

**THE ERASMUS CENTRE FOR STRATEGIC PHILANTHROPY,
ROTTERDAM
DOING GOOD – DONE BETTER
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PHILANTHROPY CHALLENGES

Introduction – the New Centre: a Timely Initiative

I believe that the setting up of the new Centre within this University is wonderfully timely as this is an intriguing, exciting and challenging time for people and organisations within the ‘philanthropic sector’ – not just here in Europe but globally (I’ll return a bit later to what ‘the philanthropy sector’ consists of).

It’s a time that is ripe for an investment in high quality research and learning about philanthropy – why? There are lots of questions that need to be investigated and studied – here is a list of just five that demonstrate the potential breadth and range of the agenda:

1. Philanthropic resources are, inevitably rationed – there are never enough to meet all the needs and demands that they could or may be expected to target. How best can we focus and use philanthropic resources and energies at this time to greatest effect?
2. The boundaries – of role, responsibility and action – between the state, the corporate or private sector, and philanthropy are especially fluid at present – changing and contentious. How should they relate to each other? What sort of partnerships, if any, are legitimate?
3. Recent economic and financial traumas notwithstanding, we are living through a period when disparities of wealth within most communities are wider than they have been for decades. How can philanthropic effort respond to such disparities, address the issues of social justice and the tensions within civil society that they provoke?
4. Much philanthropy is rooted in faith, in religion. Social and political challenges – both positive and negative – are being generated by the emergence of more assertive faith communities within generally secular communities. What are the philanthropic dimensions of those developments?
5. Philanthropic activity and the behaviour of philanthropic organisations are under greater public scrutiny. How best can the governance, transparency and accountability issues that arise be dealt with?

So – contemporary philanthropy has no shortage of intellectually challenging issues and questions to address – it functions within a complex, busy and stimulating arena.

For me, the emergence in recent years of a number of university based centres in the USA, in Australia, in Europe and elsewhere which focus research attention on this arena is most welcome – their number now being joined by Erasmus. They provide a new capacity within which we can test and examine, rigorously and in depth, the achievements and value of the philanthropic sector. Too often, anecdote and rhetoric have been the only

'evidence' available for the claims made by and on behalf of philanthropy and of charitable activity more generally.

I'm especially pleased that the Schools of Economics and Management are at the heart of this Centre as I am certain that it is especially timely and important for those disciplines to focus their attention on the effectiveness of the philanthropic sector – I believe there is enormous potential for learning to be acquired which can influence not only the behaviour, impact and organisation of the philanthropy sector itself, but can also impact on policies and attitudes towards philanthropy from the wider society.

My congratulations, therefore, to all those who have made it possible for the new Centre to be launched today.

In my contribution to this launch event – possibly abusing the privilege of being invited to be here – I thought I'd offer some cautionary observations about some of the challenges the new Centre will be facing; and also offer some suggestions for issues and topics that I see as current priorities for the philanthropic sector in Europe, ones, what's more, that I believe are ripe for academic research and learning, especially from within Schools of Economics and of Management.

The New Centre – Some Cautionary Observations

1. Clarity about what words mean

My first cautionary observation is about the title of the new Centre. What is Strategic Philanthropy? This is not a day for a lot of semantic scrabbling round the many definitions of philanthropy (let alone for the potentially even more confusing debate about the combination of the term philanthropy with the adjective strategic). But there is certainly an urgent need for some determined clarity about definitions. Let me just tease that out a little.

I don't know what the response would be here in the Netherlands, but if I did a 'vox pop' poll in the UK, asking the 'man in the street' to define philanthropy or a philanthropist, I suspect I'd get a picture of very wealthy individuals (or of large endowed foundations), giving away large sums of money, and doing so very publically, with a high profile. 'Buying your place in heaven' or 'enhancing your status with your peers' would be high on the list of motives that I suspect would be suggested for why these sorts of philanthropists did what they did.

The possibility that philanthropy might involve much more than just a financial transaction would, I suspect, not be advanced. Nor, I also suspect, would the possibility that the poor could be philanthropists (despite the evidence, in the UK at least, that the poorest give away a larger proportion of their income to charitable causes that do the very rich and are also among the most active volunteers).

If you turn to the literature, however, you will find philanthropy defined, for example, as "voluntary action for the public good" or "private action within the public realm" – no mention there of any financial transaction, of any transfer of wealth. Those definitions embrace all volunteer activity, collaborative action

by individual citizens to enhance and improve civil society and to assist others within their communities. If that is the case, then, in the UK, for example, the philanthropic 'agenda' is enormous.

