Philanthropy Impact
Magazine

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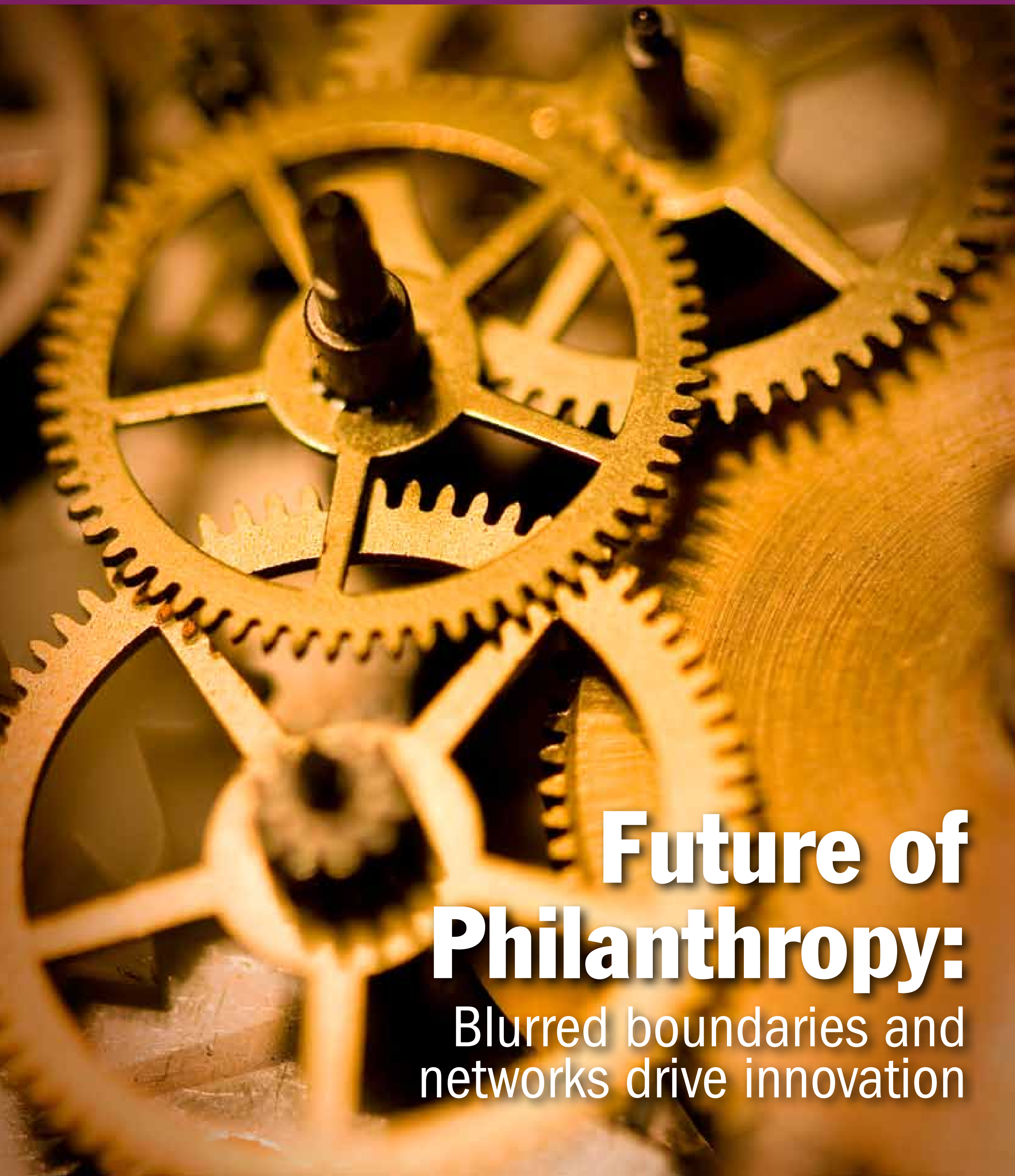

Future of Philanthropy:

Blurred boundaries and networks drive innovation

Philanthropy Impact makes sense of and inspires of philanthropy across borders, sectors and caused. To match this mission we created an issues-based magazine covering the depth and breadth of the philanthropy spectrum. The response from you, our readers and contributors has been overwhelmingly supportive.

Editors have the luxury of a 'birds eye view', and for this our last issue (as Editors) we have chosen to reflect on the three key areas that we believe need more consideration and debate.

First, the issues facing society, both global and local, are enormous and they are not going to be resolved by independent, or ad hoc and often top-down interventions . Rather, they will only be resolved if all parties (governments and NGOs, corporates, philanthropists/philanthropies, beneficiaries and charities) work together, using the best tools available and sharing data and information. Transparency is essential. Lester M Salamon; Robert Dufton; Noah Isserman; Dr Rob John; Arnaud Mourot & Sarah Jefferson; Kimberly Manno-Reott; Bathylle Missika; Etienne Eischenberg; Andrew Rogerson & Gideon Rabinowitz; William Makower; and Bertrand Beghin & Dominic Llewellyn all provide insights into the ways this can be achieved and issues that need to be addressed. Dr David Cannadine, sends a a rallying call for deeper engagement with the issues facing higher education, including how they are funded.

Second. Over the past year the phrase 'corporate philanthropy' has become more prominent. Does it really exist? In this issue Alice Korngold, Arnaud Mourot, Vanessa Friedman and Dr Catherine Walker offer different perspectives on this vexing phrase: the debate must be continued.

Finally, we need to not only understand why people give, so we can encourage more people to give, but also to inspire those who do already give. Ian Marsh and Suzanne Biegel offer different insights.

Our regular features: The Secret Philanthropist; Ten Things (you probably) Didn't Know About Philanthropy in… and Most Tweeted present different views.

Don't forget that, though I may be moving on, Philanthropy Impact Magazine would still love to hear from you. Please email editor@philanthropy-impact.org

It has been an absolute delight working with Michael (all-round wise counsel) and our contributors, and my time with Philanthropy Impact (and previously EAPG) has been thoroughly enjoyable. We wish Philanthropy Impact and its Magazine a vibrant future.

All very best

Sue

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Philanthropy Impact, launched in December 2013 following the incorporation of Philanthropy UK, the European Association for Philanthropy and Giving (EAPG) and the Philanthropy Advisors Forum. For more information see www.philanthropy-impact.org

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The purpose of the magazine is to share information about philanthropy in a domestic and international context. We welcome articles, letters and other forms of contribution in Philanthropy Impact Magazine, and we reserve the right to amend them.

Please contact the Editor at editor@philanthropy-impact.org

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Shining a Light on Foundations – Accountability, Transparency and Self-Regulation

by **Robert Dufton**

The previous issue of *Philanthropy Impact Magazine* (December 2013) included two articles which pointed to desirability of humility in philanthropy. Russell Willis Taylor in *"Giving, Not Getting"*, reflected on the downsides of people becoming involved in philanthropy mainly for personal brand building and/or those who bring market-based values which are not always appropriate to achieve societal good. David Gold's *"Beware The Dark Side of Philanthropy"* gave practical advice for individual philanthropists on how to avoid many unhelpful practices.

Building on these contributions, this article focuses on foundations, institutions set up for public benefit which have their own funds. In practice most of these operate as grantmakers.

Fleishman (and others) have highlighted the (USA) foundation sector's lack of accountability and transparency. And there is a long history of criticism of foundations on these grounds. But an equally long understanding of the unique quality of foundations lies in independence, both from Governments and the need to operate in ways which reflect popular opinion.

In the UK charities generally (particularly larger charities by assets or income, which many foundations are), and foundations specifically, have since 2010 experienced unusual levels of interest from the Government or Parliament, including proposals (since dropped) for limits on tax relief on major charitable donations and a US-like mandatory pay-out by foundations. The UK International Development Select Committee has reported on "Private Foundations". Their use of the word "private" is significant - charities in the UK aren't normally described as private and UK foundations are nearly all registered charities – so the description arguably reflects ignorance or worse a perception within Parliament about the nature of foundations.

Another theme is to question the spending by charities which is not focussed on the delivery of so-called "front-line services". Many foundations explicitly adopt strategic approaches, not prioritising supporting current needs but instead funding innovation or preventative work. The UK Government's announcement in 2010 of its "reforms" of the national lottery, included capping the spending on administration and communication by national lottery distributors. The Government explicitly justified this based on its own research into the supposed "best practice" of selected independent grant-making foundations. (The research was however flawed as the Government did not appear to understand that most of the foundations analysed invest - and spend - on

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the basis of "total return"; the Government's analysis simply used their much smaller actual income which accounting standards require them to report.)

But it is not just the Government. UK foundations have recently come under media scrutiny: *Princess Diana fund cynically hijacked by the Left: How money is being diverted to pro-immigration campaign fund* (Daily Mail, 12 April 2013) and, although not about an endowed foundation, a BBC Panorama programme focussed on Comic Relief's unethical investments, failed commercial investments and staff costs (broadcast, 10 December 2013).

Fleishman (and others) have highlighted the (USA) foundation sector's lack of accountability and transparency. And there is a long history of criticism of foundations on these grounds. But an equally long understanding of the unique quality of foundations lies in independence, both from Governments and the need to operate in ways which reflect popular opinion.

In the UK foundations appear more vulnerable politically than ever before. What can they do to avoid a threat of Government interference and maintain their much-valued independence? Answers include accountability, transparency and self-regulation.

Accountability

Formal accountability in the UK (and some other European jurisdictions) is greater than in the USA (in the UK through more detailed filling requirements of the Charity Commission) compared to the information which US private foundations are required to file with the US Internal Revenue Service). Legal accountability for UK foundations does not differ from other charities. They are all obliged to report annually their organisational details and file their financial statements. Since 2006 the latter must include a report on how they deliver public benefit. However there are many, significant foundations, whose public benefit reports does not give the level of detail shown in the model report published by the Charity Commission for a hypothetical foundation The Rosanna Grant Trust.

But how much reliance can be placed on accountability to the Charity Commission? The UK Public Administration Select Committee has recently declared it to be "not fit for purpose" (although the starting point for their investigation was the tax status of a registered charity, the Cup Trust, whilst the Charity Commission is not formally responsible for tax issues of the charities it regulates). However the Charity Commission's CEO Sam Younger said in giving evidence in Parliament to the Committee that the Charity Commission "barely has enough money to regulate effectively". So it seems unlikely the Commission will use its hard-pressed resources to raise the standards of the public benefit reporting by foundations.

A form of accountability can be derived from academic research. Research on foundations is limited outside the USA (and there scholars focus on American foundations as subjects). In the UK there are a handful of small research centres, the Centre for Philanthropy & Giving at Cass Business School, and at Kent and Strathclyde. In the rest of Europe the number of serious research institutes is similarly low.

Anthony Tomei (formerly Director of the UK Nuffield Foundation and now at King's College London) writing in the Voluntary Sector Review argues that for UK foundations wanting to influence social change, the limited accountability requirements of charity law are not enough and they need to adopt a wider concept of accountability to achieve legitimacy, and that without the latter they will not be effective. Though he wisely points to the risks that increased accountability to stakeholders brings, as well as the opportunities for legitimacy.

The Hidden Hand

Increasing transparency (the "glass pockets" approach for foundations) interests many foundations. It is line with changing societal expectations of open data, particularly the freedom of information/rights to information for citizens in respect of their Government and public bodies (the freedom of/right to Information legislation has in some jurisdictions come as a result of the patient support given by foundations to campaigners over many years)..

Throughout the world, developing countries face huge challenges in accessing up-to-date information about aid – information that they need to plan and manage those resources effectively. Similarly, citizens in developing countries and in donor countries lack

the information they need to hold their governments to account for use of those resources. International Aid Transparency Initiative (IATI) aims to address this by making information about aid spending easier to access, use and understand (for more information on IATI see the article in Philanthropy Impact magazine Issue 3: Summer 2013).

The UK Government was the first organisation to publish to IATI standards. The Gates Foundation recently committed to IATI, joining a small but growing number of foundations led by the USA William and Flora Hewlett Foundation and Comic Relief in the UK.

The push for transparency by foundations is strongest in the international development sector, reflecting the work of advocacy groups (in the UK) like Publish What You Fund, 360 Giving and the Alliance for Useful Evidence. However where a foundation funds both international development and domestically, the impact can affect domestic data. Recently the Big Lottery Fund, a UK national lottery distributor has released a mass of data covering its funding going back to 2004 as part of a commitment to openness and transparency.

The Center for Effective Philanthropy, a US non-profit, is the global leader for standardised anonymous surveys of the stakeholders of foundations. Most participants commit to publish their survey results (although this is not a condition). Well known to large >$5m pa spend US foundations, it has been used by foundations in the UK, Ireland and Israel and elsewhere. Paul Hamlyn Foundation is the first UK foundation to have commissioned a grantee survey twice and the first to commission an applicant survey. PHF has published its survey results. CEP has just launched a cut-down basic grantee survey for foundations spending <$5m pa.

Self-regulation.

Developed systems of self-regulation require: agreed standards, auditing of compliance, a complaints processes and redress/sanctions. In practice such developed systems are often created and maintained if they are initiated in a statutory framework (eg the UK Charities Act 2006 provided for the establishment of a self-regulatory body for fundraising by charities, which led to the creation in 2007 of the self-regulatory Fundraising Standards Board).

Current approaches for foundations are a long way from this. The UK Association of Charitable Foundations, a national membership body for over 300 UK foundations only requires its members to support ACF's objects, *"promoting the collective and individual effectiveness of such trusts and institutions and better methods of administration and management of their resources"*. ACF does not have an agreed set of standards or code of conduct; its diverse membership appears content with the good practice guides it publishes.

ACF is one of eight main voluntary sector membership/infrastructure bodies and evaluation specialists who together established the *Inspiring Impact* initiative, This seeks to change the thinking and practice of impact measurement. As part of this, ACF as the lead partner for funders, commissioners and (social) investors, has published *"Funders' principles and drivers of good impact"*. Funders are invited to sign up to the principles; to date, 27 have.

The European Foundation Centre has "Principles of Good Practice", in origin 20 years' old and it has published an audit of compliance by its members with the current, 2006 version. However Boudewijn de Blij of the Stichting Fonds 1818, writing in the most recent issue of the EFC journal *Effect*, describes his experience as Chairman of an EFC Task Force charged by its membership to "raise the bar" with higher standards in the Principles of Good Practice, only to find that the same members weren't ready to accept such high standards. De Blij politely attributes this to "a hint of cognitive dissonance in the European foundation sector between thought and action"!

The US Council of Foundations, like the ACF, does not require its 1,700 member to adhere to a code of practice or set of standards. However a sub-set of them have signed up to the "National Standards for (US) Community Foundations". This is an exacting set of standards. Membership applications are peer-reviewed and subject to five yearly reaccreditation

The National Committee for Responsive Philanthropy is the self-declared "watch dog" of foundations in the USA. It is committed to holding foundations accountable to the highest standard of integrity and openness. No comparable institution exists in the UK, though the late Luke Fitzherbert at Directory of Social Change worked tirelessly to ensure that UK foundations were open about their work in a comprehensive Directory of UK Grantmaking Trusts, and was not afraid to name and shame some UK foundations who weren't open.

In the UK foundations appear more vulnerable politically than ever before. What can they do to avoid a threat of Government interference and maintain their much-valued independence? Answers include accountability, transparency and self-regulation.

The influential US Philanthropy Roundtable seeks to protect philanthropic freedom, both for foundations and individuals. It strongly opposes the creation of a new regulatory agency to oversee US foundations and charities. It also opposes any initiative for formal mandatory industry-wide self-regulation as an alternative to IRS oversight.

Conclusion

In a period of comparative austerity, with huge pressures on reduced Government spending, the income of foundations is an important and enviable source of unconstrained funding. Many parts of society will be interested in what foundations do, how they do it and what they are achieving. Foundations themselves have got an interest in ensuring that every penny counts. For those foundations which are endowed, but which have not yet made mission or programme related investments, even their assets could be considered a tempting target for unthinking but populist approaches, even attacks. Whilst the outcome may not be as drastic for foundations as the dissolution of mediaeval monasteries, which were also endowed institutions set up for public benefit, foundations need to be more accountable and open, and set themselves appropriate standards of conduct, if they are to continue their important work.

Ten Things You (Probably) Didn't Know About Philanthropy in Denmark

by Susanne Krogh Petersen, Norgay Institute

1. The World Giving Index 2012 ranked Denmark seventh in the number of people who donates, with 70 percent of Danes giving something each year. However, the cash amount given remains relatively small.
2. The number of individual donors in Denmark is virtually non-existent. In the annual overview over charitable income undertaken by ISOBRO (a national umbrella organisation for fundraising charities in Denmark) there are no independent figures for private high-value gifts, except for the heritage sector.
3. However, according to ISOBRO giving overall is rising. Between 2008 and 2012 charitable income increased by 22 percent. (corrected of inflation).
4. Tax relief options for giving by individuals are limited, and only apply to giving below €2000 pa, cumulative. Unless you make a ten-year agreement to an organisation, then there are special rules – but they are still limited.
5. Denmark did have legislation which provided favourable tax options for companies that chose a foundation based ownership model. Interestingly, all the large foundations in Denmark were founded under this legislation, where the foundation not only owns and operates the company but also undertakes charitable giving. This has contributed to the situation where many of the largest companies in Denmark are still in Danish hands instead of being bought by international equity foundations.
6. In 2013 the A.P. Møller Foundation gave €134m (1billion Danish kroner) to support continuing education of teachers in state schools. This was Denmark's largest charity donation towards social purposes.
7. Foundation legislation in Denmark is limited. There are no demands for public accounts, no standards or demands for a percentage of giving, and no demands of public transparency with regard to boards and governance, or purpose of giving. However, this is changing with the introduction of new legislation expected in late 2014.
8. Whilst the percentage of giving by foundations is rising, it remains low in comparison to other countries. In 2010 the average percent of equity for giving, for the ten largest foundations, was three percent.
9. In Denmark, a country with 5.5 million people, there are more than 14.000 small charitable foundations.
10. For the last three years Danish national television has presented a charity show the proceeds of which benefit international aid organisations. In 2013 saw a record 85m DKK raised. This is equivalent of each person aged 15 and 90 years giving €3. This is by far the biggest charity event in Denmark.

Homelessness

A couple of recent charity adverts have caught my attention recently. One was from a homeless charity *"Just 40p per day can sponsor a room so that Sophie does not have to sleep on the streets tonight."* This makes me reflect on the difficulty of balancing the need to generate income with the responsibility for painting an accurate picture of a problem.

The homeless advert implies that Sophie is sleeping rough for want of 40p a night. While readers of this august publication will know enough to take this with a big pinch of salt, this advert is published in the wider press and members of the public who don't spend much of their time researching the causes of rough sleeping could easily be appalled that we live in a society where MP's salaries are rising but young people are apparently sleeping rough for want of such a tiny amount of money.

It is important to look at all charity issues in the wider context. Most money we give to charity is paying for something the state has refused to pay for.

The Secret Philanthropist is a successful British entrepreneur.

Every year we spend about £250 billion of taxpayers' money on welfare, £100 billion on health and £97 billion on education. This is topped up by about £6 billion of voluntary funds from philanthropy of public fundraising. To understand the real impact of your philanthropy it is vital to understand where the state thinks its responsibility ends and charitable funding takes over. (I say *charitable funding* as opposed to *charity* because much of the government's work in this area is carried out by charities but paid for by the state)

So what does the UK government do to prevent homelessness?

Firstly we spend £17 billion per year paying over 5 million people housing benefit to help them pay some or all of their rent (rent that is in itself subsidised to the tune of more billions in the case of local authority housing). So where it is only a question of money, this issue is largely dealt with.

At any given time some 40,000 people still slip through that net and need emergency accommodation. This can occur for any number of reasons including relationship breakdown, domestic abuse, eviction or inefficiency of the housing system in finding a suitable permanent home. Local authorities are obliged to provide hostel or B&B accommodation to these people. The accommodation element of this is covered through housing benefit.

On any given night in the UK about 2,000 people will be sleeping rough in the streets. Some of these will do so by choice and some will have slipped through the emergency accommodation safety net. Most of them will have issues with substance abuse or mental health issues.

I really wish this problem could be solved for 40p a night. It would cost £800 a day or about £300k per year to solve the problem. If only that were the case I would happily write the cheque myself. In truth the government spends about £350 million annually trying to solve the issue of homelessness, over and above the bill for housing benefit and still the figure for rough sleeping hasn't improved much over time.

Over the course of the last sixty years we have built a welfare system in this country that our great grandparents would have marvelled at.

So what is the role of philanthropy in homelessness in our current system?

There are some independent organisations doing great work in helping those who have slipped through the net. They can help them apply for the benefits they are entitled to, they can offer counselling and therapy to help with mental health and addiction issues. Most of their costs will be covered by the state but philanthropy gives them independence to operate. Being independent from the state can in some cases enable them to cultivate trust with vulnerable people. Being a charity enables them to attract volunteers who can provide a friendly face. There are many who will argue that the state could spend more on the issue and in which case more philanthropic funding can only help

I don't have any issues with how this particular charity spends the money they raise but I would prefer to be realistic about what can be achieved. Philanthropy is picking up people who have fallen through several safety nets. Their problems are complex and expensive to resolve and they don't always make it easy to be helped.

"Just 40p per day can sponsor a room so that Sophie does not have to sleep on the streets tonight". I argue that this is an insult to those who created the welfare system... taxpayers... funders... workers... I appreciate it is is a difficult job fundraisers have... but this case does nothing to improve public understanding of the issue of homelessness

So, back to the advert - Does it matter that we leave the public with the illusion that we live in a callous society where young people live on the streets for sake of 40p a day. They get to feel good about their giving and while the 40p per day will not directly result in a young person like Sophie moving off the street, it will be spent on useful work. Without a doubt that message will get a better response than "40p per day will make a small contribution towards the costs of helping a middle aged alcoholic man straighten his life out a bit."

Some might argue that the means justifies the end. I would argue that it is an insult to the work of those who created our welfare system, to the taxpayers who currently fund it, and to the social workers who work within it solving most of the problem. It is also an insult to donors to dupe them into giving money with misleading slogans. I appreciate the difficult job fundraisers have in conveying a complex issue but this case does nothing to improve public understanding of the issue of homelessness.

The Revolution
on the Frontiers of Philanthropy and Social Investment

by **Lester M. Salamon**

With the resources of both governments and traditional philanthropy barely growing or in decline, yet the problems of poverty, ill-health, and environmental degradation ballooning daily, it is increasingly clear that new models for financing and promoting social and environmental objectives are urgently needed.

Fortunately, a significant revolution appears to be underway on the frontiers of philanthropy that is providing at least a partial, though still embryonic, response to this dilemma. The heart of this revolution is a massive explosion in the tools of philanthropy and social investment, in the instruments and institutions being deployed to mobilize private resources in support of social and environmental objectives. Where earlier such support was limited to charitable grants and gifts, now a bewildering array of new instruments and institutions has surfaced—loans, loan guarantees, private equity, barter arrangements, social stock exchanges, bonds, secondary markets, investment funds, and many more. Indeed, the world of philanthropy seems to be experiencing a "Big Bang" similar to the one thought to have produced the planets and stars of our solar system.

Even a quick glance at the resulting new landscape on the frontiers of contemporary philanthropy around the world yields a rich harvest of unfamiliar names and terms: Bovespa in Brazil; Social Capital Partners in Canada; Impact Investment Exchange in Singapore; Acumen Fund, Root Capital, and New Profit in the U.S.; Bridges Ventures, Big Society Capital and NESTA in the U.K.; Blue Orchard in Switzerland; Aavishkaar International in India; Willow Tree Impact Investors in Dubai; Calvert Foundation; the Schwab Charitable Fund; the Community Reinvestment Fund; Community Development Finance Institutions; TechSoup Global; conversion foundations; and many more.

Underlying this explosion lie four powerful processes of change as contemporary philanthropy moves:

- **Beyond grants:** deploying a variety of new financial tools for promoting social purposes—loans, loan guarantees, equity-type investments, securitization, fixed-income instruments, and social impact bonds;
- **Beyond foundations:** creating a host of new actors as the institutional structures through which social purpose finance is proceeding—capital aggregators, secondary markets, social stock exchanges, social enterprise brokers, internet portals, to name just a few;
- **Beyond bequests:** forming charitable or social purpose capital pools not simply through the gifts of wealthy individuals, but also from the privatization of formerly public or quasi-public assets or the establishment of specialized social-purpose investment funds.
- **Beyond cash:** utilizing new barter arrangements and internet capabilities to facilitate the giving not just of money, but of equipment, medical supplies, and personal time and skills.

