PHILANDERING PHILANTHROPICALLY

A look at how world trends play their part in the evolution of philanthropy and just how far philanthropy can go in an ideal world. In this first installment, the focus is on democratization and privatization.

BY LEE POH WAH

As befits a word coined more than 2,500 years ago, philanthropy has rich and diverse connotations. But the common concept of a philanthropist is of a multi-millionaire generously giving away his hard-earned/inherited fortune for the love of mankind. It need not be like this, as two world trends show.

On one hand, people-power or democratization has cracked the elite club of philanthropists and the common man is also a significant donor, now that his contribution can be easily aggregated to that of many other like-minded individuals.

On the other, privatization or the entry of the private sector/private sector thinking into a traditionally distinct domain has widened the perspective of the millionaire philanthropist. In addition to giving his money to charity, he is increasingly giving the means to make money.

DEMOCRATIZATION

SCENARIO: IGIVE TO CHANGE THE WORLD

iMac, iPod, iTunes, iPod Touch, iPhone, iPad … what about iGive? Extrapolating from the astoundingly successful Apple universe, it could go something like this:

The App store within iTunes offers more than 150,000 applications created in less than two years of its launch and has seen more than three billion apps downloaded in less than 18 months by 75 million iPhone and iPod Touch users in 77 countries.

A dedicated iGive store on the common software platform, with a wide-ranging selection of causes and the same ease of one-click ordering to fuel both impulse and deliberate giving, could democratize philanthropy.

On the needs end, individual deserving causes could innovate and build an experience that best captures their mission in the form of creative advocacy, fundraising campaigns and catchy applications for a generation of attention-deficient users. On the supply end, the public will be encouraged to give on the go and impulsive one-click philanthropy could take over from impulse buying.

To turn this dream into reality will require the Steve Jobs touch to make iGive cool and sexy. If he bites, he could revolutionize the supply side of funding economics – and it might just redeem his reputation as a philanthropic skinflint …

The technology already exists for e-giving – in fact, two individuals have tried to introduce such an app for the iPhone since 2009 and many non-profits solicit donations online – but democratized giving or the raising of significant sums from small gifts from many donors – has yet to take off.

Almost synonymous with online giving, it has grown steadily. In the US, this was estimated at around 5 percent of total charitable giving in 2008, or worth around US$15.4 billion. The hope is that the genius of Jobs, who is renowned for taking existing ideas and redefining them, could make the difference.

The concept, the effectiveness and ease of use of the tool are not issues. They have been proven time and again when sudden, large-scale disasters strike. A case in point is Hurricane Katrina. One week after the storm struck the US in 2005, Habitat for Humanity estimated it received US$2.7 million in online donations, four times the amount it received in other forms of gift during the same time frame.

CASE STUDY: PLAYING SANTA CLAUS TO TEACHERS

"I am requesting 320 dry erase markers in a variety of colors, five dry erasers with replacement refills, and five tubs with lids in which to store the markers …. Your kind donation will give our students more motivating tools with which to begin writing."

So runs a recent US$643 wish from a teacher in North Carolina. It is one of thousands of pleas from US public school teachers for extras – whether they are essential or good-to-have is debatable – which state funding does not provide.

Now, by airing their requests on the non-profit website DonorsChoose.org, these teachers will get their wish if enough donors give their support. Chances are good: In the 10 years since it started, DonorsChoose.org has helped over 126,000 teachers obtained US$52.7 million worth of resources, benefiting around 3.2 million students.

How it works: Only teachers in deserving schools can send in requests which are vetted before being posted on the website. Donors support their chosen projects with the amount they want to give. When the target for a particular project is reached, DonorsChoose purchases the items and delivers them to the school. After completing a project, donors receive photographs and thank-you letters from the teacher and his students. Besides donations from the public, DonorsChoose also receives private-funding sources, such as Omidyar Network.