We only have 8,500 foundations (made up both of endowed charities giving away funds to other civil society organisations and also of specialist intermediary organisations, raising funds from the public, companies, the state or other foundations, to give to community and non-profit organisations within their particular specialist area of activity). There are, however, perhaps 900,000 organisations that in some way exist to translate 'voluntary action into public good.' Most are tiny, small groups of active citizens focusing some of their spare time, passion and energy on some local activity or specific cause. Others are huge, spending hundreds of millions of Euros each year and employing hundreds of professional staff. Of those 900,000 civil society organisations in the UK, the 300,000 that employ staff employ about 1.4 million people, that's 6.5% of the entire national work force – and that total does not include the 44% of the population who are volunteers, giving of their time to the work or to the governance of those organisations – the equivalent labour to that of 1 million full time employees.

Defined as broadly as that, the philanthropic sector in the UK (and in most European countries) is a significant player within the economy, spending in the UK over £100Billion each year and owning assets worth about £200Billion.

But few of that workforce or those volunteers would describe themselves as working within the 'philanthropic sector' – there is a disconnect between the definition and the perception of philanthropy, even among those who are involved as practitioners in 'voluntary action for the public good.'

2. Strategic Philanthropy is Multi-Dimensional – the Heart influences the Head

And what are we to make of the combination of 'philanthropy' and 'strategic'?

One well known definition of 'strategic philanthropy' describes it as: "effective giving designed around focused research, creative planning, proven strategies, careful execution and thorough follow-up in order to achieve the intended results."¹

This maybe a comprehensive and accurate definition but it does seem to me to generate a somewhat passionless and mechanistic image of action that, whatever else it is, must, in some way, be the expression of personal values, aspirations and a desire to see social or other changes in the way society behaves, to 'make a difference'.

My second cautionary word for the Centre reflects that. How to ensure that, in focusing on strategic philanthropy, the necessary personal vision and values that generate and inspire 'voluntary action for the public good' are not

¹ The Philanthropic Initiative, Inc

squeezed out of the examination – that the influence of the heart on the head is not ignored.

Research which assumes that philanthropy is entirely a rational, considered, ‘strategic’ act may significantly miss the point of why philanthropy happens, why so many in society are involved actively in it – why it is so important a feature of all of our communities. That dimension of philanthropy needs not just to be understood in any research or teaching in philanthropy – it needs, I suggest, to be celebrated.

3. Social Risk Capital – where are the failures?

Sometimes, those who talk of strategic philanthropy also use terms like ‘social venture capital’ or ‘the risk capital of social innovation’ to distinguish their work from ‘ordinary charitable giving’. Fair enough, but – and this is my third cautionary comment: if strategic philanthropy is focused on high risk activity and innovation, where are the failures documented? If it’s high risk, there must be things that don’t turn out as planned – lessons to be learnt about what not to do as well as what might be developed further and scaled up. I do hope the new Centre will pay lots of attention to the investigation of the lessons learnt from both sorts of outcome.

4. Philanthropy is Political

Furthermore, philanthropic activity is not taking place in a political vacuum. Sometimes the most effective philanthropic efforts will challenge orthodoxies, will irritate or anger governments or established institutions. Sometimes philanthropic research initiatives generate major political as well as social change.

Not all such changes will always be regarded positively by the majority of people working within the philanthropic sector. The development of ‘neo-con’ political policies in the USA, for example, was nurtured and supported over more than a decade by strategically targeted philanthropic funds.

Some philanthropists claim that philanthropy is non-political – I suggest as my fourth cautionary observation that the Centre should ignore such claims and should always be alert to the political dimensions of the role and place of philanthropy within society.

5. Strategic Philanthropy is “Good Business”

And I suggest it’s also important to note that the term, strategic philanthropy, has acquired a commercial meaning – it’s widely used by advocates of marketing led corporate social responsibility. As one commentator asserted, “It’s good business and customers are watching²” – with a measurable return on investment in enhanced corporate reputation, building new markets and influencing consumer decisions, “Strategic Philanthropy can even include benefits to your bottom line³” as one advocate put it.

² Charles Moore, Director of the UN Committee for Encouraging Corporate Philanthropy, in an October 1, 2008 interview with The Financial Times

³ Paul Lemberg, President of Quantum Growth Coaching

A final (I promise) comment on what words mean. I have seen the primary focus of the new Centre described as “professionally led grant-making and fund raising foundations” – just to add to the need for, and the challenge of, clarity, ‘foundations’ do not have a common meaning throughout Europe; the word means different things in different countries and regulatory regimes – there is no universally applicable meaning.

