



# PHILANTHROPY IN FRUGAL TIMES

The financial crisis delivered a violent shock to the world of philanthropy. Donors are reconsidering the way they give and what they expect their chosen organisations to achieve. **Ian Duncan** finds out what needs to change in the charitable sector, and why focus and engagement are the new watchwords.

While the worst of the global recession may now be over, countries around the world face difficult times ahead. The turmoil that engulfed Greece and the apparent threat to the rest of Europe has convinced governments across the continent that they need to reign in spending. In the US, a number of states are wrestling with severe deficits and the only remedy looks to be cuts.

The danger is that a prolonged period of retrenchment will be devastating to the most vulnerable members of society. Philanthropists are rightly concerned and want to find ways to help but the road ahead is not clear. Charities and foundations cannot hope to fill the gaps in government budgets, so simply pumping them up with more cash is not enough.

But individuals and private organisations can explore areas governments fear to tread, allowing their dollars, pounds or euros to tackle stickier or politically unpalatable problems. The emerging post-crisis model of philanthropy prizes engagement over largess and results over spending. Creative thinking and risk taking will be vital and donors will need to draw on their experiences in business to find new ways of tackling social problems.

Michael Green co-authored *Philanthrocapitalism* and *The Road From Ruin* with *Economist* journalist Matthew Bishop. Their first book was published at an inauspicious time: it came out the day Lehman Brothers went bust. But former US president Bill Clinton praised the authors' vision and in a foreword to *Philanthrocapitalism* wrote, "We have to transform the world

into one of shared responsibilities, shared opportunities, and a shared sense of community. Bishop and Green show us how to do it.”

### Post-recession adjustment

Perhaps with the sound of collapsing banks ringing in their ears, some wilder critics claimed the rich were about to vanish from the face of the Earth and along with them, charitable donations. Nonsense, says Green. “What we’ve seen as the *Forbes* list has come out is that the rich have bounced back pretty quickly.”

It is governments, he argues, who will suffer in the long term. “Everyone in the past has said let’s just tax the rich and let the state do everything. In the current fiscal situation, we’re all going to be paying more tax but governments are not going to be able to do what they could before.”

In this context, the wealthy need to re-examine the role they play in supporting social and charitable organisations and work to achieve the partnerships suggested by Clinton. Through his California-based company Tactical Philanthropy Advisors, Sean Stannard-Stockton has been urging donors to concentrate on a limited number of causes for years but it was the shock of the recession that really changed attitudes.

“In the past, people were writing small cheques to 40 or 50 different non-profit organisations but as the economy contracted, they wanted to focus their money on the organisations they had the most conviction for or that were doing the best work,” he says. “Almost by definition it’s hard to be aware of and have strong connections with 60 different groups.”

the social sector. As the return on investment becomes more difficult to measure, some assume there is no return at all, leading to skewed funding decisions.

“It’s very difficult to prove the impact that non-profits are having and donors sometimes use overly simplistic measures,” he says. “One would be the amount an organisation spends on overheads, which it wants to be as low as possible because it’s seen as waste. But it’s actually the money you invest in fantastic employees, technology and other resources.”

An increasingly popular way of supplementing financial contributions is for supporters to get directly involved in the running of an organisation. “While all NGOs are looking for money, most are also looking for talent and people prepared to spend time are an important resource,” says Solomon. “Take a look at people retiring early and living longer – that’s a lot of time that could be better used for the benefit of mankind.”

He adds that tech entrepreneurs are really leading way in this respect. Many are selling their businesses in their 30s or even 20s and moving into philanthropy, sparking a boom in organisations dedicated to solving a particular problem and a new, more adventurous approach to social innovation.



## ‘CHARITIES ARE GOING TO HAVE TO REALISE THEY’RE DEALING WITH DIFFERENT KINDS OF DONORS, THEY CAN’T JUST TAKE THE MONEY.’

Jeffrey Solomon, president of the Andrea and Charles Bronfman Philanthropies in New York, agrees and urges donors to follow their hearts. “To the degree that their philanthropy speaks to their passions,” he says, “they’re going to focus, spend more time and more money, and the world will be improved as a result.”

By committing to a small number of institutions and activities, donors can leverage their financial contributions and bring their personal talents to bear, delivering a far greater impact.

“People describe philanthropy as the R&D of social work, or even its venture capitalism,” says Stannard-Stockton. “It can take risks that the government can’t with tax-payer money, especially for programmes that are unusual or counter-intuitive in some way.”

Ever larger numbers of donors are approaching giving like any other investment and while there might not be a financial return, this attitude has significant benefits. It encourages social organisations to concentrate on delivering outcomes and developing innovative ideas. Measurement can require a lengthy period of in-depth analysis but once a programme’s value has been proven it can be scaled up quickly or implanted into new communities. Stannard-Stockton gives the example of Nurse Family Partnerships, a US organisation that provides support to low-income first-time mothers. From its roots in the 1970s, the idea has spread across the country and is now steered by a national body.

The programme was the subject of three major academic studies in the 1970s, 1980s and 1990s, all of which demonstrated its success in improving health and educational outcomes of the children it worked with. The evidence of these studies has helped the organisation attract government funding.

### Profit earner to profit giver

Stannard-Stockton cautions that donors who have been successfully running their own companies do not always translate that experience into

The risk is a serious culture clash between the activist donor and the leaders of the organisation he wants to support. Charities have been wary of businessmen and their motives in the past and need to be shown the benefits of an investment approach firsthand.

Green sees it as a two-way process. “Charities are going to have to realise they’re dealing with different kinds of donors, they can’t just take the money and then neglect them,” he says. “They’ve really got to have a much more engaged relationship to harness the donor’s skills. At the same time, though, philanthropists need some humility.”

Stannard-Stockton puts it more starkly: “Just showing up and saying ‘I want to be put to work because it’s what I want’ isn’t actually a gift of anything.”

### Social skills

When the British venture capitalists Stephen Dawson and Nat Sloane founded the Impetus Trust to fund a range of charitable projects, they recognised that they needed to bring people from the social sector on board. They have managed to successfully combine the values of business and charity in their work and challenged some of the assumptions of social projects without undermining them.

“It’s all about whether you can turn that clash of cultures into something productive,” Green says. “My fear is the charity sector can be too defensive and ignore the possibilities, and donors can be too apologetic and see the non-profit world as an entirely different sphere.”

Breaking down the fourth wall can be uncomfortable for both donors and the organisations they support but there are significant benefits to be had, if they push through the initial pain. While there is a need for philanthropists to take more time to build up an understanding of the sector, they should not avoid asking difficult questions and making use of their skills and ideas. If both parties go into the partnership with their eyes open, they will be much better placed to solve some of the most pressing problems facing their communities. ■