

The Center for High Impact Philanthropy

School of Social Policy & Practice | University of Pennsylvania

“I’m Not Rockefeller”: 33 High Net Worth Philanthropists Discuss Their Approach to Giving

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EXECUTIVE SUMMARY

“The word ‘philanthropist’ still cracks me up because it sounds so hoity-toity . . . I’m not Rockefeller”

—high net worth donor interviewed by Center

Over the past year, the Center for High Impact Philanthropy conducted a series of structured interviews to determine how high net worth individual philanthropists (defined by the Center as having the capacity to give \$1 million per year) make decisions about giving. What we found were a set of diverse and evolving practices, a predominant reliance on peers for information, a narrow and negative view of evaluation (despite a strong desire to make a difference), and difficulty with exiting established relationships with nonprofits, perhaps because the transaction costs of “breaking up” seem too high. To our surprise, we also found that nearly a third of the study participants do not think of themselves as “philanthropists,” despite giving an average of nearly \$1 million annually.

Intuitive solutions to addressing the informational gaps identified in the interviews present unique problems for high net worth philanthropists. Many expressed a reluctance to investigate the effectiveness of potential recipients for fear of inviting unwanted solicitations or appearing distrustful or overly demanding of the nonprofits with which they already had relationships. Most did not know about or refer to the myriad academic and nonprofit resources in their areas of interest. Given the limited information they used, philanthropic decisions can therefore be significant gambles. Entities like the Center that create resources and tools for philanthropists need new ways to synthesize, package and distribute information to increase the likelihood of its use in giving decisions.

About The Center for High Impact Philanthropy

The Center for High Impact Philanthropy (CHIP) is a resource center designed to guide philanthropists and their advisors as they decide where to allocate their philanthropic dollars. Its goal is to provide information and tools to help philanthropists determine where their gifts would have the greatest potential to improve the lives of others.

Our staff gathers information from multiple sources and thinks systematically about what it suggests, how it fits together, and how best to use it. Staff members then translate their findings into clear and practical decision-making tools.

The Center identifies promising programs to support using a multi-perspective, evidence-based approach that synthesizes three types of information: field experience (project evaluations, case studies, and policy analysis), rigorous scientific research (randomized control trials and studies with good comparison groups), and informed opinion (expert analysis, stakeholder input).

We also identify practical ways to think through philanthropic decisions, measure social impact, and create new models for achieving impact. Our objective is to address not only the information gap in the world of philanthropy, but also the continuing uncertainty about the best ways to measure and compare effectiveness and the lack of analytic and decision frameworks to support philanthropists focused on achieving high impact.

The Center for High Impact Philanthropy is a neutral broker of information for individual philanthropists, foundations, advisors, and others interested in achieving the highest social impact possible with their philanthropic dollars.

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I. PURPOSE OF THIS STUDY

This report describes findings from a study conducted by the Center for High Impact Philanthropy to determine how high net worth philanthropists (HNWPs) are currently making their gift choices and the limitations they confront.

The study involved 33 structured interviews with HNWPs between September 2007 and April 2008. We defined HNWP as a donor who was able to give \$1 million annually, though some study participants gave lower amounts and some gave much more.

Through the interviews, we sought to understand how HNWPs currently approach giving decisions, in particular the types of information and resources they use to make those decisions.

We were especially concerned with understanding the practices of HNWPs interested in the Center's initial areas of focus: U.S. education and global public health.

While we originally undertook the project to inform the Center's product development and distribution strategy, many who learned of our efforts expressed interest in our findings. We recognize that our findings may have implications for others working to promote more effective philanthropy and hope that, by sharing our research and analysis broadly, we will contribute to the development of practices that better link philanthropic efforts to social impact.

II. ABOUT THIS STUDY

Study Overview

We interviewed HNWP about the criteria they use when making gifts, the knowledge and resources they rely on to support giving decisions, the outcomes they seek, and the roles they play in the sectors in which they give. Most interviews were with individuals capable of giving as much as \$1 million a year, since this is the Center's target audience. The smallest annual contribution of a study participant was \$100,000. The average annual gift by interviewed HNWP was \$1.5 million. The median annual gift by interviewed HNWP was \$750,000. To put participants' giving in context, in 2004, the average charitable contribution by the top U.S. income group (\$200,000 or more) was \$21,246.¹ Earlier data from 2000 indicate that the average charitable contribution made by the top 1% of families (annual incomes of more than \$500,000) was \$28,354.²

We were especially interested in recruiting individuals whose interests were aligned with the Center's program areas.³ We asked HNWP to focus their comments on the "discretionary" portion of their philanthropic giving (as opposed to gifts they felt socially obligated to make) under the assumption that they would most likely seek outside information when making discretionary gifts.

Research Methods

We conducted 33 semi-structured interviews with HNWP using a standardized interview protocol (see Appendix). All of the interviews were conducted by phone. Each interview took approximately 45 minutes. Prior to each interview, we asked the interviewee to provide verbal consent to participate as well as for audio recording.

