

Passion and impact in philanthropy

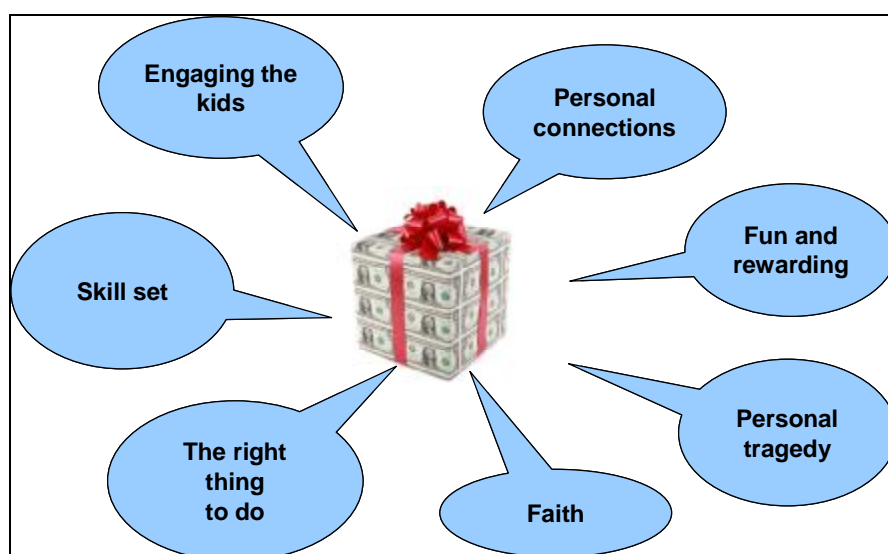
Thank you for inviting me to speak. I am Chief Executive of New Philanthropy Capital, and if you don't know what we are, the easiest way of describing us is a sort of consultancy and think tank that works on third sector issues. We work with everybody from philanthropists, grant-giving trusts, corporates, commissioners, local government, central government, all the way down through charities and their beneficiaries. Our big thing that we're known for is impact. In fact somebody rather recently called us the 'Impact Taliban', which is quite an interesting term.

I've only been doing the job for a short time, so I'm not going to claim to be an expert in everything I am going to talk about. But I do have lots of people at NPC who are—and quite a lot of what I'm going to say comes from work that Plum Lomax has done and publications she and others at NPC have produced in recent years. Flipping that round, I think there is a benefit in having someone who's an outsider come in and take time to think about all this perhaps with a fresh perspective, not yet ground down by some of the questions a lot of you have been thinking about for a long time. I hope what I have to say will be of some interest.

I am going to talk about the different reasons people give, the main barriers to giving, and the role of private client advisers. I am going to make the point that charities have a key role in all this as well, something that is important to us at NPC.

There are a whole load of reasons why people give, particularly why high-net-worth individuals give, as the diagram shows.

Figure 1: Myriad of reasons why people give



Broadly speaking, a lot of different motivations are driving people, including a sense of duty, being touched by personal experience, and even simply being asked to give. One important thing that's come out of NPC's work, and I've found this meeting some of the philanthropists that we work with in the last few weeks, is how important the issue of children is to them. They want to find a way of not just giving all their money to their children. They want to find something else to do with it, and also try to engage their children and instil in them a sense of responsibility, the sense of responsibility they've grown up with. When we work with philanthropists, we sometimes work almost as much with them to try to discover what it is that connects and engages their children into this whole world, as we do helping the philanthropist find their passion. So I think that's important. In addition, the fun and psychological rewards are something that is often under-estimated, because if it's not fun and rewarding nobody's going to do it, however much we say they should have a moral duty to.

Figure 2: Six segments of donors

- **repayment**—paying back institutions that have helped them;
- **personal ties**—giving to organisations where there are personal contacts;
- **faith-based**—giving based on compatible religious ideology;
- **see the difference**—giving locally where impact can be seen directly;
- **casual**—giving reactively without too much thought; and
- **high impact**—seeking maximum impact through giving.