Behind these movements is a common imperative, usefully summarized in a single word: *leverage*. Leverage is the mechanism that allows limited energy to be translated into greater power. It is what allowed Archimedes to claim that, given a lever and a place to stand, he could "move the whole world." In the philanthropic context it means finding a way to go beyond the limited flow of charitable resources generated by the earnings on foundation assets or the annual contributions of individuals to catalyze for social

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and environmental purposes some portion of the far more enormous investment assets resident in banks, pension funds, insurance companies, mutual funds, and the accounts of high net-worth individuals.

The upshot is the emergence of a "new frontier" of philanthropy and social investing that differs from twentieth century philanthropy in at least four ways. It is:

- **More diverse,** involving a wider variety of institutions, instruments, and sources of support;
- **More entrepreneurial,** moving beyond "grant-making" to capture the possibilities for greater leverage that comes from adopting an investment orientation focused on measurable returns in both financial and social terms;
- **More global,** engaging problems on an international scale; and
- **More collaborative,** interacting explicitly not only with the broader civil society sector, but also with new social ventures serving the "bottom of the pyramid," as well as with a broad array of private financial institutions and government agencies.

The result is a new paradigm emerging on the frontiers of philanthropy and social investing. Where traditional philanthropy relied chiefly on individuals, foundations, and corporate philanthropy programs, the new frontiers of philanthropy engage commercial banks, pension funds, insurance companies, investment advisors, specialized investment funds, and a special breed of foundations that function as philanthropic banks. Where traditional philanthropy concentrated mostly on operating income, the new frontiers concentrate far more heavily on investment capital, which funds long-term development and organizational growth. Where traditional philanthropy channels its assistance almost exclusively to nonprofit organizations, the new frontiers support as well a wide assortment of social enterprises, cooperatives, and other hybrid organizations. Where traditional philanthropy brings a charity perspective to its work, focusing exclusively, or at least chiefly, on social return, actors on the new frontiers of philanthropy bring an investment orientation, focusing on social *and* financial return and seeking to build self-sustaining systems that bring permanent solutions. Where traditional philanthropy mobilizes a relatively small share of its own resources, the new frontiers of philanthropy

leverage the deeper reservoirs of resources resident in the private capital markets. And where traditional philanthropy has historically tended to be satisfied with *output* measures, the new frontiers put greater emphasis on reliable outcome metrics.

With the resources of both governments and traditional philanthropy barely growing or in decline, yet the problems of poverty, ill-health, and environmental degradation ballooning daily, it is increasingly clear that new models for financing and promoting social and environmental objectives are urgently needed.

The upshot is an emerging, new, social-purpose finance ecosystem to channel funds from banks, pension funds, insurance companies, foundations, high net-worth individuals, and others through a variety of social-impact investment organizations, support institutions, and new types of grantmakers, to an increasingly diverse set of nonprofits, social ventures, social cooperatives, and related organizations to achieve poverty alleviation, environmental improvement, enhanced health, and strengthened civil society sectors.

Microfinance, perhaps the earliest manifestation of this phenomenon of mobilizing private investment capital for social purposes, is now a mature $65 billion industry with its own trade association, research arm, network of "retail" outlets, secondary markets, and access to global capital markets through rated bond issues. And it is just getting started.

But microfinance is just one component of the burgeoning financial ecosystem emerging on the new frontiers of philanthropy. Indeed, estimates reported in the book from which the present article is drawn put the number of social- and environmental-oriented investment funds north of 3,000, with at least $300 billion in assets.

The upshot is an emerging, new, social-purpose finance ecosystem

For these investment funds to do their work, of course, they must find not only invest*ors*, but also invest*ees*—promising enterprises, whether for-profit or nonprofit, serving social and environmental purposes in a way that yields revenue as well as social good. And finding them they are. Indeed, a commercial revolution appears to be under way around the world at whatC.K. Prahalad termed the "fortune at the bottom of the pyramid," the base of the world's income scale where the vast majority of the world's population lives. Inventive entrepreneurs are finding ways to transform this population into avid consumers of solar panels, cell phones, eye-glasses, reusable sanitary napkins, and dozens of other basic commodities.

finding a way to go beyond the limited flow of charitable resources generated by the earnings on foundation assets or the annual contributions of individuals to catalyze for social and environmental purposes some portion of the far more enormous investment assets resident in banks, pension funds, insurance companies, mutual funds, and the accounts of high net-worth individuals.

While the changes under way are inspiring and by no means trivial, however, they remain embryonic. For the new frontiers of philanthropy to achieve the impact of which they are capable, they must make the jump to broader strata of participants and observers. And this will require an energetic effort to visualize, publicize, legitimize, incentivize, capacitize, and actualize these developments

The book from which this article is excerpted has been prepared with precisely these goals in mind. It offers the first comprehensive roadmap to the full range of developments taking place on the frontiers of philanthropy and social investment, the factors giving rise to them, the challenges and problems they still face, and the steps needed to promote their further development. No one operating in the field of philanthropy today can afford to overlook the new playing field, and the new opportunities, these developments are creating.

The result is a new paradigm emerging on the frontiers of philanthropy and social investing. Where traditional philanthropy relied chiefly on individuals, foundations, and corporate philanthropy programs, the new frontiers of philanthropy engage commercial banks, pension funds, insurance companies, investment advisors, specialized investment funds, and a special breed of foundations that function as philanthropic banks.

For further information, see: Lester M. Salamon, Editor. *New Frontiers of Philanthropy: A Guide to the New Tools and Actors Reshaping Global Philanthropy and Social Investing*, available from Oxford University Press, on or about June 1, 2014; or the separate monograph carrying just the introduction to this larger volume: Lester M. Salamon, *Leverage for Good: An Introduction to the New Frontiers of Philanthropy and Social Investment*, available from Oxford University Press, on or about April 9, 2014.

Family Philanthropy:
A Look at France

by **Arthur Gautier**

Associated with a global surge in private wealth over the past decades, philanthropy has blossomed and become more visible in many countries. In particular, foundations created and funded by families have received more attention than ever. According to the Council on Foundations, family foundations represent more than half of all independent foundations in the USA: there are nearly 40,000 grant-making foundations involving members of the same family today, and they give more than $20bn annually. In the UK, while the exact number of family foundations is unknown (probably a few thousands), the Family Foundation Giving Trends 2012 show that the 100 largest foundations gave £1.33bn in 2011. More qualitative studies have also been published recently, such as the UBS-INSEAD Study on Family Philanthropy in Asia.

In other countries, however, philanthropy in general – and family philanthropy in particular – has long been invisible. Sometimes, it is because private giving is negligible. In other cases, the phenomenon simply lies under the radar. In France, both were true until the past few decades.

Philanthropy in France: a renewal after decades of secrecy

While philanthropy has had a rich history in the late Medieval Ages and the Renaissance, the French Revolution radically stifled all private initiatives for the common good, leaving little to no room between the State and its citizens. The Catholic Church, which organised the bulk of charitable activities in France, was dispossessed from many of its assets. In the twentieth century, the emergence of a strong welfare state nullified private provision of social security, cheap housing, or retirement pensions.

While discouraged by the French State, giving did not cease altogether during this period. Industrial paternalists and art sponsors remained active but maintained a low profile, partly to avoid government scrutiny. Also, money and wealth have long been taboos to the French: philanthropy, as an outward sign of prosperity, was often kept secret by many donors to avoid queries and jealousies. Another key reason for philanthropy's anonymity lies in the Roman Catholic tradition of secrecy in almsgiving, as illustrated by this famous teaching of the Bible:

"Be careful not to practice your righteousness in front of others to be seen by them. If you do, you will have no reward from your Father in heaven." (Matthew 6:1).

The welfare state crisis, diagnosed as early as in 1980, and pressing needs to complement public subsidies in many social sectors paved the way for a "philanthropic renewal" in France, that we start to witness today. Quite surprisingly, corporate philanthropy emerged first, but soon philanthropic initiatives by wealthy individuals and families followed

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suit. Many factors account for this regeneration: generous fiscal incentives, new philanthropic vehicles, professionalization of fundraising and philanthropic advisory, and more media coverage.

The dynamic is positive but figures are still modest, partly due to France's historical lag. Today, according to the latest figures from Fondation de France, there are 3,220 private foundations in France, among which we estimate around 300 family foundations. Excluding bequests, at least €165m was distributed in 2011 by grant-making foundations created by individuals or families. More importantly: after decades of silence and anonymity, several French philanthropists have begun to speak openly about their giving and share their experiences.

Today, according to the latest figures from Fondation de France, there are 3,220 private foundations in France, among which we estimate around 300 family foundations.

Intrigued by this burgeoning activity, we decided to investigate this matter. First, we identified and convinced 30 families to participate to a study on family philanthropy in France. Second, we paired families with groups of ESSEC students who had to interview them and present their understanding of the specificities of family philanthropy. Third, Anne-Claire Pache and I organised a round of in-depth interviews with 15 families which built upon existing knowledge and formed part of our book, *La Philanthropie: une affaire de familles* (Paris, Autrement). The following is a snapshot of the most interesting findings of this study.

Who are these families?

Akin to the situation in Anglo-Saxon countries, numbers are a bit skewed by prominent "giants" like the Bill and Melinda Gates Foundation in the USA or the Wellcome Trust in the UK. In France, the largest family foundation is the Bettencourt-Schueller Foundation, created in 1987 by Liliane Bettencourt – the heir of L'Oréal founder, Eugène Schueller – together with her husband and daughter. In 2013, the foundation distributed €30m for health, social welfare and the arts, with assets estimated at €850m. Its grant-making activities would rank Bettencourt-Schueller Foundation at the 10th spot among the largest UK family foundations, and 100th in the USA.

A second champion was born in 2010: the Daniel & Nina Carasso Foundation, created by the heir of Danone and her family in memory of her parents. Its initial endowment was €500m and it already disburses about €10m annually in the fields of sustainable food and art in the community. Other prominent family philanthropists in France include the Rothschilds and the Mérieux, both dynasties of successful entrepreneurs who distribute several million Euros annually through their foundations.

Entrepreneurs and heirs

These family foundations with large endowments and a professional staff and are still exceptions to the rule: most family foundations in France are much smaller, with no staff, and they do not necessarily create an endowment at the start. With €200,000, it is possible to create a foundation under the aegis of an umbrella foundation, such as the Fondation de France which currently hosts more than 700 foundations. You do not have to be a millionaire to create your own foundation. Besides, all wealthy people do not become philanthropists. So who are these families who engage in organised philanthropy?

Of course, money matters. Only wealthy families can afford to dedicate hundreds of thousands Euros to philanthropy. In our study, we identified two different profiles: entrepreneurs and heirs. In 22 out of 30 families studied in our book, there was a direct link between the foundation and a successful business creation within the family. In seven cases, the founder was the entrepreneur herself. These so-called "new philanthropists", who made their fortune during their lifetime in fields such as venture capital or new technologies, tend to apply their business acumen to philanthropy.

...we believe that families involved in philanthropy have superior levels of cultural capital and social capital. Acquired during youth, these intangible assets complement and reinforce economic wealth, and are also a fertile ground for future philanthropy.

But most of the time, the capital used to create the foundation is inherited, often over several generations. In those families where traditions and social status matter, philanthropy is seen as a duty to be passed over the next generation – sometimes more than the family business. However, the opposition between entrepreneurs and heirs is often a simple matter of timescale: heirs are usually descendants of entrepreneurs, as family wealth usually comes from a business success at an earlier generation. Conversely, when philanthropists with an entrepreneur profile have children and involve them, these children become heirs when they take over the family foundation.

Social and cultural capital

All rich families and entrepreneurs do not create foundations, so there must be something else than economic capital. In our small sample of 30 families, we noticed the recurrence of some traits: a superior education, often including artistic and religious teachings; a familiarity with giving through earlier participation to non-profit activities, informal or one-off giving, or the presence of "philanthropic mentors" inside or outside the family. Using notions popularised by sociologist Pierre Bourdieu, we believe that families involved in philanthropy have superior levels of cultural capital and social capital. Acquired during youth, these intangible assets complement and reinforce economic wealth, and are also a fertile ground for future philanthropy.

Why do they give?

Motivations for giving are perhaps the most researched aspect of modern philanthropy. There are numerous studies exploring the rich and complex array of rationales driving altruistic behaviours. Our study sheds some light on the specific motivations of family philanthropy in the French context. We identified four main drivers, which are often combined.

First, philanthropy can be driven by faith and religious principles. In all three monotheist religions, giving to the poor and needy is imperative, and many families refer to their spiritual ideals to explain their involvement. Second, philanthropy can be motivated by philosophical, ethical, or even political values. In particular, we were very surprised to hear the American motto "I want to give back" so frequently! Giving back to society, to a medical institution or to a school from which one has benefited in her youth is a powerful driver in France as well. Third, family philanthropy is often driven by the will to honour the memory of a loved one. Many foundations bear the name of an ancestor. In other cases, it is the family's legacy as a whole that is celebrated. Fourth, a particular cause or passion linked to a family member may be the main motivation: public health for Mérieux, feeding the planet in 2050 for Carasso…

While all these motivations play a key role in shaping a family's philanthropy, we observed that a "trigger event" always translate a vague idea into reality. Three types of triggers were identified in our study: a painful personal experience, such as the loss of a parent or a handicap affecting one's child; a life liquidity event, such as inheriting, retiring or selling the family business; or a life-changing encounter, when one discovers a friend's philanthropic journey or experiences first-hand dire poverty.

What about tax benefits? In France, generous fiscal incentives for philanthropy have been introduced in the law in 2003. Since, some political observers have called them "tax shelters", since individuals can subtract 66% of their gifts from their income tax annually, in the limit of 20% of their total revenues. However, gifts are note investments, and they still costs more than not giving at all. While tax benefits can "sweeten the deal" for philanthropists, fiscal optimisation does not appear as a serious motivation to create a family foundation.

How do they give?

Once a family decides to get involved in philanthropy for a given cause, many options are available. It could decide to support a leading charity with repeated grants over 20 years. The family could also distribute seed money to several small, innovative charities for 3 year spans. It could even engage in "venture philanthropy" and provide financial as well as non-financial support to social enterprises with high growth potential. Simply put, there are many "philanthropic strategies" at hand. In our study, we observed that all 30 families had developed some kind of strategy, if only intuitively: they

all identified a precise objective or set of objectives they want to achieve, and an idea of the means to achieve them.

However, only a handful of the families we interviewed were eager to monitor the efficiency of their philanthropic action. Despite a growing interest for and literature on "impact evaluation", many families are not ready to engage in such routes. For ethical reasons, some believe that giving has an intrinsic value, or that beneficiaries should be left alone in determining the best use of the gift. While not opposed to evaluating their impact, other philanthropists think that they do not possess sufficient resources and skills to do so. Actually, only a very specific profile of family foundations in France has taken impact evaluation seriously: foundations whose funders have an entrepreneurial culture, with large endowments and slack resources, and with professional staff. In our sample, we identified (at least) four: the Bettencourt-Schueller Foundation, the Daniel & Nina Carasso Foundation, the Edmond de Rothschild Foundations, and the Ensemble Foundation.

Another key feature of family philanthropy is a long-term perspective, where the foundation is passed over to successive generations. For most families, philanthropy is considered as a way to transmit traditions, values, and memories. The legal entity can be handed over, but it does not matter as much as symbolic, immaterial elements. Besides, many family foundations tackle entrenched problems which will not disappear quickly. This calls for protecting the initial endowment and having no set deadline for completing the mission. However, a new trend quietly emerges among some French families: "spending down" or "giving while living", as made famous by Chuck Feeney and the Atlantic Philanthropies. The idea is to consume the endowment during the founder's lifetime, in order to achieve higher impact on today's issues. In our panel, the French American Charitable Trust, created by Feeney in 1990 and spearheaded in France by his daughter Juliette Feeney-Timsit, has been the vocal leader of this approach.

Conditions for progress

Family philanthropy is blossoming in France. But there are still very few family foundations, with a limited overall impact in all different areas of public interest. France has a historical lag in terms of philanthropy, and the 10-year surge that we have witnessed cannot immediately fill the gap. The good news? There is room for improvement. We identified three areas where progress is needed in order for family philanthropy to fulfil its potential on this side of the Channel.

First, more synergies are necessary between family-owned businesses and family philanthropy. France needs more middle-sized, high-potential businesses. The more entrepreneurs will be able to succeed, the more potential philanthropists with substantial capital to invest. Today, many entrepreneurs-turned-philanthropists after a career in business believe the two should stay neatly separated. But some think differently and want to combine and align both activities during their prime. The Decitre Fund and the Mérieux Foundation follow this ideal so that the business helps the philanthropy, and not the other way around.

Family philanthropy could play a much larger role in France in joining other funders and project leaders to achieve what John Kania and Mark Kramer called "collective impact".

Second, family philanthropy needs more skills and talents to be more efficient. In philanthropy, there remains a deep-rooted fear that good organization principles come to the detriment of values and meaning. To the contrary, we think that investing in the right people – skilled volunteers, staff, advisers – and infrastructure is absolutely critical for philanthropy to have an impact. As Dan Pallotta brightly exposed in his book Uncharitable, the obsession of to minimize overhead may be counterproductive. This is true for both foundations and beneficiary organisations, which are often unable to attract and retain the best people.

Third, a few exceptions aside, family foundations are too small and insulated to provide enough resources to solve large-scale and complex social problems. This problem is not specific to France: Steven Goldberg made the same observation in the USA in his 2009 book *Billions of Drops in Millions of Buckets*. Family philanthropy could play a much larger role in France in joining other funders and project leaders to achieve what John Kania and Mark Kramer called "collective impact". Families are increasingly involved in collective dynamics. They share experiences, good practices and deserving projects with their peers in family philanthropy circles, such as the newly launched association Un Esprit de Famille. The next step is to open up to other stakeholders and engage in collective action around similar goals.

The Great Seesaw of Civilization

by **Zoltan J. Acs**

Philanthropy seems like a subject with little public policy interest at best and a rather boring subject at worst. That is why not a lot is written on the subject. If you don't believe me, just go and google the word philanthropy and see what comes up. The first three hits are Wikipedia, the *Chronicle of Philanthropy* home page and dictionary.com for philanthropy. Wow! Ok, so it's boring. But what is philanthropy? According to the online dictionary phi.lan.tro.py, noun, is altruistic concern for human welfare and advancement, usually manifested by donations of money, property, or work to needy persons, by endowment of institutions of learning and hospitals, and by generosity to other socially useful purposes.

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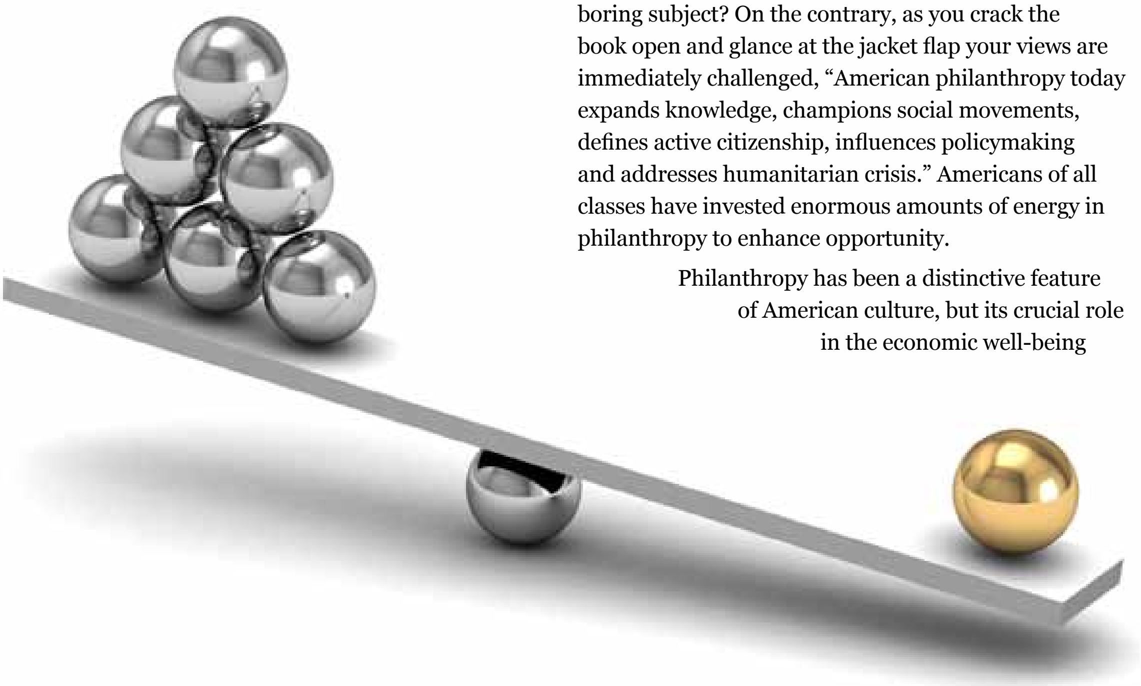
Recently, Olivier Zunz, commonwealth Professor of History at the University of Virginia has written a little book *Philanthropy in America*, a history. So do we have a boring history book here on an even more boring subject? On the contrary, as you crack the book open and glance at the jacket flap your views are immediately challenged, "American philanthropy today expands knowledge, champions social movements, defines active citizenship, influences policymaking and addresses humanitarian crisis." Americans of all classes have invested enormous amounts of energy in philanthropy to enhance opportunity.

Philanthropy has been a distinctive feature of American culture, but its crucial role in the economic well-being



of the nation—and the world—has remained largely unexplored. True, so the book is welcome! The new philanthropy was the marriage between the rich, who had made their own money, and various progressive elites of the academic word, local governments, the judiciary and emerging professional associations. Before we could implement this progressive vision some obstacles had to be overcome. For example, the rich and the reformers joined forces to change the Law of Charity: A left over from the days of protecting the children of the rich in the United Kingdom.

Philanthropy is the art of putting wealth to use for the common good

So let's get to the heart of the issue. Philanthropy is the art of putting wealth to use for the common good. This is a powerful statement. It gets to the heart of the issue. Wealth! And let's dig right into Andrew Carnegie and the *Gospel of Wealth*. Rich men and women should use their billions for the common good! But the common good was carefully described. It would be a capitalist venture in social betterment, not an act of kindness, as understood in Christianity and later in the 1960 and 1970 as an expression of the Great Society programs that were a form of government charity not philanthropy.

For the improvement of mankind and the common good! What on earth does this mean? For most of civilization no one was interested in the improvement of mankind. No one! For thousands of year's kings, noble families, the church and bishops, ruled over mankind for the sole betterment of themselves. One only has to read the history of the ruling families of renaissance Italy or the Norman rulers of southern England to see that the improvement of mankind was not what motivated the rich. Looking after the poor had always been part of the agenda of the rich. Starving peasants led to revolt so feeding the poor was important. However, while charity had been for the needy philanthropy was to be for mankind.

Philanthropy is one of those topics that cannot easily be digested by itself and be appetizing: try a plate full of broccoli for dinner, as an example. Even the heartiest nutritionist will have a hard time enjoying dinner! But as a compliment to rib eye steak, grilled to perfection, alongside a baked sweet potato, the broccoli can be rather nice. So the question is, "What do we consume philanthropy with in the broad lexicon of the social sciences and public policy debates of our time?" Ah that is a great question. And like a good lawyer, I would never ask a question that I did not know the answer to. The answer is that, if you want to understand philanthropy, you need to consume it as a part of American-style capitalism.

Philanthropy strengthens American-style capitalism in two ways. The first is that philanthropy, when targeted to universities, research and other productive used, lays the groundwork for new cycles of innovation and enterprise. The second way philanthropy strengthens capitalism is that philanthropy – like creative destruction—provides a mechanism for dismantling the accumulated wealth tied to the past and reinvesting it to strengthen the entrepreneurial potential of the future. When philanthropy is absent, wealth remains concentrated, rent seeking flourishes, and innovation and entrepreneurship suffers.

A few years ago I tried to understand what American-style capitalism was. I wrote in the *American Interest* that the essence of American-style capitalism today is not a static 'Iron Triangle' that balances the interests of large corporations and organized labor with the active intervention of government. Nor, however, is it a rowdy free-for-all in which the interests of the many are readily subsumed by the acquisitive appetites of the few. *Rather American style capitalism is a dynamic process which balances wealth and opportunity—the great seesaw of civilization*. It follows that the success of American-style capitalism must turn not on its transient ability to generate macroeconomic growth, but on its *sustained* ability to generate microeconomic opportunity.

For wealth to invigorate the capitalist system it needs to be "kept in rotation" like the planets around the sun Philanthropy strengthens American-style capitalism in two ways. The first is that philanthropy, when targeted to universities, research and other productive used, lays the groundwork for new cycles of innovation and enterprise. The second way philanthropy strengthens capitalism is that philanthropy – like creative destruction—provides a mechanism for dismantling the accumulated wealth tied to the past and reinvesting it to strengthen the entrepreneurial potential of the future. When philanthropy is absent, wealth remains concentrated, rent seeking flourishes, and innovation and entrepreneurship suffers.

