

Towards A Science of Philanthropy:

Analysis of the Success of 10 Years of
the ADM Capital Foundation

An Empirical Investigation of the Effect
of Various Ways of Doing Philanthropy

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Giving Evidence

Enabling **giving** based on sound **evidence**

About Giving Evidence

Giving Evidence encourages and enables charitable *giving* based on sound *evidence*.

Through *consultancy*, Giving Evidence helps donors and charities in many countries to understand their impact and to raise it.

Through *campaigning*, thought-leadership and meta-research, we show what evidence is available and what remains needed, what it says, and where the quality and infrastructure of evidence need improving. We work on both *what to fund*, and also *how to fund*. This latter is less studied, and includes understanding the relative effectiveness in various circumstances of restricted vs unrestricted, engaged vs hands-off, grants vs other instruments, large vs small grants.

Giving Evidence was founded by Caroline Fiennes, one of the few people whose work has appeared in both *OK! Magazine* and *Nature*. Caroline writes the [How To Give It](#) column in the Financial Times. She is a former award-winning charity CEO, and author of the acclaimed book *It Ain't What You Give*. She has advised many donors of many types on many continents over many years. She speaks and writes extensively about these issues, e.g., on BBC TV, Freakonomics, Forbes, and the Daily Mail.

About ADM Capital Foundation

Based in Hong Kong, ADMCF is an impact driven foundation focused on making change in Asia, set up in 2006. Through research, we identify environmental challenges then work towards solutions across five areas: marine ecology, water security, air quality, wildlife trade and forestry conservation finance. ADMCF operates across India, China and South East Asia.

Until recently, ADMCF also had a Children and Youth at Risk (CAR) Programme but given the environmental degradation Asia has seen over the past two decades of rapid growth, and the relative lack of funding for environmental philanthropy, we have chosen now to concentrate our efforts in the environmental sector and have consequently reduced our CAR commitment to four core partners.

The partners of investment advisor ADM Capital established the foundation recognising the need for innovative and replicable models of funding for impact. To achieve this, we aim to foster sustainable growth in our local partners with core grants rather than simply backing short-term projects. ADMCF also provides an organisation not only with funding but also specific and relevant organisational support. ADMCF sometimes initiates work (e.g., on shark fin soup in Hong Kong) and sometimes incubates organisations which it then spins out, such as China Water Risk. Thus ADMCF's 'grants' are more usefully described as 'engagements', since sometimes the key actor is ADMCF itself.

About this research

This analysis by Giving Evidence is, to our knowledge, ***the first empirical data to be published about the relationship between various ways of giving and the success of the engagements.*** It looks at engagements by the ADMCF in its first ten years.

It draws on and was inspired by analysis by Shell Foundation, about the success of its engagements in its first ten years. We imply no criticism of Shell Foundation – whose publication was for a different purpose – by saying that we publish here more detail about how the success of the engagements varied with several dimensions (size, duration, restrictions, etc.) than Shell Foundation published.

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Introduction

Remarkably little is known about how to do philanthropy well.

Alongside the obvious choice of *what to fund*, donors also make many choices about *how to fund*: e.g., the scale of financial contribution, whether to stipulate how their support is used, extent of any non-financial support, and so on. There is (non-conclusive) evidence that these choices of *how to fund* affect a funder's impact, but – as yet – barely any studies of how they affect it. When are big grants better than small ones? When are long ones better than short ones? Nobody knows.

Yet these questions can be investigated empirically. Giving Evidence has laid out, in [a paper with the University of Chicago](#),¹ a fuller set of them and suggested ways to research them.

So we were delighted to work with the ADM Capital Foundation to investigate whether there is a relationship between how it has funded its engagements in its first 10 years (2006-2016), and their success. We are grateful to the ADM Capital Foundation for allowing us to publish the method and findings in such detail. Together, we sorted its engagements according to their success, and looked at how that success correlated with: size of financial contribution; duration of relationship; geography; amount of non-financial support; whether funds were restricted.