Source: Money for Good, Hope Consulting (May 2010)

This next diagram (figure 2) tries to segment why people are giving, as I think it is useful to try and categorise types of donor. Whenever you do something like this, whenever you categorise anything, of course you're massively simplifying but it helps eliminate a few issues. This data comes from work by Hope Consulting in the US, so it's a US kind of categorisation. It shows quite clearly what is called the 'repayment motive', sort of paying back for people who've helped you personally, or your family—the idea of personal ties, which is very prominent. There is also the issue of faith, more important in the States than in the UK perhaps, but still a big motivation for donations here. I think the same is true about what you might call the 'seeing the difference' motivation—giving locally, or giving back to the place that you're from. In general I think there's a bit more of that in the US than in the UK; there's a sort of caricature in the US that if you are a poor boy made good, you want to give back to the particular town you came from. In America people always tell you where they came from and they're very proud of it. On the whole in the UK, if you made it out of Burnley or somewhere, become a successful banker, and want to give something back, do you put all your money into Burnley or do you build an extension to the National Gallery?

The other two donor types are the casual giver, reactively giving away their cash, and those who are really interested in high impact philanthropy.

What this shows pretty obviously is that people are guided by very different motivations. You have to think about exactly what kind of philanthropist you are working with, and what motivates them. Some will respond well to role models encouraging them to give, the power of the peer effect. Others want more detailed advice and information. Telling you that people are different may not come as a surprise but it's something we are all capable of forgetting.

So what is holding people back? The next chart gives some feel of this.

Figure 3: What's holding people back?

- 'It's too complicated'
- 'I can't afford it'
- 'I find it hard to connect with a cause'
- 'I think charities are inefficient'
- 'I don't think about giving'
- 'I haven't enjoyed giving before'

Source: *Ten ways to boost giving, NPC (March 2011)*

These are some of the things people say: *'It's too complicated'*; *'I can't afford it'*; *'I find it hard to connect with the cause'*; *'I think charities are inefficient'*; *'I don't think about giving really'*; and *'I haven't enjoyed giving before'* (because people do have bad experiences). The lingering thought when you go through these things, which come from a report that NPC did earlier this year, is how genuine are these and how far are they excuses? If people really can't be bothered, they can always find an excuse to hide behind—we're all very good at that!

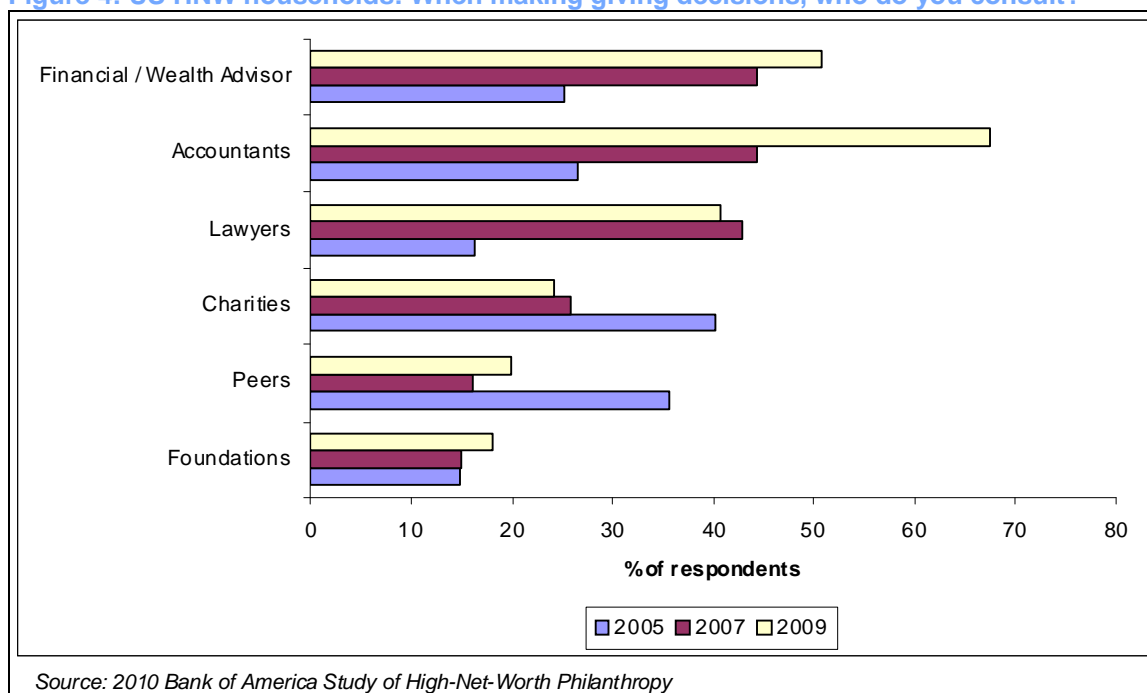
In a recent survey, conducted by J. P. Morgan Private Bank, of 200 or so of their clients, only a very small minority (7%) of respondents were happy with the amount they give. The rest wanted to give more, which suggests to me that there is some latent potential here. What can we do to exploit it?