The Characteristics of Philanthropy

Enough on semantics and definitions – even if the Centre decides to restrict its focus to “professionally led grant-making and fund raising foundations”, it will be grappling with a sector which is characterised by Diversity, Complexity and Universality – it is that mixture which in part makes it such a fascinating area for study, learning and debate.

1. Diversity

The philanthropic sector is diverse:

- geographically, between Europe and other parts of the world, within Europe between different countries, and within individual countries;
- diverse because of different traditions, culture, religious, political and social history;
- diverse because of different fiscal and regulatory rules, tax incentives and opportunities
- diverse because of the different roles of the state and of non-profit or civil society organisations within individual countries;
- diverse in size – from the huge Wellcome Trust in the UK and some of the Bank Foundations in Italy to foundations giving away just a few thousand euros each year;
- diverse both in the source of funds – from individuals, families, companies, communities – and also in whether the funds are inherited, the present generation acting as stewards, or the philanthropy is that of a ‘living donor’, the direct result of the wealth creation by the philanthropist him or herself
- diverse in financial structure – whether the foundation has a permanent or an expendable endowment, or is fed with annual gifts, or is an intermediary such as a community foundation, seeking funds from others to deploy in its specialist area
- diverse in purpose, focus and activity – whether primarily responding with funds to the ideas and plans of others; or pro-actively seeking out organisations to support; or commissioning work direct; or using funds for its own operations, managing services and activities itself; or convening partners to act together to effect or influence change – or a combination of several of these.

All these differences are shaping the particular nature, focus, organisation and profile of philanthropy in each country.

For a Centre such as this, the diversity is a further challenge, not least because the data about philanthropy in different countries is collected and reported in different ways. The rich diversity of forms and ‘philanthropic stories’ is something into which the centre will want to delve and should

celebrate – the challenge will be how to reflect that in its agenda, to avoid specious generalisations, to allow for the individual ‘flavour’ that any living donor, whether individual or corporate, will incorporate in their philanthropic endeavours.

2. Complexity

Second, the complexity of the philanthropic sector:

- Philanthropy works within a complex environment; for it to achieve almost anything is like assembling a ‘jig-saw puzzle’ of financial and other resources, the pieces have to be carefully fitted together to make the whole
- It is complex in the multiple ‘bottom lines’ which most philanthropic activity seeks to be measured against – a range of different individual and community social and personal returns; some returns may be measurable in financial terms, some in financial proxies but some are not measurable at all in numbers
- Complex, too, in that poor performance in philanthropy is not necessarily a cause for change and improvement – the people running most foundations, and especially those which are based on an endowment, face no external performance drivers, they face no “survival anxiety.” If they have performance standards, they are ones that they set and monitor themselves. Few foundations in Europe test their own effectiveness systematically or invite their consumers to evaluate their performance as funders
- Complex in the many variables that will dictate or influence outcomes – the money is just one factor in whether a philanthropic initiative achieves what it set out to do – or not
- Complex in the timing of indicators of success or outcomes – seldom are philanthropic resources being used to support an initiative which has a single, clearly identifiable conclusion – the impact, if any, of the activity may not be visible for many years after the resources have been used
- Complex in the frustration for many philanthropists of never being able to identify with certainty what has been the actual result of their efforts to ‘make a difference’ – simple, causal attribution is seldom to be found in the often complex tasks and challenges that philanthropic resources are trying to tackle – yet too much of the literature and research describes philanthropic efforts as if they exist in a vacuum, as if there is a direct and uncomplicated connection between money, outputs, outcomes and long-term impact – an understandable hope, perhaps, but not the reality, I suggest.

The challenge for the Centre? To explore and allow for this complexity – not to be seduced into making fallacious claims about attribution or causality and not to adopt quantitative measures or models which may make things look simple but will almost certainly provide a picture that is a distortion of reality.

3. Universality

Last – but by no means least – the universality of the philanthropic sector:

- Philanthropy is universal in the motivations that drive the philanthropist or the volunteer activist – there is a diversity of motives, but they are all present in some form in every society
- Universal in the enjoyment and personal growth that people derive from it – as the ‘Philanthropy Ambassador’ that the UK Government has appointed to encourage and promote personal philanthropy said at a conference earlier this month: giving money and time and getting involved in voluntary action should be fun as well as creative, satisfying and productive
- And universal in the learning it can generate. The philanthropy sector has not been good, however, at investing in that learning – in analysing the products and outcomes of their efforts, in applying that learning to their own future work, and in sharing that learning with other practitioners or in advocacy to influence policy. (Indeed one commentator said to me recently that “the philanthropy world is too cosy and complacent – and completely resistant to real research into itself”).