But how could philanthropy be a part of capitalism? Capitalism as Max Weber showed is a cultural system, a relatively orderly system of institutions and incentives governed by the tractable logic of supply and demand. Philanthropy by contrast lacks a set of laws to explain its ebbs and flows. Like the charities and art patronages in royal courts throughout European history, philanthropy is subject to the whims of the wealthy. Furthermore, philanthropy is not only largely ungoverned by economic principles but also relatively free from the checks and balances of democracy, such as elections, referendums and recalls.

Philanthropy is the invisible, underappreciated force for progress in American-style capitalism—the secret ingredient that fails to get mentioned in economic accounts of capitalism.

The answer to this puzzle is found in the writings of the moral philosopher Adam Smith who wrote, "How selfish soever man may be supposed, there are evidently some principles of his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it, except the pleasure of seeing it." So philanthropy is governed by natural principles: embedded altruism, while capitalism is governed by culture and institutions.

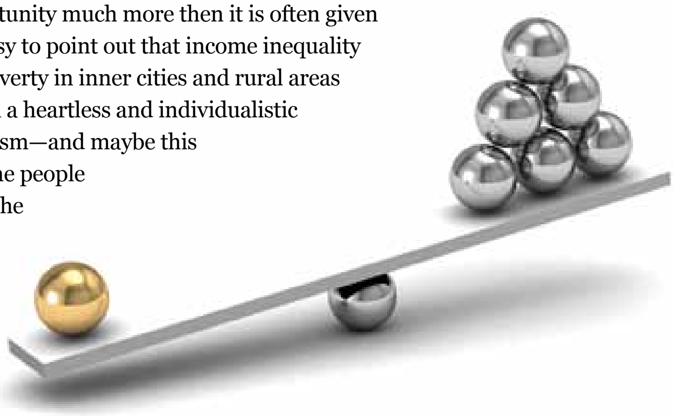
The story of philanthropy in America is the story of the convergence of big money philanthropy and mass giving. From Andrew Carnegie to Bill Gates and from ordinary people who purchased Christmas seals to fight tuberculosis and polio the nation has come to, "view philanthropy as both a quintessential part of being American and another means of achieving major objectives. Foundations originating in large private fortunes have collaborated with institutions of mass philanthropy to promoting scientific research, supporting education institutions, and fighting for human rights" according to Zunz.

Historically, philanthropy has been loyal to the institutions of American capitalism. This has been most evident in the institutions supporting opportunity creation, entrepreneurship and innovation; philanthropists have invested fortunes in schools, universities, libraries, and research centers. The strength of American-style capitalism depends on the health of these institutions and on their ability to produce new ideas and train new workers for the marketplace.

Philanthropy has long been a powerful force for social change, often viewed as moving in parallel track with capitalism. Rarely is it understood as an entity intertwined with American capitalism. Yet, it has both emanated from the capitalism system and continually nurtured the system. It is a product of capitalism—another way in which industrialists have sought to shape American society and values.

American philanthropists presumably value a strong capitalist system because it is the system that nurtured their individual success. Thus, they seem to recognize that the strength of American-style capitalism resided neither in the size or influence of an industry, or a set of firms, nor in a country's GDP. Rather, as philanthropists have put it, the strength of capitalism is measured in a more aspirational way. Opportunity allows individuals to participate in the economic system and keeps the door open for new ideas and new firms. Innovation follows from opportunity; it is what you get when you take smart, educated people and allow then to solve problems.

Of course, the 'American dream' itself, is under attack today and we wonder how philanthropy fits into this picture. As President Obama talked about the promise of opportunity in the 2014 State of the Union he said, "Too many…are working more than ever just to get by." American-style capitalism has contributed to the creation of opportunity much more then it is often given credit for. It is easy to point out that income inequality and persistent poverty in inner cities and rural areas has resulted from a heartless and individualistic system of capitalism—and maybe this is enough for some people to conclude that the American



experiment is a failure—but this ignores the extent to which American capitalism has stayed true to opportunity creation throughout much of its history. Relatedly, the start-up rate of new firms and new ideas provides evidence of opportunity for upstarts and underdogs.

Why does philanthropy matter I ask? Philanthropy is the invisible, underappreciated force for progress in American-style capitalism—the secret ingredient that fails to get mentioned in economic accounts of capitalism. Philanthropy provides an extra gear that propels capitalism into overdrive. It is what gives American-style capitalism a competitive edge in the global economy. Including it gives us a fuller, more realistic picture of capitalism and therefore a better handle on how to govern it.

In this age of globalization, most observers about political economy have been on the theme of convergence, the idea that the world is moving toward one dominant system of liberal democracy a la Fukuyama's the *End of History* or Thomas Friedman's the *World is Flat*. It seems strange to think of the United States as having a different model. Nevertheless American-style capitalism is fundamentally different from the style of capitalism practiced in the rest of the world.

In this essay I have argued that is it philanthropy, not entrepreneurship, that propels the basic machinery of American-style capitalism. So in addition to well-functioning markets, property rights, contract law, capital markets, and the like, philanthropy—a little understood economic force—provides a super-institutional element that serves to promote vital nonmonetary institutional forces necessary for achieving growth through technological innovation promoting economic equality, and cultivating economic security.

Philanthropy, when targeted to universities, research, and other productive uses, lays the groundwork for new cycles of innovation and enterprise. As an economist, I understand that it is not always easy to measure the precise contribution that philanthropy has made to economic growth. Take the Rockefeller Foundation, for example, which is funded by the oil fortune made by John D. Rockefeller in the late nineteenth century. He founded some of America's great research Universities, such as the University of Chicago (winner of scores of Noble Prizes over the years), the Rockefeller University (a medical research center), the Brookings Institution (a nonpartisan policy research institute) and the National Bureau of Economics (NBER).

This feedback loop has helped America fulfill its dual obligation to create both wealth and opportunity—*the critical balancing act that determines the true strength of a civilization.*

Overheard On Twitter: 10 trending stories on #philanthropy

The 'hashtag' is a way to give your tweet a theme, so we looked through some of the most 'retweeted' articles on #philanthropy to give you a flavour of what has got people buzzing over the last month (in no particular order):

1. Philanthropy News Digest declares 2014 as 'the year of impact investing': http://pndblog.typepad.com/pndblog/2014/02/its-the-year-of-impact-investing.html?utm_source=feedburner&utm_medium=feed&utm_campaign=Feed:+typepad/philantopic+(PhilanTopic)&utm_source=Thrive&utm_medium=Twitter&utm_campaign=Twitter%20Weekly

2. Bill Gates, Richard Branson and Muhammad Yunus debated the future of philanthropy at Davos: http://pinchukfund.org/en/news/12812/

3. Leading business brands should focus on social change not philanthropy, according to Guardian Sustainable Business: http://www.theguardian.com/sustainable-business/responsibility-good-business-long-term

4. Funder, heal thyself. Some difficult lessons for donors from collaboration around collective impact: http://www.ssireview.org/blog/entry/collective_impact_funder_heal_thyself

5. Next generation donors want to be involved in the causes they support: http://philanthropynews.alliancemagazine.org/2014/01/16/connection-is-key-for-next-gen/

6. The top 7 TED talks on philanthropy in 2013, in case you missed them: http://atlantablog.foundationcenter.org/2014/01/2013s-top-7-ted-talks-on-philanthropy-social-change-and-data.html?utm_source=Thrive&utm_medium=Twitter&utm_campaign=Twitter%20Weekly

7. Most tweeted from the last edition of the 'Philanthropy Impact' was Anwar Akhtar's 'Pakistan Calling': http://www.philanthropy-impact.org/article/pakistan-calling

8. Bill Gates debunks three myths about aid in his annual letter: http://www.economist.com/blogs/feastandfamine/2014/01/bill-gates-poverty

9. Bill Gates dresses as a chicken: http://youtu.be/3ye_W7ZsRYM

10. Disruptive wealth hasn't yet disrupted philanthropic forms, says Lucy Bernholz: http://philanthropy.blogspot.co.uk/2014/02/disruptive-wealth-hasnt-yet-disrupted.html

Don't forget to follow Philanthropy Impact on Twitter: @philanthropyimp

Impact Investing and Me.

It's great to be out and proud

by **Suzanne Biegel**

Recently, I was asked to be part of a panel discussing whether impact investing is more closely aligned to philanthropy or to investing. At the time I argued that impact investing is much more like investing than it is like giving. As 2013 drew to an end, with a huge growth of the impact investing sector in the UK and in the world, I reflected on this position.

In truth, for me, the old boundaries are not that interesting. What is interesting to me is – how much capital do I need to live, now and into the future? How much can I deploy into other things that have meaning? And for the capital I need to live on for later, or to leave to my family, I need to consider how prudent, or how risky, it is to invest while respecting environmental limits and social and economic justice. In fact, you have no doubt heard of the "Prudent Man" rule, right? My friend Wayne Silby recently asked me what the "Prudent Woman" rule might be?

If I am looking at investments on behalf of a foundation, we think about how much capital we absolutely 'need' in order to fulfil our mission, how will we best achieve a capital base to fulfil that – and then think about how much risk can we take investing in a potential new solution or attempting to scale something that works.

In my experience as an impact investor, as a philanthropist and as someone who supports angel investors… I know that it is false to force impact investing into a checkbox marked either 'philanthropy' or 'investing'.

Seeing this kind of investing as risky where 'impact' is the focus belies the complexity of investments and philanthropy – aren't some grants also risky? Aren't some of our 'mainstream' investments risky as well? If you look back to 2008, where foundations lost on average over 25% of their value in the market crash, weren't those 'solid' investments also risky? And how is it not risky to take a chance on investing in a company with labour policies, supply chains, environmental impacts, that could go wrong? Or in a financial instrument that assumes that these things have no impact on the underlying assets?

In my experience as an impact investor, as a philanthropist and as someone who supports angel investors who are new to social investing through

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Clearly Social Angels and other groups that I am a part of, I know that it is false to force impact investing into a checkbox marked either ‘philanthropy’ or ‘investing’.

When I invest my capital to address issues which I believe need to be addressed, or opportunities that are out there with underserved populations, it is certainly not purely philanthropic and yet it is not pure investment either. The reality is that I am in the privileged position of having capital as a tool at my disposal. Because I am in this position, the way I deploy that capital – through investing, philanthropy or even as a consumer – means that I can afford to ask: what are the problems I can see? Where do I want to make a difference with my resources? Which exciting people, and which exciting products, can make the world better for women and girls, protect or restore our environment or institutionalise social justice?

It means that I can stop before I buy a pair of shoes and think about where they have come from, or try to source my food locally, because I have the resource to make those decisions as a consumer. It means that I also have the resource to make those decisions as an investor. I can ask how HIP *(Measuring Human Impact and Profit)* my investments are. I can buy from and do business with organisations designed as B-Corps. And sometimes it means I can make grants or donations, if that is the best way of supporting a particular change – but if I can make that change with an investment, then I will; I like the opportunity to recycle my money to do more good in the world.

I am not a purist by any stretch; I am sometimes embarrassed to say that I am an impact investor. I still hold investments in businesses with some practices that I disagree with. Those investments are hidden in managed portfolios, mutual funds, even SRI funds - but I have moved almost 40% of my portfolio into what I believe is more socially, environmentally, sustainable and positive investments. I would have hoped by now that this would not something to be calling attention to, that it would be so much more pervasive, but there are still relatively few of us. Despite the trillions in screened funds and portfolios, there are so few that are consciously, positively doing good rather than doing less bad. But its growing. It’s going “mainstream.” And that gives me hope.

So if impact investing is not philanthropy, what is it?

I call it responsible investing from an environmental and social standpoint when I can look at the fundamentals of how a company behaves, its governance, supply chain, labour policies and environmental footprint, and feel that it is making a neutral or a positive difference on a social or environmental level. I call it *impact investing* when I am specifically investing for positive impact on a social or environmental issue, in a company, enterprise or a fund that is about solving that problem, and aiming for a financial return.

I call it *impact angel investing* when I am directly investing into a privately held company, where I will take a debt or equity position to help it to grow, and where I will often play a direct role as a non-exec board member adviser, or ambassador for the company. Clearly Social Angels, part of ClearlySo, allows people to invest in socially good innovation, and it also allows them to be part of that process, to grow the idea into a reality.

So, I am not a purist - sometimes I do just buy a pair of shoes and not think about the journey that got them to the shop, and sometimes I do make investments that are focused fully on returns, or liquidity, or less volatility. The brilliant thing about impact investing is that it is part of the world of risk and return, volatility and liquidity, profit and big wins – and it also makes social, community, environmental impact part of that vocabulary.

So much for impact investing as an individual. What about working with other people's money? Foundations ask, is it really responsible for us to take a risk and do impact investing with our assets? After all, we are accountable to our grantees (and to the public, if it is a public charitable foundation).

As a foundation, you may have invested significant resources in studying a problem and its potential solutions. You might well understand the impacts of various actors or changes to a situation.

To lose the opportunity to have that represented as investors go out to make positive impact on those same problems is what I would call irresponsible. Not to participate in this marketplace when you have the intelligence, the capital, the networks to help catalyse new business models, solutions, is irresponsible.

To whom is your fiduciary duty? I would argue that it is to society - to *all* stakeholders. Some regulations have kept up with that, some need to be fixed. In more cases than not, the law is ahead of what people who are investing, are aware of.

I have invested over the past 13 years in so many different types of impact and responsible investments: Community Investment Notes, impact venture capital funds, screened portfolios, sustainable real estate, angel investments, microfinance, and screened mutual funds. They are tangible and intangible, more liquid and less liquid, higher risk and lower risk. They are vehicles that aim for a higher financial return and vehicles that modestly and transparently provide a lower financial return.

When the capital I have invested in RSF Social Finance or New Resource Bank, Calvert Community Investment Notes, or Root Capital notes goes to work (while I sleep), it is working hard. It is being lent to, invested in, many small and medium sized enterprises and charities that are specifically there to make a positive difference in society and the planet. That is where my money is working.

When my capital is sitting in large cap public equities, it is just not clear to me what positive impact it is having.

When I take the time to speak up as a shareholder, vote, participate in shareholder action, I feel empowered. Sometimes I feel small. But then I remember Anita Roddick's line "If you think you're too small to have an impact, try going to bed with a mosquito in the room". For me, impact investing is personal, too.

So if impact investing is not philanthropy, what is it? I call it responsible investing from an environmental and social standpoint

Often investment professionals will say: do not think about your own personal experiences, it biases investing; just go with what the experts say. But, as a cancer survivor I have to say, my experience – good, bad, and ugly – with the healthcare system, has shaped some of my thinking about healthcare and healthcare investing. I was truly lucky to have good care and I think about people who do not have that access. I had (relative) nightmares (first world problem) dealing with bad bureaucracy and I think how much that just should not be. I think about solutions that should be available to more people. We should be able to solve this. We are smart enough and we do have enough resources. Our capital needs to go along with policy change, with advocacy, with smart communications and social change strategies – all good places for philanthropy to play a role.

In my earlier life I was not overtly focused on women and girls. But now, I see how much injustice is done to women and girls and I think: right – if not me, then who? Am I really expecting that other people will care about this if I don't? And why are we not using the markets to help solve these issues, why do people mostly talk about philanthropy and public sector policy or advocacy work? Yes, those things are essential. But we are not going to solve these issues without business, investment, use of our capital.

Fiduciary duty used to mean 'make as much money as possible from every investment so we have more in our coffers to give away'. Now some people get that it is more responsible, better fiduciary duty, to take into

account potential risks and negative consequences. Look at the work around stranded assets from groups like Carbon Tracker and the Generation Foundation. Look at what happened in Bangladesh when brands and retailers were not paying attention to the conditions of factories producing their goods, and when we as consumers were not paying attention, and we as investors in those companies were not paying attention.

Everyone can be an impact investor.

Everyone can look at their role as an investor, a trustee, an alumnus, or a shareholder activist.

Those of us with more resources can play a bigger role.

Is it philanthropy, or is it investing? I honestly do not care. You might be in a place where there are tax incentives for you to invest, but not to do philanthropy, or to be philanthropic, but not to invest – or both, or neither.

It is a privilege to be in the position to do this – do it, and be joyful while you do.

Pick the issues you care most about. One friend says it the lack of access to arts and music for young people. Another says its food security. A third says its modern day slavery and trafficking. Another says access to clean water. Another says it is the crisis of youth unemployment. Whatever *it* is, there is an impact investment you can get involved in.

Are we allowed to talk about fun? Joy? The enterprises with which I invest, and the entrepreneurs, give me more hope, more joy than anything else in my portfolio. These things should give you joy. It is hard work – so you should also have the joy. And this gives me more than I could ever have imagined.

From my experience of the exciting world of impact investing, some things to think about:

1. **Do not go this alone. Educate yourself.** There are brilliant, passionate people working on impact investing who can be your colleagues, your guides, your advisers. There are angel networks, foundation networks, philanthropic networks that you can join. Explore and find the right fit for you.
2. **Do not wait for advisors to come to you.** Ask hard questions of your existing advisers and take them on a learning journey with you. Our advisers will only become involved in this to the extent that we ask them to and to the extent that we demand that they do. We need collective and individual demand generation for more products, more services in impact investing..
3. **Make a difference now: learn by doing.** You don't have to become part of an angel group (although I'd love it if you would - its an amazing way to learn and collaborate) – instead, sign onto some lists, go to some events, and dip a toe in the water of impact investing before you dive in. Make an allocation to get started and just get started.
4. **Tell the world.** Use your influence as a grant-maker, a professional adviser, a trustee, a partner, a family member, to move others. Write and speak about what you are doing, it will encourage others.
5. **Be responsible. Be accountable.** Do not invest more than you can afford, and do not invest in something illiquid when you need liquidity. Be as patient as you can be and demand responsibility from those you invest in and with.

It is a privilege to be in the position to do this – do it, and be joyful while you do.

If Not Now, When?

2014 BNP Paribas Individual Philanthropy Index: Measuring the Commitment to Giving Around the World

by **Kasia Moreno**

For the second year in a row, BNP Paribas Wealth Management has undertaken to measure the commitment of individual philanthropists in Europe, Asia, the Middle East and, for the first time this year, the United States of America (USA). The Index is geared toward the measurement of replicable, sustainable and efficient philanthropy. In the highest-scoring regions, not only do the individuals give the most, but they also approach philanthropy in an innovative way and actively promote their causes. For a maximum score of 100, a respondent would have to get the highest marks in three categories: Giving (Current and Projected), Innovation and Promotion.

The 2014 Index reveals that the United States, Europe and Asia are roughly halfway to a philanthropic ideal; the Middle East seems to be about a third of the way there, a score that is adversely affected by lower points on promotion, but may not fully acknowledge the strong cultural heritage of philanthropy in the region. Out of the highest possible total score of 100, the USA scores 53.2, Europe 46.3, Asia 42.4 and the Middle East 29.4.

The data for the Index is derived from a survey of 414 individuals—divided equally among the four regions and with at least $5 million in investable assets—conducted by Forbes Insights between October and December 2013.

Interpreting the Index results with a "glass half full" mindset, one could argue that, according to the methodology, Europe, Asia and the Middle East have been catching up with the USA, which tends to be viewed as a leader in philanthropy worldwide. The USA is the source of the Giving Pledge, a commitment by the world's wealthiest individuals and families to dedicate the majority of their wealth to philanthropy.

Among the top causes in the world, respondents from Europe, Asia and the Middle East cite the environment, whereas health is the predominant cause for the USA. The USA and the Middle East stand out among other regions, because in both regions social change/ diversity is perceived to be among the top three most urgent causes in the world

Interpreting these results with a "glass half empty" mindset, one could argue that all regions in the world still have a long way to go in terms of philanthropy, as even the leader in the Index ranking is still just a little past the halfway mark.

The Index is accompanied by a report focused on the most popular causes, urgency of need in the world and timing of the philanthropic journey, which highlights the approaches of the world's philanthropists as well as their personal stories.

European philanthropists point to preserving cultural and national heritage. This should not come as a surprise, considering that Europe has so many of the world's historical sites

Among the top causes in the world, respondents from Europe, Asia and the Middle East cite the environment, whereas health is the predominant cause for the USA. The USA and the Middle East stand out among other regions, because in both regions social change/diversity is perceived to be among the top three most urgent causes in the world.

Europe, on the other hand, is unique in that among the top three most urgent regional causes, European philanthropists point to preserving cultural and national heritage. This should not come as a surprise, considering that Europe has so many of the world's historical sites. Diego Della Valle, chief executive of Italian leather company Tod's, has pledged $33 million to fund renovations at Rome's crumbling Colosseum.

"In Italy, the culture issue is very urgent. Over 50% of the world's cultural heritage is in our country, but more often than not it's left to decay. Besides being an important economic resource, we have the duty to

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protect this heritage for everyone," Della Valle told Forbes Insights.

The need for philanthropy is extremely urgent, according to more than half of the respondents to the survey. Interestingly, philanthropists from two seemingly disparate regions, the USA and the Middle East, are outliers. Many more, 64% in the USA and 61% in the Middle East, consider the situation in the world in urgent need of philanthropy than do respondents from Europe and Asia.

Interviews with philanthropists from around the world revealed how they think about the urgency of their giving. They go beyond the immediate urgency of, for example, supplying help to victims of natural disasters and delve into the deeper urgencies of philanthropy in the context of societies and economies

Respondents from the USA and the Middle East walk in tandem again as they believe that the need for philanthropy is more urgent in their own country than in the world overall. Both European and Asian respondents see the need for philanthropy in their countries as less urgent than in the world.

Americans' local bent is not caused solely by income disparity and the pulling back of government funding. One of the reasons the Americans see more urgency inside the USA is because some are still much less focused on world affairs than citizens of other countries, according to Melissa Berman, chief executive of the Rockefeller Philanthropy Advisors.

Interviews with philanthropists from around the world revealed how they think about the urgency of their giving. They go beyond the immediate urgency of, for example, supplying help to victims of natural disasters and delve into the deeper urgencies of philanthropy in the context of societies and economies.

Laurence Lien, the chairman of the Lien Foundation and the Community Foundation of Singapore, has a philosophical, systemic view on the issue of urgency for philanthropy in Singapore. "Philanthropy is not about the money," he says. "It's about developing a civil society where people connect with those who are left behind."

Although philanthropists Forbes Insights spoke with consider charity their moral obligation, the legal climate, such as fiscal policies and regulations, also can affect giving

Summing up the urgency issue, philanthropist Charlotte Dauphin, daughter of Claude Dauphin, chairman and CEO of Netherlands headquartered commodities trading form Trafigura Beheer BV, says: "The reason for urgency has always been there. The longer we wait to address these issues, the harder the job becomes."

The report analyzes how philanthropists feel about the four stages of the philanthropic journey: motivation, state of wealth, legal environment and results. In terms of motivation, personal experience with the area of focus and religious faith are important motivations in most regions.

State of wealth depends on the economic environment, but also on an individual's relative view of his/her wealth, which varies by geography. Nathalie Sauvanet, Head of Individual Philanthropy, BNP Paribas Wealth Management, says that "Americans often start feeling comfortable about their level of wealth quite early and begin to start thinking about giving around the time they make their first million. Europeans, on the other hand, do not start feeling secure until they amass much larger fortunes." The BNP Paribas Individual Philanthropy Index shows that respondents from the Middle East and Asia are feeling most positive about their wealth levels.

Although philanthropists Forbes Insights spoke with consider charity their moral obligation, the legal climate, such as fiscal policies and regulations, also can affect giving. The Index shows that the lowest number of respondents from Asia are inclined to increase their giving due to the available legal and financial structures, with the USA and Europe in the middle and the highest number of respondents from the Middle East saying that current policies promote giving.

respondents from the Middle East are willing to wait longest, while Asians are more short-term oriented, may, in fact, better illustrate the type of charity they undertake, rather than the level of patience. Italian philanthropist Carlo De Benedetti may put it best when he says: "I am not interested in how fast but how effective the initiative is."

A philanthropic journey ends once its goal has been achieved—an orphan given a home, a poor student granted funds for education, a disease eradicated, a social wrong righted. Some of these goals take longer to achieve than others. Some are, in fact, forever a work in progress. Thus, the apparent patience of philanthropists revealed in the Index survey, showing that the biggest number of respondents from the Middle East are willing to wait longest, while Asians are more short-term oriented, may, in fact, better illustrate the type of charity they undertake, rather than the level of patience.

Italian philanthropist Carlo De Benedetti may put it best when he says: "I am not interested in how fast but how effective the initiative is."