Last year we published a report called *'Ten Ways to Boost Giving'*¹ which suggested some fairly obvious things that could be done. Some were to do with encouraging employees to give and develop a habit of giving, and some were to do with things like tax. An important area, very relevant to you as advisers to high-net-worth people, is the role of the private client adviser. You encourage and support the client in their giving, as well as guiding them to other advisers—perhaps like ourselves—if they want to get more involved in maximising their effectiveness. Another key recommendation from our report is helping charities to demonstrate the impact of what they do, so that people at least don't have the excuse of

¹ Lumley, T., Brookes, M., Macdougall, R., Lomax, P. NPC perspectives: Ten ways to boost giving (March 2011)

saying 'my money is going to be wasted'. I'm going to talk a little more about these two different aspects.

Figure 4: US HNW households: When making giving decisions, who do you consult?

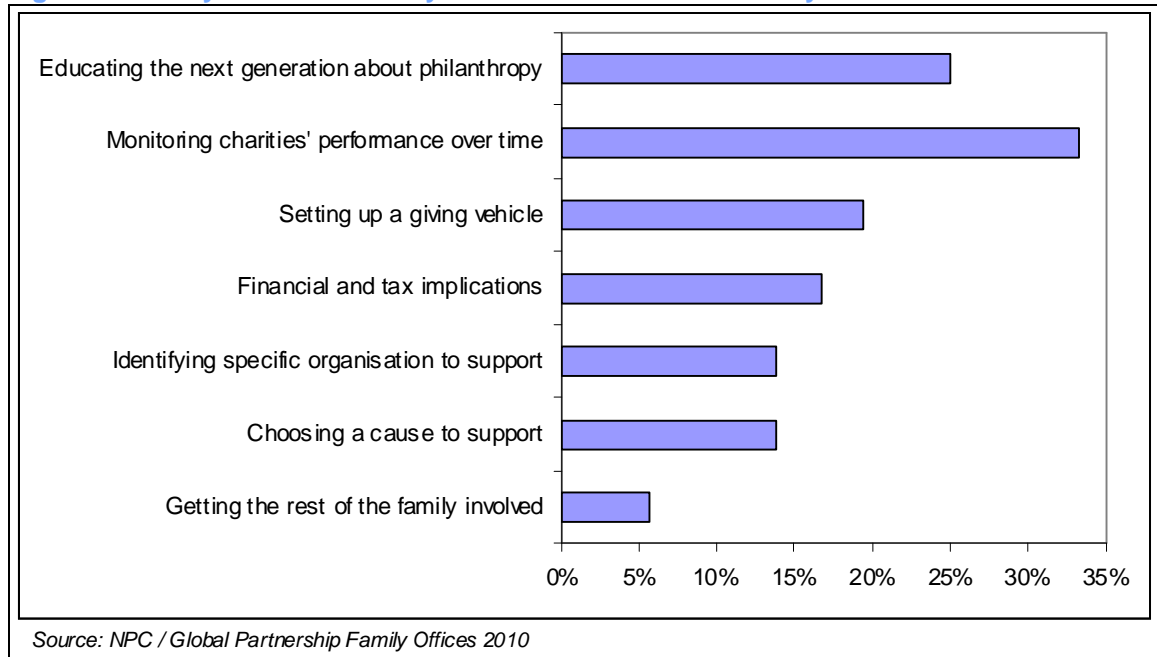


First of all, again using US data, because the data to date is better in the US, in this chart (figure 4) we see a big increase in high-net-worth individuals using financial advisers and accountants to help them with their giving. It shows the growing importance of advisers in helping clients around their giving, and the relative diminishing importance of the influence of peers, which is very interesting.

Of course these findings are not easily transferrable to the UK, which is why we are very keen to do some similar research here (and anyone interested in funding that do get in touch). But we usually seem to follow the US trends one way or another, with a slight lag.

We do know some things about the UK, not least from a survey we carried out across 600 UK family offices in 2010, where 60% of families said they would find philanthropy advice quite useful. In terms of what kind of advice, the themes that emerged most often, which you can see in the chart below, were monitoring charities performance, and this thing about children again, educating the next generation about philanthropy and concerns about wealth transfer.

Figure 5: Survey of 600 UK Family Offices: what advice would you find useful?