The interviews were transcribed and examined to identify what sources of information philanthropists currently use. The data were initially coded according to the major theme categories defined in the interview protocol. We tagged the transcripts with these codes, using Atlas.ti software⁴ to indicate where in the transcripts themes arose and facilitate later retrieval and indexing. We generated and sorted all content associated with these broad themes into appropriate groups that became the analysis' sub-themes. We then tagged the content again with sub-theme codes.

Given the small size of our sample, we intended the results not to show statistical validity but rather possible patterns and trends in need of further inquiry. When referring to "HNWP," we therefore mean specifically the HNWP we spoke to and not all HNWP as statistically validated by our study.

¹ Catalogue for Philanthropy. (2006). *National Generosity Index 2006*. Retrieved August 1, 2008, from http://catalogueforphilanthropy.org/natl/generosity_index/2006.html

² Havens, J. J., & Schervish, P.G. (2003) *New Findings on the Patterns of Wealth and Philanthropy*. Retrieved August 4, 2008 from <http://www.bc.edu/research/cwp/meta-elements/pdf/newfindpattern.pdf>

³ There have been a limited number of research studies on HNWP. A recent study was published in October 2006 by the Center on Philanthropy at Indiana University. While the ability to generalize its results is limited due to its small response rate, the study represents the first attempt to characterize the giving of this particular population. Based on a random survey of over 30,000 households in the United States that met the definition of "high net worth household" (i.e., incomes greater than \$200,000 or assets in excess of \$1 million), the study found: (i) HNWP allocate their philanthropic contributions quite differently than the U.S. general population in that the general population's giving is directed towards religious organizations, whereas HNWP direct to foundations, funds, or trusts; (ii) key motivators for charitable giving for HNWP include meeting critical needs, giving back to society, and social reciprocity; (iii) HNWP report they would give more to charities if charities spent less on administrative and fundraising expenses and if they (the HNWP) were able to determine the impact of their gifts.

⁴ Muhr, T., & Friese, S. (2004) *Users manual for Atlas.ti 5.0, 2nd edition*. Scientific Software Development, Berlin. Long Island, USA: ResearchTalk. Retrieved October 3, 2007 from <http://www.atlasti.com/download.html>

Demographic Information for HNWP Participants

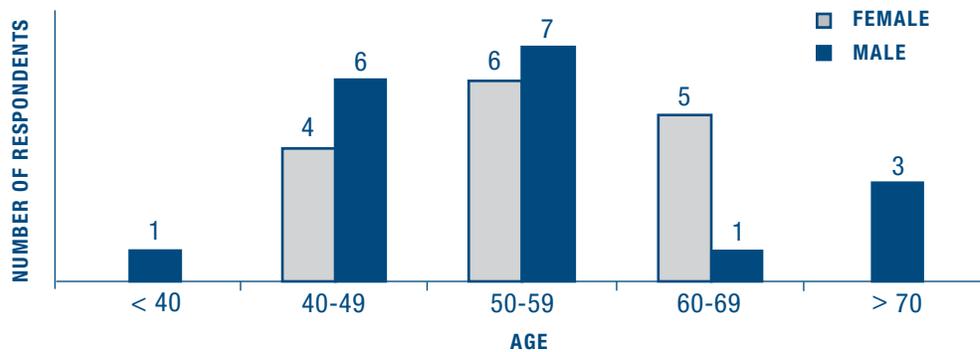
The interviewed philanthropists consisted of both men and women, primarily between 40 and 70 years of age. Most derived their charitable funds from earned income, although some also gave from inherited wealth. Education, health, children, and poverty were the most common areas of interest for both male and female philanthropists. We recruited participants from various networks, including philanthropic advisors (financial and wealth management professionals), charitable and gift account groups, and philanthropists associated with the University of Pennsylvania.

The following pages present the demographic information of the philanthropists who participated in the study, including:

- Age and gender
- Professional industry and source of philanthropic funds
- Length of philanthropic experience
- Average annual giving
- Time dedicated to philanthropy
- Areas of philanthropic support