For the Centre, the challenge will be to find ways to overcome that alleged resistance and complacency – to make the most of the opportunity it has to become a forceful and pro-active source of learning for philanthropic practitioners and for policy makers – and to do much more, I hope, than some other academic centres have achieved in your engagement and joint activity with practitioners and in becoming an active player in translating research findings into teaching, philanthropic practice, governance and, therefore, impact.

Philanthropy – Within a Market Place

I want to finish with some thoughts on a few specific themes that I hope the Centre will find space in its agenda to devote time to researching – and to the application in practice of that research.

They all derive from my view of philanthropy as taking place within a market place. Yes, it’s a social act, a cultural phenomenon – but it also involves transactions, usually of financial resources but also of human capital. – philanthropic resources of all kinds being invested strategically in action that is designed to lead to change, to public benefit. There is supply and demand, there are providers, consumers, purchasers, service users and entrepreneurs all active within this market place.

There is, therefore, I believe, value in examining, in studying and learning about that market place – how it works and the place of philanthropic resources within it; for example:

- The cost of philanthropic transactions – some argue that much philanthropy is a very expensive way of getting relatively small amounts of money from A to B; that it’s not an efficient market place
- The quality of the processes used – some ‘consumers’ of philanthropy describe the process as often being clumsily managed, even counter-productive; that it’s not an effective market place

- The financial instruments that philanthropy uses to achieve its goals. The Centre is to focus on ‘strategic grant-making’ – but grants are only one of the ways that foundations or other funders can support philanthropic activity – and a grant, once given, is lost to the giver; it cannot be recycled. If philanthropic resources are scarce, it is vital, I believe, not only that they are managed well and focused on activity which cannot be funded in other ways, but that grants are only used where they are the only way a specific activity or organisation can be supported. Many argue that it is surely better always to try to invest philanthropic funds in ways that ensure that some or all of the money can be recycled for further use in the future. They argue that the philanthropic market place, as it operates now, is too narrow, too limited – that it is not providing a comprehensive range of types of finance or using its financial potential creatively
- How to strengthen the financial capital base of civil society organisations? For many such organisations, the market within which they battle to survive, is one of ‘money in-money out’ – there are often severe limitations on their ability to plan or invest for the long term or to build towards sustainability; that the supply side of the market is not helping to build a stronger and healthier sector, indeed that it can be dysfunctional
- How to maximise the social impact of philanthropic funds? In most cases, only 3-5% of an endowed foundation’s assets are directed explicitly at achieving its charitable purpose, its mission. Well over 90% of the assets of such foundations are being invested without any regard for that purpose or mission. The market as it operates at present fails to connect investment strategies and practice to charitable mission
- And one more question about the ‘economics’ – and the politics – of philanthropy: the justification for the tax advantages that philanthropy often enjoys – does society gain overall from the ‘loss’ it makes from the tax relief it allows philanthropy? Does society get a good financial return from its support for ‘voluntary action for the public good’?

The New Centre – Values History

As an academic powerhouse – which I am sure it will become! – I also hope the Centre will always value history in its studies, research and teaching. As another commentator has said “philanthropy is not a modern invention”.

Much current debate implies that the contemporary philanthropic adventurers are carving out new and previously unexplored territory. It’s obviously important to enthuse and inspire innovation and creativity – in philanthropy as in any arena – but it’s also important to acknowledge and to learn from history.

For example, the enthusiasts for venture or ‘engaged’ philanthropy often behave as if they are part of a brand new phenomenon – yet it was exactly 40 years ago that John D Rockefeller III, when giving evidence to the House of Representatives, said:

“Private foundations often are established to engage in what has been described as ‘venture philanthropy,’ or the imaginative pursuit of less conventional charitable purposes than those normally undertaken by established public charitable organizations”.

And it was over 100 years ago, in 1904, that the famous Quaker UK philanthropist, Joseph Rowntree wrote:

“Charity as ordinarily practised, the charity of endowment, the charity of emotion, the charity which takes the place of justice, creates much of the misery which it relieves, but does not relieve all the misery it creates. Perhaps there is no need more urgent in the present day than for the wise direction of social and philanthropic effort”

I am sure that both Rockefeller and Rowntree would have welcomed the launch of the Erasmus Centre and its commitment to helping to ensure that, through high quality, evidence based study and teaching, “Doing Good is Done Better.”

David Carrington
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