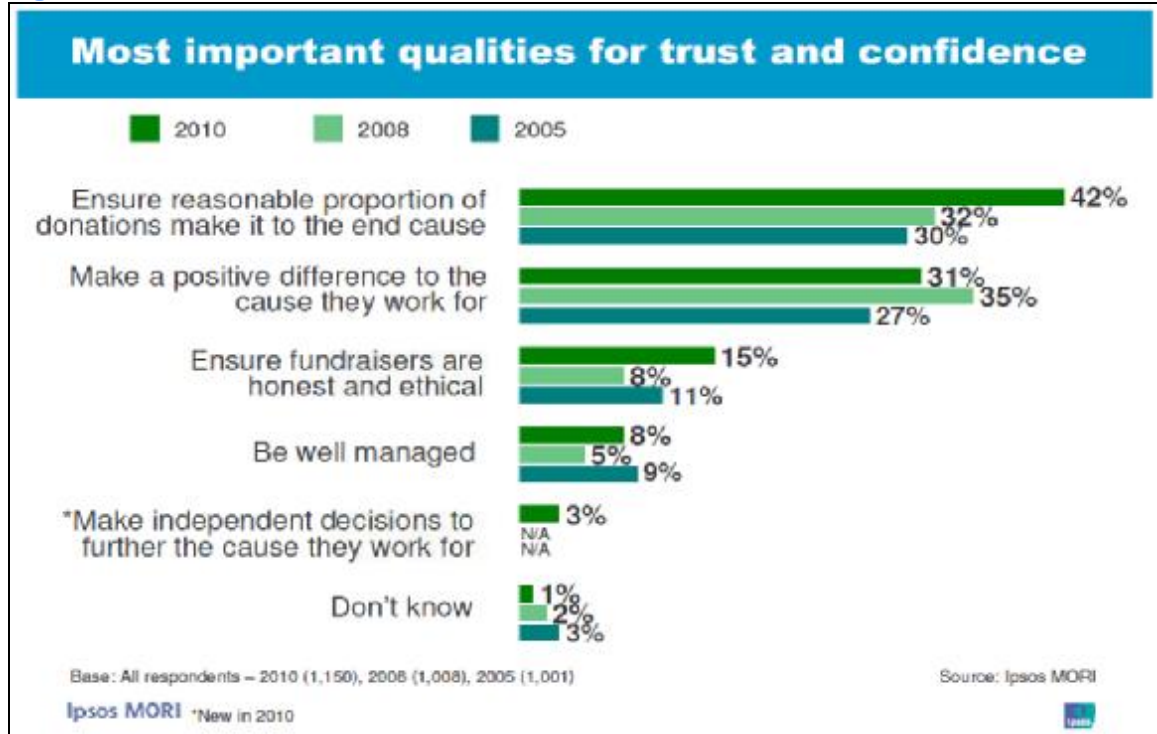


I think it is worth saying a couple of things about this. One is that it seems that private client advisers, who obviously offer, as you do, legal and tax structuring advice and so on, in a sense need to go an extra mile: people are looking for a bit more than that. At NPC we've suggested several things. Training private client advisers—looking at how you bring philanthropy into conversations you're already having in any case. Getting more buy-in from senior management, so that it becomes part of everybody's job. In each case, one cannot be quite sure where, how and what is going to be the thing that pushes people over into philanthropy—so we all need to be alert.

The other thing I talked about was the charities themselves, and their effectiveness. Clearly it's not just up to advisors to encourage more and better philanthropy; charities have a massive role to play in building trust and increasing donors' understanding. Let's face it, the charity world is a strange world if you've been in the private sector all your life, and you've now got some money you want to give away or invest. Having worked in public policy and related areas for many years, I've always worked a bit with the charitable sector, but now I am stuck right in the middle of it. It's a fascinating, if slightly frustrating, world, so it's not surprising people find it a bit difficult to find their way around charities.

Trust is actually pretty high with respect to public attitudes to charities—we're up there with doctors and so on according to research from the Charity Commission. It goes up and down a bit but in general trust in charities, as 'honest' people at least, is pretty high. As the chart below shows the things that donors say underpin this trust are efficiency and effectiveness above all.