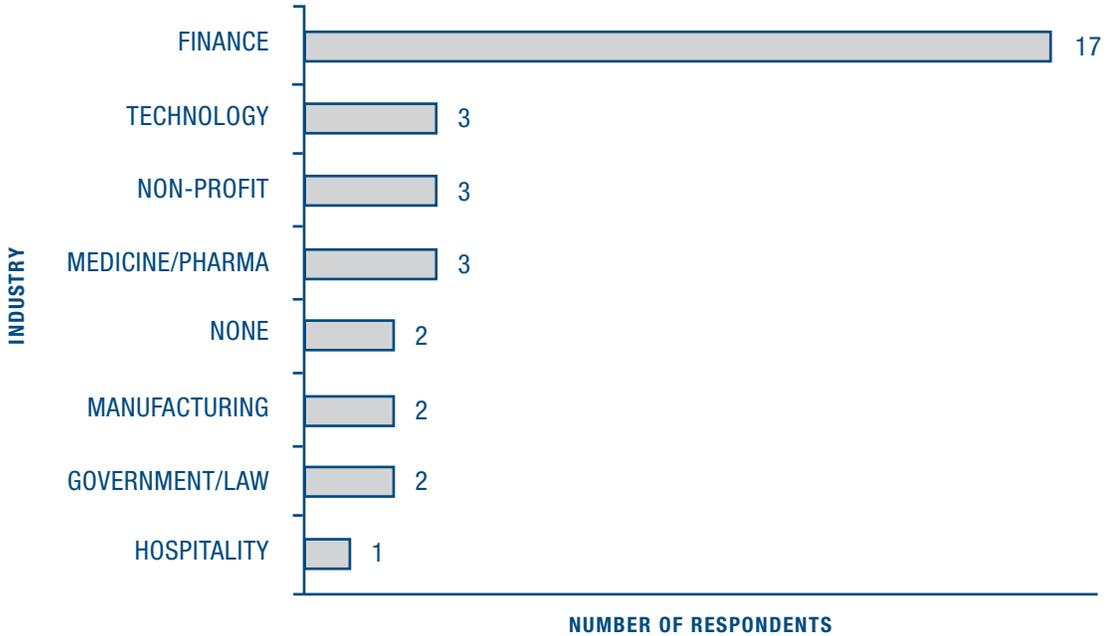
Of the interviewed philanthropists, 18 were men and 15 were women. Philanthropists were an average of 54 years old.

FIGURE 1: Respondents by Age & Gender [N=33]



Nearly all of the HNWPs interviewed were currently engaged in professional careers.

FIGURE 2: Respondents by Professional Industry [N=33]



Respondents' annual giving ranged from \$100,000 to \$10,000,000.

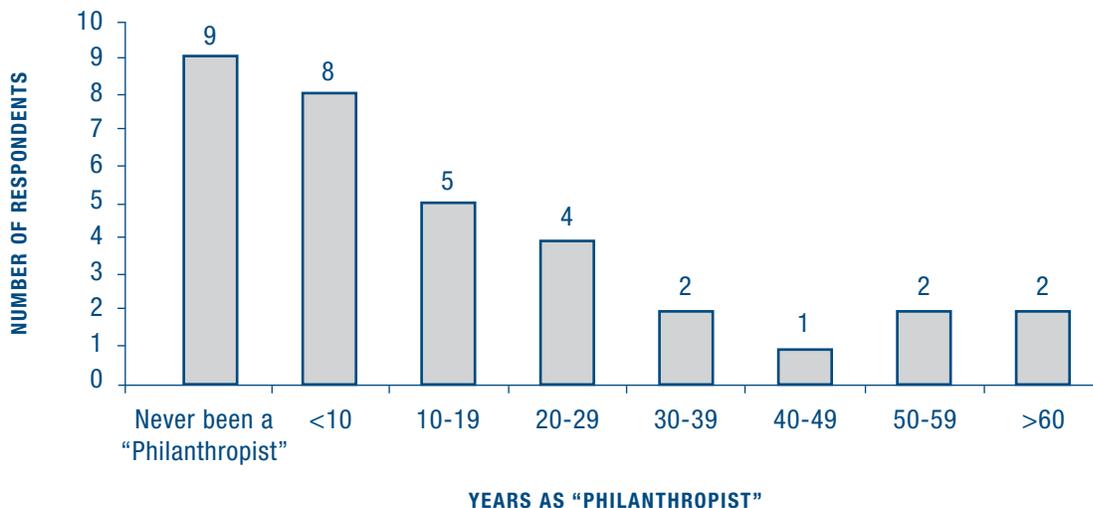
FIGURE 3: Respondents by Amount of Annual Giving [N=30]*



* Three HNWPs declined to identify the amount donated annually but agreed they met the general criteria for the interview.

