

# Challenge Paper

## **Rethinking Philanthropy: Next-Generation Philanthropists & “Thoughtful Funders”**

by

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## **The Purpose of this Challenge Paper**

The purpose of this Challenge paper is to introduce all participants of our upcoming dialogue to the topic of emerging Thoughtful Funders. These new philanthropists are attempting to change the way philanthropy is practiced and its effects on the giver (themselves and their families) as well as the recipient.

My desired outcome from this dialogue is to inspire a new platform supporting the emergence of Thoughtful Funders.

## **The Sponsor of this Paper**

Dr. Benayon has served as personal advisor to one of Canada's top philanthropists with one of the largest private foundations (\$900 million). Dr. Benayon also has a private practice dedicated to working with wealthy families all around the world who are facing issues pertaining to succession difficulties.

Dr. Marcus Benayon holds a Doctorate degree in Applied Psychology and Human Development, a Masters degree in Education, both from the University of Toronto, and Juris Doctor from Columbia University, NYC.

Dr. Benayon held various academic and corporate positions in the mental health and private healthcare services. Dr. Benayon served as VP of Corporate Development and Operations with GreeneStone Healthcare Corporation and Helix Healthcare Group.

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Currently, Dr. Benayon is working with Beati as independent consultant. Beati is a unique organization devoted to creating the ultimate healthcare experience for you or your loved ones whenever you face a treatable health problem, and are seeking the best available

treatment in the world, with maximum levels of safety and privacy, in the most elegant and awe-inspiring settings.

## Background Issues Behind This Challenge

Phi·lan·thro·py *noun* is typically defined as the desire to promote the welfare of others, expressed especially by the generous donation of money to good causes. It comes from the Late Latin from Greek *philanthrōpia*, from *philanthrōpos* ‘man-loving’. Philanthropy is normally associated with an altruistic behavior that takes the form of charitable gifts of money and assets by individuals, foundations, or corporations. Philanthropy is sometimes distinguished from *charity*, because while charity aims to relieve the suffering associated with a particular social problem, the objective of philanthropy is to address the root cause of the problem.

There is a large academic literature that studies philanthropy from different disciplinary points of view, including marketing, evolutionary and biological psychology, neurology, sociology, political science, anthropology, and economics. Bekkers and Wiepking (2011) review this vast literature and classify philanthropic giving into eight categories: (1) awareness of need; (2) solicitation; (3) values; (4) efficacy; (5) reputation; (6) altruism; (7) psychological benefits; and (8) costs and benefits. The majority of those studies examine the impact of philanthropic giving on the recipients. Some studies examine the influence of philanthropic giving mainly on the political and economic benefits derived by individual givers and foundations.

There are two main sources of controversy about philanthropy. The first has to do with the **tax treatment** of philanthropic donations and the second relates to the **power** of large foundations. According to Reich (2013), in 2011, US tax subsidies for charitable giving amounted to nearly USD 54 billion. Total giving in the US that year was about USD 300 billion. Hence, nearly 20% of “donations” were actually funded by the US taxpayer. The situation is made worse by the fact that in the US, tax subsidies for philanthropic donations tend to be regressive (i.e., for any given donation, richer taxpayers tend to receive a larger subsidy, (Thaler, 2010)). In Reich’s (2013) words: “foundations do not simply express the

individual liberty of rich people. We **all** pay, in lost tax revenue, for foundations, and, by extension, for giving public expression to the preferences of rich people.” The issue of the political power of large philanthropic organizations is discussed in detail in a 2014 essay by Gara LaMarche, the former head of two large US-based foundations, Atlantic Philanthropies and the Open Society Institute. LaMarche recounts that he started having doubts about “the legitimacy of philanthropy in its engagement with the democratic process” when the leaders of American philanthropy joined forces in opposing President Obama’s proposal to cap the income tax deduction for charitable contributions in order to fund his health care reform.

The above events were part of the catalyst for a radical change in giving. In August 2010, 40 of America’s wealthiest individuals and couples joined together in a commitment to give more than half of their wealth away. Created by Bill and Melinda Gates and Warren Buffett, the Giving Pledge came to life following a series of conversations with philanthropists around the world about how they could collectively set a new standard of generosity among the ultra-wealthy. Today, the pledge includes 185 of the world’s wealthiest individuals, couples, and families, ranging in age from their 30s to their 90s. Globally, they represent 22 countries: Australia, Brazil, Canada, China (mainland and Taiwan), Cyprus, Germany, India, Indonesia, Israel, Malaysia, Monaco, Norway, Russia, Saudi Arabia, Slovenia, South Africa, Tanzania, Turkey, Ukraine, UAE, the United Kingdom, and the United States.

