

## The future of philanthropy

One of the country's leading voices in philanthropy, Lucy Bernholz, was a special guest at a Thought Forum™ hosted by Laird Norton Tyee in October. Bernholz shared with a Seattle audience the latest trends and innovations in the philanthropy world, her thoughts on sustainable giving in an economic downturn, and the place “collusion” has in making the world a better place.

LNTyee CEO, Kaycee Krysty, shared the stage with Bernholz and asked her questions at the gathering attended by 110 people including LNTyee clients and employees, and other community members who are passionate about philanthropy. Here are some highlights from the conversation:

**Kaycee:**

I want to start by asking you what's changing in the world of philanthropy?

**Lucy:**

The most important thing that is changing in philanthropy today is it's really starting to blur with the other two major sectors, public and private, that are financially responsible, or ethically or morally responsible, for increasing or producing public goods. Lines are blurring between these three sectors in ways that I think will make for a very different landscape 20 or 30 years from now. The signs are already beginning ... social enterprise, social investing, social finance, corporate social responsibility ... they are beginning to take hold and permeate our culture in a way that, even though we are constantly on the lookout, we find ourselves blindsided by it.

The same is true in the public sector. Certainly in this country in the last 10 months there's been a fundamental shift in the way the government is acting in terms of the domestic economy. How public goods are produced is definitely different than it's been.

**Kaycee:** How can individuals, people in this room who are passionate about philanthropy, sustain their level of impact or even increase it in the face of the difficult economy?

**Lucy:** It's really all about collusion, leveraging and partnering – there isn't a single philanthropic entity that has the financial resources to accomplish their mission alone. Never has been, never will be. A friend of mine likes to point out that the independent sector of philanthropy is the only sector that has the hubris to think it's going to step in and solve all the problems of market and government failures.

The challenges we face are enormous. They are complicated. They are created by market and government failures. So, collusion is critical and that can happen at any level – from individual donors getting together in giving circles, in family collectives, working through

public grant-making charities, coming together to figure out joint strategies and leveraging the funds. That's one thing.

Another thing that is changing is the forms that people are using to organize their giving. Increasingly, individuals are getting involved (in the organization effort). They might have a donor-advised fund, they might be a part of a family foundation board, they might be part of a corporate giving committee. They're looking at problems and they are touching several pots of financial resources. What you start to see when you are in that position is that the information that you need to inform your actions and decision is in some cases everywhere and in some cases you can't get to it. And what's starting to happen that really matters -- and this is driven by cultural expectations and technology -- is that we're starting to find ways to unlock the really useful information that both the public sectors and some of the country's largest foundations have about how to make social change happen. And that information is becoming available in a way that individual donors can use to direct their own strategies. Also, the things people are learning on the ground in communities can be carried back up to the large foundations. We might begin to see some important boundary crossings between information sources across the many kinds of philanthropic entities that are out there trying to make change happen.

**Kaycee:** Can you give us an example?

**Lucy:** Ever heard of the X prize? It was created about 10 years ago. The first prize was awarded to the first privately funded successful launch into space. Prizes are an incredibly cost-effective way to make change happen. Think about how a prize works. You put out a financial incentive and all kinds of people think about that problem and try to come up with a solution. From a funder's perspective you have just outsourced all of your research and development. And you only pay when somebody solves the problem. Prizes are incredibly sexy right now. They are spreading like wildfire. The X prize, which started with this space project, is now launching prizes in health reform, clean water technologies and poverty eradication.

Prizes create a community that care about the issue – 1,000 or 10,000 applicants who are passionate about the issue. You might only have one or two winners but you'll have 9,998 people who came really close and if you can help connect them, which is increasingly possible through technology, you actually start to develop these ecosystems of innovation. That is very exciting. I highly recommend that you look at the [Ashoka change maker platform](#) if you're interested because they are building these communities of innovators around the world that can then plug into something else, and you create these conversations that I think will be tremendous change agents going forward.

**Kaycee:** What are some other exciting things that individuals can do to spark philanthropy in a bigger way?

**Lucy:** Chris Anderson at *Wired* magazine came up with a visual (that's appropriate for the philanthropy world). The idea is that there's a "long tail market" and on the far left-hand side of the curve are the mass market things like blockbuster movies, pop songs, etc. (that's the "head"). And then the "tail" stretches to the right almost to infinity. At the head you have a Michael Jackson song, and at the tail end you have 10 million songs released by other artists which now, through virtual technology, some of them can find an audience.