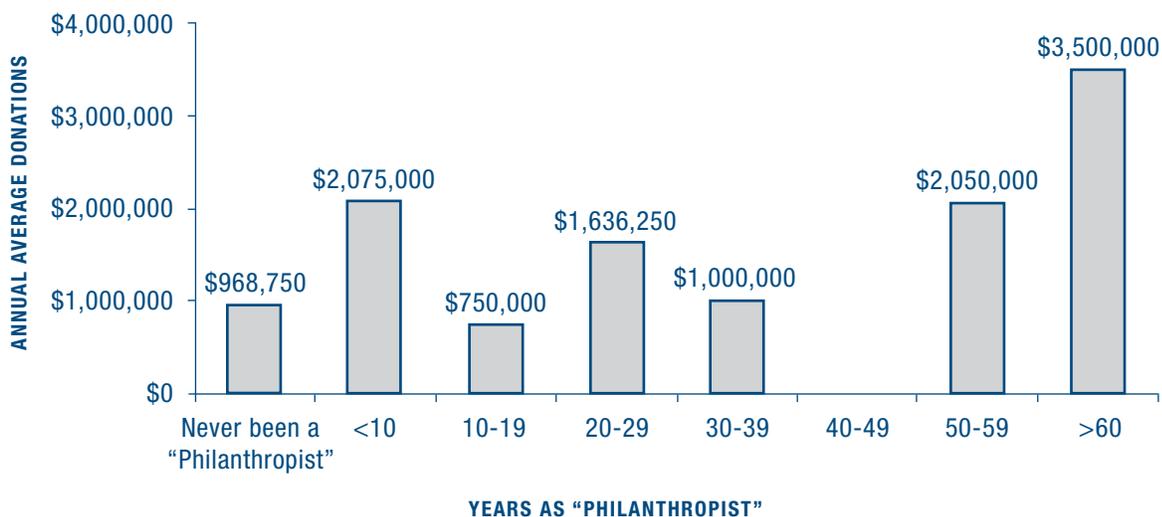
Almost one third of respondents indicated they did not consider themselves to be “philanthropists.”

FIGURE 4: Respondents’ Years as Philanthropist [N=33]



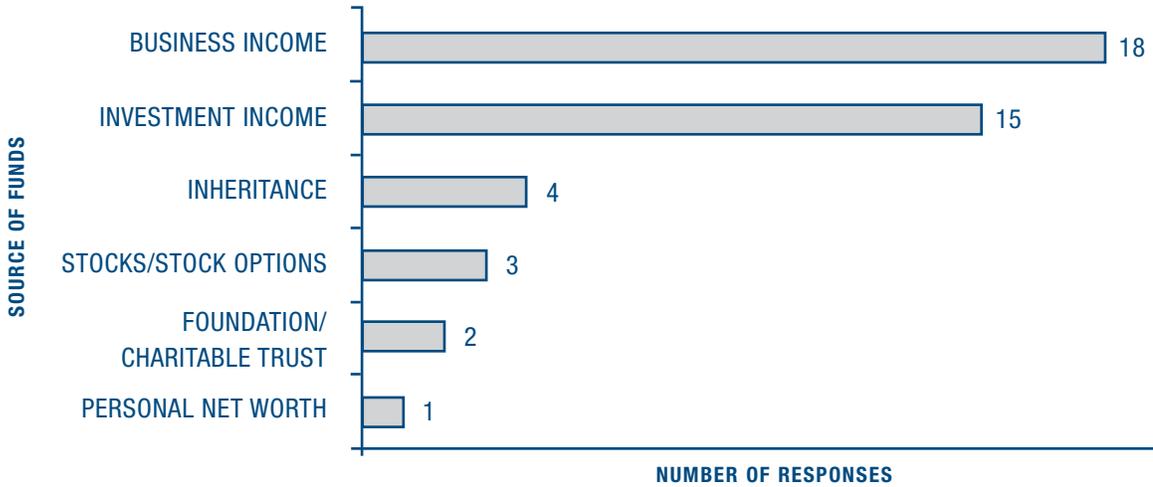
Interestingly, respondents who did not consider themselves philanthropists gave almost \$1 million annually.

FIGURE 5: Respondents’ Average Annual Donation by Years as Philanthropist



Respondents' most likely source of funds for personal giving was business or investment income.

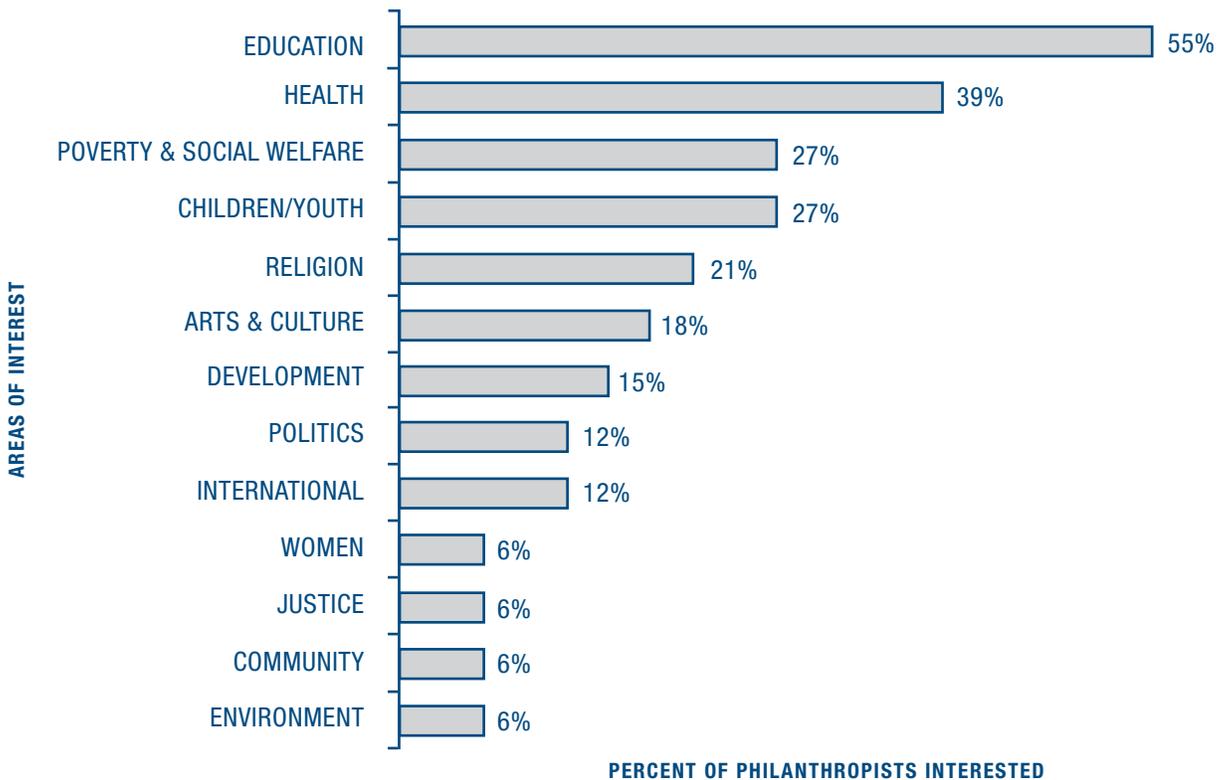
FIGURE 6: Sources of Funds for Personal Giving [N>33]*



