The New Ecology of Social Benefit

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Every effort to promote social benefit today takes place in a new ecology—a context deeply different from that in which many of today’s institutions, assumptions, and habits were formed. The pressures of this new ecology, and the need to respond to it, will shape both how philanthropy is practiced for the next generation, and what philanthropy is called upon to do.

You may already be familiar with how some of the shifts we describe in this section are changing the fields you know best. What seems less obvious but no less important is how these forces, each of them powerful on its own, are combining to change the role, resources, and potential of philanthropy, imposing new pressures on anyone committed to serious, strategic giving.

That’s where we want to start this discussion: with the effects of the new ecology on how philanthropy can and will be practiced. Since philanthropy addresses every aspect of human life, this brief guide does not attempt to look at the changing context for everything that philanthropists give to, such as health or education, although we believe deeply that anyone who wants to work effectively should do so.

The concentric circles pictured on the following page outline the shifting context in which the practice of philanthropy is framed. Every actor sits in the middle of changes taking place in the world outside of philanthropy, and in the midst of irreversible changes within philanthropy itself.

**THE WORLD AROUND PHILANTHROPY.** The first terrain that needs to be mapped is the landscape *beyond* philanthropy—the many interacting trends in

“The greatest danger in times of turbulence is not the turbulence; it is to act with yesterday’s logic.”

- Peter Druck
the world that shape philanthropy and its role. We want to draw your attention to three of the most critical forces: the complex evolution of power that is redistributing resources and influence (*privatization*); the explosion of ways to connect people at any distance for almost any reason, which leads to new threats and opportunities (*connection*); and the speed with which knowledge is created, shared, and drives change (*acceleration*).

**THE WORLD OF PHILANTHROPY.** Just as the world around philanthropy is changing, so philanthropy is too. The shift of resources into private hands has generated new wealth for philanthropy and has brought many additional players and perspectives to the creation of social benefit (*multiplication* and *diversification*). This growth has increased the appetite of outsiders—the press, the public, the politicians—to look into the once-quiet, often insular world of philanthropy, while changes in media and communications have made it far easier to do so and to publicize the results (*observation*). At the same time, givers also enjoy more and better ways to learn from the past and each other. The accumulation of experience practicing philanthropy, a new emphasis on studying and sharing that experience, and new means to do so in networks of all kinds have boosted the capacity to make informed decisions (*reflection*).

*Working from the outside in, let’s take a look at these seven forces, which change the options available to every giver, whether or not he or she chooses to act on them.*
Privatization

Private power, both to create social problems and to solve them, has increased steadily over the last generation. This shift of power away from governments or other public institutions and toward businesses, nongovernmental organizations (NGOs), and individuals cuts both ways. Privatization means that criminals now possess the capacity to build global black markets to trade weapons, drugs, and humans, and terrorists can use modern weapons and financial and communications networks to wage war against far more powerful groups or nations. It means that some corporations have grown to a size and reach that exceeds that of many national governments. But privatization also means that NGOs, including independent foundations, can work alongside governments and across boundaries of all kinds on behalf of the causes they believe in. Wealthy individuals, whose numbers have risen dramatically along with their freedom to choose how to use that wealth, can lead international efforts that were formerly the province of governments. Even individuals of average means can contribute to public works and well-being outside of traditional government channels. Although the importance and power of governments has not necessarily diminished, the stage on which they work—and the actors with whom they must interact—has been transformed. The same is true for philanthropy.

- Of the world’s 100 largest revenue producers in 2003, only 24 were countries/governments (measured by budget revenue). The other 76 were corporations (measured by annual revenue).
- Wal-Mart was the sixth largest revenue-producing entity in the world, behind only the governments of the U.S., Germany, the U.K., Italy, and Japan.
- The combined net worth of the Forbes “400 Richest People in America” was $1 trillion. Bill Gates’s net worth in 2003, $46 billion, was larger than the GDP of many countries, including Morocco, Vietnam, and Kuwait.
- In 1970, 70 percent of the capital flows to the developing world were from the government sector and 30 percent were from the private sector. In 2003, only 20 percent were from the government sector and 80 percent were from the private sector.
- In 2003, more money flowed into Latin America through remittances (money sent home by private individuals working abroad) than the combined flows of all foreign direct investment and official development assistance to the region.

Sources: GBN original research; Forbes; AccountAbility and Business for Social Responsibility, Business and Economic Development: The Impact of Corporate Responsibility Standards and Practices; Multilateral Investment Fund, Remittances as a Development Tool
We take for granted so many technologies of connection that we sometimes forget how profoundly they have changed our world. Communications tools, including the Internet, the telephone network, cellular phones, and text messaging services allow us to be in constant contact with friends, colleagues, customers, partners, adversaries, and even strangers around the world. The World Wide Web, that ever-expanding bazaar of information and opinion, supplies a steady stream of ideas and supports a growing number of exchanges. Satellites and cables sustain a worldwide media system that can inform, rally, surprise, distract, and entertain us. Of course, the advances in communication and transportation that promote global connection and commerce also allow problems such as disease, environmental threat, or political instability to proliferate more widely and more quickly. As a result, the problems that philanthropists are called upon to address increasingly span borders and domains.