DonorsChoose is one of the champions of the new way of giving for the individual, just as eBay is the new way of selling. Certainly it has nurtured new donors: A 2004 survey found that three of four have never before made a gift to public education before encountering DonorsChoose.

In January 2010, Network for Good, a US-based non-profit processed US$5 million for victims of the Haiti earthquake within two weeks of the calamity. The experience showed how online giving, appropriately utilized, can tap on the initial groundswell of giving quickly and efficiently before public interest ebbs. More remarkably, they can level the fundraising pattern in favour of smaller charities. In the analysis of the donations made through this portal, smaller charities appeared alongside larger well-known relief organizations on the top 10 list, demonstrating the potential of similar tools in enabling greater resources to reach smaller charities as well.

At the same time, the added dimension of connecting the donor and the donee is a new attraction that has enticed new donors (see case study on the left).

In spite of all this going for e-giving, at least three major obstacles – legitimacy, transparency and donor fatigue – stand in the way. In the first place, how can one be sure that the needs or the needy featured on a website are genuine and not scams? To authenticate every individual appeal would be an expensive and time-consuming exercise, particularly if the beneficiaries live in remote or inaccessible localities like the sub-Sahara. As for accepting charities as beneficiaries, if the standard is set too high, it will exclude a lot of deserving cases. Subtle discrimination could set in.

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The next minefield is ensuring that the donation reaches the person or purpose it was given for. The modus operandi of well-known Kiva,org is instructive. In theory, the website posts profiles of needy entrepreneurs in developing countries. Individuals then lend money to the entrepreneur they wish to help. Kiva aggregates the loan capital and transfers it to an appropriate microfinance institution to disburse to the chosen entrepreneur.

In practice, the entrepreneurs received their loans from the microfinance institution before their photos are posted on kiva.org, i.e. the supposed donor to borrower connection, albeit through a microfinance institution was an illusion.

Last but not least, it is not easy for philanthropy to reach out to the masses and maintain its appeal, day in and day out. Disasters always provoke an outpouring of aid and the plight of a person profiled on the Internet pulls at the heartstrings but ennui can creep in.

These obstacles are not insurmountable. Simple workarounds have been applied to the problem of legitimacy. For example, DonorsChoose, which funds teachers' needs, sends equipment requested, not cash, to the school to avoid misappropriation of funds. Kiva expects to solve its problem as technology advances and it evolves. As for donor fatigue, creative marketing is always ready to think up new solutions.

Putting it all together in a killer application, instead of waiting for piecemeal evolution, is the challenge.

DIGITAL DONORS & DOERS

Meanwhile, the advent of social networking has opened up more options not only for fundraising but also for the marshalling of minds, hearts and hands for philanthropy. A good fundraising example is Facebook Causes that permits anyone to solicit donations for an approved organization. Its most successful tool is for birthday celebrants to post a 'wish' that friends donate to a specific, selected charity.

Text messaging, Facebook or Twitter have been used to communicate among like-minded people to rally to a cause or organize and share information about an event and so coalesce into a peer-and-data supported, passion-activated and technology-enabled community.

The fact is democratized philanthropy is mobilizing a new generation of givers and activists. Networking on the Internet has allowed them to act together in such a way that they can have the impact and leverage rich philanthropists.

PRIVATIZATION

SCENARIO: GIVEAWAY, THE IKEA WAY

IKEA is well-known as a successful commercial enterprise and brand. What is not so well-known is that through a complex financial structure, it is largely owned by a charity devoted to "innovation in the field of architectural and interior design".

With the profits of the international household products retailer pouring into its coffers (US$6.9 billion in 2009) and its business value (conservatively estimated at US$36 billion), it is given the accolade of being the world's wealthiest charity. But proportionate outcomes of its philanthropy are nowhere to be seen.

Imagine if founder Ingvar Kamprad were to see the light and recognize he has the means to tackle the global housing crisis in his hands and act …

About 1.6 billion people live in substandard housing and 100 million are homeless. Of the former, one billion live in urban slums.

