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ISSUE: THE BUSINESS OF PHILANTHROPY *October 26, 2015*

The Business of Philanthropy

By S.L. Mintz [+ READ MORE](#)

Can for-profit strategies work in the nonprofit world?

Executive Summary

To support their philanthropic missions, U.S. nonprofit groups raise and spend trillions of dollars each year, and employ about 11 million people. They have access to unmatched wealth, dazzling technology and increasingly sophisticated and data-hungry donors. But challenges abound. They include an intense rivalry for dollars, whether fundraising is done face-to-face or by electronic means. In addition, nonprofits have learned that they cannot win or retain support based on the merit of their causes alone—they also must be able to show measurable, transparent results. To meet these challenges, managers increasingly are emphasizing the same bottom-line oriented techniques used by their for-profit counterparts. Among the questions under discussion: Can for-profit management principles and practices fit the philanthropic model? Can data measure good work? Can technology improve fundraising?



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Resources

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Books

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An economist contends philanthropy must be incorporated into the economic principles of capitalism to create policies that promote society's better aspects.

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Two nonprofit advisers discuss practices aimed at meeting social and environmental challenges with profitable investments.

Drucker, Peter F., "Managing the Non-Profit Organization: Practices and Principles (<http://worldcat.org/search?q=ti:Managing+the+Non-Profit+Organization:+Practices+and+Principles>)," HarperCollins, 1990.

In a book that had a major impact on the field, the business guru weighs in on managing nonprofits, with an eye to sustaining missions that improve how people function.

Gazley, Beth, and Katha Kissman, "Transformational Governance: How Boards Achieve Extraordinary Change (<http://worldcat.org/search?q=ti:Transformational+Governance:+How+Boards+Achieve+Extraordinary+Change>)," Jossey Bass, 2015.

A college professor and a nonprofit consultant highlight ways that nonprofit boards can remedy underperformance.

McLaughlin, Thomas, "Streetsmart: Financial Basics for Nonprofit Managers ([http://worldcat.org/search?q=ti:Streetsmart:+Financial+Basics+for+Nonprofit+Managers+\(Third+Edition\)](http://worldcat.org/search?q=ti:Streetsmart:+Financial+Basics+for+Nonprofit+Managers+(Third+Edition)))," 3rd ed., John Wiley & Sons, 2009.

A nonprofit consultant and professor explains concepts of nonprofit financial management.

Ott, J. Steven, and Lisa A. Dicke, eds., "Understanding Nonprofit Organizations: Governance, Leadership, and Management ([http://worldcat.org/search?q=ti:Understanding+Nonprofit+Organizations:+Governance,+Leadership,+and+Management+\(Second+Edition\)](http://worldcat.org/search?q=ti:Understanding+Nonprofit+Organizations:+Governance,+Leadership,+and+Management+(Second+Edition)))," 2nd ed., Westview Press, 2011.

The authors focus on governing, leading and managing nonprofit organizations and how they differ from the public and private sectors.

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A historian provides an overview on philanthropy from Andrew Carnegie to Bill Gates.

Articles

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Two charities unite to increase their impact and close the funding gap for lung cancer research.

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Hall, Peter Dobkin, "Philanthropy & the Nonprofit Sector," Daedalus, American Academy of Arts and Sciences, Spring 2013, <http://tinyurl.com/n9bsvt6> (<http://tinyurl.com/n9bsvt6>).

A historian explains how nonprofit institutions have faced centuries of public skepticism and distrust.

Kasper, Gabriel, and Jess Ausinheiler, "Challenging the Orthodoxies of Philanthropy," Stanford Social Innovation Review, June 17, 2015, <http://tinyurl.com/pjml4mo> (<http://tinyurl.com/pjml4mo>).

The authors argue that prevailing wisdom must be tested to identify future paths in philanthropy.

Kramer, Mark R., "Catalytic Philanthropy," Stanford Social Innovation Review, Fall 2009, <http://tinyurl.com/nozjeb5> (<http://tinyurl.com/nozjeb5>).

A co-founder of the social impact consulting firm FSG and the Center for Effective Philanthropy highlights innovative solutions to philanthropic challenges.

Kristof, Nicholas, "Bill and Melinda Gates's Pillow Talk," The New York Times, July 18, 2015, <http://tinyurl.com/p33woa8> (<http://tinyurl.com/p33woa8>).

The columnist assesses the decade and a half and many initiatives since Bill and Melinda Gates formed the country's largest private foundation.