Philanthropist Charlotte Dauphin

Laurence Lien, Chairman of the Lien Foundation

A Co-Creation Approach to Social and Business Impact

Today's Approach is not the Approach of Tomorrow

by **Arnaud Mourot** and **Sarah Jefferson**

Today's global challenges, such as climate change, overburdened health systems, long-term unemployment, and lack of basic access to food and water, to name a few, are so large and so complex that they require a different problem-solving approach. A single business, government or social sector entity is simply not equipped to tackle today's complex world challenges alone; rather finding the solutions requires diversity of perspective, approach and capability. It requires a new type of collaboration that looks very different from the traditional business, government or corporate social responsibility (CSR) approach.

The current CSR approach is commonly used to mitigate risks such as environmental damage and to engage employees in low-barrier, "feel good" activities that do not necessarily connect to the company's core business. Companies often adopt a model where they provide grant funding to social sector entities, which then implement the agreed upon activities and report back to the company on impact achieved. Under this funder/service provider relationship, a company's social responsibility to society is essentially "outsourced" to the social sector, which has the longstanding expertise and community access to perform social good. This model has prevailed over the past decades; however, it is ill-suited for the growing complexity and large-scale nature of world challenges. Instead, partnerships that leverage the unique competencies, know-how and networks of sectors and industries – beyond only financial contribution – will increasingly prevail. These collaborations are a win-win for all parties involved, as they not only achieve social (including environmental) impact; they also simultaneously create new business and customer solutions in a rapidly evolving world.

What is Co-Creation?

The time is ripe for co-creation across sectors. Social entrepreneurs and social sector organizations are looking for greater impact and scale. Businesses are looking for new markets, ways to remain competitive and relevant in the future, and purpose for their employees. Public institutions are looking for cost efficient approaches. These diverse actors can pool their strengths and expertise for a social and economic impact that they could never achieve alone.

Co-creation is a collaborative process where players from across different sectors – such as companies, social sector organizations, financial institutions or government bodies – come together to co-design and co-implement new or improved products and services that address essential needs of underserved populations. While the *process* is a co-creation – peers working across sectors hand-in hand to design and

Arnaud Mourot *is CEO of Ashoka and manages Belgium and Switzerland. He has enabled the launch of the Venture and Fellowship programs (already 21 Fellows), and of a Social Business Plan competition in the three countries.*

Sarah Jefferson *has worked for Ashoka since 2007 and has been managing the Making More Health initiative since its inception in 2011.*

Making more health

by Ashoka and Boehringer Ingelheim

implement solutions based on a shared vision – the result is to address society's challenges at scale while achieving economic gains. Co-creation represents a fundamental shift in interaction between the business, social and public sectors to create shared value.

> **Co-creation is much more than investing money; it is about investing the knowledge capital of your organization into a partnership**

In addition to changing the rules of the game to create both social and economic value, a true co-creation across sectors will also result in important transformations within the entities involved. Partners begin to capitalize on one another's complementary assets and experiences, and as values begin to cross-pollinate, internal leadership styles and organizational structures evolve. Co-creation therefore becomes a powerful force for internal culture change for all entities within the partnership.

An emerging example of co-creation is the partnership between Boehringer Ingelheim and Ashoka. To the collaborative alliance, Boehringer Ingelheim brings its longstanding international business acumen in health, specifically pharmaceuticals, while Ashoka contributes its deep expertise in social entrepreneurship and how social systems change. Launched in 2011, *Making More Health* is a global initiative, currently operating in over 30 countries, whose ambitious vision is to improve health systems worldwide, particular those health systems which are plagued by barriers such as no access to care and misaligned incentives. Boehringer Ingelheim and Ashoka engage at the intersection of social entrepreneurship, employee talent development and business strategy in order to identify, support and scale new solutions to global health challenges.

The Origins of Making More Health

Boehringer Ingelheim and Ashoka met in 2010 through a matchmaking process. Celebrating its 125th anniversary – and wanting to do more than the typical employee event – Boehringer Ingelheim sought out a new type of partnership, aiming to have much larger and more sustainable impact on the health sector. Guillaume Deprey of Perfethic, a France-based consultant who conducts matchmaking between the business and social sectors introduced BI and Ashoka. "I immediately saw the shared DNA and values between Boehringer Ingelheim and Ashoka", noted Deprey. "It was clear to me that there was a huge potential to do something together, much bigger than what they were currently doing in terms of 'business as usual.'"

> **Co-creation models break down historical silos and begin to dismantle over a century of static delineations between the mission, values and cultures of the corporate versus social sectors**

Investing in society has been part of Boehringer Ingelheim's DNA since its formation over 125 years ago. The company has a longstanding tradition of social commitment instilled by its founder Albert Boehringer. Moreover, Ashoka's work fit well with Boehringer Ingelheim's core values of leadership and innovation, which the company sums up in a single vision: Value through Innovation. Likewise, social innovation has run through Ashoka's veins since it was founded back in 1981 when it coined the profession of "social entrepreneur" and sought to support the leaders behind the most innovative solutions to pressing societal issues. Today, Ashoka supports over 3,000 social entrepreneurs (called Ashoka Fellows) with systems-changing innovations across nearly every field of work, providing them with strategic and financial support so that they can take these innovations to scale.

Despite cultural and language differences between the two entities, Boehringer Ingelheim recognized that strategic partnerships with civil society can bring about solutions to social challenges, including new business models to respond to the needs of the four billion people in the world without access to health care. Boehringer Ingelheim recognized a network of social entrepreneurs as a powerful source of innovation and insight into the future of health. Furthermore, these leaders could build an inspirational force for motivating the company's employees, and potential recruits, giving an additional meaning to a new way of living out Boehringer Ingelheim's longstanding corporate vision.

Boehringer Ingelheim's decision to partner with a non-traditional player like Ashoka was further motivated by the challenges faced by the pharmaceutical industry in general: issues of intellectual property, pricing strategy and market access call for out-of-the-box solutions as well as new ways of working in global structures and external partners and institutions across the globe. Boehringer Ingelheim saw the growing "base of the pyramid" population as an important customer to reach and recognized that new approaches to health care had be to taken to fulfil these patients' needs.

Thus the initiative *Making More Health* was born. In 2010 the two organizations formed a pilot program that consisted of supporting a small number of social entrepreneurs in four countries, elected as Ashoka Fellows and who would be affiliated with Boehringer Ingelheim as *Making More Health* Fellows. In 2011, an official, three-year, US$13 million partnership was begun, whose activities spanned launching and engaging a cohort of 50 new social entrepreneurs working in health; supporting 300 teams of young people to start their own "more health" community ventures; sponsoring two global open source collaborative competitions in "more health;" creating opportunities for high potential executives to work "in residence" with social entrepreneurs; and conducting field-based trends analysis at the intersection of social innovation and health.

A True Co-Creation is a Give and Take

These past three years of co-creation between Ashoka and Boehringer Ingelheim have come with ample challenges and learnings. A major one is that co-creation comes with ambiguity; you need to give yourself permission to work in a discovery mode and through an iterative process of learning. Back in 2011, at the early stages of the partnership, Boehringer Ingelheim and Ashoka had the shared goal of building an initiative that brought value to both business and society, and at a large scale; but we did not know exactly what or how to go about achieving this. Three years later, through this discovery journey, we have a much clearer idea. In addition to being comfortable with ambiguity, we have identified several other building blocks that make a successful co-creation:

- **Co-creation has a long runway:** Co-creation is not a quick win with instantaneous measurable impact; by design co-creation is a lengthy process in that it is about finding a common playing ground where partners can contribute their skills and expertise to increase the impact of the whole. As such, it takes time to understand how the entities involved will work together as peers and find the right balance between comfort and risk as partners. For *Making More Health*, it took over one year to trickle down the partnership to Boehringer Ingelheim and Ashoka's local country offices and to raise the necessary uptake of awareness and engagement among employees.
- **All sides need to be willing to invest in knowledge capital:** Co-creation is much more than investing money; it is about investing the knowledge capital of your organization into a partnership – from your human resources to your resources related to operational capabilities. Boehringer Ingelheim has contributed diverse knowledge capital to *Making More Health*, demonstrated by the diversity of employees who are contributing time to this initiative. The team is transversal, with members from Corporate Social Responsibility and Communications/PR departments, but also from Strategy & Development, Innovation, Information Systems and Human Resources departments. The team is also diverse in its vertical representation of employees, from training and human resource managers in local country offices, to managing directors and country managers sitting on the initiative's cross-functional Steering Committee. This makes for a rich set of organizational experience and skills contributing to making *Making More Health* a sustainable initiative organization-wide.
- **Success involves bringing it home:** Co-creation is not only about contributing

your skills and strengths; it involves cross-pollination of each entity's skills and strengths. And this in turn begins to challenge customary internal processes and structures. A good example of this is the way Boehringer Ingelheim has managed to institutionalize Ashoka's Executive in Residence program into its standard Global Talent Development Program, making it a key offering to executives passing through this process.

- **Expect and embrace barriers:** As for any innovative and complex process, failure occurs and is the path to learning and identifying solutions.

Having all these building blocks in place requires a deep level of trust. 'Trust' is a word that often arises in interviews and conversations with Boehringer Ingelheim and Ashoka employees. Working together through co-creation, we have naturally developed an ability to see from each other's perspectives and to find compromise when perspectives differ.

Ashoka and Boehringer Ingelheim are now preparing for a second phase of the partnership. The second phase (2014 thru 2016) will take the learnings and insights into social innovation in health identified during phase one and apply them to testing innovative approaches to health care delivery in a specific health area and region. These field initiatives will integrate the work of various social entrepreneurs working with holistic solutions across the continuum of health care where social entrepreneurs could give support in areas such as education, prevention, diagnosis and management in order to reach new populations, and ultimately increase access to care for underserved populations (see some examples of insights gleamed from *Making More Health Fellows* below.) Eventually, our vision is to attract additional partners to work with us in co-creation mode, broadening the number of stakeholders who share our commitment to social innovation and cross-sector collaboration.

Jordi Marti *Founder of Dry Blood Spot Screening, Spain is teaching us about making early diagnosis of infectious and non-communicable diseases affordable for disadvantaged communities and poorly funded health systems. His dried blood sample technology, offered through large-scale testing campaigns, allows for health institutions and governments to track critical risk factors for certain chronic diseases across entire population groups, while also enabling large volumes of data analysis to reach health policymakers.*

Piyush Tewari *is the Founder of Save Life Foundation, India which provides insight into designing an efficient emergency response system in countries needing a comprehensive "chain of survival". Piyush is creating an enabling legal environment and is breaking down citizens' prejudices and apathy to enable them to proactively come forward to improve India's emergency response system in collaboration with police, ambulances and hospitals.*

Heidi Wang *is the Founder of NOEN, Norway. Her work highlights the importance of shifting from an institutionalized long-term care system to an individualized approach that places the patient at the center of care. She works with dementia sufferers, their families, and communities to develop a tailored at-home treatment program, offered through a subscription service, which includes physical and mental exercise, classes for family caregivers, and legal advice.*

We have identified 50 new health social entrepreneurs (i.e. Ashoka Fellows) around the world driving new solutions across the areas of primary health care, chronic care, nutrition, sanitation, mental health, disability, and many other areas. Together they are touching more than six million direct beneficiaries. We have also engaged over 3,000 Boehringer Ingelheim employees (nearly 10% of the company's overall workforce) in *Making More Health* activities, including employees working "in residence" at the organizations of social entrepreneurs for anywhere from two weeks to six months. Through a business model vetting process, Boehringer Ingelheim and Ashoka have also identified two projects led by social entrepreneurs (one aimed at diabetes management and the other focused on enlarging the pool of clinical trial research), which will now receive pro-bono support from employees on specific strategic needs.

However, the impact extends much further to many intangible benefits for Boehringer Ingelheim and Ashoka, and for society at large. For each of pillar of activities under *Making More Health,* we have identified multiple layers of impact:

Boehringer Ingelheim employee Kim Gacso, Executive Director of Global Leadership Development and who was instrumental in integrating the Executives in Residence program into Boehringer Ingelheim's current global development modules, sums up the impact well: "I am so proud of Boehringer Ingelheim for playing 'outside of the box' with *Making More Health*. This is an initiative that many people did not understand at first; particularly how it would add value to our pharmaceutical business.

Success is thus dependent on employees of co-creating entities being equipped with a very different skill-set than traditionally valued. These skills are empathy, teamwork, leadership and changemaking

We have opened ourselves up to a whole new world; *Making More Health* offers us the opportunity to gain a deeper understanding of new markets (markets that we are not as familiar with), gain access to creative ideas and perspectives (driving innovation for us) and meet Ashoka Fellows (the true definition of leaders in my book) who are making massive systemic change with very limited resources and budget." Through working across these multiple layers of impact, and through continuous, iterative co-creation, we will ensure strong, sustainable social and business outcomes.

A Call to Action to Co-Create

Normalizing co-creations between the social and business sectors will significantly expand the solution-set to complex global challenges, thus unleashing potential innovations that are inconceivable at the moment. The co-creation process itself allows for additional benefits; mainly an emphasis on the organizational management, internal culture shift and employee engagement necessary for 21st century entities to realize and sustain large-scale social and business impact. Co-creation is about personal engagements; it's about the individuals that make up the company, and not the company itself. Success is thus dependent on employees of co-creating

STRATEGIC PILLAR	IMPACT FOR SOCIETY	IMPACT FOR BOEHRINGER INGELHEIM
OPEN INNOVATION	An open innovation approach enables us to identify and support leading social innovations that are changing health systems and touching millions of beneficiaries around the world. These entrepreneurs, in turn, inspire more changemakers to take up and act upon solutions, creating a multiplier effect.	Using an open innovation R&D approach – one that supports a critical mass of social entrepreneurs in health and conducts trend analysis into their models – has allowed Boehringer Ingelheim to develop a lens into the future, creating better understanding of the common insights and approaches among social innovation in health.
SKILLS AND PEOPLE	Skills-based volunteering and strategic support by employees to social entrepreneurs promotes a culture of corporates giving their time and expertise to help social entrepreneurs develop their business models and scale their work, thus achieving even more social impact for society.	Skills-based volunteering and strategic pro-bono support to social entrepreneurs also creates a pipeline for Boehringer Ingelheim to identify and develop talent, and to increase employee pride across the company.
BRIDGES TO BUSINESS	Making More Health is developing the nascent area of co-creation by building up best practices, principles of success, and know-how to inspire other corporations and organizations to follow suit and engage in co-creation.	Boehringer Ingelheim's internal strategy and innovation teams are at the early stages of exploring new business models along the entire continuum of health care, placing patients at the center of this care.

entities being equipped with a very different skill-set than traditionally valued. These skills are empathy, teamwork, leadership and changemaking (the ability to lead solutions and take self-initiative.) These are the fundamental skills necessary for co-creation.

As we envision new possibilities for co-creation between the business and social sectors, we are restructuring the world system as we know. Co-creation models break down historical silos and begin to dismantle over a century of static delineations between the mission, values and cultures of the corporate versus social sectors. We find ourselves confronted with a gray zone of structures, purpose and roles. Change comes with many challenges. Since the landscape for co-creation is very early-stage, corporations can see working in this way as risky and time-consuming, versus the perceived lower risk of retaining their traditional service provider partners.

Business and social sector leaders, especially the intra/entrepreneurs within these structures, have the opportunity to accelerate and concretize the current movement aimed at changing the way social and business sectors operate, perceive one another, and work together to overcome complex systematic social and business challenges

On the other hand, social sector organizations can be wary of working closely with corporations, which are often perceived as bureaucratic and adverse to change. In order to navigate this ambiguity and inspire corporations and social sector entities to explore new frontiers, pioneers testing co-creation must step up to contribute to a practical working knowledge of best practice approaches and specific how-to's. Business and social sector leaders, especially the intra/entrepreneurs within these structures, have the opportunity to accelerate and concretize the current movement aimed at changing the way social and business sectors operate, perceive one another, and work together to overcome complex systematic social and business challenges.

Cause for Thought

by **Vanessa Friedman**

Today, no luxury brand can afford to be without a philanthropic arm. But how can an industry based on exclusivity and indulgence demonstrate a credible commitment towards society's most challenged?

There are many places a rational consumer might expect to find a Gucci label. You would not be surprised, for example, to find it on the inside of a bamboo-handled snakeskin handbag. You would not be surprised to see it on the insole of a gold-buckled and studded leather stiletto bootie, or sewn onto the silken lining of a black python pencil skirt, or a blush-coloured double-breasted ostrich-skin pea coat. You might not even be surprised to come across it on an invitation to the premiere of a film such as Rush, where Gucci provided clothes for Chris Hemsworth's and Olivia Wilde's lead characters; or at a competitive event, such as the Gucci Paris Masters, an indoor equestrian competition founded in 2009.

But at the bottom of a web page for a project called Chime for Change that has as features (in no particular order) stories entitled "Women, rape & obnoxious law", "No more child marriage in Saudi Arabia?" and "Let the breast grow"? Or as the founding sponsor of a hackathon (linked to Chime for Change), held in San Francisco a few days ago, where over 100 programmers from Facebook, TechCrunch, Twitter and Yelp were kept in an office for approximately nine hours and charged with coming up with a startling new app to drive engagement with issues around women's education, health and equal rights? That's a startling juxtaposition.

Yet there, next to both of these, are the words "founded by Gucci". And in the very contrast between brand expectations and cause exhortation lies a new, potentially influential, approach to philanthropy – as well as the contemporary conundrum of how to navigate between an industry based on indulgence, the imperative to demonstrate commitment beyond the creative, and the concerns about profiteering do-goodism that may follow.

Traditionally, the corporate-donor model often involves a company creating a foundation, targeting a charity and then giving a lump sum to an organisation to use as said NGO sees fit. In fashion's case, this might mean a brand creates products for a cause and donates a percentage of sales to the charity. Consider Emporio Armani's Red sunglasses and watches. They, along with a variety of products from other brands, support Red, which channels money to the Global Fund's fight against Aids. Similarly, in the UK 25 per cent of the purchase price (excluding VAT) of Ralph Lauren's Pink Pony products goes to a chosen charity, currently The Royal Marsden Cancer Charity, while in the US the products support cancer programmes via a Pink Pony Fund. (Though Ralph Lauren also uses other models, as seen in its support for L'Ecole Nationale Supérieure des Beaux-Arts in Paris through directly funding a restoration project and providing patron sponsorship.

"The problem in charity is often you get people in the same circles talking to each other… the challenge is to reach the people outside

However, Gucci decided instead to leverage its brand equity to encourage public involvement in a panoply of causes focused on girls and women, falling under the catch-all title of Chime for Change, which bills itself as "a new global campaign to raise funds and awareness for girls' and women's empowerment" in three areas: education, health and justice. In turn, it acts as a superhighway, directing consumers to an online crowdfunding platform called Catapult, which vets many NGO programmes and holds them accountable. Put another way: Gucci makes the noise, and people make the donations. And it all happens in a highly branded forum.

Vanessa Friedman
Vanessa Friedman has been fashion editor of the Financial Times since 2002. She is the first person to hold the post. She writes a weekly column on style, edits the Business of Fashion supplements, and helped coordinate The Financial Times, Business of Luxury conference.

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The result is a very public gamble in an area where luxury has always been very private – and understandably so. As Margot Brandenburg, a fellow at the Nathan Cummings Foundation, who is currently co-authoring a book on impact investing, points out, “The truth is, for the price of one luxury handbag, you can easily give food and water to a family in a challenged area for a year. A ‘branded’ movement makes facing that reality unavoidable – which can create a lot of discomfort for a consumer. On the other hand, it also lays bare the contradictions we all live with every day.” To be specific: is a brand better off starting a movement as opposed to simply giving away meaningful sums? Is a grass-roots movement something that can even be created from the top down? Does “branding” a charity raise red flags about its motivations? And how much, exactly, has Gucci bitten off with this project? The answers are far from simple, as even Gucci will admit.

“There’s no textbook for what we are doing,” says Gucci CEO Patrizio di Marco. “And whenever you expose yourself, you run the risk of people misunderstanding you. But I think we have a moral and ethical obligation to act. Over 50 per cent of my management team is female, and we had a choice: we could either do this under the radar, or embrace our public profile and use that.”

“There’s no question that anonymous giving is perceived as the most selfless form of donating,” says Professor Peter Singer, a bioethicist at Princeton University and author of The Life You Can Save: Acting Now to End World Poverty. “However, I tend to think in the current setting people are more likely to give when they know who else is giving.” Certainly, when it comes to who is involved, Chime reads like a female Who’s Who. Launched at Ted in California in February, its co-founders are Beyoncé, Frida Giannini and Salma Hayek Pinault, and advisory board members include Sarah Brown, Waris Dirie, Arianna Huffington, Madonna, Jada Pinkett Smith, Julia Roberts and Desmond Tutu. It was introduced to the world via a huge concert in Twickenham in June, entirely underwritten by Gucci, where everybody from Florence Welch to J Lo sang, and Jessica Chastain, Ryan Reynolds and Gloria Steinem spoke. All attendees could donate the price of their ticket (minus handling fees and VAT) to an NGO of their choice through Catapult.

“The problem in charity is often you get people in the same circles talking to each other,” says Yasmeen Hassan, global director of Equality Now – a human-rights organisation dedicated to ending violence against women – and a Chime board member. “The challenge is to reach the people outside. And that is what Gucci has enabled.” Di Marco agrees: “We didn’t want this to be a ‘Gucci saves the world’ thing. We wanted Gucci to be the vehicle to help other people to act.”

Certainly, thus far there are ongoing, quantifiable achievements. Almost $4m was raised from the concert alone, with another $500,000 obtained through related donations since, and 272 programmes have been fully funded, including $25,150 for Syrian refugees needing healthcare from Doctors of the World, and $57,750 to build a floor of a school in Pakistan. Chime has around 300,000 Facebook fans, and 22,000 people have signed up for its newsletter. In total, 42 per cent of concertgoers went on Catapult to allot their ticket money, and now receive quarterly updates on the progress of the programme they funded, forging an ongoing relationship. (This may not sound like much, but, according to Hassan, the response rate for Equality Now online member surveys is about 10-13 per cent.)

However, the difficulty of sorting through the issues that fall under the Chime umbrella (there are 28 sections on the “Find a Project” part of Catapult, ranging from “Arts” to “Child brides” to “War & crisis”) was also brought home at the June concert, where so many causes were discussed that some attendees did not seem to know where they should focus their attention. Even Hassan says, “I would have wanted a bigger unifying message: I felt it was too confused, because there were so many strands. We need to work on that, but you can’t get everything right immediately.”

Beyoncé, one of the Co-founders of Chime for Change

At the same time, the complications inherent in mixing celebrity and philanthropy were thrust to the fore by a Twitter debate after Madonna's speech at the concert – not about the fact she had pledged to double any contribution to building a school in a village in Pakistan, but over the state of her face – as well as criticism, again on social media, of Beyoncé's and Jennifer Lopez's body-baring stage outfits, which some saw as demeaning to women. A few days later, di Marco was apoplectic about the discussion: "They're idiots if they think that is the point," he said at the FT Business of Luxury Summit in Vienna – though he later became philosophic, noting, "I find it a bit ridiculous, but if that's what they want to take away, it's their choice." Hassan, too, reflects that "there's a fine line between celebrity amplifying the message and overwhelming it. But I casually asked some attendees afterwards – most of whom, let's be honest, came for the stars, not the issues – and they did feel more pulled in."

Pointedly, thus far the celebrity involvement seems to have been more of a stumbling block than the luxury side of things. This may be because, as Sarah Brown points out, fashion has a tradition of publicly supporting causes such as Aids and breast cancer. "I have more pictures of me with supermodels at various fundraising events than I'd ever have imagined," she says, adding, "I wouldn't want to think for a second that a luxury brand shouldn't be part of a big corporate social responsibility initiative by definition of being luxury." Gucci itself has a track record of working with groups such as Unicef. Indeed, it has been a Unicef "partner" for eight years, contributing over $18m to schools in Africa and other projects. "I don't think the way to solve poverty is for people to beat themselves up," says Caryl M Stern, president and CEO of the US Fund for Unicef.

Yet, while groups from Unicef to Equality Now to A World at School (a digital campaigning organisation co-founded by Sarah Brown) are unanimous in their support for the idea of Chime, it's hard not to wonder whether involving so many powerful individuals and organisations will ultimately complicate the project. On the one hand, it helps to insulate Gucci from charges of dilettantism and gold-washing (as Brandenburg says, "I don't think Sarah Brown or Melinda Gates would get involved with anything that wasn't completely vetted and serious"), but it's also unclear whether, within the wider goal of "empowering women", everyone's priorities are the same. Frida Giannini, Gucci's creative director, puts it slightly more circumspectly. "We had incredible enthusiasm from so many partners, artists and other friends of the house – we had to find a way to harness that positive energy and momentum."