We hope that this analysis will start to build an evidence base about improving the effectiveness of philanthropy across the board, and that it will encourage other funders and foundations to have researchers do this kind of analysis for their grant portfolios: if these analyses are done consistently, and published, the patterns may become visible and useful to any donor. (Hence we publish the method in some detail.) We hope too that this analysis will encourage foundations to define *in advance*, when they start a new engagement/grant, the indicators on which to measure the engagement's success, rather than only looking at that retrospectively once the grant has concluded.

¹ Effective Philanthropy: Towards a Research Agenda (2014), Giving Evidence

2. Summary of findings, and caveats

a) Summary

The most striking finding is that the findings are few and generally weak. There does not seem to be any ‘knock-out’ factor which dramatically and invariably increases success on any of the criteria we used. For instance, there is no clear correlation between grant size and success. That ‘lack of finding’ may be interesting of itself.

However, we did find that:

- *Financial commitment*: there doesn’t seem a clear pattern in either child or the environment programme (‘ENV’) between the amount of money spent, and success.
- *Non-financial support*: high levels of non-financial support are associated with success in both ENV and child engagements.
- *Restricted funding*: in the child protection programme, engagements were more successful when they received ‘core’ funding (it is not clear whether this means unrestricted, or restricted to core costs, such as ‘must be used to pay the rent’. In the charity world, it normally means unrestricted, though wasn’t clear here). However, in ENV, there was no difference in success rates between engagements which received restricted vs ‘core/unrestricted’ funds. As mentioned, we have literally never before seen any data on success of grants by whether they are restricted or not.

b) Caveats

There are three important caveats about this analysis.

1) Sample size

The first is sample size. Unavoidably, the set of ADMCF engagements is relatively small. When we start sub-dividing it, e.g., by country, we come to sample sizes which are too small for anything meaningful to be said. For example, the number of child engagements which ADMCF had in Bangladesh and the Philippines was one; there were just two in Hong Kong and five in India. Therefore, one cannot sensibly compare success on a country basis. This is not a criticism of ADMCF: it is just a limitation on what the analysis can be asked to interrogate.

2) Correlation

Even where sample sizes are adequate, this kind of analysis shows what factors *correlated with* what: it does not show what *caused* what. To be precise, it doesn’t show whether there was any causal relationship, and doesn’t show the direction of any causal relationship.

For example, we found that the child engagements that were the least difficult were also the most expensive. Now, *perhaps* that is because ADMCF put more money into the ones that were less difficult than into those which were more difficult - in other words, it was encouraged by the ease into investing more money. Or *perhaps* some other factor (such as good management) made those engagements both easy and attractive to fund. Or *perhaps* the causation was the other way around,

and the provision of significant money solved the organisation's various problems, making it easy to deal with. Or maybe there is no causal relationship at all, but rather just random chance arising from small numbers.

3) Subjectivity

The 'outcome variable' (i.e., the scorings of the engagements against the criteria) was subjective and retrospective. There is plenty of scope here for inaccurate recall of the engagement's original purpose and for hindsight bias.

Solving these shortcomings...

Nonetheless, we maintain that this analysis is better than nothing, which is the sum total of what most funders know reliably about the effects of their practices on their success.

The **sample size problem** will be solved if many foundations / funders allow their grant portfolios to be analysed in this way.

The **correlation problem** would be solved if some foundations / funders were willing to do some *prospective* studies, e.g., vary the size of their grants (ideally randomly) and track the success of grantees. (See recommendation section later).

The **subjectivity problem** can be solved if funders log the purpose of engagements at the point at which they begin, alongside how the engagement's success will be measured. If they then collect the relevant data, the success can be assessed more objectively. For instance, if a grant was made to train 30 teachers, then success is having trained 30 people who are now teaching; a reasonable outcome is having trained 25-30 of them; a poor outcome is having trained fewer than 25. Obviously if the grantee fails to train any but does discover the cure for cancer, the funder can 'override' the data to count that as a success. Equally obvious is that for some types of work, success is *hard* to define: though, we would argue, rarely *impossible*.

“The real purpose of the scientific method is to make sure Nature hasn't misled you into thinking you know something you don't actually know.”