* Respondents could identify more than one source.

While philanthropists expressed interest in a wide range of areas, a few key issues dominated their giving priorities.

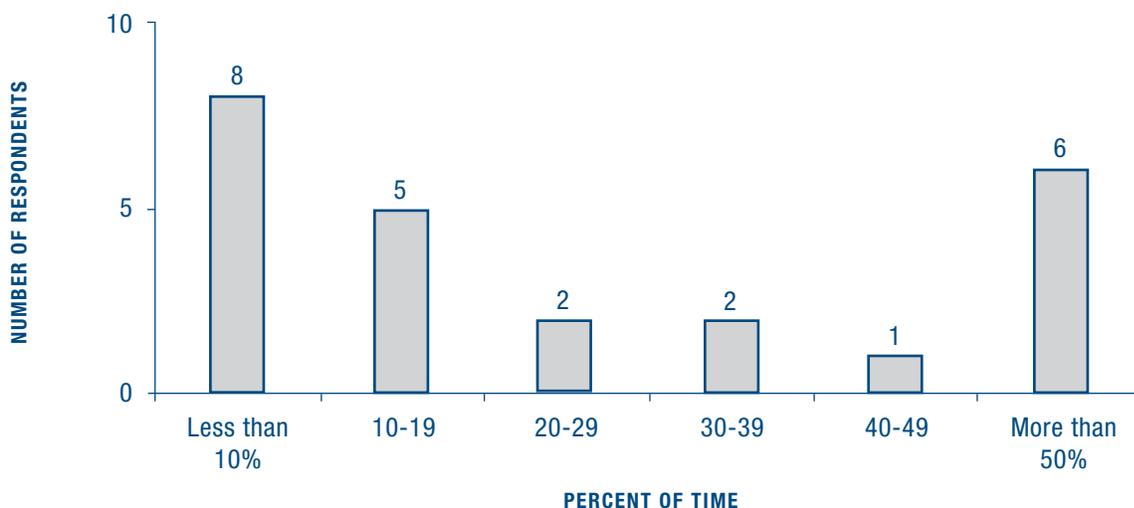
FIGURE 7: Respondents' Areas of Philanthropic Interest [N>33]*



* Respondents could identify more than one interest.

The majority of respondents dedicated less than 25 percent of their time to philanthropic activities.

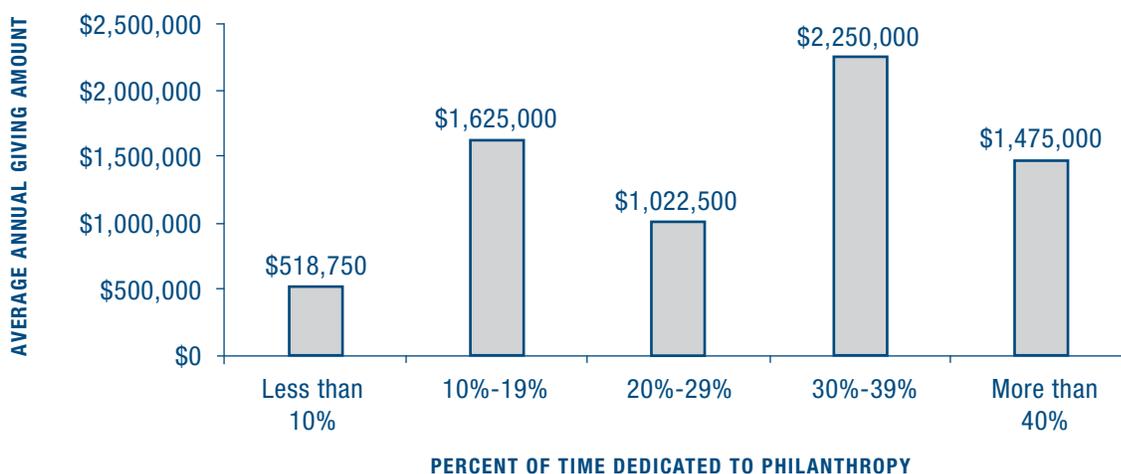
FIGURE 8: Percentage of Time Devoted to Philanthropy [N=24]*



*Nine HWNPs were not asked or could not answer this question.