Sometimes donors want guidance in understanding what may be the most pressing or crucial cause, but here the guidance lies merely in the transparency of the amount needed to fund each project, the amount donated thus far and the number of people who have donated

Gucci itself has taken a resolutely non-ideological position, such that the Chime website offers the opportunity to help produce a girl-centred storybook in Sri Lanka in the same way that it recently addressed female sexual mutilation in Mali. It can seem disjointed to see so many issues presented in an equivalent manner. Sometimes donors want guidance in understanding what may be the most pressing or crucial cause, but here the guidance lies merely in the transparency of the amount needed to fund each project, the amount donated thus far and the number of people who have donated. Beyond that, the judgement is left to the individual.

Indeed, this refusal to take a stance is reflected in the involvement of Facebook, another Chime partner, where Carolyn Everson, of VP Global Marketing Solutions, explains its participation as being motivated more by a desire to "support causes that are important to our marketing partners" than by any political conviction. It makes sense from a brand point of view (why alienate potential givers or customers by taking a controversial stand?), but can lead to a lack of clarity about the goal. Sometimes, democracy feels more like cacophony.

And it is all exacerbated by the issue of how, having created the sort of expectations that the Twickenham concert did, such enthusiasm can be sustained over time – both in terms of the brand's commitment and of public attention, which famously waxes and wanes. A taskforce of 3,000 people was employed on the day, and the total commitment was on a similar level, insiders say, to the largest kind of fashion expense (eg, holding a show on the Great Wall of China). Though $5m is a drop in Gucci's 2012 $1.26bn profits, and it made much of that money back through sponsorships and selling broadcast rights, Gucci was not able to deduct the expenses from its tax bill, as a US company might. "We just accept a slightly smaller margin," explains di Marco.

Whether Gucci will maintain this level of investment, especially when the executives change (di Marco said in Vienna that he couldn't predict where Chime would be in 10 years, because he could predict he would no longer be at Gucci), is a question that hovers over all corporate philanthropy. However, François-Henri Pinault, the chief executive and largest shareholder of Kering, Gucci's parent group, is on the Chime advisory board, and his wife, Salma, is a co-founder, so a long-term commitment can probably be assumed.

Currently, Chime for Change is wrestling with the problem of follow-up, since having a mega-concert every year is not practical, and it is working on a range of activities for 2014 that will complement its internet presence. Gucci started off opposed to linking product to project. "There will never be a Chime for Change collection," says di Marco, "in large part because we do not want to open ourselves up to accusations that we are using this for commercial gain" (though clearly the brand must profit from emotional connectivity). However, it is now planning to create a campaign around Mother's Day 2014 (supported by licensing partner P&G Prestige) that will involve all the Gucci fragrances and provide anybody buying one with a virtual €3 donation that can be directed to a project via the Chime website.

"One of the issues is that these are very long-term goals, and the problems are not easily 'solved'," says Hassan. "So you give your money, the report does not come back all hunky-dory immediately, and then people can get frustrated and drop out." Indeed, this touches on a larger ongoing debate in the philanthropic community about the most effective type of giving. Is it better to take a world-changing amount of money and fix one problem with it, so you concentrate on a single issue, or drip-drop many, many little bits of money on many, many issues that individuals of all income levels decide for themselves are important, as Chime is doing via Catapult?

The latter reflects two movements in philanthropy at the moment: the drive toward the "democratisation of giving", wherein donors are able to decide for themselves where their money goes in a very granular fashion, and the need for "effective philanthropy", wherein the charities are also responsible for updates on their own progress and how they spent the money. "This has the benefit of being a relatively transparent approach," Singer says. "Certainly more so than a foundation" – though, as Hassan points out, it can also "become less about getting money to projects than getting people involved".

"Look, change has to happen at all levels," says Unicef's Stern, "and the truth is, none of us has a comprehensive solution for how to fight poverty. No one has the silver bullet. So why not try this? Why not take a big idea and break it down?"

"The irony is," says Professor Singer, "that if it this is really successful, if a consumer really finds the stories inspiring and becomes fully engaged, they may take the money they would have spent on a Gucci product and give it to a Chime programme. Which may not necessarily be good for Gucci, but would be good for women."

It's a risk di Marco is prepared to take. "Someone has to be first," he says. The implication being, who's next?

Catapult: *www.catapult.org*
Chime for Change: *www.chimeforchange.org*
Emporio Armani *www.armani.com*
Jonathan Adler: *www.jonathanadler.com*
Ralph Lauren: *www.ralphlauren.com*
Red: *www.red.org*

Real or Fake:
Luxury Brand Corporate Philanthropy

by **Catherine Walker**

I love the Gucci brand. So much so that I have a rather bad fake Gucci watch to prove it. The reason I mention it is that I cannot help thinking that there is something just a little bit fake about Chime for Change.

There is something not quite right in a multi-billion pound luxury business setting up a portal through which or'nery folk like us are enabled and encouraged to give our hard-earned pennies to charity.

My charity, the Directory of Social Change[1], has been researching corporate philanthropy in the UK for the last 25 years, and believe me that is no easy task. Not only are the amounts miniscule in comparison to what or'nery individuals give (2% of UK charities' income compared to 43%), but they are also obfuscated in a morass of do-goodism verbiage, exaggeration and downright lies[2].

Many companies boast about empowering their employees and customers to give to charity and then count that as part of their own giving. No! You pay your employees to make your profit, you put a profiteering margin on your products that customers buy, and then you rinse their charity pennies out of them and call it corporate philanthropy? I don't think so! Even with all this individual giving company donations average a pathetic 0.4% of pre-tax profits. Less than £1 billion goes to charity every year from the corporate coffers, compared to over £14bn from individuals.

So Vanessa Friedman does well to point out the "concerns about profiteering do-goodism" in Gucci's "branded movement" – a glorified crowd-funding platform. The cognitive dissonance created by luxury brands in the philanthropic arena is a hurdle which needs careful management[3]. As Margot Brandenburg points out in Vanessa's article, "for the price of one luxury handbag, you can easily give food and water to a family in a challenged area for a year." But most people considering the option would not make that swap. So allowing them to donate a percentage of the price instead allows them to assuage their guilt and still buy the luxury handbag – a win-win for the customer and the manufacturer. But not for the poor family who now, instead of getting a year's supply of food and water only get a few weeks.

So Gucci under-wrote a big concert in Twickenham, employing 3,000 people. Incidentally, I would love to know if the artists performing (amongst which, Jennifer Lopez and Florence Welch) donated their time for the cause for free. Concert-goers were encouraged to donate the price of their ticket – 42% did so. The concert cost Gucci $5m– around £3m – or 0.4% of its profits (sound familiar?!) for a heavily-branded piece of social marketing, at which the article claims it made back most of the outlay through selling sponsorship and broadcasting rights.

'Gold-washing' is a new term on me, but if it is anything like my fake Gucci watch then the 'gold' tends to wear thin pretty soon revealing the tarnished cheap metal underneath.

So what should luxury brands do? In fact, what should all corporate do?

The three tenets of our Great Giving Campaign are a good place to start: Give; Give more; Give better[4].

Stop looking for win-win deals which support your business case. Philanthropy is about giving without counting the cost (if you'll forgive the religious nod). Give when times are hard not just when your profit-margin is healthy. Give to unpopular causes, small charities, community groups who are doing a good job and don't make them jump through a million useless flaming bureaucratic hoops to get the money. Spend time with them, and talk to them to let them explain what they are doing. Learn their language. Allow them to define 'success', 'effectiveness' and 'impact' or come to an agreement together. In short, take off your suit,

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roll up your sleeves and get dirty. Even out the power imbalance which has charities begging at your door. Throw away the rule book and get real.

Give to unpopular causes, small charities, community groups who are doing a good job and don't make them jump through a million useless flaming bureaucratic hoops to get the money.

Last November I chaired the Philanthropy Impact event "Fashion and Philanthropy" at Rothschild[5] which showcased a number of fashion enterprises which are working in a social context as their primary market. Social enterprises such as these demonstrate what can be done when you think about things differently, and prove that doing good can be fashionable too.

Fakes sell because they are cheap and easy, but if you can demonstrate genuine value for money, longevity and superior qualities then people will buy the genuine article.

[1] *www.dsc.org.uk*

[2] *See for example, The Company Giving Almanac, 2013, Directory of Social Change (http://www.dsc.org.uk/Publications/Fundraisingsources/@162468)*

[3] *As I pointed out in this Financial Times article: http://www.ft.com./cms/s/0/51eec732-696d-11e3-aba3-00144feabdc0.html#axzz2r1SNbjiV*

[4] *http://www.dsc.org.uk/PolicyandResearch/PolicyandCampaigning/GreatGivingCampaign*

[5] *http://www.philanthropy-impact.org/events/event-listing/fashion-and-philanthropy-gimmick-or-real*

Ten Things You (Probably) Didn't Know About Philanthropy in South Africa

by Philip Faure, Citadel Wealth Management

1. South Africa has only four billionaires (US has 442) and 60 000 millionaires. By 2016 the number of millionaires is expected to grow to 240,000.
2. In attempting to redress the inequalities of the past, many new black Rand millionaires and billionaires have been created. Philanthropists are emerging in this space with the majority of their giving directed closer to home, in their own extended families and communities.
3. In an attempt to redress the unequal distribution of wealth, South African companies are required to comply with broad-based Black Economic Empowerment legislation. Part of a company's annual score card, includes corporate philanthropy, known as Social Economic Development. Companies are required to spend 1% net profit after tax on social uplift.
4. Philanthropists in South Africa are in general far more private than elsewhere in the world, preferring to operate "under the radar". In 2013 the first African philanthropist, Patrice Motsepe, joined the Giving Pledge.
5. Philanthropy is still in its infancy in South Africa. Inyathelo – The South African Institute for Advancement, has taken the lead in growing philanthropy in the country. Although not formally appointed, they are considered the Industry Body and are host the annual Inyathelo Philanthropy Awards ceremony.
6. Social Enterprises and Impact Investment funds have been around for some time, but are not yet accepted as main stream investments. Interest and activity levels continue to grow, driven by the likes of the African Social Entrepreneurs Network (ASEN) and the Bertha Institute for Social innovation at the University of Cape Town's Business School.
7. No capital gains tax, donations tax or estate duties are payable on donations to a Public Benefit Organisation (charities and foundations registered with the South African Revenue Service). However, income tax incentives for donations to PBO's are limited to 10% of annual taxable income. The South African Private Philanthropy Circle recently made a submission to the National Treasury and Revenue Service with recommendations to changethe Income Tax Act and other restrictive legislation.
8. Donor-advised funds (DAFs) are still not well understood or used. South Africa's first Donor advised fund was launched in 2013.
9. Nelson Mandela International Day is an annual day to honour the legacy of Nelson Mandela, and his values, through volunteering and community service. Nelson Mandela fought for social justice for 67 years, and on the 18th of July each year, people are asked to do 67 minutes of volunteering.
10. African cultures in Southern African have for generations practiced their own form of philanthropy, called "Ubuntu". Translated this means "I am because we are". This is the essence of being human, we cannot exist in isolation, and we are all connected.

Corporate Philanthropy:
It Is No Longer About Charity (Nor Should It Be)

by **Alice Korngold**

Multinational corporations have the global footprint, financial and human resources, and profit incentive to solve the world's most challenging problems, including poverty, climate change, education, healthcare, and human rights.

In the past, some companies provided charitable contributions to NGOs/nonprofits, primarily in communities where their employees lived and worked. But philanthropy was tenuous because it was not closely enough tied with the company's primary purpose, and shareholders sometimes questioned its validity. More recently, however, some companies have begun to realize that there are opportunities in bringing their expertise, technology, and worldwide workforce to bear in fixing social problems. Addressing these problems may be advantageous to the company—by reducing costs, such as energy-efficiency; mitigating risks—such as protecting natural resources that are vital to their supply chains; or presenting opportunities to develop and market goods and services—such as building smart cities to improve citizen services.

In *"A Better World, Inc.: How Companies Profit by Solving Global Problems…Where Governments Cannot,"* I contend that companies are uniquely equipped to address the world's most daunting challenges, and that some corporations are already beginning to do so. While NGOs/nonprofits have worthy missions, they do not have the resources and scalability sufficient to make transformational progress. And governments have not been able to make binding and actionable agreements to deal with these problems.

It might give one pause to think of companies as the source for finding solutions to social, economic, and environmental issues. After all, elements of the business sector have sometimes been—and even continue to be—responsible for creating human rights abuses, environmental degradation, and economic injustices that continue to plague the world today. I do not suggest that we entirely abdicate global problem-solving to businesses. Nonprofits and governments have vital roles to play.

Companies recognize the benefits of global problem-solving

In conducting research for my book, I found many companies that recognize that addressing global challenges can also be good for business. For example,

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Johnson Controls is increasing energy-efficiency and reducing greenhouse gas emissions by retrofitting old buildings in cities worldwide, such as the Empire State Building and the Inorbit Mall in Mumbia. Vodafone, with Safaricom, launched M-PESA in Kenya to provide mobile services to the unbanked poor to become more financially self-sufficient. GSK, in partnership with Vodafone, seeks to increase the uptake of DPT vaccines in Mozambique, and then expand the program in additional countries; this could save tens of thousands of children's lives. And Unilever is not only reducing greenhouse gas emissions in its manufacturing and supply chain, but the company also seeks to be innovative in providing consumers with tools to change their reduce their use of water and energy.

Global problem solving is the next logical step along the continuum that began nearly 30 years ago when some businesses began to think about philanthropy and volunteering more strategically

The companies that I write about continue to provide philanthropic funding, but they leverage their dollars and their technology to support their employees who are working on solutions. HP, for example, has partnered with 60 NGOs and academic institutions globally to find new and effective ways to educate young people. The company contributes funding and technology to their nonprofit partners, while also engaging their employees. HP hopes to benefit by educating the next generation of employees and consumers, collaborating with partners who are also potential customers, showcasing their problem solving prowess, and sometimes developing innovative new products along the way.

The opportunity for NGOs/nonprofits

The corporations that are most successful in their problem solving efforts partner with nonprofits that bring complementary expertise as well as stakeholder relationships in communities of interest. By leveraging the interests of companies, NGOs/nonprofits have an opportunity to gain access to corporate resources. For example, Dow partners with Acumen on an investment portfolio of small and growing businesses in East and West Africa; these are companies that provide low-income people with water, sanitation, agriculture, and energy services. Dow provides problem solving expertise and general capacity building consulting, such as marketing, IT services, finance, product design, product development, business strategy, supply chain, measurement impact, and market expansion.

The value to Dow is that although the company has had a presence in Africa for 50 years, it sought to expand to East and West Africa. Dow believed that through its work with Acumen and its portfolio companies, it would be able to gain access into new markets, develop insights and relationships with people in the regulatory agencies, and convey to local businesses and civic leaders that the company was there to engage and bring solutions. Additionally, Dow saw this initiative as a way to understand the local economy in advance of its building manufacturing plants that will have a life of 50-100 years, investing billions of dollars, and making operational decisions. With the partnership with Acumen, Dow can do good, while advancing itself as well.

Better than philanthropy

Global problem solving is the next logical step along the continuum that began nearly 30 years ago when some businesses began to think about philanthropy and volunteering more strategically. Once they realized that they could align their contributions with causes that would enhance their business interests, it was a few steps forward and up the corporate ladder for visionary CEOs to see that more was possible. This is good for the world. Good for two reasons. First, because corporate community involvement is no longer tenuous; now there's a business case for companies to solve poverty and climate change—it's good for business. Second, because corporate engagement is powerful; a great deal of good can be done.

Mixing Business and Social

What is a Social Enterprise and How Can We Recognise One?

by **Andrew Rogerson** and **Gideon Rabinowitz**

A clearer, generally agreed definition of what constitutes a social enterprise (SE) in the context of developing countries is needed for several reasons. First, despite manifold efforts, mapping and tracking this supposedly booming set of institutions remains unfeasible without a consistent working definition. Second, lingering ambiguity around the definition makes it that much harder for 'real' SEs that could make a substantial contribution to poverty reduction to promote themselves effectively to customers, investors and regulators and to stand out from the 'also-rans'. And third, potential funders further afield, including official aid agencies and the taxpayers behind them, could benefit from better metrics on how they might identify SEs for possible support.

Responding to this 'public interest' imperative, Overseas Development Institute (ODI) has carried out some experimental research which uses a definition of SEs informed by relevant literature to then identify and test a set of proposed thresholds for defining social and financial standards to be expected of SEs in a development context. This article outlines and justifies the approach taken for this research, together with its results and some elements of the substantial remaining research agenda it is hoped this work will help to stimulate efforts to address. It is based on an ODI paper presenting this research.

A clearer, generally agreed definition of what constitutes a social enterprise (SE) in the context of developing countries is needed… potential funders… could benefit from better metrics on how they might identify SEs for possible support.

Social enterprise definitions

The first step of this research was to select a definition of 'social enterprise/entrepreneurship', a concept which is much debated in the literature. We defined SEs as:

'Organisations primarily intended to pursue social impact, which are also financially viable.'

This focus on the primacy of SEs' social purpose, combined with a minimum threshold of financial sustainability, aligns them closely with the alternative term of 'social businesses' as used by, for example, Muhammad Yunus. A broader tradition goes back to the seminal work of Greg Dees that focuses on SEs as change makers regardless of their financial viability. But given our interest in the potential of SEs to provide new resources for development, additional (in at least a modest and gradual way) to philanthropic and government grants, we have chosen this narrower interpretation.

This still leaves us with the not inconsiderable task of unpacking what we mean by the terms 'social impact'

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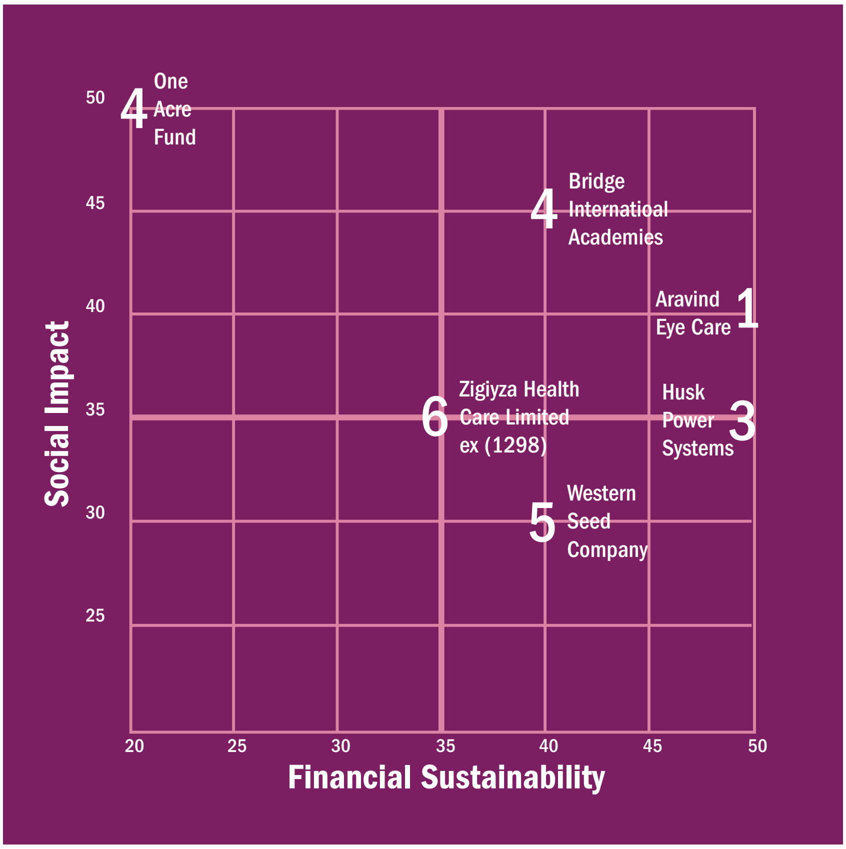
and 'financial viability', in order to present a full picture of the definition we are using.

Defining social impact for social enterprises in a development context

'Social impact' is a term that is always hard to define in the abstract. Given that we are addressing these questions from the perspective of global development and poverty reduction, as enshrined in, for example, the Millennium Development Goals (MDGs), we think it has two main dimensions:

- **Reach** – Its target group should be large – in the thousands at least, preferably much larger yet. It should also ideally contain at least the same share of poor people as the region or country as a whole, a measure of its focus on supporting such groups
- **Depth** – It should help generate substantial, rather than marginal, social or environmental value for all they serve, which we interpret as significantly (ideally by one-third or more) improving access to, affordability of or income generated by goods and services consumed or produced by the poor



Our definition of *financial viability* is that an SE must be able over the medium term (say five to ten years) to, as a minimum, break even, service reasonable debts, set adequate funding aside as a cushion for shocks and expansion and, ideally, provide acceptable returns to investors. In order to address sustainability challenges we also require SEs to not pay their managers too far above or below (an implicit subsidy) market rates and to generate their income predominantly from commercial activities. We decided not apply a profit limit to SEs given that our definition requires SEs to be 'primarily intended to pursue social impact'.

Testing of these thresholds using a questionnaire applied to real life SEs

On the basis of these decisions we developed a simple questionnaire with questions (ten in total, five each on social impact and financial viability) covering all of these thresholds and identifying scores to be given to SEs based on their ability to meet / come near to meeting them. We then applied this questionnaire to six high profile cases (selected largely on the basis that substantive public information is available on them, allowing us to carry out this research on a modest budget) of impact-oriented enterprises being supported by foundations, impact investors and donor agencies in order to illustrate its use and test the approach in the real world.

Results from testing the 'GRR SE questionnaire'

The results of our trial of this 'SE assessment tool' are illustrated in the diagram below. NB - The enterprises scoring at least 35 on both social impact and financial viability are judged to be bona fide SEs (i.e. the top right hand corner quadrant).

It is clear from these results that a number of organisations are on the borderline of meeting our proposed SE standard, which suggests that our decisions about scoring thresholds (which in some cases were relatively arbitrary) may have determined much about the outcome. It also seems possible that our results would be challenged by the backers of some of these organisations, especially those some way from meeting the standard.

Conclusions and future agendas

We therefore make no claim to have developed a silver-bullet solution that allows for an accurate and low-cost triage of SEs that clearly deserve public support as such (if only in terms of political goodwill). Nonetheless, we feel this exercise is a valuable one, for two reasons. Firstly, it brings attention attention to the importance of deepening debate about the role and nature of SEs, e.g. in relation to timeframes for achieving financial viability, transparency of reporting and potential trade-offs between social impact and financial viability. We urgently need more debate on these issues in order to bring more rigour to this area of policy and practice.

Secondly, it illustrates the types of practical tools that can be used to assess SEs and inform research, sector monitoring and investment decisions. We recognise that this 'SE assessment tool' may come across as too simplistic for impact investors who hold more substantial information about prospective investees and apply more nuanced criteria to their assessment decisions. We therefore hope some of them will be able to adapt and improve our tool.

Ten Things You (Probably) Didn't Know About Philanthropy in Latin America

Contributors include: Andre Degenszjain (Brazil); Caroline Suares AFE (Columbia); Carolina Langan, GDFE (Argentina); Jorge Villalobos, CEMEFI (Mexico) and Helen Monteiro (Worldwide Initiatives for Grantmaker Support WINGS).

1. Most countries in Latin America use the term Private Social Investment, rather than Philanthropy, to refer to the allocation of private resources for the common good. The emphasis is on interventions that support social change and social justice, rather than on charity that maintains the status quo.
2. Private Social Investment in Latin America is in growing not only in financial resources, but also in knowledge, networking and human capital.
3. Social contributions from large companies in Latin American have shifted from traditional charity to strategic philanthropy, seeking interventions that generate sustainable impact and improving the corporate social responsibility (CSR) sector.
4. Traditional areas of intervention, such as education, health and poverty, have been historically the priority. Nevertheless, in the past years, the sector has increased and diversified and the scope of interest has broadened to include supporting issues such as the environment, entrepreneurship, citizenship, transparency and human rights.
5. Until the year 2000, family foundations were the philanthropic leaders in Latin America. Since then, there has been a growing interest from corporations to become involved in social investing, which has generated a proliferation of corporate foundations in the region.
6. Corporate giving has increased and diversified to include corporate volunteering, corporate social programs and corporate foundations. In Mexico, data from 2010 reveals that corporate foundations donated 32% of total grants and represented 26% of the total number of grant-makers. This has also generated increased media and academic attention resulting in an increase in the number of specialised publications on this subject being produced.
7. Today, there are four associations in the region that provide services and support to corporate foundations and CSR: Centro Mexicano para la Filantropia - Mexican Center for Philanthropy (CEMEF, Mexico), Grupo de Institutos Fundacoes e Empresas - Group of Institutes, Foundations and Corporations (GIFE, Brazil), Group of Institutes, Foundations and Corporations (GDFE, Argentina) and Associacion de Fundaciones Empresariales - Association of Corporate Foundations (AFE, Colombia).
8. The region has also seen the emergence of groups lead by representatives of the private sector moving towards not only supporting but also leading and advocating for relevant social causes; such as: "Mexicanos Primero"(Mexico), Empresarios por la Educacion (Colombia), Todos Pela Educação (Brazil), Proyecto Educar 2050 (Argentina).
9. Corporate Foundations are increasingly aware of the importance of transparency and accountability and everyday more of them are adopting accountability principles.
10. Recent anti-money laundering regulation identifies donations as a vulnerable activity which has resulted in stricter reporting, retaining and safeguarding of information and documentation requirements being imposed. We see a growing importance for social investors to collaborate and provide the appropriate donor information required.