- Robert Pirsig in *Zen and the Art of Motorcycle Maintenance*

3. Method

a) Defining success criteria

To evaluate the success of ADMCF's engagements, one primary and two secondary outcome criteria were defined by Giving Evidence in collaboration with ADMCF:

Primary outcome: Success

To what extent has the engagement met or exceeded the goals with which it began? e.g., it has exceeded them, it has met most of them, it hasn't really met them well.

Secondary outcomes: Sustainability and Difficulty

Sustainability – How financially sustainable is the work after the support from ADMCF and its funder-partners (i.e., other funders which ADMCF brings in) ends?

Difficulty – From ADMCF's perspective, how easy or challenging was it to work with the engagement?

b) Scoring engagements on those criteria

Each engagement was then assigned a score by ADMCF based on its success, taking account of its performance on those criteria. In relation to success and sustainability, each engagement was scored either:

- Low - the engagement has not performed well
- Med - the engagement has performed reasonably
- High - the engagement had performed well / has outperformed expectation.

In relation to 'difficulty' criterion, each engagement was scored either: High = hard, Med = okay, Low = good/easy. (Any engagements categorised as N/A or for which data were missing were excluded from the analysis of those criteria.)

The rankings were then verified by Giving Evidence through cross-referencing the score with written documentation on the engagements which ADMCF provided to us (e.g., material about the engagements and their performance), as well as through ADMCF's responses to a questionnaire which Giving Evidence asked ADMCF to complete about its engagements.

For the primary 'success' criterion, only two out of the 65 engagements were scored as 'low'. Because this number is so tiny, these two engagements were grouped with the 'medium' successful outcomes to create a binary score of engagements either being 'successful' or 'partial/unsuccessful'.

The analysis was conducted during January – April 2017.

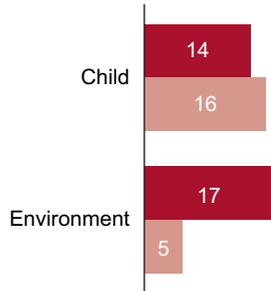
4. Findings

a) Success of the portfolio overall

Environmental engagements were perceived to be successful more often than child protection engagements were.

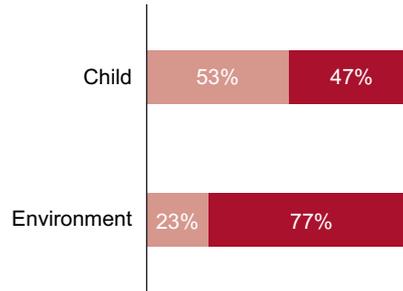
Successful engagements

Number of engagements



Engagements achieving outcome

% of engagements achieving outcome



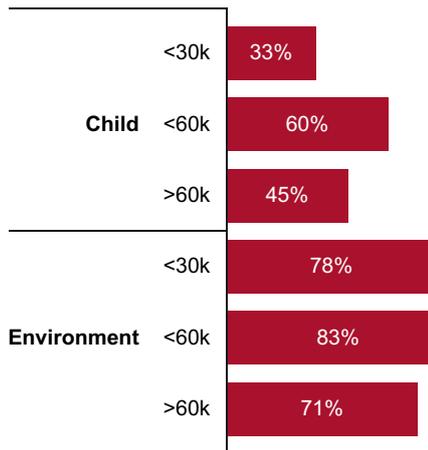
■ Successful ■ Partial/Unsuccessful

b) Size of financial contribution

We grouped engagements by the financial commitment into <US\$30k, \$30-60k, and >\$60k.

Successful engagements

By funding level per annum (USD)



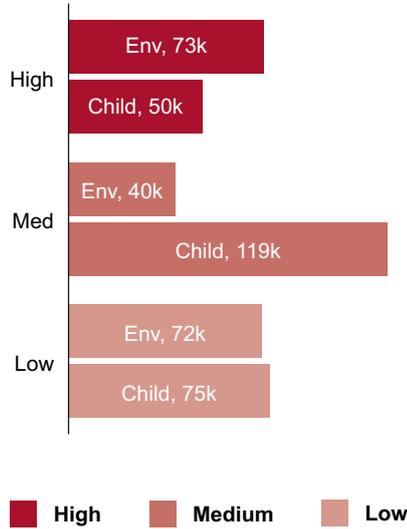
	N	Successful (n)	Partial/Unsuccessful (n)
<30k	9	3	6
<60k	10	6	4
>60k	11	5	6
<30k	9	7	2
<60k	6	5	1
>60k	7	5	2

Success didn't correlate clearly with the total size of financial contribution for either programme. That is highly interesting of itself, since grant size is perhaps the most obvious choice which funders make.