There seemed to be a weak connection between the amount of giving and time dedicated to philanthropy.

FIGURE 9: Time Dedicated to Philanthropy and Average Giving



III. WHAT PHILANTHROPISTS TOLD US

Our interviews with HNWPs focused on four areas related to their giving: the decision criteria they use, the resources they rely upon, the outcomes they seek, and the roles they try to play.

Four major themes emerged from the interviews, cutting across each of the areas in which we interviewed HNWPs. This section features representative excerpts from our HNWP interviews related to those themes.

1. The Practices of HNWP Participants Are Evolving

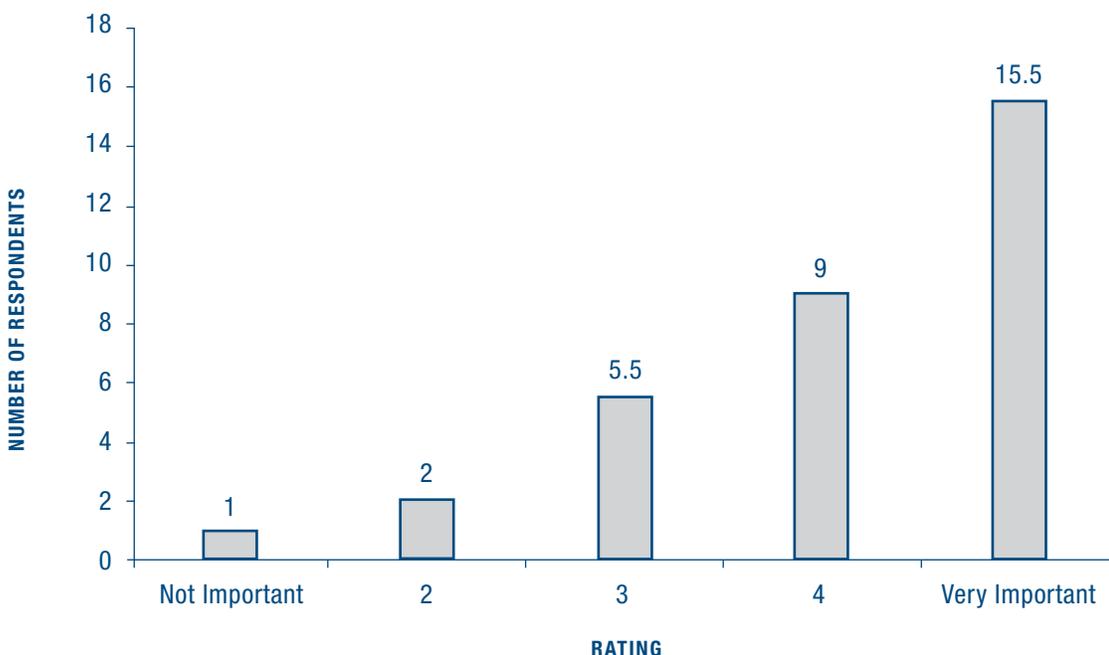
Overall, the HNWP participants described evolving philanthropic practices, including changes to their thinking about donation decisions as well as the roles they play in the philanthropic community. Generally speaking, evolving practices involve increases in the HNWPs' experiences with philanthropy, available time, and size of donations.

Evolving Decision Criteria

HNWP participants indicated that their criteria for philanthropic giving were deeply informed by their social capital. The criteria they most frequently cited – apart from an interest in or passion for a

subject – were personal involvement with an organization (or the involvement of someone known to them) and the ability to influence a tangible program or project related to a passion or interest. These factors were especially important at the time of an initial gift. Some HNWPs told us that their involvement in an organization was an absolute precondition to donating what they considered larger gifts. Others were comfortable giving a larger amount if someone they knew well was personally involved in an organization. Few HNWP participants made a practice of giving large gifts in situations where they had simply heard of and/or read about an organization.

How important is it to touch/see/interact with the people or organizations you are giving to? [N=33]



Interestingly, despite the fact that many nonprofits are now rated or scrutinized based on their “administrative cost ratios” (by Guidestar and Charity Navigator, among other online tools), many HNWP participants thought overhead was not a useful decision criterion.

“[T]he whole issue of overhead expenses as a percentage of your total budget is... not regular. It seems like the wrong way to think about it.”