The good news is that the same forces that allow problems to spread also enable responses to be coordinated and solutions to be shared.

Source: James Surowiecki, The Wisdom of Crowds
Acceleration

One of the ways that connection has changed our world is so important that it is worth calling out on its own. By increasing the density, speed, and scope of connection, our society has accelerated the rate at which information is communicated, the rate at which it can be incorporated into other processes, and the number of people who can use that information to create new ideas, make new discoveries, and synthesize new inventions. Not only is the creation and diffusion of knowledge accelerating, but so is everything that depends on it: science, technology, commerce, fads, culture, and efforts to create social benefit. Even the pace of acceleration is, itself, accelerating. This is not just a matter of change; there have been periods of rapid and profound change in the past, including the era a century ago in which modern organized philanthropy was established. What is new is how the process feeds on itself as information and knowledge become accelerants in the creation of more information and knowledge. One effect is that there is a new pressure on public and private institutions at all levels—local, regional, national, and global—to respond more rapidly to shifting external circumstances.

- The amount of new information (recorded on print, film, magnetic, and optical media) in the world has essentially doubled in the last three years.
- The amount of stored information produced in 2002 alone is equivalent to 37,000 new Library of Congress book collections.
- It would take almost 30 feet of books to store the amount of recorded information produced per person in the world each year.
- Google’s index of webpages has grown from 1 billion in 2000, to 4.28 billion in January 2004, to more than 8 billion URLs just a year later.

Sources: U.C. Berkeley School of Information Management and Systems, How Much Information 2003; Google corporate website
Everything associated with the domain of social benefit has grown significantly in the last 25 years, making it both a more active and more crowded environment. For example, one result of the privatization mentioned previously is that more wealth has accumulated in private hands in recent years. It’s not just that the rich are getting richer: there are also more of them. That means there are more people able to give significantly, who in turn have attracted a burgeoning industry to serve their philanthropic interests. In the last 15 years, the landscape has changed significantly simply by growing quickly: there are more donors, more donor-advised funds, more foundations, more giving circles, more businesses vying to assist the wealthy, and more nonprofit organizations competing for funds. At the current pace of growth, 11 new foundations and 119 nonprofits are created every day in the U.S. Consequently, the environment in which any individual actor chooses issues, formulates strategies, and makes contributions is increasingly crowded with competitors, potential collaborators, and even people or organizations working at cross-purposes.
Diversification

Not only is philanthropy growing in size, it is diversifying by almost every measure. Today’s wealthy include growing numbers of women, Latinos, blacks, East Asians, and South Asians who bring to philanthropy their respective cultural traditions as well as their assets. Younger donors who made their money in emerging industries like information technology or biotechnology bring new assumptions about how to get things done and how active they want to be as living donors. Increasing entrepreneurialism in China, India, and Russia and broader economic growth around the world are producing more multi-millionaires and even billionaires in other countries; as they develop the philanthropy that follows from their wealth, they are likely to express different priorities and practices. At the same time, philanthropy is no longer only the province of the very rich. Advances in fundraising techniques and growing participation in nonprofits by the U.S. middle class means that giving, from the most local to the global, engages a wide range of Americans. And the practice of social benefit is also diversifying beyond philanthropies and charities to include an increasing number of hybrid organizations: for-profit “social ventures” and entrepreneurial nonprofits that are expanding the traditional categories and increasing the types and totals of those generating social benefit.
Observation

The enormous growth in both the number of people engaged in the social sector and the amount of money coursing through it is sufficient to attract attention. Add in the increasing availability of information about almost every actor in the sector and the means to communicate it instantaneously and mounting scrutiny seems inevitable. As *The New York Times* wrote in a January 2004 headline, the public is now "asking do-gooders to prove they do good." Both givers and grantees are being held to rising standards of accountability and transparency, and the information to pass judgment is widely available: on the Web, in the mainstream media, and in the growing number of trade press publications dedicated to nonprofits and philanthropy.
Reflection

In the last 25 years, people in the social sector have benefited from enormous advances in their ability to reflect on their own work and the work of others in the field. University programs devoted to nonprofit leadership and philanthropy have sprung up across the country; newspapers and journals devoted to social-sector work have been launched; and the number of infrastructure organizations that support philanthropic initiatives, communication, and shared learning has grown rapidly. There is now a history to study and many more institutions and vehicles through which one can learn it. What began as a relatively small field with little information available is rapidly becoming a mature industry.