The Giving Pledge highlighted a new form of givers generally referred to as ‘Thoughtful Funders’. As oppose to some traditional philanthropic exchanges, where the donor was engaged at the discretion of the institution in receipt of the funds, the Thoughtful Funder is interested to be fully engaged, beyond the tax and political power it might yield. ‘Exercise’ to rethink philanthropy were launched around the world. One notable exercise was a full-day forum that gathered more than 20 high-level speakers—philanthropists, entrepreneurs, leaders, academic and development experts—debating the main innovations, successes but also limits of today’s “philanthro-capitalism”. A particular focus was brought to the African continent, which concentrates both the world’s greatest challenges and hopes (<https://www.rethinking-philanthropy.ch/en/>). Once again, none of those exercises/forums really dealt with the impact of giving on the new/emerging so-called Thoughtful Funders.

## **The Key Challenge to be Addressed**

The key challenges beyond the above noted issues (tax and political influence) are, once again, to refocus upon the impact that philanthropy has on the *giver*, not only on the benefactors. Many philanthropists refrain from discussing the impact of philanthropy on themselves, out of fear of being perceived as boastful. However, the new Thoughtful Funder is more hands-on when it comes to her philanthropic activities, exposing her to many of the challenges of giving, e.g., direction of funding: where and how much goes to the cause funded vs overall institutional infrastructure costs. The ‘old’ philanthropist used traditional infrastructures such as hospitals, universities, and NGOs to administrate her funding of projects. These projects usually came pre-packaged and combined with various incentives such as ‘naming opportunities’ and/or honorary titles. The Thoughtful Funders are of the DIY mindset, and as such, are most likely to be in direct conflict with the traditional infrastructures that are supposed to execute her giving wants and needs. The new Thoughtful Funders are mostly entrepreneurs focused on tangible and measurable results. Most traditional infrastructures are focused, not on meeting the donors’ vision, but on meeting funding goals. This isn’t to say that the traditional infrastructures have no vision but rather that their focus is at times in direct conflict with that of their funders.

The new Thoughtful Funders want to give more than just their money. Both individuals and families who engage in giving (funding) are doing so with much greater involvement than ever before (Andreoni, 2015). Organizations like ‘The Giving Pledge’ provide a forum for some of the world’s most engaged philanthropists to discuss challenges, successes and failures, and how to be smarter about giving. The notion of just giving money to ‘professional foundations’ to execute their wishes is becoming a challenge to both sides of that transaction. The Thoughtful Funders are united by a shared commitment to learn about how best to leverage their philanthropy to address some of the world’s biggest challenges. This kind of collaboration is almost impossible using the traditional infrastructures, since the latter’s commitment is to fundraising goals not necessarily the vision of the funder/donor.

## Expected Outcomes From Our Dialogue

My desired outcome from this discussion is to create a platform supporting the new emerging Thoughtful Funders. This platform should consider the following:

- What are the tools necessary for the Thoughtful Funders to transition away from relying on old infrastructures?
- How do we connect Thoughtful Funders around the world, enabling them to share successes and failures? and finally,
- What areas should Thoughtful Funders be involved in to have maximum impact?
- More issues to be considered in our meeting November 14, 2018 in Toronto.

We started by defining philanthropy as *love of man*, and love of humanity should undisputedly be a good thing. Yet, not everybody agrees. The proposed new Thoughtful Funder finds herself disconnected from the cause she is asked to champion and fund. As was noted above, critics from the left and the right question the rationale for subsidizing charitable giving and worry about the political power of large foundations.

The key issue is that we do not know enough. We do not have good models to evaluate the social efficiency of philanthropic activities and its effects on the givers. Most research aimed at evaluating the social efficiency of philanthropic activities focuses on the individual recipients and at times the communities they reside in. Peter Drucker famously stated that “If you can’t measure it, you can’t improve it.” More and better data are necessary for evaluating and improving philanthropy; and better data should include the impact of giving *on the giver*. Many foundations ask for independent evaluations of the activities of their grantees, and donors have tools for evaluating the financial efficiency of charities. However, no one is asking the donors—the Thoughtful Funders—how does philanthropy impact you, the donor?

More research is needed to address this topic to enable the next-generation Thoughtful Funder.

Is anybody interested in funding it?

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