“[S]omebody needs to pay for the overhead in order for them to provide their services, so why shouldn't it be us? And if we believe in the organization, why shouldn't we pay for their overhead?”

“I think people tend to put too many restrictions, especially on small gifts, and these organizations end up chasing their tails and doing way too much, when what they should be doing is just focusing on their core missions. And most of our funding is just general operating funds.”

“I just run a business, and I understand that maybe you need to pay for infrastructure.”

While very few HNWP participants told us they invested in particular programs because they thought they represented “value for the money” or “bang for the buck,” a few paid close attention to what outcomes could be achieved per unit of investment.

“I like getting everything down to a cost per effective unit of whatever it is you do... If there is one thing that drives me crazy, it is dealing with non-profits where I get BS numbers. Makes me nuts.”

“You want to look at what the cost is per urban education, what the cost is per child who receives the intervention, and how to measure impact across ‘the universe.’”

The majority of HNWP participants, however, seemed reluctant to inquire about specific costs before making an initial or repeat gift (“I think you can drive yourself nuts trying to quantify this stuff”). This seemed implicitly, if not explicitly, related to the fact that HNWP participants did not want their giving activities to feel like work.

“You know, I enjoy it.”

“I don't want this to be a job.”

“It's my joy. It's my pleasure.”

“For me, it is all art... I have enough science in my day job.”

Many HNWP participants anticipated that the criteria they used to make giving decisions would change over time.

“I'd love to be much more thoughtful about this in years to come.”

“Ask me that question in five years because I suspect at that point we will broaden our giving and sort of change some of our criteria.”

“... but once I spend more time doing research, it might only be really important upfront.”

“In the past few years, the amount that we've been able to give has grown to an amount that will shortly [require us to give it] some thought rather than just handing [the money] out.”

However, several HNWP participants indicated that their inability to establish satisfactory decision criteria meant they were literally sitting on unspent philanthropic dollars.

"We've been frustrated a little, but due to time in terms of giving. We haven't even hit principal at this point."

"We have not, to date, given at that level... because we haven't established criteria."

"I think there is a lot of capital locked up right now because of exactly that problem – that people just don't feel like they know how to evaluate."

Evolving Roles

While a few HNWP participants reported that they had always thought of themselves as "philanthropists," the majority considered it a role they would achieve at some point in their evolution as givers. In fact, nine HNWP participants revealed that they did not yet consider themselves philanthropists, despite giving an average of almost \$1 million annually.

"You know, I don't really consider myself a philanthropist because... when I think of philanthropists, I think of Rockefeller and Carnegie and those guys, and I don't think I'm at that level...They're on a scale that's enormous."

"The word 'philanthropist' still cracks me up because it just sounds so hoity-toity...I'm not Rockefeller. So I don't use that word. I use 'community volunteer.'"

"Again, I'm a really nice guy who gives money to charities. I don't think that makes me a philanthropist."

Between these two poles (philanthropist-for-life and don't-call-me-one-yet), most HNWPs suggested their philanthropic roles had emerged in stages – from early, somewhat hands-off donations to more focused giving – as their experience, time, and available resources grew.

"... I think that the more time you spend in philanthropy, you know, the more you learn. I would say that the one role... I'm enjoying now is many people coming to ask me how we do certain things."

"... it's probably been the last year that I've really been thinking about how I can do this in a really smart, efficient way as opposed to now where it's a little haphazard based on who we know and who we've met."

"... but as I get older and ostensibly have more money and less time dedicated to [my] job, I would like to be more involved in a charity, a day-to-day involvement, not just big picture concept, checking quarterly how it's going."

HNWP participants also reported an evolution of the roles they play or would like to play in philanthropy. They described multiple roles that go beyond that of check-writer.

"For pretty much every nonprofit to which we donate, I've done marketing consulting."

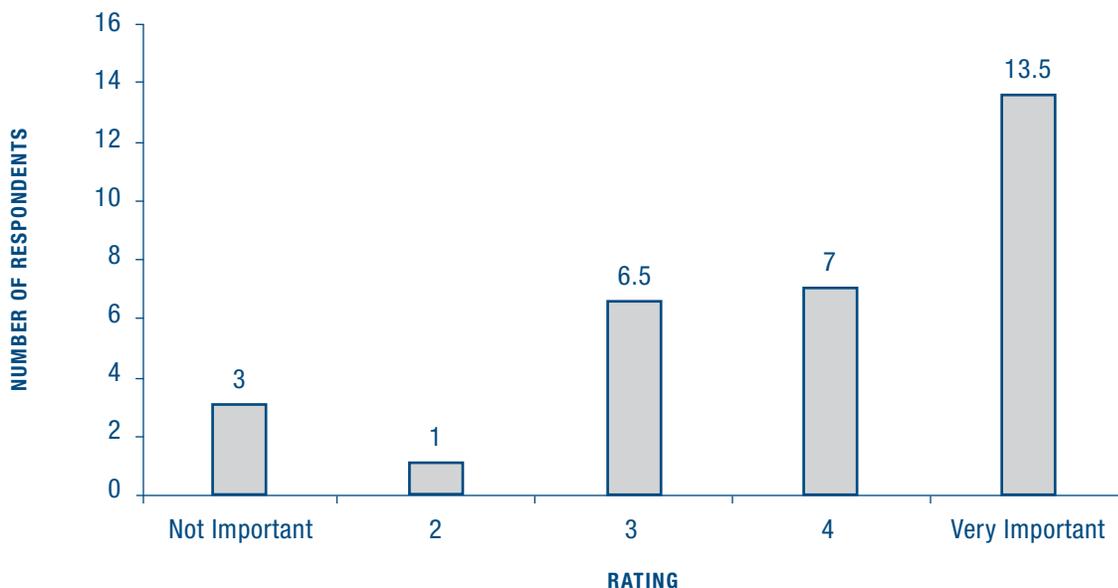
"... check-writer and then an advocate and spokesperson."