If, in neat IKEA fashion, Kamprad were to apply one-third of each of his triple assets of people, products and profits, he could make a perceptible impact, the way his stores have changed the lifestyle of millions around the globe.

His staff are experts in cost-cutting – use of inexpensive materials in novel ways, flat-pack packaging to save transportation and assembly costs, etc – and can further reduce the expense of building houses.

IKEA has already expanded from flat-pack furniture to flat-pack housing (under the Boklok brand) in the Nordic countries and Britain. With the efforts of his staff directed to the needs of people at the bottom of the pyramid, IKEA could create desirable new products for them (and a new market for itself).

From solar electrification and sanitation systems to the usual household furnishings, the production of such goods could also create jobs for the poor by situating the manufacturing plants in areas of high unemployment.

The third element, profits, would be necessary as seed money. It could also be used to sponsor the abject poor who cannot afford to pay.

The boundary between the profit and non-profit sectors is blurring as business and market-based approaches are increasingly applied to the social world. Many variations already shelter under the concept of venture philanthropy aka philanthrocapitalism. But the IKEA fable breaks new ground.

The idea is that instead of a self-made billionaire setting up a foundation to distribute his wealth, he could 'give away' (direct) a substantial section of his private company to do charitable work. By so doing, he would fuse social work with profit in the enterprise's DNA.

The closest model in the real world is the 1-percent model practiced by SalesForce.com. The corporate philosophy of the publicly-listed software-as-a-service company gives 1-percent time (meaning six paid days off a year for staff to devote to volunteerism), 1-percent product (meaning donated and discounted software for charities) and 1-percent equity (meaning funds for charitable purposes) to charity.

The other side of the coin is foundations investing in for-profit companies and projects to ensure their sustainability. An example is Google.org, the philanthropic arm of the search engine company of the same name, investing in eSolar, a start-up developing low-cost solar thermal plants in an attempt to popularize the use of solar energy and so support the Green Movement.

Another is that of Omidyar Network which invests in for-profit businesses and makes grants to non-profits. Since inception in 2004, it has committed US$325 million, of which US$144 million are for-profit investments. It believed that market-based solutions from for-profit companies can help to catalyze broad, positive social impact, hence its investment approach which transcends the typical boundaries that separate for-profit investing and traditional philanthropy.

In an extension of this concept, a foundation could invest or buy an enterprise to carry out its core mission. So, a foundation tasked with alleviating homelessness, could acquire a construction company to build homes instead of giving funds to a non-profit to provide housing.

The point is that beyond blurring of boundaries, fungibility is possible. The business sector can substitute philanthropy. Working for profit and for philanthropy can go hand in hand. The skills, accountability, discipline and drive of the marketplace can invigorate the non-profit sector while growing the philanthropic pie.

Part Two of this essay on globalization and politicization will be published in the next issue of Humaneity Magazine.

CASE STUDY: CONFLUENCE OF AFFLUENCE & INFLUENCE

Concordia 21 is a recent and reticent initiative in the line of privatized philanthropy. It does not mention the word 'philanthropy' anywhere on its website but calls itself "a community of social investors" composed of "successful individuals who share an entrepreneurial spirit and a strong commitment to 'give back to society'".

In actual fact, the non-profit institution was formed in 2009 by an international group of ultra-high-net-worth individuals, with Kofi Annan, former United Nations Secretary-General as president, and Jose Maria Figueres, former president of Costa Rica, as CEO.

Headquartered in Madrid, it aims to invest in international projects that are transformative rather than incremental. Over time, it aims to serve as a model and so attract more private investments for social causes.

So far, its only project is Philanthros, an ERP (enterprise resource planning) tool, adapted to help charities improve their productivity, process quality and control. But with its well-connected and high profile resident and CEO, Concordia 21 is clearly aiming much higher. It is early days yet for the ambitious group but the promise of something spectacular fills the air.

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