long to respond to that call-out?). But it's not something that sits comfortably in the world of philanthropic grantmaking—despite our enthusiasm for the *idea* of it— and, in my view, here's why:

**1- We don't like the word.** Failure, like cancer, sounds terminal. For those of us who subscribe to the notion that private philanthropy offers rare risk capital to the social sector, there can never be dismal failure, only experimentation, learning and (re)iteration. And just as philanthropic 'failure' is probably best described in terms of 'setbacks' or 'disappointments', our 'successes' are often modest too—usually 'small wins' rather than triumphant victories.

**2- We don't know what we don't know.** Even the most engaged philanthropist is probably receiving messages that have been mediated or massaged by charitable partners. This is entirely understandable. In the same vein as a job interviewee being asked 'What are your weaknesses?' Why would nonprofits answer truthfully and confess to failure, when this can prompt funders to withdraw support? Accordingly, most progress reports focus on palatable learnings and manageable setbacks, rather than revealing any potentially damaging details. We therefore *think* we have no real failures from which to learn.

**3- It's uncomfortable.** No one likes to look dumb, especially in front of respected peers. In an industry in which accountability frameworks are primarily concerned with legislative compliance (mandatory ATO and ACNC reportage etc), there is no real external pressure to analyse grantmaking failures. Accordingly, we prefer to celebrate our successes with our sector colleagues.

A counterpoint to this tendency towards focusing on success is the important work of Dr Squirrel Main, Research and Evaluation Manager at [The Ian Potter Foundation](#). In a presentation to [Australian Philanthropic Services](#) (APS) clients earlier this year, Dr Main shared some standout learnings in the Foundation's grantmaking history.

Using a method of appreciative inquiry, Dr Main pinpointed a set of distinct criteria under which grants made by the Foundation are inclined to fail (and succeed). For example, where the Foundation is the sole funder of a project, or gives substantially less than the amount requested by a charity, this tends to result in poorer outcomes.

Dr Main's candid analysis was illuminating and a refreshing exemplar of leadership in a sector crying out for more conversations about failure.

So, following her lead, I'd like to share my own real-life example of philanthropic failure (just one of them, for now!) involving due diligence.

The entity I was reviewing seemed, on the surface, to be a solid community organisation. It had been operating in its local area for decades, was helping plug a gap in services, and was providing vital support



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-----	
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-----	
Ian Potter Foundation to Victoria University	\$5 million
-----	
Jack Ma Foundation to University of Newcastle	\$26.4 million

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for its target cohort and their families. I went through the typical checklist: reviewing their financials, board and staff, their program and evaluation framework, talking with the CEO and Chair and eyeballing the operations.

After completing this due diligence, the foundation board approved the grant. Then, within a few months of the charity receiving this funding, a key staff member became the subject of a police investigation into embezzlement of the organisation's funds. It turned out, dishonesty was part of the organisation's culture; it had started with small dishonesties, then grown, and more than one staff member was involved.

My due diligence had, in real terms, failed, and I kept wondering, *how* I could have detected this. I concluded that, for future due diligence, I should:

– Interrogate the competency of audit reports, especially where small accounting firms have conducted the audit and approved the accounts.

– Talk to more staff members than just the CEO (who may, in fact, be the problem).

– Go out to an agency more than once. On the first visit, they'll be on their best behaviour. On the second, they'll have dropped their guard. By the third visit, they'll probably be irritated – which is a good opportunity to get an accurate flavour of organisational culture. (This is difficult to achieve on limited time, but pivotal if you wish to obtain a 'non-sanitised' view of an organisation.)

– Be more engaged with an entity, wherever possible – i.e. perform some kind of advisory role and truly partnering, rather than conducting one-off due diligence. (Getting up close to an organisation allows you to develop an 'insider' view – but obviously, this type of relationship is far more demanding than the typical grant transaction and not always realistic.)

These days, in my work at APS, I strongly encourage both robust due diligence and 'uncomfortable conversations' between foundations and their funding recipients, upfront and early in a partnership. Such conversations should ideally communicate the funder's commitment to encouraging honesty and accepting failure in their charitable partners and to give some assurance that they won't walk away when setbacks are honestly reported.

Ultimately, we need to find ways to talk about failure because the charitable sector is under-resourced and human lives matter.

We cannot afford to keep repeating our mistakes.

Consciously convening a conversation that might otherwise be lost—about failure and adaptation and improvement—is a key method for circumventing a sectoral slide into Einstein's definition of insanity: *to keep doing the same things and expect a different result.*

So, now that I've shared my philanthropic failure, who's next?

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#### Read more from Fiona Higgins:

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