Innovating Times for Asian Philanthropy

by **Rob John**

Wealth is being created across Asia Pacific with unprecedented speed. There are now more high net worth individuals in Asia than in either North America or Europe. Economic development is creating huge middle classes in emerging economies like India, Indonesia, and Thailand. But half of Asia's 1.63bn people live on less than US$2 a day. Rapid development burdens the environment and widens the gap between rich and poor. While Asia has many historical and cultural practices of giving, new, innovative expressions of philanthropy must rise to the social and environmental challenges in the region.

__Dr Rob John__ has been researching philanthropy at the Asia Centre for Social Entrepreneurship & Philanthropy at NUS Business School, Singapore since 2011. He was co-founder of the Asian Venture Philanthropy Network, executive director of the European Venture Philanthropy Association and the first visiting fellow at the Skoll Centre for Social Entrepreneurship at Said Business School, Oxford.

At the Asia Centre for Social Entrepreneurship & Philanthropy, we are studying how innovative philanthropy and social entrepreneurship are supporting each other's growth in Asia. Our report, Innovation in Asian Philanthropy , profiles a number of impactful developments and highlights how the 'philanthropy ecosystem' must evolve to effectively connect capital and ideas.

Entrepreneurial Philanthropy

Social entrepreneurship is today a truly global phenomenon; virtually every country in Asia has individuals and organisations addressing social problems entrepreneurially - innovators with an eye on creating impact at scale. This approach fits well with a new generation of philanthropist, often entrepreneurs, who see themselves as investors in social change rather than donors to charity. In India EdelGive Foundation is a venture philanthropy fund that uses grants to help ambitious NGOs become stronger organisations and reach more people. The Foundation was created when Edelweiss Capital, a successful Indian financial services company went public in 2007, by founding entrepreneurs who wanted their philanthropy to mirror the 'entrepreneurial DNA' that grew the company. Former investment banker Darius Yuen wanted to avoid traditional charitable giving and set up SOW Asia as an impact investment fund that would support Hong Kong's social enterprises with a business like discipline. The fund is now investing in a pioneering recycling enterprise on the island city.

Giving Circles

The pooling of donations by individuals to form a giving circle is well known in the USA, where there are thought to be over 600 today. While recent unpublished research suggests there may be up to 80 circles in UK and Ireland, the phenomenon seems to have spread little beyond US and Canada.

It took 100 years to shape American philanthropy and Asians are doing what they do best – taking what works and adapting to meet their own needs. This is an exciting time for philanthropy in Asia

At ACSEP we have started tracking a growing trend in collective philanthropy activity in Asia . Several USA and UK giving circle networks have recently seeded initiatives in Asian cities – Social Venture Partners (SVP) now has affiliates in India, China and Australia, adding to one set up in Tokyo in 2005. Impact100, The Funding Network (TFN) and the Awesome Foundation have also replicated giving circles in Asia. Several Asian giving circles are not linked to external models, although may have been inspired by them. Dasra is a Mumbai-based venture philanthropy fund and social entrepreneur support organisation that initiated its own giving circles targeting high net worth individuals and grantmakers as members. A circle of ten members, focused on a particular social issue, is formed only after extensive market research and the shortlisting of 'best in class' non-profits. Financial commitment is high, with each member pledging US$60,000 over the 3-year lifetime of the giving circle. By contrast, the giving circle New Day Asia in Hong Kong requires its 80 or so members to give a minimum of HK$500 (US$65) to support non-profits in Cambodia, China, Nepal and India. The low financial barrier to joining encourages young professionals to experience the collective impact of giving and volunteering their time. New Day Asia has raised US$563,000 in donations and co-funding since 2007. Giving circles are as much about educating donors as funding non-profits, and in Asia they offer the wealthy and middle classes opportunities to grow in their own philanthropic journeys.

Strategic Philanthropy

Institutional grantmaking is in its infancy in Asia compared to the USA or Europe. Grantmaker networks that abound in the west have helped professionalise the sector and set benchmarks in good practice and transparency, but are virtually non-existent across in Asia. The high profile of impact investing and venture philanthropy can overshadow the need for a vibrant 'traditional' grantmaking sector, playing its key part in the spectrum of financing for non-profits, social enterprises and mission-driven businesses. Our paper reported several highly innovative private and family foundations that serve as good models not only for Asia, but globally. The Zuellig Family Foundation (ZFF) is a story of philanthropic evolution since 1901 when Swiss émigré and entrepreneur, Fredrick Zuellig, put his roots down in the Philippines. Today the Zuellig Group is one of the largest privately owned health care businesses in Asia. The family's foundation is highly focused and results-driven, and independent of the numerous CSR initiatives of the business group. ZFF addresses maternal mortality with the goal of improving health equity for the poorest Filipinos. An innovative programme of civic leadership development in rural municipalities had led to a reduction in maternal death so striking that government now plans to roll out the programme nationally.

An Ecosystem for Philanthropy

Philanthropy should not operate in isolation but preferably in an ecosystem where research, information and brokerage connect capital to ideas with maximum efficiency. The dearth of grantmaking support networks mentioned above is just one example of gaps in the Asian philanthropy ecosystem. There are signs that the ecology is evolving – particular with the arrival of venture philanthropy and impact investing networks in the region. One innovation that is bringing transparency to grantmaking is, perhaps counter intuitively, to be found in China. The Beijing-based China Foundation Center (CFC) has tracked the rapidly growing Chinese foundation sector since 2010, publishing a level of detail online that would be hard to find outside of the high-disclosure jurisdictions of the USA or UK. CFC's Transparency Index is an innovation that could well be replicated throughout Asia.

Philanthropy in Asia is a melting pot of traditional, cultural giving and western models imported by a highly mobile and educated class of new philanthropists. It took 100 years to shape American philanthropy and Asians are doing what they do best – taking what works and adapting to meet their own needs. This is an exciting time for philanthropy in Asia.

[1] Rob John, Pauline Tan & Ken Ito, Innovation in Asian Philanthropy, Entrepreneurial Social Finance in Asia Working Paper No. 2, Asia Centre for Social Entrepreneurship & Philanthropy, NUS Business School, Singapore. Available online at http://bschool.nus.edu/ResearchPublications/ResearchCentres/ACSEPHome/ResearchandPublications.aspx

[2] Angela Eikenberry (University of Nebraska, Omaha) and Beth Breeze (University of Kent), unpublished research 2014. Personal communication with the author.

[3] Our report on giving circles in Asia will be published in May 2014 and available at http://bschool.nus.edu/ResearchPublications/ResearchCentres/ACSEPHome/ResearchandPublications.aspx

Reflections on the 9th EVPA Conference

by **Etienne Eichenberger**

The spectrum of philanthropy is wide and the boundaries between activities are becoming less rigid.

As a philanthropy advisor and leader representing EVPA supporters group of private Swiss foundations, we had two ambitions of the EVPA Conference, Geneva 2013. First, we wanted to expose the Swiss philanthropic scene to the wide spectrum encompassed by venture philanthropy: by bringing the major players to Geneva, we hoped to enthuse Swiss organisations and the media about venture philanthropy and its power to drive social change. We also wanted to have at least 100 local players attending the conference and at the final count we attracted just under 150. So, we achieved our first aim. Our second ambition was to provide an opportunity for the key Swiss players in this field to demonstrate what they do and have done. The conference provided an excellent opportunity for us to present a glimpse of what is happening in Switzerland.

ten years ago, the concept of venture philanthropy was a novelty but now it is considered a common practice

After almost 20 months preparing for the conference they are many stories to share but there are two that come to my mind. The first story is personal. During the conference I had the opportunity to take breakfast with my family, and when I showed them the book we published for conference attendees, *Seven Testimonials of Entrepreneurs* which describes their philanthropic activities, my daughter, aged 8, was reading the principles of Venture Philanthropy as defined by the EVPA and asked me: *"why is it called adventure philanthropy?"* Her misreading has a point: philanthropy should be an adventure with risky choices and where both successes and failures feature. We need to be better at learning from both.

The second story involves Rodrigo Jordan, one of the conference keynote speakers. Jordan said *"an exceptional team is a combination of purpose, skill and conscious generosity."* By reminding us that helping the others is also about caring for the ones around us,

Etienne Eichenberger
Prior to setting up wise - philanthropy advisors, Etienne worked for 10 years in the field of international development and foundations beginning his career with Swiss Agency for Co-operation and Development, followed by Avina Foundation in Latin America, and the Centre for Strategic Insight (part of the World Economic Forum). He works directly with individuals and their families and is currently board member of numerous foundations including the Swiss Philanthropy Foundation. He is vice-president of Sustainable Finance Geneva.

Jordan emphasised what is good about philanthropy. When you lead a team in a foundation or when you are engaged in your family in philanthropy, this is an important element to remember.

Responsible leadership = responsible philanthropy

The principle theme of the conference was responsible leadership. André Hoffmann, Vice President of WWF International, and Kristian Parker, Chairman of the Board of Trustees of the Oak Foundation, both inspired me. Whilst they both considered responsibility as an important component of their philanthropy, they would not describe themselves as leaders but rather as practitioners. When you know the role and impact that their environmental philanthropy plays, their statement is an excellent call that both humility and ambition is needed as we move forward to address the incredible challenges facing the world. It also says a lot about the momentum that we have in the philanthropic sector. From this perspective, I felt at this years' conference that the boundaries between venture, strategic and catalytic philanthropy remain vague but there are several principles emerging.

We see a reinforcement of the diversity of the EVPA network. In fact ten years ago, the concept of venture philanthropy was a novelty but now it is considered a common practice and the lines between other philanthropic activities blurs. During this time the network has become more humble. It has recognised that venture philanthropy is a tool in the toolbox and as such it cannot achieve change alone. It needs many partners and many approaches to be successful. When it comes to implement such collaborations, as much as clear leadership is required, we need to recognise the contribution of all our partners in achieving success. This is an important component of partnership, especially within philanthropy, and this is for me an important lesson learnt.

Looking back in November last year

Since the conference I have noticed the following three elements emerging from informal discussions within our network.

As far as grant making foundations are concerned it is important to stress that quite often they tend to react to proposals sent to them. The EVPA has certainly reinforced the importance of making choices on what and how you would like to make a difference. In other words: for grant making foundations to become more proactive.

Even local charities that still receive government support, shared with us the value of the conference to learn more about venture philanthropy and also, more generically, about new funding mechanisms.

Finally I see initiatives such as Sustainable Finance Geneva (http://www.sfgeneva.org/index.php/swiss-market/) who have decided to turn Switzerland's unique combination of strengths as both a financial sector and a philanthropic hub into six proposals for sustainable finance. Proposals like these are emerging with even more legitimacy today after this large and unique event.

Venture Philanthropy for Development

by **Bathylle Missika**

***Bathylle Missika**, is the head of OECD Network of Foundations Working for Development (netFWD) and deputy Head of the Policy Dialogue Division, OECD Development Centre.*

Venture Philanthropy for development is more than a ''fad'', according to a new report[1] by the OECD Development Centre.

Aid agencies and development partners alike now recognise that private funders and investors are an important and growing part of the global development architecture. Driven by a desire to achieve greater impact, an increasing number of philanthropists have started to experiment with novel methods driven by a search for greater impact. They often bring expertise from the business sector in their approaches to problem solving, operating models and theories of change.

These innovative philanthropists have, in particular, been seeking to achieve tangible development outcomes through leveraging financial and non-financial resources, and by being more interested in results and impact than inputs and grant size. In other words, it's not just about the money. These new philanthropists are often agnostic about the type of organisations they work with, engaging with a diversity of *social purpose organisations* (SPOs) that include for-profit enterprises as much as charities or NGOs. Rather than focusing on the traditional *grant-giver/grantee* relationship, these innovative philanthropists take a more dynamic and hands-on approach; partnering, providing capacity building and developing management expertise within the organisations they support.

A new report, to be launched in New York on 25th February at the Rockefeller Foundation reviews current literature and exclusive insights and case studies from members of the OECD Global Network of Foundations Working for Development (netFWD) looking into aspects and implications of these approaches, summarised for convenience here as Venture Philanthropy (VP). It seeks to distil and disseminate the rationale, organisational implications and perceived benefits of the changes some foundations have undertaken. Four members of netFWD – Emirates Foundation, Lundin Foundation, Rockefeller Foundation and Shell Foundation - were interviewed in depth as the basis for this report, in addition to contribution by the Edmond de Rothschild Foundations, the Novartis Foundation and the JP Morgan Foundation.

Foundations must be willing to let go of the old ''grantmaker/grantee'' model where they held most of the power, and evolve towards a model in which they work more cohesively with partners (grantees and other stakeholders working on similar issues) across sectors and disciplines. This shift towards more openness and collaboration will require considerable change at the level of mindset and organisational culture in the foundation sector.

The foundations that participated in this OECD Development Centre netFWD study all experienced a clear dissatisfaction with the impact of their grant-making methods, prompting them to embark on a journey of experimentation with and adoption of new models of philanthropy. The foundation leaders interviewed are confident that there is substantial improvement in the social impact of their programmes as a result of the adoption of such new approaches. Yet, they also admit that the transformation required can be lengthy and challenging, and that quantifying the improvement in results is difficult. Yet, they see ''Venture Philanthropy'' as much more than a fad but rather a rethinking of how to engage sustainably using a wider set of tools, engaging with a different set of actors on a more focused portfolio.

Indeed, foundations seeking impact as a primary development goal see the private sector (markets and enterprises) as a vital route to scale social benefits, recognising that the complex problems they are endeavouring to solve (e.g. food security, provision of basic services such as health, or better jobs for youth), can be sustainably addressed through an increased focus on market creation, business thinking and commercial finance. They work systemically at policy and market levels to nurture the enabling environments that allow such enterprise-based solutions to flourish.

The foundations that participated in this OECD Development Centre netFWD study all experienced a clear dissatisfaction with the impact of their grant-making methods, prompting them to embark on a journey of experimentation with and adoption of new models of philanthropy.

Hence, their portfolios reflect such interests, with actors drawn from across disciplines to work on them. The Rockefeller Foundation, for example, has convened scientists, urban planners, policy makers and international corporations to address urban climate change vulnerability in Asia, funding and staffing the *Asian Cities Climate Change Network* to foster co-operation and the co-design of strategies. Shell Foundation, in addition to providing management expertise, grants and loan guarantees to its clean cook-stoves partner, *Envirofit*, has implemented indoor air pollution awareness campaigns and co-founded the *Global Alliance for Clean Cookstoves*. By deploying "the highest risk capital in the world" to test and prove business models or provide patient capital to support expansion, the foundations can "prime the pump" to attract mainstream and *impact finance* to the development sector.

As the foundations moved from input to output focus, so did their *strategic framing*, from grant-giving towards more targeted investment. Their *scale of intervention* broadened to become more sector and systems-level focused, working simultaneously at levels of start-up enterprise, market stimulation and policy intervention. By taking a "systems thinking approach" and investing more heavily in upfront research in order to investigate development issues in depth, foundations were able to determine which strengths they could most usefully deploy (e.g. reputation in the health sector), where to place capital to achieve greatest leverage and how to orchestrate more integrated interventions.

This approach has prompted a more specialised focus on fewer development issues. Because the "high engagement model" involves providing technical knowledge as well as management capacity to SPOs, the foundations realised they needed staff more specialised in the new areas of focus. The study shows that staff numbers often increased as a way to address new needs to support the SPOs' management, technical and capacity building capability. In some instances, as with the Rockefeller Foundation and Lundin Foundation, new field offices were opened to allow foundation staff to be based closer to their SPOs. Culturally, the more "partnership-based" relationship with social enterprises plus the infusion of more business-oriented attitudes from the private sector into the foundations has fostered more entrepreneurial thinking, with an emphasis on innovation, results and returns.

All the foundations expressed the importance of achieving "impact" and believe the methods they use today achieve far more than short-term, *ad hoc* grant-making had done for their beneficiaries. Yet, due to the methods they use, working systemically with and through multiple actors, they acknowledge that evaluating impact is challenging, and making comparisons between old and new models even more so. The Emirates Foundation, for example, only has "input" data prior to adopting VP as a new model (i.e. data on the size and placements of grants). They now collect data on indicators such as number of hours of voluntary service or number of social inclusion placements on their financial literacy courses. Their aspiration is to put figures on the social and financial value of their activities, and they are building a baseline to do so. Impact measurement and evaluation of outcomes is a concern for all the case study foundations and for the sector at large. More resources are being invested to improve the assessment processes, yet this sometimes remains limited.

they see ''Venture Philanthropy'' as much more than a fad but rather a rethinking of how to engage sustainably using a wider set of tools, engaging with a different set of actors on a more focused portfolio.

The central lesson from this study is that to achieve their potential, in scale and impact, foundations must be willing to let go of the old ''grantmaker/grantee" model where they held most of the power, and evolve towards a model in which they work more cohesively with partners (grantees and other stakeholders working on similar issues) across sectors and disciplines. This shift towards more openness and collaboration will require considerable change at the level of mindset and organisational culture in the foundation sector. But as the foundations here testify, the improvements in efficiency, results and therefore returns make the transformational work worthwhile.

[1] *'Venture Philanthropy in Development: Dynamics, challenges and lessons in the search for greater impact'. OECD Development Centre, February 2014.*

So Why Do We Give to Charity?

by **Ian Marsh**

If, as Hobbes said, *"every man is presumed to seek what is good for himself naturally, and what is just, ... accidentally"*[1] , what place does philanthropy have in succession planning?

At first sight, they would certainly seem to be mutually exclusive. After all, succession is essentially about passing the ownership and control of capital from one generation to the next, typically within the family, whereas philanthropy is, by definition, about benefitting others. So why do people leave money to good causes?

It has long been said that pain and pleasure are the most basic drivers of human activity. It is no secret that we are all (albeit to different degrees) drawn - sometimes irresistibly - to things that give us pleasure, and avoid those that cause us pain. Of course, we will not be around to take real time pleasure from the effects of our charitable legacies but we can imagine them, just as vividly as we can imagine how life will be when we win the lottery, or indeed an eternity in purgatory, or worse, if we fail do some such (hence all those medieval chantry chapels, and perhaps many a Victorian reading room and concert hall).

Research… has shown that we respond to social pain and pleasure in exactly the same way (that is, it "lights up[2]" the same parts of our brain) as we do to physical pain

Research by Matthew Lieberman, Director of the Social Cognitive Neuroscience Laboratory at UCLA, and colleagues has shown that we respond to social pain and pleasure in exactly the same way (that is, it "lights up[2]" the same parts of our brain) as we do to physical pain. As Lieberman puts it in his compelling, and engagingly written, book, Social[3], *"fairness tastes like chocolate"*. Perhaps that is what drives gifts in gratitude for the acts of others: they looked after my loved one, so it's only fair that…

Moreover, Lieberman and others[4] have shown that altruistic giving also shows increased activity in what he refers to as the brain's *"reward system"*, ie the part that uses dopamine (said by some to be the most addictive substance in the world) to make us feel good. Thus, he argues, while we are undoubtedly wired for self-interest (*pace* Richard Dawkins), we are also wired to be interested in the welfare of others *as an end in itself*.

Interestingly, the economist Adam Smith, more famous for his comment in that *"It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard for their own self interest."* [5], came to much the same conclusion, if not the neuro-chemical evidence for it, more than 250 years ago:

> *"How selfish ever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it."*[6]

However broadly the earlier statement has been interpreted, the two do not, of course, contradict. The fact that the baker generally expects to be paid for his loaf, does not mean that he would see us starve were we unable to do so (although perfectly good food going to landfill does make you wonder!)

Continuing his exploration of the why of all this, Lieberman goes on to describe research by psychologist Carsten De Dreu and others[7] which appears to show

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that higher levels of oxytocin (the hormone that initiates the dopamine fuelled feel good factor), increases our generosity not only toward members of our own in-group – to people like us – *but also to strangers,* although it appears to promote hostility toward already disliked groups. So, inviting us to give to those we dislike may very well produce a hostile response (watch out chuggers!), but everyone else is fair game? If so, it may pay fund raisers to consider more who we dislike than who we may identify with.

while we are undoubtedly wired for self-interest (pace Richard Dawkins), we are also wired to be interested in the welfare of others as an end in itself

But there is more to it even than that. Lieberman goes on to describe how, as a young man, he found himself watching a TV infomercial one evening that was soliciting donations to aid the starving in Africa. He had seen many such appeals before and never picked up the phone. Indeed, the pain these films invoked in him had often caused him to change channels – so easy to do with a remote and 200 other channels to choose from. Yet, on this occasion, despite being broke (*"I needed more money, not less."*) and unhappy with his life generally, he found himself compelled to give. So how does that work?

Here again, Adam Smith got much of the way there in the 18th Century. This again from The Theory of Moral Sentiments[8]:

Stories are key. Stories… bypass the analytical parts of our brain… and go straight to our social circuitry, drawing us in, making us want to be part of the narrative, making us want a role in the unfolding drama[15]

"Though our brother is upon the rack, as long as we ourselves are at our ease, our senses will never inform us of what he suffers. … It is by the imagination that we can form any conception of what are his sensations. … It is by our own senses alone, not those of his, which our imaginations copy. By the imagination we place ourself in his situation, we conceive ourselves enduring all the same torments, we enter as it were into his body, and become in some measure the same person with him, and thence form some idea of his sensations, and even feel something which, though weaker in degree, is not altogether unlike them."

It turns out that we do indeed work out what another is suffering (or enjoying) in part by taking what our own senses tell us and creating mental images of what might be going on in others' minds (Smith's *"imagination"*[9]). We are also, it seems, designed to mimic what we see others do. Just as if you fold your arms, or legs, in a meeting others are likely to follow suit, we also mimic each others' facial muscle movements – and those are the muscles we use to convey emotion[10]; pull the face and you feel the emotion[11]. Feeling another's pain can be incredibly powerful but, as Leiberman recounts, it may just as well drive you away as to come to their aid. Something more is needed; the so-called *empathic response.*

Human babies are hard wired to evoke it in their mothers, and the process starts when they first look into each others' faces. The septal region in the pre-frontal cortex of the brain has been shown to play a significant role in the mother's empathic response to her child, and Lieberman argues that it likely does so in all our empathic responses, although quite how it does so requires further research.

Those families that…"go on"… tend to look to a broader horizon, to what they can do in the world . They are open to the empathic response within them and, when they find it, they do what wealth creators do best: they act

Other research has shown that mindful awareness practice leads to greater development of the pre-frontal cortex, and that has been shown to be related to increased emotional control, response flexibility and empathic response[12]. In the long-term, charities might encourage us all to take up such practices, as they should make us all more likely to give. (Personally, I would teach them as a basic life skill in all our schools. I believe it would improve communication, decision making and conflict management, not to mention reducing the *"attraction"* of drugs, self-harm and suicide – but that is another article). Until then, something else is needed.

Strangely, probably the best intuitive invokers of empathic response are fraudsters, con-men, people you might see as socio-, or even psycho-, pathic – in any event, as not caring that they cause harm to others – but who seem to understand just how to use all that social circuitry (well, at least up to the response part) to considerable advantage. How do they do it?

In the beginning, they listen rather than talking. Listening connects. Listening engenders trust. They get inside our heads and emotions, work out what drives us, what concerns us. They make us feel heard, our emotions understood, our world view shared. They may not become *"one of us",* but they certainly stop being *"one of them"*, and we now know that is enough. Then they start to share their own story. They draw us in, as they were (seemingly) drawn in by us, and invite us to weave our story into theirs. Still they don't tell. They ask. And we give. And they are gone. Then they use our social pain to protect themselves; they know most of us – those they choose to prey on – will find the pain of admitting that we were conned unbearable, and will likely explain away our losses (to ourself and others) in some other way.

Stories are key. Neuroscientist Antonio Damasio argues that our inner stories are where our sense of self comes from[13], psychologist Jerome Bruner that becoming involved in each other's narratives is how we build cohesive communities[14]. Somehow, stories seem to bypass the analytical parts of our brain (which are designed to judge, criticize, debate and argue), and go straight to our social circuitry, drawing us in, making us want to be part of the narrative, making us want a role in the unfolding drama[15]. That is why they are so important in my own work helping families build and maintain trust, communication and harmony down the generations.