Neither was size of annual financial contribution associated with financial sustainability after the ADMCF support had ended:

Sustainability

Average cost per annum (USD)

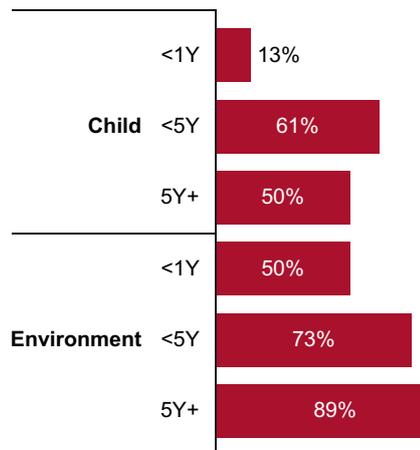


c) Duration of engagement

Duration didn't seem to be associated with success in the child programme, though it was in the environment programme:

Successful engagements

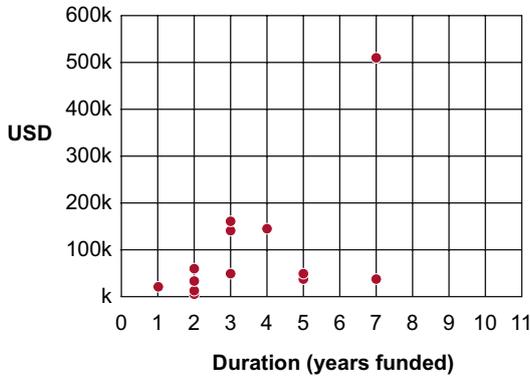
By number of years funded



This pattern persists even when we include data on the annual financial contribution (and discount the couple of outliers in the child programme):

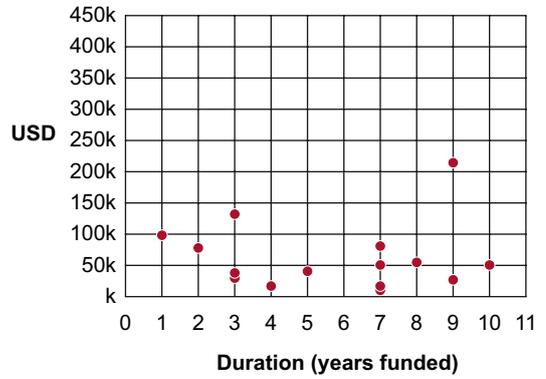
Child successful engagements

Cost per annum & duration



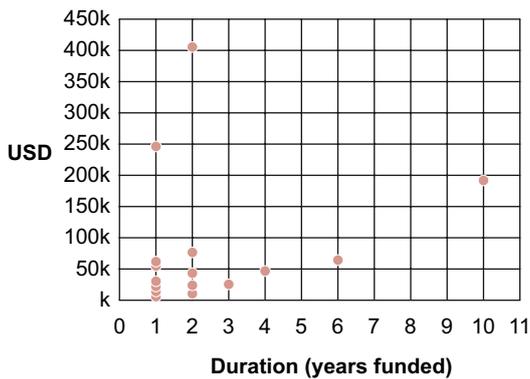
Env successful engagements

Cost per annum & duration



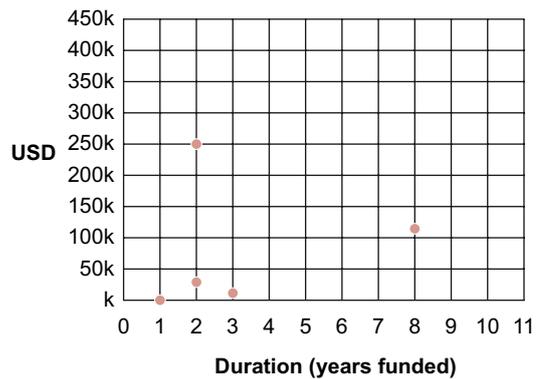
Child unsuccessful/partially successful engagements