### Philanthropic Growth

Number of PHILANTHROPIC INFRASTRUCTURE GROUPS
(including regional associations of grantmakers, affinity groups, grantmaking support organizations, and universities).

Growth: 291%

Sources: Council on Foundations; GBN original research
What Does it Mean to You?

Philanthropy now takes place in a world shaped by all of the elements we have described, and despite the great freedom that philanthropists have, they will be affected by all of it, not just the parts they like the most.

But the new ecology won’t affect every giver or every issue the same way. An exercise you can do, by yourself or with a group, is to take seven pieces of paper or flipchart pages, and on each sheet brainstorm about one of the seven themes: privatization, connection, acceleration, multiplication, diversification, observation, and reflection. Think through what each theme means or how it either challenges or supports your assumptions in the arena you care about the most (an issue, a community, or even a single institution). How has the role and potential of philanthropy shifted in your area of interest? What new resources are potentially available now that were not a generation ago? What are the new challenges for philanthropists who want to make a difference?

Below, we take this exercise a step further by summarizing the meaning of the themes, especially as they begin to combine. Beside each, we illustrate the kinds of questions you might want to ask as you make sense of the themes for yourself.

**Theme of the new ecology & implications for philanthropy**

**How will this affect you?**

**PRIVATIZATION**

There are new responsibilities in privatization. The relative growth of private power—in citizen organizations and corporations—means that it is difficult to imagine progress without bolder and more creative leadership from private sources. Responsible professional philanthropic leaders can lead outside their institutions, facilitating efforts to convene various actors and to advocate for change. Individuals, too, will need to ask what new responsibilities they may have, given their resources.

In considering the issue you are interested in, what role did the government (or governments) play 20 years ago in addressing it or being responsible for its solution? Is it the same role as today? Are there more, the same number, or fewer private organizations (businesses and nonprofits) working on this issue compared to 20 years ago? What roles do you expect they will have in the years ahead?

Do you assume that government is part of your “exit strategy”? Is that a safe assumption? What is your plan if it isn’t?

Who are the other private sector actors—business or nonprofit—who could play a positive, long-term role in the issue or area you care about? Which are best positioned to help galvanize government action where needed?
Theme of the new ecology & implications for philanthropy

REFLECTION/CONNECTION
There is new opportunity in reflection and connection. Every actor in the world of philanthropy has two new opportunities in the ecology we described: the ability to reflect on nearly a century’s worth of philanthropic practice (changing daily) and the ability to connect to a growing array of actors. That’s why both formal and informal networks are growing so rapidly in philanthropy; they are the mechanism for connecting ideas and people. Indeed, networks may turn out to be as central to organizing this century’s philanthropy as foundations were to organizing philanthropy in the last century.

How will this affect you?
What have others done on the issue or in the area you care about? What worked or didn’t work, and why? Who has the most knowledge about your issue? Nonprofits, corporations, multilaterals, international NGOs, academics, or other funders? How would you connect to those that have the most or best knowledge?
What groups exist for funders interested in your issue? Can you join them? If not, can you initiate your own group?
Are there groups of funders who are creating strategies together or funding together on your issue? Can you join them? If there is not a group, could you initiate one?

MULTIPLICATION/DIVERSIFICATION
There are new resources in multiplication and diversification. More actors and more different kinds of actors could simply add to the fragmentation of effort and uncoordinated duplication in the sector. When combined with connection and reflection, however, “more” and “different” become strengths. They increase the pool of ideas, resources, and allies for anyone seeking to address an issue or support a cause. Rather than see these two forces as simply increasing the competition for attention, visibility, or impact, consider them as sources of new strength and energy.

How will this affect you?
Who else is working on the issues you care about? How does their work relate to and overlap with yours? Can you pool resources or strategize together to increase the scale or breadth of your joint interventions?
Who are your new allies, and how can you identify them? If you are funding from within an institution, how can you connect with the energy and resources among individual donors? If you are an individual, how can you ally yourself with institutional donors? If you are giving through a donor-advised fund, can you connect to, coordinate with, and share ideas with other donors?

OBSERVATION/ACCELERATION
There are new challenges in observation and acceleration. Every actor in the world of philanthropy faces at least two challenges that those in previous generations didn’t. First, every actor now has to assume they will be scrutinized in their actions, perhaps even asked to justify their programs or practices, and called to account for their results. One can no longer assume a safe and quiet haven where people are given the benefit of the doubt because they are doing charitable work. Second, every actor has to cope with the accelerated pace of knowledge and action, where external events outpace or even disrupt philanthropy’s traditional decision-making cycles.

How will this affect you?
What do you keep private or hidden about your giving, and why? Even if you wish to be private or anonymous, how can you share your work quickly with others?
Is there anything about your strategy or activities that you wouldn’t want to see in the news?
Who or what dictates the pace of your giving? Internal needs or external needs? What could you do faster?