Listen… keep on listening until they feel heard… they will let you know when that happens. Become part of their story by being an agency through which they can achieve their goals, rather than trying to persuade them to help you achieve yours. Then start to weave your own story into theirs…

Part of that work involves exploring the family's story with them. Who are they? Where do they come from? What do they stand for? What keeps them together? Why do they choose to collectivise their wealth? What is it for?: What are their goals, their dreams, their aspirations?. And so on. So, for them, *"succession planning"* is about much more than passing economic wealth from one generation to the next. It is about developing all of their capital - be it financial, human, intellectual, social or spiritual – collectively, harmoniously and cohesively over generations.

Financially, they have more than they need to meet their wants and needs. Of course, there is a focus on making sure that continues. For some, that may be enough – though history will likely have them back in clogs in three generations. Those families that manage to *"go on"*, as a client of mine was fond of putting it, tend to look to a broader horizon, to what they can do in the world . They are open to the empathic response within them and, when they find it, they do what wealth creators do best: they act.

So, if you would harvest some of that capital for your own cause, what should you do?

Be like the con-man. Don't expect your *"mark"* to come to you. Go to them. Listen. If that does not work, keep on listening until they feel heard. Don't worry, they will let you know when that happens. Become part of their story by being an agency through which they can achieve their goals, rather than trying to persuade them to help you achieve yours. Then start to weave your own story into theirs…

[1] *Hobbes, T. (1969/1651). Leviathan (part iii). Scolar Press. Aldershot, England.*

[2] *"Light up" in the sense of showing up on a functional magnetic resonance imaging (fMRI) scan. When an area of the brain is in use, blood flow there increases. fMRI measures blood oxygen , and so blood flow, indicating relative activity in different areas of the brain.*

[3] *Lieberman, M. D. (2013). Social: Why our brains are wired to connect. Oxford University Press. Oxford.*

[4] *Lieberman cites work by Jorge Moll and colleagues at the National Institutes of Health.*

[5] *Smith, A. (1776). An Enquiry into the Nature and Causes of the Wealth of Nations. W Strachan and T. Cadell. London.*

[6] *Smith, A. (2009/1790). The Theory of Moral Sentiments, Part 1, Section 1, Chapter 1. 6th edition , with introduction by Amartya Sen. Penguin Book. London The last two editions of The Theory of Moral Sentiments post date The Wealth of Nations.*

[7] *De Dreu, C.K., Greer, L.L., Van Kleef, G.A., Shalvi, S., & Handgraaf, M.J. (2011). Oxytocin promotes ethnocentrism. Proceedings of the National Academy of Sciences, 108(4), 1262-1266; Kosfeld, M., Heinrichs, M., Zak, P.J., Fischbacher, U., & Fehr, E. (2005). Oxytocin increases trust in humans. Nature, 435(7042), 673-676.*

[8] *See note 5*

[9] *Ramachandran, V. (2003). The Emerging Mind: The Reith lectures 2003. Profile Books. London.*

[10] *Iacoboni, M. (2008). Mirroring People: The Science of Empathy and How We Connect with Others. Picador. New York.*

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[17] *See, for example, Jaffe, T. (2013) Good Fortune: Building A hundred Year Family Enterprise. Wise Counsel research Associates. Milton, Ma. www.wisecounselresearch.com*

When the State Gives:
a Three-Sector "Mid-Atlantic" Model for Supporting the Voluntary Sector

by **Noah Isserman**

The complexity and urgency of our social challenges demand careful examination of emerging institutional and financing models that aim to meet them. For more than half a decade, I have been conducting a research program attempting such examination.

Funded by the (Bill and Melinda) Gates Cambridge Trust, one just-finished element of my research has revealed a Scottish venture philanthropy model to be highly effective in marshalling resources from all three sectors of economic and social life and applying them to social issues in a targeted and efficient manner.

This article shares some insights about this novel way of funding and supporting charities that provide social services. It briefly describes a "Mid-Atlantic" model of venture philanthropy that borrows inspiration from both British and American traditions, recruiting all three sectors in tackling national-level social impact targets. The article then shares some impact data about this effective model, and concludes by discussing some broader implications.

Although this article is intentionally light on data, it is a companion piece a full report *(http://bit.ly/VPreport)*, which includes the empirical foundations for the assertions shared here. This piece of the research agenda is based on five years of interaction, more than 200,000 words of transcribed interviews, 15,000 survey data-points, hundreds of hours of desk research, more than a month of in-person contact, and 100 hours of input from the CEOs of 62 organisations supported by Inspiring Scotland, there are some lessons to be shared. (This research has the rare advantage of being completely independent of the funder it examines.)

The Model

The object of this piece of research is a five year-old foundation called Inspiring Scotland. Founded by a banker-turned-foundation head and a seconded civil servant, it is a pioneer and has grown to become one of the largest venture philanthropy organisations in the world, having distributed approximately £50M since its founding – *and most of that money has been public money*. Inspiring Scotland is notable for several reasons, foremost because its government-supported work is unique in degree and design.

Noah Isserman *Noah Isserman is Assistant Professor of Business Administration and Social Work at the University of Illinois. He was previously a Gates Cambridge Scholar at Cambridge. He has consulted for social-purpose organisations or governments on five continents and served as CEO of two acquired startups. In addition to advisory roles with several fantastic startups and charities, Noah serves on the Council of LAUNCH, a global social innovation program of NASA, USAID, the US State Department and Nike.*

The global growth in voluntary action, in measuring social impact, and in collaboration across sectors of economic and social life has opened up spaces for new and hybrid institutional arrangements… The potential of such arrangements is great – as is the need to understand and harness that potential

Inspiring Scotland's core concept is to provide better social services to Scotland by strengthening and expanding the charities that provide those services.

To support charities, Inspiring Scotland works in a manner analogous to a venture capital firm. The foundation pools funding from multiple sources to try to hit a national social impact target. It builds a portfolio of voluntary sector organisations whose work can collectively – via different approaches and in different areas – create the desired social impact. After exercising great care in selecting this portfolio, Inspiring Scotland then provides a suite of business support services, networks, and access alongside the funding.

These support services are extensive and highly valued by the charities that receive them. Across multiple ventures and funds, the average venture supported by Inspiring Scotland receives nine different types of support service. Ventures report that the most commonly received services are application support (88% of all ventures), support to develop an evaluation framework (82%), advice for programme implementation (72%), business strategy (58%), CEO mentoring/support (57%), and governance support (55%).

Ventures place significant value on the services that they receive through Inspiring Scotland: 59% of services provided were rated very valuable, 31% as valuable, 9% slightly valuable, and 1% no value or negative. Anyone who has worked in capacity-building will find these numbers strikingly positive.

The central concept is that by helping the organisations in the portfolio become larger and more effective, Inspiring Scotland will achieve the national-level social impact goal set by its funders.

Some evidence and why it matters

Although I would suggest looking at the recently-released impact report for details, the findings are consistent with the idea that Inspiring Scotland creates significant value for the charities it supports. Those charities become stronger organisations: most of the 59 organisations surveyed reporting improvements in delivery, management, governance, impact measurement, and ability to identify and secure resources.

Overall, Inspiring Scotland's value is due to:

1. Its deliberate construction of a portfolio of meaningfully-related organisations around a social issue
2. Its recruitment and provision of highly-skilled Performance Advisors, full-time staff devoted to supporting 5-8 charities each
3. Its cultivation and sharing of a national network of pro bono and paid support services for ventures
4. Its intentional creation of links and connections between organisations *and sectors*
5. The ability to offer those assets to ventures in a manner that ventures find to be open, honest, and powerful in supporting the social services they provide.

Implications: networking and leveraging

By keeping some of the hybrid and communitarian elements of British economic and social life – in particular close collaboration between the business, voluntary, and public sectors – and combining them with the initially-American, highly managerial venture philanthropy model, Inspiring Scotland's "mid-Atlantic" model offers an intuitively compelling middle road. It offers continued provision of coordinated, locally-embedded social services even in a time of reduced public sector spending and ever-deteriorating trust in most public institutions.

Despite my and many others' reservations about the robustness of some claims of leveraging brought on by voluntary and philanthropic activity, this model does seem to bring in resourcing in larger amounts and with stronger coordination than seems unlikely to occur otherwise

Inspiring Scotland also forges new and valuable connections across Scottish society. Its work builds and supports denser networks between and among all three sectors: community-embedded organisations, local and national government, and businesses of many kinds. This can accelerate the creation and dissemination of useful thinking and collaboration. Voluntary sector experts working in supported organisations can inform policy and rapidly share the results of new programs that the state might employ at scale. Public servants can access new human, financial, and relational resources in the service of the public good. Businesses can link with organisations and causes, employing their expertise and people in targeted ways that benefit their broader communities – with associated retention, recruitment, tax, and morale benefits.

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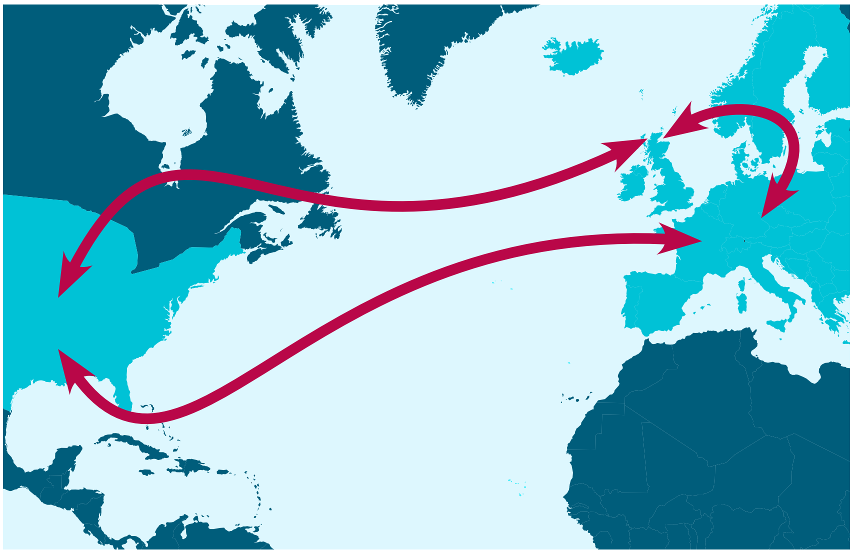


On the input side it attracts financing, staff, and volunteer human capital that would be unlikely to be directed to such social issues in the absence of the inspiring Scotland organization.

In terms of financing, voluntary sector funders have long appreciated the outsized benefits that can be gained from thoughtful and dedicated cooperative work. This mid-Atlantic model, due to the empirically rigorous process by which it targets social issues by demographic and geographical guidelines, seems to offer coordination benefits to foundations, private donors, and even units of the public sector that care about a given social issue.

Inspiring Scotland's model encourages stronger networks and collaboration among groups working on the same social issue. While inspiring Scotland is essentially issue-agnostic – by which I mean its core competencies are in organizational supports, development, and impact measurement rather than the several social issues its six funds address – the composition of its portfolios create very beneficial spillovers in terms of knowledge sharing, best practice sharing, and in the broadening and thickening of the networks of voluntary sector organizations.

These trends and advantages are not going away. Governments are increasingly providing risk and growth capital to high-potential organisations – in fact, more than a third of all European venture capital investment now comes from public funds. Austerity is forcing actors in the public and third sectors to look to unusual partnerships in search of resourcing.

This brief introduction will, I hope, bring even more people into the broader conversation about the shifting and increasingly overlapping roles of the public, private, and voluntary sectors. While issues are covered here in only a very cursory way, an imminent series of white papers will explore several fascinating and pressing issues around collaborations like government-supported venture philanthropy, social impact bonds, social venture capital, and other hybrid models.

The global growth in voluntary action, in measuring social impact, and in collaboration across sectors of economic and social life has opened up spaces for new and hybrid institutional arrangements such as this mid-Atlantic model. The potential of such arrangements is great – as is the need to understand and harness that potential.

You can download the report from the Inspiring Scotland *website: http://www.inspiringscotland.org.uk/impact/publications and from the* European Venture Philanthropy Association Knowledge Centre: *http://evpa.eu.com/knowledge-centre/publications/vp-in-practice/*

The Squeeze and the Please

by **William Makower**

Cuts in government spending are nothing new and with GDP statistics identifying that to date we have recouped just half of the 7.2% contraction in GDP since 2008[1] cuts to the arts are part of a general reduction in expenditure aligned to national affordability. However the impact of these cuts across the cultural landscape are potentially devastating.

The Museum Association identifies the significant impact of the cuts with, of those surveyed, nearly a quarter reducing access temporarily or permanently and over half experiencing cuts[2]. Sir Peter Bazalgette at ACE and Maria Miller at DCMS argued hard with Treasury to deliver just a further 5% cut in the recent round of government spending; well below the 10% or 15% that some feared. On top of this local government spending on the arts is being cut by over 4%. Recent news that Sandwell Council[3] is likely to withdraw all of its £1.6mln subsidy to the West Bromwich's Public art centre (resulting in its closure) is just the latest in a long stream of announcements from local government that are affecting local provision. So much for the well documented squeeze.

However, seen from another perspective, the Arts are in a fortunate position. More than other sectors (schools, healthcare etc.) in the public sector, the arts are able to make both a sector wide and individual case for involvement and engagement in their funding cause. This is what we call the 'please'. Of course philanthropy and individual patronage of the arts by the wealthy is as old as the art form itself. Now though the need is for individual support from as wide a base as possible for a cultural sector that, post Olympics, is riding high.

Along the way there are of course challenges to creating a wide base of support. Ironically one of these is the superlative nature of our venues from the smallest to the largest in the land. Our cultural output is not just rich and varied it is brilliant and whilst individual cases could be highlighted, in the main the infrastructure and provision is of the highest standard. Add to this the knowledge that the arts are already supported by our taxes, the concern that the arts are enjoyed by a growing, but still, elite few and that schools and hospitals may be more in need of funds than a venerable institution wishing to buy another 18th century work of art and the challenge for the fundraising end of the sector is understandable.

William Makower *is founder and Trustee of the UK's National Funding Scheme (which operates under the name DONATE and is designed to encourage giving, via mobile devices, to specific causes and campaigns whilst also providing opted-in data of the donors back to participating venues. In 1999 William set-up Panlogic; a digital consultancy with a specialism in Digital Engineering. Panlogic's client base includes UK and EU government institutions, corporates and commercial FTSE companies and not-for-profits.*

There is no single golden bullet to close the growing funding gap but individual giving provides an opportunity not only to bring in new funds but crucially also to start a conversation with potentially life-long supporters as well as make new friends who in turn will espouse the cause. Large scale individual giving is already well documented but such donors may be driven by motives which are not relevant to the average visitor (national recognition, named exhibits etc.). In contrast small scale individual donors are happy to recognised for what they are; a small part of a larger need.

DONATE (the consumer facing name of the National Funding Scheme, *www.nationalfundingscheme.org*) was developed with small scale giving in mind. DONATE delivers the means to give to a specific and identifiable cause via a mobile phone whilst enjoying the cultural moment; what we call democratic giving at the point of emotion. Whilst large donations can of course be made to the causes, it was the ability to make the case for small donations from as wide a cross-section of the public as possible, that was the genesis of our thinking. However, and this is the crucial point, the provision of a single brand of giving across the cultural landscape, its charitable structure and its multi channel (text and web) solution is all irrelevant if we cannot find the right way to ask for support; what we call the 'please'. That is why DONATE also provides Culture Juice *(http://www.nationalfundingscheme.org/culture-juice)*, a knowledge bank identifying how to make the ask to new donors who may not have previously supported the arts. Five key aspects have shone through so far *(http://downloads.nationalfundingscheme.org/downloads/insights/Key-Insights-Report-No-1-April-2013.pdf)*:

a) **Ensure the cause is identifiable and specific.** The more specific the cause the more donors can point to their involvement in your need.
b) **Break down large causes into identifiable chunks.** Whilst £50,000 may be what is required, asking for £5,000 to complete Phase 1 by end of December makes it understandable that just £10 will have an impact.
c) **Encourage staff to interact and ask for support.** Frequently the reason given for not donating is that no-one made the request. Ensure your staff understand not just the need for funding but the very specific need and why just £10 will help.
d) **Thank, thank and thank again;** it is the recognition of support that will make the greatest impact on future gifts. Consider a scale of thanking; from email for small donations to a phone call or meeting with the director for the largest.
e) **Use the data intelligently.** Digitising giving allows venues to know which causes are the most popular, when giving is most likely along with any demographic data provided by the donor. Develop means to exploit and mine this data; those who do will harvest most.

[1] *http://www.bbc.co.uk/news/10613201*

[2] *http://www.museumsassociation.org/campaigns/funding-cuts/cuts-survey*

[3] *http://www.bbc.co.uk/news/uk-england-birmingham-23633781*

What can Philanthropists do about Innovation?

by **Bertrand Beghin** and **Dominic Llewellyn**

Philanthropy is at an exciting place on the world stage; it is at the forefront of solving some of the world's global issues, yet people are realising that individual governments, businesses and voluntary sector organisations – or philanthropists – don't have the whole answer. Conversations recently at Davos were peppered with the role of philanthropy in working with government, civil society and business and the World Economic Forum has recently created a Foundations Community.

Philanthropy is at an exciting place on the world stage; it is at the forefront of solving some of the world's global issues, yet people are realising that individual governments, businesses and voluntary sector organisations – or philanthropists – don't have the whole answer. Conversations recently at Davos were peppered with the role of philanthropy in working with government, civil society and business and the World Economic Forum has recently created a Foundations Community.

In 19th and 20th Century Britain, pioneering social innovations came to the fore such as the ragged school movement, new models of childcare developed by Barnado, social housing pioneered by Peabody and Joseph Rowntree transformed social care.

Great ideas need money to be piloted and then to scale; without philanthropy this would not be possible.

More recently – from the Teach First/Teach for All models to microfinance – social innovation has changed the lives of millions of people trapped in poverty around the world. However, with youth unemployment hitting pandemic levels globally and climate change racing out of control, there is a real need for innovations to come to the fore to tackle some of our world's greatest challenges.

So how can we ensure that innovations don't just remain ideas but are piloted and have sustainable business models moving into the future?

Here are a few ways philanthropists can support social innovation:

1. **Run a challenge prize:** Challenge prizes – financial awards for ideas that aim to solve specific challenges – have a long history; the Longitude Prize helped pioneer the chronometer 300 years ago to the more recent Ansari X Prize on space travel. Over the past decade, there has been an increased amount of

challenge prizes in social innovation; ranging from the excellent work by Nesta and their Centre for Challenge Prizes to the Hult Prize and the D Prize.

2. **Support a social incubator:** Social incubators are organisations that offer intense support to social enterprise start-ups. The UK Government has been very active in this space by providing match funding through the Social Incubator Fund. We are working with Healthbox and University College London (UCL) to set up an incubator in health. Other incubators include the Young Academy's work on education, Social Incubator North and UnLtd-Wayra – a collaboration between UnLtd (the UK's Foundation for Social Entrepreneurs) and Telefonica/O2's technology innovation unit.
3. **Build a venture philanthropy fund:** Venture philanthropy takes concepts and techniques from the venture capital sector, such as finance and business management strategies and applies them to achieving philanthropic goals. It works to build stronger social purpose organisations by providing them with both financial and non-financial support in order to increase their societal impact. Outstanding examples of venture philanthropy funds include Impetus-PEF focusing on education and employment.

Great ideas need money to be piloted… without philanthropy this would not be possible. Philanthropists… play a vital role in ensuring that life saving innovations are piloted and then transform the livelihoods of millions of people

Moving forwards, once innovations have been proven; they have historically struggled to attract the capital that enables them to scale up. With the advancing over the past few years of the social impact investing market, social ventures have opportunities to scale and there are now tangible options for philanthropists can play a vital role in ensuring that the innovations can scale – and if they wish – make a financial return as well as creating a social impact. Options could include:

1. **Invest in social investment funds:** There are an increasing number of philanthropists and foundations that are investing in social investment funds. Examples in the UK include Esmee Fairburn, and Pierre Omidyar's – the founder of eBay – Omidyar Network and internationally include the Gates Foundation and the Gatsby Foundation. The funds that these foundations are investing in finances social innovations that require scale up capital in order to increase their impact ranging from UK social enterprises to international development organisations.
2. **Directly invest in social enterprises:** With the introduction of the Social Investment Tax Relief, the opportunity for individuals to invest in social enterprises will soon have similar advantages than EIS/SEIS (in the UK), bringing a whole new source of capital into the scaling of social ventures. On a different point, sometimes investors struggle to invest in scaling social innovation, because of the risks associated, therefore, if philanthropists or foundations, could offer to take a first loss stake in certain types of innovations – or indeed funds – it would enable more capital to be leveraged from other types of investors and flow into scaling social innovation.
3. **Invest in social impact bonds:** Social impact bonds are designed to improve the social outcomes of publicly funded services by making funding conditional on achieving results, often used as preventative interventions or to develop new innovative models. Investors pay for the project at the start, and then receive payments based on the results achieved by the project. With the announcement of the inclusion of social impact bonds in SITR, they will also enable philanthropists to invest for a social benefit efficiently.

Great ideas need money to be piloted and then to scale; without philanthropy this would not be possible. Philanthropists need to – and do – play a vital role in ensuring that life saving innovations don't just remain ideas in people's heads but are piloted and then transform the livelihoods of millions of people.

***Bertrand Beghin** is an investment expert with specific expertise in designing and implementing innovative financial products and experience in working with social and environmental sectors for the last four years. He has 15 years of experience in the City of London with Deutsche Bank in the Strategic Equity Transactions Group.*

***Dominic Llewellyn** has a background in social entrepreneurship, government and the voluntary sector. He set up social enterprises with The Shaftesbury Partnership, including FranchisingWorks and NurseFirst. Dominic has advised corporates high net worth individuals, foundations and NGOs. Dominic has been named a Global Shaper by the World Economic Forum.*

Network your Philanthropy
Dynamic Relationships are the Future of Philanthropy

by **Kimberly Manno Reott**

The world is asking more of philanthropists and their institutions. Today's grantees are demanding more than a cheque and traditional expert, PhD-level advice. Beneficiary communities want to be active, not passive, in creating their own solutions. On-the-ground innovators are asking to learn what is working in other environments. In other words, the social change ecosystem is asking for the connections – the relationships – to deepen and scale their impact. It is time for philanthropy to catch up to the changing context – and to give the social change world what it is asking for: human networks.

Human networks are the organisational strategy of the future. A human network is a dynamic set of relationships, united by a shared purpose and committed to a common goal. The people in a network share specific characteristics such as geography, interests, experiences, and/or careers and are hyper-connected to each other and the world around them. High-functioning human networks have a clear value proposition for their members and clear rewards for participation. To be clear, a human network is not a CRM system, an Excel spreadsheet, or a database. It is a living, breathing organism that requires intention and attention. When nurtured, a human network far exceeds the potential of an individual or organization to achieve a particular goal.

Philanthropists and their institutions must build the dynamic relationships that form high-functioning human networks. This means shifting from exclusivity to inclusivity, from individual experts to expansive networks of relationships. Rather than looking for the needle in the haystack, philanthropy in the future will fully embrace the power of human networks to recombine ideas to achieve social change.

Where to start

Networked organisations listen more than they talk. And they listen in unlikely places, to unlikely experts. In fact, networked organisations think about the concept of experts in a broader way than our traditional societal framework for expertise would suggest. For a philanthropist or philanthropic organisation operating as a networked organisation, experts exist at all levels and might include beneficiaries, investees/grantees, partners, and/or employees because they all offer hands-on experience, data, and relationships. To be truly networked, rather than pushing information out to them, your organisation needs to be pulling information in through listening.

Here's a powerful example. In 2011 the John S. and James L. Knight Foundation came to Context Partners

Kimberly Manno Reott
Managing Director, Context Partners – a social innovation design firm. Kimberly has advised dozens of philanthropic organizations around the world through her work at Ashoka, GiveIndia.org, and McKinsey & Company.

wanting to publicly celebrate local Black men who were positively shaping their city's future. Rather than assemble a group of traditional PhD experts in urban issues, we listened to the local community. How? We immersed ourselves in their target cities, Philadelphia and Detroit, by going where they gathered: church picnics, fraternal organizations, and NAACP (National Association for the Advancement of Colored People) meetings. Our listening uncovered a critical insight: exemplary Black males did not always self-identify as leaders of the communities in which they lived and served.

So instead of a traditional grant application, we encouraged these men to share their stories and connect and celebrate with each other. The Black Male engagement (BMe) network was born. Through the power of this living, breathing network, men from all walks of life are coming together to re-energize their communities and inspire businesses, nonprofits, and even governors to take an active role in supporting their work.