Cost per annum & duration



Env unsuccessful/partially successful engagements

Cost per annum & duration



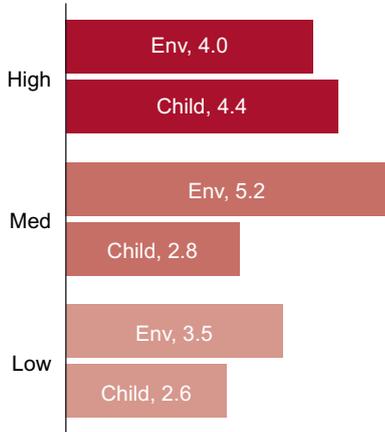
- Successful engagement
- Partially or unsuccessful engagement

However, looking at the financial contribution per year shows that in both child and ENV, successful engagements typically lasted longer than did less successful ENV engagements. It also shows that success in ENV engagements is correlated with longer involvement than is success in child engagements. (As mentioned, clearly this causation could go either way, or there could be no causal relationship at all.)

Equally, on the question of ‘How financially sustainable is the work after the support from ADMCF and its funder-partners ends?’, shorter child engagements fared worse than longer ones; the pattern in ENV engagements was more mixed:

Sustainability

Average duration (years)



d) Restrictions

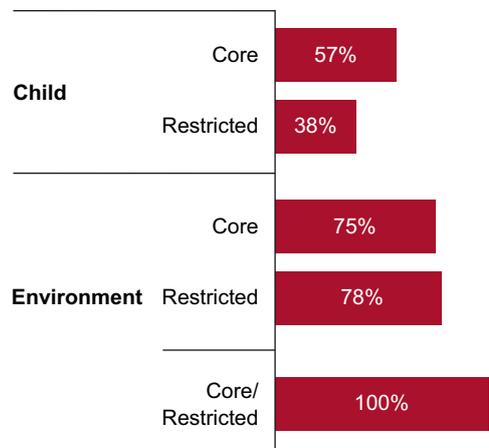
Some engagements were marked as having restrictions. Others were marked as being either unrestricted or restricted to ‘core’ costs: those two were not distinguished in the data, and are treated here as ‘core’. Some engagements were marked as both restricted and ‘core’.

Interestingly, restrictions didn’t seem to have affected /been affected by success in ENV engagements, but were associated with reduced success in child engagements.