What's interesting about philanthropy from the donor's perspective -- \$300 billion given in the U.S. the past few years -- it's exactly a "long tail" market. You have a couple of large foundations on one side, you've got a large segment in the middle managing their giving through a variety of enterprises, donor advised funds, small family foundations, charitable trusts, family offices ... and then you have this long tail that literally (represents) the 150 million people in the country who are engaged in giving in this country. The most interesting innovation in philanthropy in the last decade has been aggregating the giving of that long tail through organizations like [Kiva-org](#), [Global Giving](#), and [Network for Good](#). Those giving platforms allow individuals who are giving \$25 gifts to think about what they want to do in an informed way and you can begin to aggregate that back up the tail, if you will, toward the head. The head is beginning to pay a lot of attention to that long tail and they're trying to find out how that information flow could really work. And right there in the middle is a huge percentage of giving clustered with all these enterprises that have access to both the technological innovation that's been focused on the long tail and the knowledge creation that's at the head of the tail. And there's a tremendous opportunity (to come together).

**Kaycee:** You wrote a book titled, *Creating Philanthropic Capital Markets: The Deliberate Evolution* ... can you define "philanthropic capital markets" for us?

**Lucy:** Philanthropic capital markets are a subset of social capital markets. Philanthropic capital is looking at the dollars that are put into producing social good that come from individual donors, foundations, charitable trusts, donor advised funds ... and it's thinking differently about how those assets are deployed.

**Kaycee:** And "social capital markets?"

**Lucy:** I have a very broad definition of the term. In my mind it's all of the things for the production of social good. For most people it's a narrower definition around all of the private financial disclosures that are used for the production of social good -- pension fund dollars that are put into socially responsible investing or specifically put into investments that are proactively tied to producing public goods.

It's the broader revenue, broader pile of money that will be put to use for production of social good.

**Kaycee:** You spoke earlier about how the public sector has changed this year ... what can you tell us about the new Obama agency, Office of Social Innovation?

**Lucy:** This was created by President Obama (headed by Sonal Shah) who used to be the former head of global development at Google.org. It has a budget of about \$45 million which has been approved and allocated by Congress. Its impact is going to come in the form of the bully pulpit. It's drawing some attention to some very high-performing nonprofits around proven and tested models. They haven't done anything with the money yet but the one organization they keep using as an example, so I think they're looking to fund, is the [Harlem's Children's Zone](#), which is looking to help graduate Harlem kids from school into productive members of society. Money will go to the investment in these proven, successful and scalable nonprofit efforts.

The administration is out there giving a real chunk of support to the whole ideas of social enterprise, social innovation, nonprofits and solving our community problems in partnership with the public and private sectors.

**Kaycee:** I've heard you say that there's a renaissance in the belief that market forces can make things better? Can you talk about that?

**Lucy:** We've been through a fairly remarkable experience over the past (few) years particularly with this idea of creating social goods. It's really about (doing) something good for the planet and good for people. The increasing belief that's pervasive is that you can create an enterprise that has a social mission and you can structure it as a self-sustaining, profit-earning entity to produce (good). So you get things like certain clothing companies, a lot of water companies, you get these good-for-the-planet product lines.

You have places where you can go to lunch and get a meal at an economic development corporation (like [FareStart in Seattle](#)). These are proliferating all over the place. It almost has become so pervasive that you don't think about it, and it is working hand and glove with the growth in corporate social responsibility in the sense that corporations have to value something in addition to profit. They should value the planet and people, as well. That is a very interesting social expectation given just what happened in the capital markets.

**Kaycee:** With everything that is going on in the philanthropic world how can people keep up ... beside your blog, what are some other good information sources?



**Lucy:** The Clinton foundation launched [GlobalImpactInvestingNetwork.org](http://GlobalImpactInvestingNetwork.org), and they will be providing access to info, learning opportunities, all focused on individual investors. A magazine that's out now is [GOOD Magazine](#) about social enterprise.

[My firm](#) also plans to put out a yearly look ahead, which will be about 15 pages.

**Kaycee:** Last question, why do you use the word “collusion” when describing what needs to happen in the philanthropy world?

**Lucy:** For me “collusion” implies that you know what you are trying to accomplish, that you know your goals. You are focused on the goal and you are going to come together to get it done no matter what it takes. Collaboration is an overused wishy-washy term.

## About Lucy

Lucy Bernholz founded and is president of her company, Blueprint Research and Design. She is a published author of the book, *Creating Philanthropic Capital Markets*, and she manages an award-winning blog, *Philanthropy 2173*. She frequently speaks about philanthropy, social enterprise and social finance at events around the country.

She is on the advisory boards of the Philanthropic Initiative for Racial Equality, YouthGive, Social Venture Partners Bay Area, the National Philanthropic Trust, and The Grantmaking School.