Parker, Sean, "Philanthropy for Hackers," The Wall Street Journal, June 26, 2015, <http://tinyurl.com/o7q5psb> (<http://tinyurl.com/o7q5psb>).

An ex-Napster and Facebook executive says technologists, engineers and even geeks dominate in this new era.

Porter, Michael E., and Mark R. Kramer, "Philanthropy's New Agenda: Creating Value," Harvard Business Review, November–December 1999, <http://tinyurl.com/ncawvtw> (<http://tinyurl.com/ncawvtw>).

A plea to foundations that challenged nonprofit orthodoxy when it was published formed the foundation for performance measurement and strategic planning that are in growing use today.

"The Butterfly Effect," The Economist, Nov. 2, 2013, <http://tinyurl.com/okdlqna> (<http://tinyurl.com/okdlqna>).

Charities and companies promote togetherness to advance their respective missions.

Reports and Studies

"Spotlight on the New Wealth Builders," The Economist Intelligence Unit and Citibank, undated, accessed Oct. 8, 2015, <http://tinyurl.com/qywf5a> (<http://tinyurl.com/qywf5a>).

A 2013 survey of global households with financial assets of \$100,000 to \$2 million found regional variations in generosity.

"World Giving Index 2014," Charities Aid Foundation, November 2014, <http://tinyurl.com/o3wqnn6> (<http://tinyurl.com/o3wqnn6>).

More than 1 million interviews conducted by Gallup since 2005 and 2006 as part of its World Poll survey provide a picture of global charity.

Havens, John J., and Paul G. Schervish, "A Golden Age of Philanthropy Still Beckons: National Wealth Transfer and Potential for Philanthropy," Boston College Center on Wealth and Philanthropy, May 2014, <http://tinyurl.com/owhxxqt> (<http://tinyurl.com/owhxxqt>).

The authors use a computer model to produce estimates of wealth transfer and household charitable giving through 2061.

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Report highlights trends in the number and finances of 501(c)(3) public charities and key findings on private charitable contributions and volunteering.

The Next Step

Fundraising

Gharib, Malaka, "At What Point Does A Fundraising Ad Go Too Far?" National Public Radio, Sept. 30, 2015, <http://tinyurl.com/noekcwc> (<http://tinyurl.com/noekcwc>).

More organizations are using images of starving children in fundraising advertisements that exploit poor people to extract money from sympathetic donors, some charity executives say.

Pallotta, Dan, "The Economics of Charity Telemarketing," Harvard Business Review, April 15, 2015, <http://tinyurl.com/mk8yfyb> (<http://tinyurl.com/mk8yfyb>).

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The most successful charity gala fundraisers in New York City provide guests with detailed views of the charity's management and day-to-day operations, according to organizers.

Leadership

Callahan, David, "Rare But Valuable: The Foundation Chief as Thought Leader," Inside Philanthropy, Oct. 1, 2015, <http://tinyurl.com/p2yaxdm> (<http://tinyurl.com/p2yaxdm>).

While charity executives usually come to the job with strong philanthropic experience, executives with academic backgrounds can be more adept at rethinking organizational frameworks and coming up with fresh ideas about their causes.

Dagher, Veronica, "How Family Foundations Can Pass on the Philanthropy Flame to the Next Generation," The Wall Street Journal, April 12, 2015, <http://tinyurl.com/otf7ftz> (<http://tinyurl.com/otf7ftz>).

Family foundation leaders can groom younger generations for leadership roles by sharing histories with heirs, involving them in events at early ages and allowing them to vote on decisions.

Hope, Christopher, "32 charity bosses paid over £200,000 last year," The Telegraph, Feb. 26, 2015, <http://tinyurl.com/nqmgghyd> (<http://tinyurl.com/nqmgghyd>).

The number of U.K.-based charities that paid executives more than 200,000 pounds (about \$300,000) increased in 2014, despite a government-led push to rein in executive compensation.

Technology

Lee, Jasen, "BBB warns against Syrian refugee scams," Deseret News, Sept. 16, 2015, <http://tinyurl.com/q2qsmv2> (<http://tinyurl.com/q2qsmv2>).

People who want to donate online to Syrian refugee humanitarian groups need to be on guard against scammers posing as legitimate groups on social media, the Better Business Bureau says.

Love, Julia, "Apple pledges more aid to help with Europe's migrant crisis," Reuters, Sept. 18, 2015, <http://tinyurl.com/qe2cwvk> (<http://tinyurl.com/qe2cwvk>).