Success of engagements

Number of engagements

% of engagements which succeeded

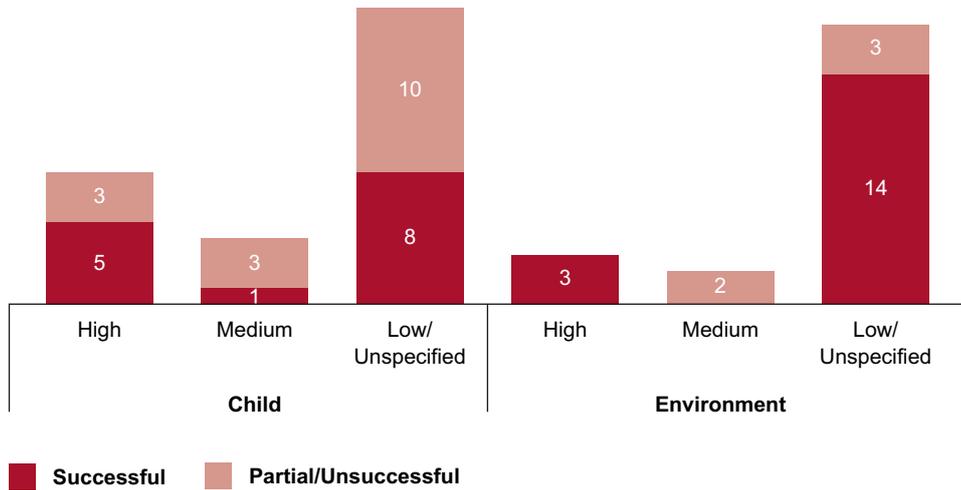


■ Successful ■ Partial/Unsuccessful

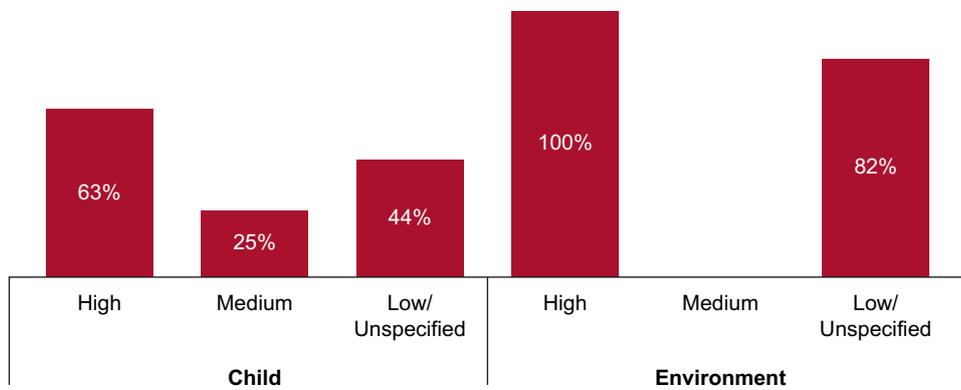
e) Non-financial support

The best-performing engagements in both programmes had the greatest level of non-financial support:

Success of engagements by level of non-financial support



% of engagements with various degrees of non-financial support which succeeded



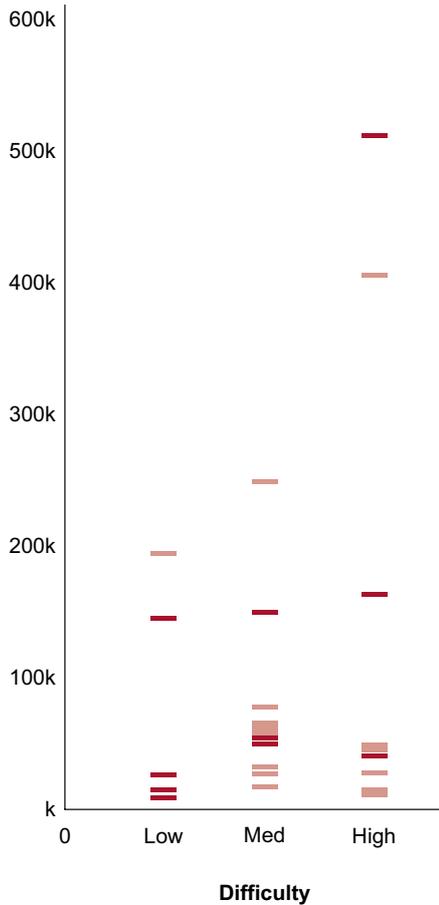
f) Difficulty

We also looked at the relationship between the difficulty in the engagement (as ADMCF perceived it) and success. For both sectors, the more difficult engagements seem to have been the least successful.

Child engagements

Successful, partially/unsuccessful

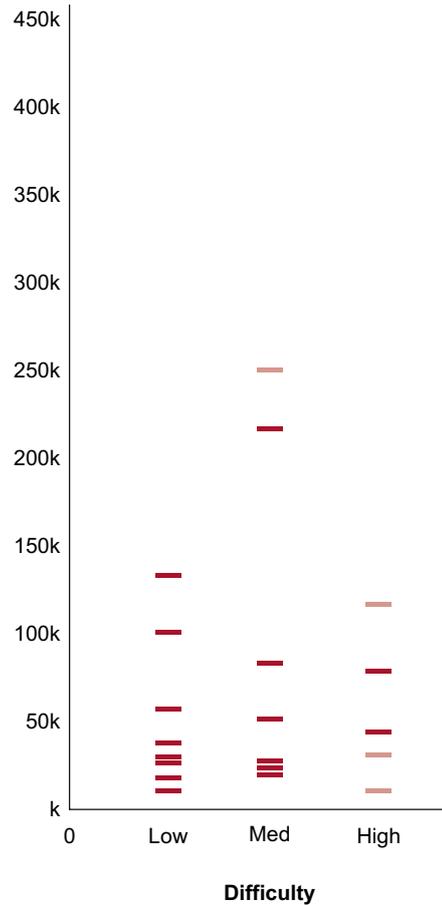
Cost per annum (USD)