The result? Since its launch, BMe has funded the projects of 70 men, called BMe Leaders, and has provided services to more than 10,000 people. BMe has expanded to Baltimore and Pittsburgh, has plans to expand across cities in the U.S. in 2014, and has secured an additional $3.6 million in future funding.

Bottom line: this non-traditional approach to philanthropy – listening – had the Knight Foundation turning to the community itself rather than outside PhD's and technical experts, to co-design a network from the ground up.

How to get networked: Three shifts you can make this year

In our experience working with more than 20 different philanthropic groups, it takes three critical shifts to become more networked:

SHIFT 1 Spark the fire

Healthy competition creates an excitement and energy that can spark your network to action. One of the most effective ways to jump-start a network is to launch a crowdsourcing innovation prize challenge. A well-designed prize challenge allows a philanthropist to simultaneously identify new solutions in a particular topic area as well as, even more importantly, to identify and engage with new solution-providers to create an intelligence network.

The Rockefeller Foundation has used prize challenges as a way to discover new approaches to solving tough social problems and to jump-start its network of social innovators around the world. In the spring of 2012, the Rockefeller Foundation launched a global challenge to source new ideas across three topics: youth in farming, irrigation technologies, and data use in urban centers. In just seven weeks, the challenge garnered 1,763 ideas from 112 countries on six continents, with most of the

entries coming from the global south and from people new to the Foundation. Building on 2012's success, the Foundation ran a second challenge in 2013 to source innovations that support people working in the informal economy. This prize generated 2,226 new ideas, over 80% of them from people who learned about the prize through personal and professional relationships. In total, these two challenges resulted in more than 20 new grants, generated thousands of new Twitter followers and hundreds of tools/resources shared by the network, and dramatically increased the Foundation's overall audience amongst on-the-ground innovators.

SHIFT 2 Give to receive

The key to building a high-performing network is tailored rewards. People are busy. Organisations have competing priorities and are juggling different stakeholders. Your organisation might have to overcome past perceptions about its being unapproachable or uninterested in listening. It is only through a strong reward system that you can encourage a new kind of relationship with your network. In other words, you have to give your network something in order to receive the benefits.

The world is changing fast. To stay effective and relevant, philanthropists need to change with it. This means shifting your role from finding the next big idea to facilitating the connections between people

Rewards come in all shapes and sizes. For example, the BMW Foundation in Munich has developed a set of interlocking reputational and experiential rewards for participating in its network. One of the BMW Foundation's core initiatives is its Responsible Leadership network, a global group of dynamic young leaders who are committed to social change. This 1,600-plus member network is fueled by a series of youth forums held annually in multiple locations around the world. Alumni of previous forums invite new youth to attend each year. The Foundation has also established the Responsible Leaders Awards to further motivate participation in the network. Awardees can profile their stories on the Foundation's website, are invited to unique Responsible Leader events, and receive both financial and in-kind support from the Foundation and the Foundation's networks. Through these efforts, the BMW Foundation leverages its staff of 20-plus into an organisation of thousands.

SHIFT 3 Tool up

Once you have been interacting with your network, you will begin to see patterns. You will notice how your members want to connect with you and each other. From there you can begin to create the tools for sustained activation of your network.

A tool currently under construction is the Resilience Platform, an online platform for scaling solutions for social change. An international coalition of partners including Ecotrust, Context Partners, the Grameen Foundation, Mercy Corps, and The Rockefeller Foundation came together to understand how they could better act collectively on behalf of people and the planet. What they learned as they listened inside their organisations was that they each had a wealth of proven solutions, but they had no process – no tool – for documenting, sharing, and transferring these solutions to new contexts. Together, as a network, the coalition is co-designing an online tool to distill complex social solutions into shareable building blocks that span various contexts.

While online tools can be impressive, something as simple as an on-boarding kit allowing new members to understand their roles and responsibilities has proven successful at the Nike Foundation. A unifying twitter hashtag, member-led Google-hangouts, a LinkedIn discussion group… the possibilities for your toolbox are endless and should be tailored to your network's needs, habits, and interests.

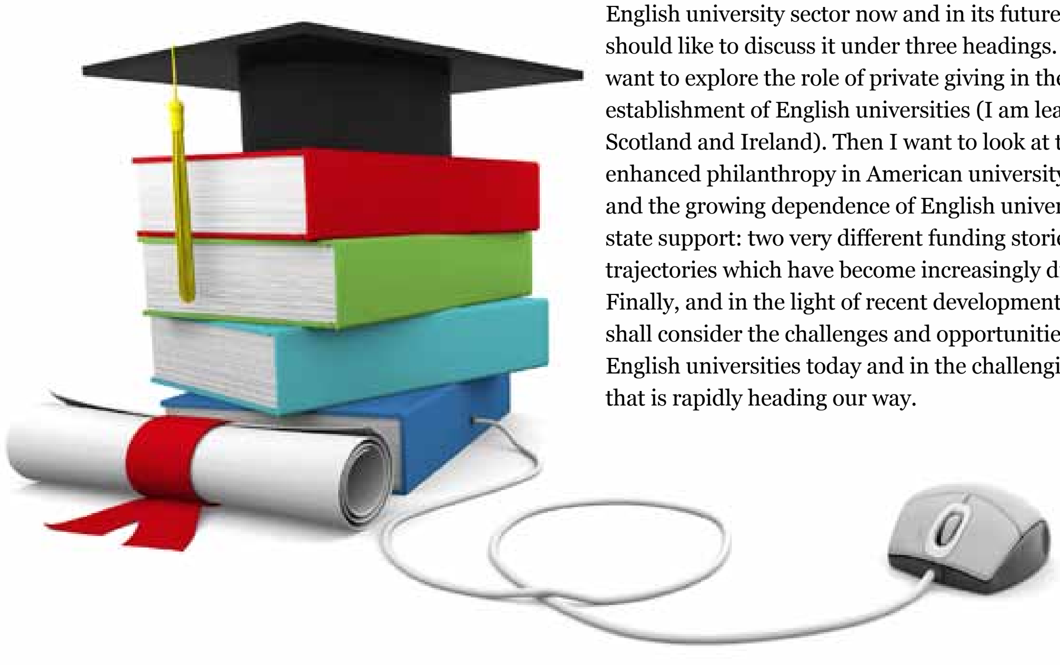
In conclusion

The world is changing fast. To stay effective and relevant, philanthropists need to change with it. This means shifting your role from finding the next big idea to facilitating the connections between people. Philanthropists must evolve from cheque-writer to network-facilitator, from content-generator to curator. Facilitation means listening to your networks. It means creating the space for your grantees, your beneficiaries, and your partners to collaborate and build dynamic relationships. Networked philanthropy facilitates more, controls less. Release your white-knuckle grip on expert knowledge and free your communities to innovate.

Universities 2030:
Their Future and Their Funding

by **Sir David Nicholas Cannadine**

Philanthropy played a fundamental role in the creation of many UK universities. Given the current and future challenges universities now face the role for philanthropy in all its forms is even more important. This is a rallying call.



For some years, I have been deeply interested in the subject and the practice of philanthropy. In 1988, I moved from a rich, publicly funded UK university (Cambridge) to a *very* rich but largely private university in the USA (Columbia), and this opened my eyes to a different way of resourcing higher education, one more attuned to giving and fund raising, and less dependent on the state. On my return to Britain in 1998 as Director of the Institute of Historical Research at the University of London, part of my job was to re-energise the organisation and we raised over GBP £10m to help achieve that objective: petty cash by American standards of university fundraising but a significant sum by English standards. My biography of Andrew W.Mellon, the American banker and benefactor of the National Gallery of Art in Washington DC, and my work as a Trustee of the Wolfson Foundation have further convinced of the continuing and enhanced importance of philanthropy in many areas of life, especially in the realm of higher education.

To my mind, philanthropy is vitally important for the English university sector now and in its future, and I should like to discuss it under three headings. First, I want to explore the role of private giving in the original establishment of English universities (I am leaving out Scotland and Ireland). Then I want to look at the role of enhanced philanthropy in American university sector and the growing dependence of English universities on state support: two very different funding stories and trajectories which have become increasingly divergent. Finally, and in the light of recent developments, I shall consider the challenges and opportunities facing English universities today and in the challenging future that is rapidly heading our way.

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1. Philanthropy and university growth throughout the UK: a short history

From medieval times to the mid-nineteenth century, the collegiate Universities of Oxford and Cambridge remained essentially privately funded institutions, tied very closely to the Church of England rather than to the English government, and offering what was termed a 'liberal education', which was much beloved of John Henry Newman, John Stuart Mill and Walter Pater among others. University College, Kings College London, and the University of Durham (all established between 1826 and 1832) followed, and these were the models available when the city fathers of the great provincial towns of mid-nineteenth century England began to focus on providing higher education for their own children.

Liverpool provides an instructive case study. During the eighteenth century, the town had grown rich on the slave trade and on shipping, and during the nineteenth century, thanks to the nearby development of chemical industries and food processing, Liverpool had a long tradition of civil philanthropy and cultural engagement. Among the voluntary societies were the Lyceum, the Literary and Philosophical Society, the Botanical Garden and the Liverpool Institute and School of Art. In 1814, the Royal Institution was established by the banker William Roscoe and John Gladstone, father of the future Prime Minister; and in 1848 the Liverpool College of Chemistry was set up by James Muspratt, the founder of the local alkali industry. As in other cities such as Manchester and Birmingham, these men from the city's entrepreneurial and civic elite were often nonconformists and they created an array of voluntary societies that compared well with any in the great towns of provincial Britain.

Between 1866 and 1881, colleges of higher education were established in Manchester, Leeds, Bristol, Sheffield, Birmingham and Liverpool which, perhaps surprisingly, was the last in this sequence. All of them were founded and funded by local entrepreneurs, and from the beginning, Liverpool University College depended on support from the Merseyside business community, including prominent mercantile dynasties such as the Rathbones and the Muspratts. Many of these initial donors gave money to endow professorships and to pay for the earliest buildings.

In 1883, Liverpool University College became part of the Federal Victoria University, which also included Manchester and Leeds; the flow of private gifts continued from donors such as Sir Henry Tate, the sugar refiner, for the Library; Sir Andrew Walker, a local brewer and also benefactor of the Walker Art Gallery, for the engineering laboratories; and from the chemical manufacturers Sir John Brunner and William Gossage. This support enabled Liverpool to break away from the Victoria Federation in 1903; and with renewed pride in its independent status, and with local businesses booming, there was a second surge in giving from, among others, Sir William Hartley, a jam manufacturer, William Lever, who produced soap and detergents, and the ship-owners Harrison and Hughes. By 1914 Liverpool had become, after Manchester, the second best endowed of all the English redbrick universities – a position which it retains today.

Why did these Merseyside men give to Liverpool University? The answers were many and varied. The nature of Merseyside industries meant its leaders were drawn to supporting science: Muspratt, Brunner and Gossage were interested in chemistry and Harrison Hughes in engineering. But their concerns were broader: Alfred Booth was a ship owner, but financed the study of classical history; Brunner also gave money for archaeology and Egyptology; while the Rathbones supported English literature. Religion also played a part: in many of these families, the Unitarian influence was strong, and Sir William Hartley had long believed

A recent survey lists at least sixty US universities and colleges with endowments of more than one billion dollars, and fourteen with endowments of more than five billion dollars each, starting with Harvard at thirty, Yale at nineteen, Princeton and Stanford at seventeen, and MIT at ten. These are indeed billion dollar universities, appropriate for the billion dollar country that the United States has been for more than a century: not surprisingly, the richest country in the world has the richest universities, and most of them are private institutions, which is also appropriate in a nation so wedded to private enterprise.

in systematic philanthropy. Social ambition may also have been significant: Tate, Brunner, Walker and Hartley were all knighted; Walker was suspected of using his giving to help him obtain a baronetcy; and Lever would eventually advance from a baronetcy to a peerage to a viscountcy.

This is a uniquely Liverpudlian story, but it was also part of a more general trend: for all of the turn of the century redbrick universities in England depended on the involvement of their local industrialists. Manchester relied on the largesse of the cotton-ocracy; Leeds was supported by engineers such as Sir Andrew Fairburn and the Kitson family; Sheffield was funded by the steel-masters and the cutlers; Birmingham was backed by Joseph Chamberlain, the brewers and the metal manufacturers; and Bristol was lavishly endowed by the Wills family. The result was that these redbrick universities were largely independent, and even after the creation of the University Grants Committee (UGC), its budget was so tiny that the redbricks continued to be largely autonomous, in terms of both their financing and their governance.

It is one of the ironies of English history that while the provincial middle classes were both the creators and the beneficiaries of the Industrial Revolution, they rarely achieved the sort of prodigious wealth enjoyed by aristocratic landowners, or by London-based bankers and financiers, or by the late nineteenth century plutocrats such as Guinness, Pearson, or the Harmsworths. And as a result, the universities they created were far from rich – and least of all by comparison with the United States, where the story was very different

Yet as such, these redbrick universities were not so much another successful expression of a rich, powerful and triumphant middle class, but rather they were from the outset inadequately funded. In 1904, the University of Liverpool's endowment income was less than L1,500.00 a year, and in 1913 it boasted fewer than one thousand students. It is one of the ironies of English history that while the provincial middle classes were both the creators and the beneficiaries of the Industrial Revolution, they rarely achieved the sort of prodigious wealth enjoyed by aristocratic landowners, or by London-based bankers and financiers, or by the late nineteenth century plutocrats such as Guinness, Pearson, or the Harmsworths. And as a result, the universities they created were far from rich – and least of all by comparison with the United States, where the story was very different.

2. Universities and philanthropy: some Anglo-American comparisons

During the late nineteenth and early twentieth centuries, the United States was transformed from being an essentially localized and agrarian nation into a vast imperial realm; and as it expanded and industrialised it became the most successful wealth generating economy in the world. As a result, a small group of entrepreneurs accumulated prodigious fortunes on an unprecedented scale: Vanderbilt and Stanford in railroads, Frick and Carnegie in steel, Morgan in banking, Astor in real estate, Rockefeller in petroleum, Mellon in many things, Ford in automobiles, and so on. Here was a new breed of super-rich plutocrats, all of them were at least multi-millionaires, and John D. Rockefeller was the world's first billionaire: and even though there were five US dollars to the British pound, their Himalayan accumulations of money towered far above those of the richest men in Britain, and they overwhelmed the relatively modest wealth of the English provincial middle class.

What did they do with it? Some of them endowed universities: in 1873, Cornelius Vanderbilt gave one million dollars to found the university that still bears his name; in 1890, John D. Rockefeller began giving money to establish the University of Chicago, which would eventually amount to forty million dollars; and

Of the thirty richest foundations in the world today, nineteen are in the United States, and only three are in Britain. But one of those, the Church Commissioners, scarcely counts; and the other two, Wellcome and Garfield Weston, are based on fortunes made in North America rather than there.

a year later, the Stanfords began giving large sums to set up their university in California. These were far greater sums than the English provincial middle classes could ever have lavished on their redbrick universities at around the same time. Some of them also created foundations: among them Rockefeller with an initial endowment of one hundred million dollars, Carnegie with one hundred and twenty five million. And these American foundations, like American universities, were far greater in number and richer in resources than their few British equivalents – Leverhulme, Pilgrim, and Wellcome – could rival.

After the Second World War, the Anglo-American university scene changed drastically, with rapid expansion from the 1950s to the 1970s, and so did the part played by philanthropy. But the expansion took very different forms. In the United States, some universities were generously funded by the state governments, as in California, Texas and Virginia; while the Ivy League universities began to raise unprecedented sums from their alumni. Across the higher education sector, enormous sums were invested in science, usually via various federal government agencies, and there were massive, unprecedented grants from such foundations as Rockefeller, Carnegie, Ford and Mellon. But many American universities and colleges remained private institutions, which means they were not, and are not, subject to intrusive government control, and they have become prodigiously rich.

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In England, the years from the 1950s to the 1970s also witnessed the unprecedented expansion of the university sector. This was true for Oxford, Cambridge and London and the red-bricks; they were joined in the 1950s by Southampton, Hull, Exeter, Leicester and Keele; and in the 1960s, 'new' universities were created at Sussex, York, Kent, Lancaster, East Anglia and Warwick, while some colleges of advanced technology were also upgraded to university status.

But while the trajectory of English university expansion paralleled the contemporary American experience, the taxonomy of funding did not. Most of this expansion was financed by government, via the UGC which became, along with the state sponsored research councils, the major means whereby universities were paid for, along with local authority maintenance grants available to undergraduates. Whilst the redbricks were products of local initiative and local funding, and were located in great industrial cities; the 'new' universities, by contrast, were the products of state initiative and state funding, and were located in cathedral cities and county towns.

By the 1960s, England's universities had effectively ceased to be the private organisations and had morphed into public (and publicly-accountable) institutions, which were overwhelmingly dependent on government funding. However, this period also saw the increased creation of London-based trusts and foundations; and as the names Nuffield College Oxford, Wolfson College Oxford, and Wolfson College Cambridge suggest, they began to give significantly to English universities. Such was the position of English universities – their philanthropic origins largely forgotten, overwhelmingly funded by the state, and with a growing but still limited input from organized philanthropy – when Margaret Thatcher won the general election in 1979.

3. Recent, current and future challenges – and opportunities

Since the late 1970s, the English university system has faced a variety of challenges. The first came during the Thatcherite 1980s when state funding was repeatedly cut and control increased. The arms' length UGC was replaced by the more hands-on Higher Education Funding Council for England (HEFCE), and the allocation of funding was determined on the basis of the Research Assessment Exercise (RAE). Here, in the name of public accountability, was a massive increase in government regulation of universities.

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One result of this sterner financial and political regime was that some universities re-discovered, and some recognised for the first time, that they should seek alternative sources of funding. Hence, from the late 1980s, there was a proliferation of Development Offices, of conversations with trusts and foundations, of appeal campaigns, of alumni cultivation. Such endeavours have met with a certain a degree of success. In 2011, the endowment of Cambridge University (excluding the colleges) was over one billion pounds, and of Oxford (also excluding the colleges) was somewhat less. Then came Edinburgh, Manchester, Glasgow, Kings College London and Liverpool, descending from almost £250m to £120m. Altogether there are fewer than twenty British universities with endowments of more than £50m: compare that with sixty American colleges and universities with endowments of more than one billion dollars apiece. However successful fundraising has been in English universities, we have started very late in the day, and compared the other side of the Atlantic, there is a huge amount of catching up to do.

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But as English universities sought to claw back some freedom and independence by raising money from philanthropists and the private sector, they were being subjected to more change. In 1992, thirty polytechnics and thirty colleges of education were upgraded into universities in England and Wales; and seven years later, Tony Blair set a target of fifty per cent of young adults going into higher education by the dawn of the twenty first century. Here was, and remains, the most profound revolution in English universities. Yet when this commitment was made, no one seems to have had any idea as to how it would be funded. Not by government: even before 2008 it lacked the resources, and it seems highly unlikely it will ever have the resources in the future. Not by shifting the cost on to the undergraduates themselves: student fees do not cover the full economic cost of undergraduate education. And not by philanthropy: because there are not enough rich foundations and people to provide the billions of pounds which would be required for English universities 'to go private' on the American model.

Yet the current challenges facing English universities do not stop there: for they no longer function in a local or even a national environment, as higher education has become increasingly globalized – and increasingly competitive. One indication of this change is the growing number of overseas students attending English universities, and the increased efforts that are being made to attract them. Many come from the Middle East, South Asia and China – parts of the world where the rate of economic growth is far greater than it is here. A second sign of this globalisation of higher education is the increase in the number of English universities entering into agreements with overseas universities.

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But as the Middle East and South Asia and China (and Singapore and Malaysia and Indonesia) get richer, they are beginning to build their own world-class universities; and while great universities decline slowly, they can also rise very rapidly. This means that thirty years from now, English (and American) universities may well face unprecedented global competition from

The Fred Freeman Lecture celebrates the local philanthropist. Fred Freeman was a major figure on Merseyside: born in 1921, he was the product of a great Wavertree retailing dynasty, and a pioneering philanthropist. In the 1950s, Fred introduced the practice of payroll giving for his staff. When the store was forcibly closed in 1974, Fred became a full time philanthropist, and 20 years later, he set up the People for People Fund, to provide relief for Merseyside families living in poverty. After his death in 2007, his art collection was sold, and the proceeds were given to the People for People Fund. As such, Fred Freeman was not only good at making money, but also at giving it away, and at encouraging others to give, too.

the new universities being established in the Middle East and Asia; and this in turn means they will also be confronted by an inexorable decline in the numbers of overseas students coming from these parts of the world, who in future will be able to get at least as good an education in their own country as they would get by going abroad.

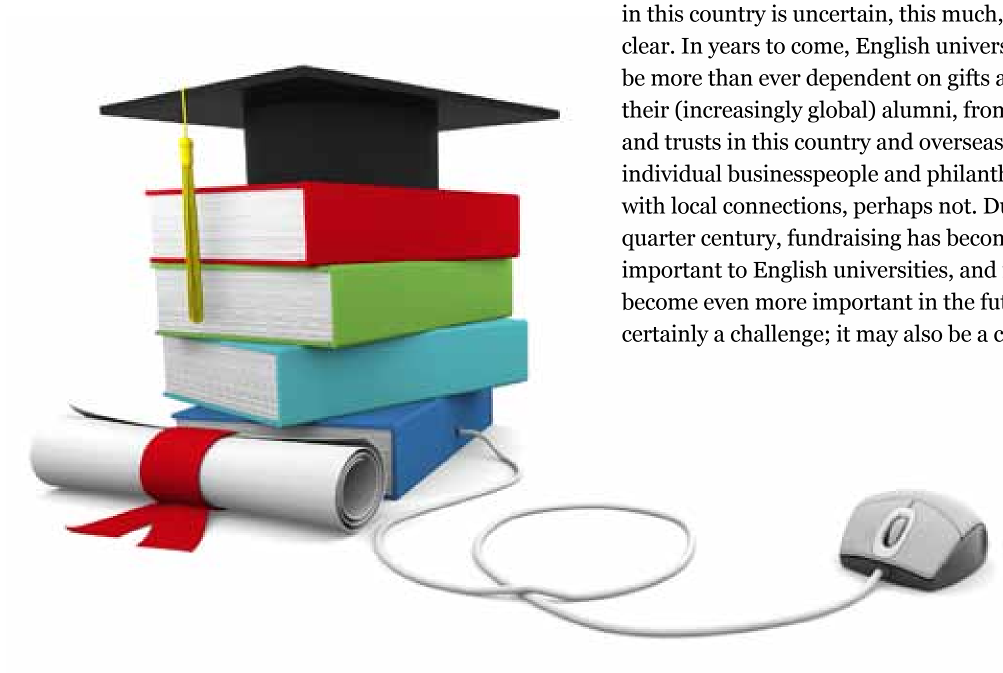
The IT revolution is also far from over, and this, too, presents an array of opportunities -- and challenges. Today the technology exists for the entire contents of one of the great university libraries to be contained virtually (think Cloud) and be fully accessible, and university lectures are being streamed which means that faculty and students need no longer be 'on campus'. Does this mean the end of university libraries, the end of undergraduate lectures, the obsolescence of halls of residence, and, indeed, the end of history or sociology departments in many universities, as students stay at home and get their lectures and read their books and take their exams on line? Does it spell the end of the conventional campus university as we know it, at least in some subjects, and its replacement by an IT version of the original Open University, with spectacularly reduced costs and no-less spectacularly increased access?

Does it mean that many of the post 1992 universities, and many of more venerable age, will disappear altogether, and just become web portals? Does it mean that just a few universities – say the Russell Group and Oxbridge – will survive as campus universities, with their libraries and departments intact and with students still living on campus? And does this mean that they will be able to levy massively increased fees as a result, with parents willing to spend a fortune to get for their children what may again become a highly-restricted but still-authentic university education available only to a few?

In years to come, English universities are going to be more than ever dependent on gifts and giving: from their (increasingly global) alumni, from foundations and trusts in this country and overseas, and from individual businesspeople and philanthropists, perhaps with local connections, perhaps not.

I have no idea as to the answers to these questions: and there are many more like them that should be posed, and ought to be posed, if there is to be an open and serious debate on the future of universities in this country – a debate which, in recent times has become more urgent and necessary, but which has been inexcusably and unconscionably lacking. And I do not envy vice-chancellors who are struggling on a daily basis with many of the issues to which these questions draw attention.

But however much the future of higher education in this country is uncertain, this much, at least seems clear. In years to come, English universities are going to be more than ever dependent on gifts and giving: from their (increasingly global) alumni, from foundations and trusts in this country and overseas, and from individual businesspeople and philanthropists, perhaps with local connections, perhaps not. During the last quarter century, fundraising has become increasingly important to English universities, and it can only become even more important in the future. That is certainly a challenge; it may also be a consolation.



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