Apple, Google and other technology companies have offered to match donations by customers and employees to European refugee humanitarian groups and have created faster ways to donate from mobile devices.

Reich, J.E., "Kickstarter Makes Philanthropy Its Policy By Reincorporating As A Benefit Corporation," Tech Times, Sept. 22, 2015, <http://tinyurl.com/qdngf75> (<http://tinyurl.com/qdngf75>).

Crowdfunding platform Kickstarter reincorporated as a public benefit corporation, with an emphasis on how its operations affect society.

Wealthy Donors

Cohen, Rick, "Travel Writer Finds Poverty in the American Deep South and Hypocrisy in Corporate Philanthropy," The Nonprofit Quarterly, Oct. 6, 2015, <http://tinyurl.com/ogvagjl> (<http://tinyurl.com/ogvagjl>).

Well-known travel writer Paul Theroux denounces companies for moving jobs overseas, then "offering a sop to America's poor" through charity.

Foley, Stephen, "Warren Buffett urges young tech titans to give big and early," Financial Times, Oct. 2, 2015, <http://tinyurl.com/o8q6znw> (<http://tinyurl.com/o8q6znw>).

Investor and philanthropist Warren Buffett counsels Silicon Valley entrepreneurs who have quickly amassed fortunes to begin donating early and actively so they can make the greatest impact, but many have not heeded him.

Wallace, Nicole, "Silicon Valley vs. Philanthropy," The Chronicle of Philanthropy, June 1, 2015, <http://tinyurl.com/nv7h5g6> (<http://tinyurl.com/nv7h5g6>).

Although wealthy technology company executives have struggled to produce results as philanthropists, some charities desperate for their donations are altering their organizations or moving to Silicon Valley.

Organizations

Committee Encouraging Corporate Philanthropy

5 Hanover Square, Suite 2102, New York, NY 10004
212-825-1000

<http://cecp.co> (<http://cecp.co>)

Coalition of CEOs founded by actor Paul Newman that seeks to include societal improvement in assessing businesses.

Community Wealth Partners

1825 K St., N.W., Suite 1000, Washington, DC 20006

202-618-4778

<http://communitywealth.com> (<http://communitywealth.com>)

Consulting firm that helps nonprofit organizations become more self-sustaining through social enterprise ventures.

Foundation Center

32 Old Slip, 24th Floor, New York, NY 10005-3500

212-620-4230

<http://Foundationcenter.org> (<http://Foundationcenter.org>)

Information source about philanthropy worldwide, providing data, analysis and training.

FSG

1901 L St., N.W., Suite 850, Washington, DC 20036

202-469-7540

www.fsg.org (<http://www.fsg.org>)

Consulting firm launched by Michael Porter and Mark Kramer, the authors of a 1999 Harvard Business Review article that called on nonprofit organizations to adopt rigorous strategies to create value beyond their grant dollars.

Global Philanthropy Forum

312 Sutter St., Suite 200, San Francisco, CA 94108

415-293-4657

<http://philanthropyforum.org> (<http://philanthropyforum.org>)

An initiative of the World Affairs Council acting as a peer-learning network of philanthropists committed to advancing equity and opportunity in the developing world.

Guidestar

1250 H St., N.W., Suite 1150, Washington, DC 20005

www.guidestar.org (<http://www.guidestar.org>)

Gathers and disseminates information about nonprofit organizations, including financial reports and tax filings.

Monitor Institute

101 Market St., Suite 1000, San Francisco, CA 94105

415-932-5382

<http://monitorinstitute.com> (<http://monitorinstitute.com>)

Consulting firm and think tank that is part of the professional services network Deloitte.

Skoll World Forum on Social Entrepreneurship

250 University Ave., Suite 200, Palo Alto, CA 94301

650-331-1031

<https://skollworldforum.org> (<https://skollworldforum.org>)

Hosts an annual conference aimed at finding solutions to social challenges.

Urban Institute

2100 M St., N.W., Washington, DC 20037

202-833-7200

www.urban.org (<http://www.urban.org>)

Maintains the National Center for Charitable Statistics; conducts research aimed at solving challenges in rapidly changing urban environments.

World Association of Non-Governmental Organizations

866 United Nations Plaza, Suite 529, New York, NY 10017

212-588-1802

www.wango.org (<http://www.wango.org>)

International organization working to strengthen the nongovernmental sector and increase public understanding of the nongovernmental community.

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