Environmental engagements

Successful, partially/unsuccessful

Cost per annum (USD)



— Successful engagement — Partially or unsuccessful engagement

We undertook other analysis, e.g., of success of engagements split by geography, but the sample sizes in each group are too small for them to be worth reporting.

5. Discussion and implications

The most important feature of this analysis is that it exists at all. A great deal is spouted about what makes for successful philanthropy, and yet there is virtually no data or analysis about this. **To our knowledge, this analysis is only the second time that any foundation anywhere² has looked empirically at the success of its historic grants and tried to see what has led to their success or failure.** It contains the first analysis we know of anywhere ever regarding the effect of restricted grants, i.e., whether restricted vs. unrestricted funding affects an engagement's success.

Part of Giving Evidence's enthusiasm for doing this work is to encourage more such analysis (and introspection) by funders in order to build an evidence base to improve the effectiveness of philanthropy across the board.

We were quite prepared for this method to collapse completely. In fact, it didn't, which rather shows that analyzing grants according to their success is possible. It is not bullet-proof, because in most cases the classification of an engagement's success had to be subjective and based on opinion. This was because there were not objective data to hand from which to make the assessment.

But it *is* possible to assess the success of grants (even if subjectively) on various criteria, and then look at what correlates with that success.

Of course a complete assessment of ADMCF's work would include other analyses, such as grantee perception, and the costs of the process – borne by both ADMCF and the grantee and other partners.

The finding about size of financial contribution is interesting. Though a very different context, the sole other study we've seen of the effect of grant size also showed that it doesn't matter: a study of the impact of [arthritis research](#) found that large grants were no more consequential than small grants. This counter-intuitive finding could arise if small grants are awarded for different types of work.

Recommendations for other funders

A foundation wanting to analyse the success of its grants/ engagements could usefully do the following:

- Define – at the point that the grant is made – what good / reasonable / poor performance will look like, the data which will show that, and when they will be available (e.g., six months later, ten years later)
- Write down various 'dimensions' of each grant, e.g., total size, annual size, extent and nature of non-financial support, nature of restrictions, duration, grant size as % of the total organization size. Also some 'dimensions' of the grantee, e.g., size, geography, how the relationship came about, nature of its leadership, purpose, age etc.
- Have somebody independent collect those data at the point that they are available (e.g., six months later, ten years later), and score each grant's success against its original definition based on those data. {Clearly there are cost implications of this. Most funders are constrained in terms of funding so need to be judicious about where they spend funds on monitoring and evaluation such as this. One sensible move is to focus the resources on monitoring grants which are most likely to yield learnings, or where the 'answer' will influence future spending, e.g., if the grant is for a pilot programme, it is worth establishing whether it has achieved its goals and should be scaled up.}

² The first is the Shell Foundation's analysis in its 10 year anniversary report, Enterprise Solutions to Scale (2010)

- Have somebody independent investigate the relationships between the ‘dimensions’ of the grant and grantee, and success. This would show whether, for example, large grants have done better than small ones, or whether grantees found proactively have done better than those found reactively, or those led by women out-performed those led by men, etc.

This is essentially normal monitoring activity, though currently foundation and funders rarely monitor their own performance.

That will give the foundation (and the world, if they publish it) a *retrospective* analysis. One could also do *prospective* studies, e.g., by varying grant size (ideally) randomly and then looking at the effect on success. Note that this would not require choosing grantees at random (which funders hate, even though [there is evidence that grants are sometimes effectively random](#)): rather ‘just’ varying the ‘dimensions’ of the grant at random.