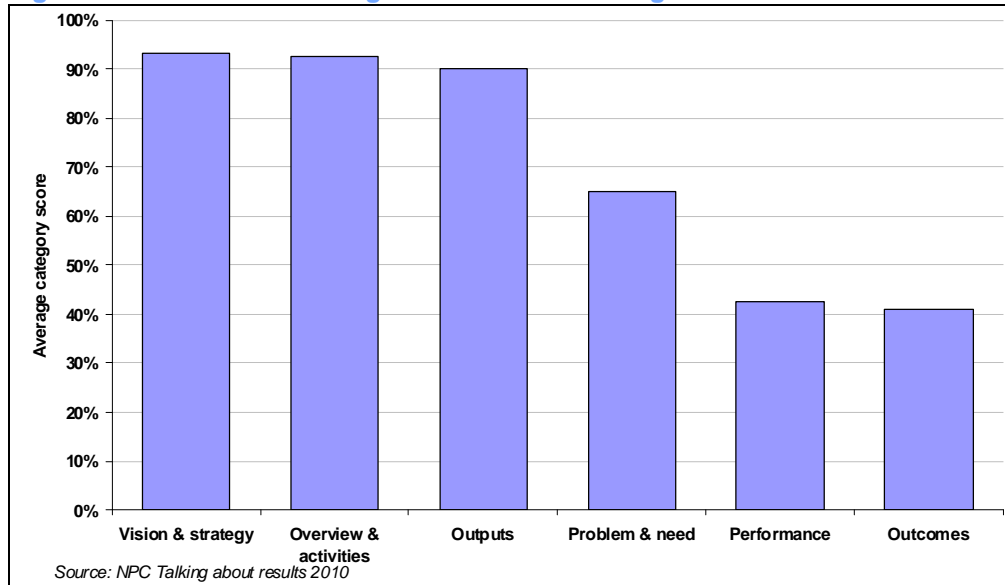
Figure 6: What do donors base their trust on?



But here there is an issue, which NPC has pointed out often, in that sometimes people go for a rather too simple version of what efficiency means. They look at the ratio of admin costs to the amount that is spent directly on beneficiaries, which doesn't tell you anything about the charity's effectiveness. One of the reasons why we at NPC are so keen that charities measure their impact and try and get donors to think about it, is to draw people away from focusing on this very, very simple metric. If people don't have access to more valid metrics, like *'are you achieving your outcomes at a reasonable price'*, then people will look at the only metric around, which is the percentage of donations that actually find their way the way to the beneficiaries.

Charities need to communicate their impact, then, because how can potential donors know about it if charities don't tell them? NPC did a piece of work about charity reporting which showed that charities are very good at talking about their vision and what they want to achieve; they're not too bad in terms of talking about their outputs; but they are much less good at talking about what they achieve, in terms of their outcomes and their performance.

Figure 7: What are charities good at communicating?



Having worked a lot of my career in the public sector, this is a common fault in all organisations. But I think in this sector it is not only that charities aren't very good at it, but for a long time the sector didn't actually think it was a valid question. It was almost as if you were questioning or criticising people's motives to say *'well do you actually achieve anything' ?*

So to push this impact agenda donors need to ask these questions. We have certainly pushed the charitable foundations pretty hard on this—many of them are moving onto this agenda more and more. We need to request a lot more information from charities, and address issues like who is supposed to pay for this.

So what can we conclude? Individuals are holding back for various reasons, but we're optimistic that private client advisers can help overcome many of these barriers. You can offer advice and support not just on tax and legal structures, but also to help unlock individuals' passion for a cause, engage their whole family, find good charities, and monitor grants.

When I think about the philanthropists that come to us at NPC, it seems they often want to be taken on a journey. Sometimes a philanthropist starts with a passion—for instance, one of their family members might have had a particular health problem, or they might feel strongly about their local hospice or they want to give their money to help deprived children have a better education. Then it's quite easy to get started, although difficult to work out exactly what you want to do. But we also work with a lot of philanthropists who start off with a blank sheet of paper, not yet having 'found' their passion, and we've gone through the whole journey with them. We help them engage with different sectors, and then suddenly something clicks—and it's incredible how passionate some of them become about things they didn't know anything about a few years ago.

Lastly, charities have a key role to play in demonstrating what they're achieving.

I have worked in far too many government departments over the years, and I've spent a lot of my career trying to think about what causes what. But this issue, about what makes people give, is still extraordinarily under-researched, in this country at least. We're still not clear what

exactly are the motivations, what really are the things that hold people back. People tend to go with their prejudices and instincts and that's never a good idea. But on the other hand, as I have outlined, we do know quite a lot that does work, and really we should just get on and do it.

Thank you very much.

Dan Corry was speaking at the Philanthropy Advice for Private Clients: Global Trends in Giving conference, run by STEP.

Friday 2 December 2011, The Cumberland Hotel, London.