"So I'm a big awareness-raiser."

"The other thing is going out and telling people why I believe in an organization and why I think they should support it."

"I mean, I don't want to just give the money and walk away."

How important is a role other than check writer? [N=31]*



*Two HNWP's were not asked or did not answer this question.

However, many told us that they aspired to larger roles in philanthropy, primarily related to issues of awareness, advocacy, and peer support of other philanthropists.

"We're very concerned about putting other people together because it's been so valuable to us... it's about making sure we are facilitating the mission of other foundations, even though it's not directly in line with our work... for example, I've hosted different dinners or put meetings together just to facilitate connections unrelated to our organization."

"I would like to be viewed as a leader alleviating poverty."

"I would like to build a greater network of peers or at least philanthropically interested people... but maybe with a more issue-specific orientation."

"I try to have some sense of what's going on out in the world so that, as often as possible,

I can connect charities with charities, charities with people."

Current time commitments – primarily family and work – were the major constraints that precluded greater involvement beyond that of a check-writer. Since involvement is often but not always linked to giving, this poses a challenge to donors who have more money than time to give.

"It's just a time constraint."

"I was out of town yesterday for one day and they said, 'Ma, there's no bananas.' And I'm thinking, 'Okay, and I want to save the world and urban education.'"

"I can't be personally involved in everything I support...I don't want to be a mile wide and an inch deep."

"You only have so much time – ultimately that's a more precious commodity than money."

2. Peers Are the Most Trusted Resource for Information

HNWP participants told us that they obtain the majority of information related to giving from peer networks of friends, business associates, and, most importantly, other philanthropists.

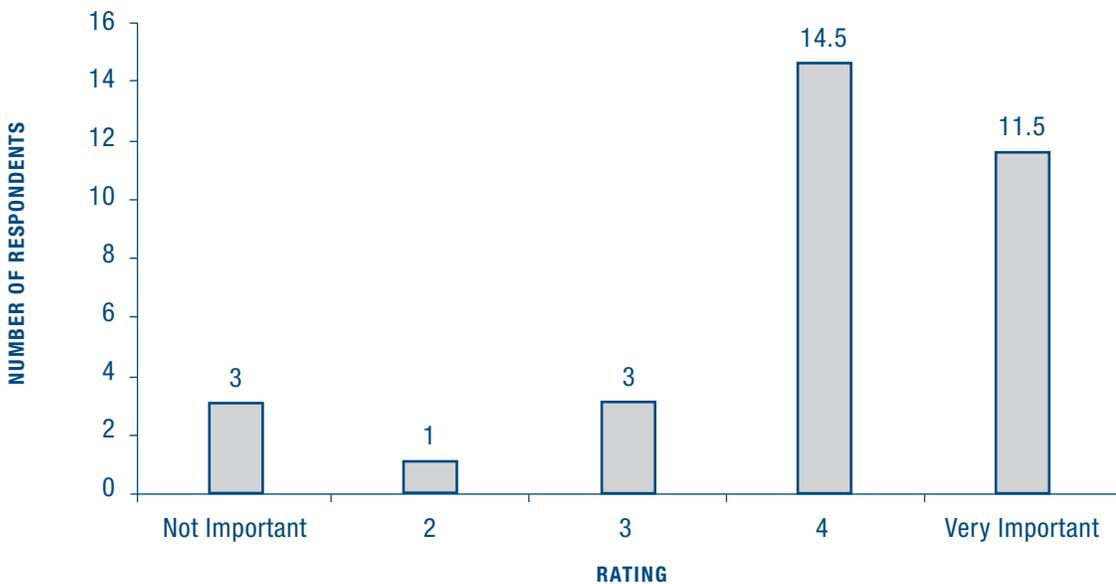
"But often it's through a friend. It's word-of-mouth."

"So if we don't know the person asking us or it's coming through some impersonal channel... we won't fund it."

"I get information from friends and colleagues primarily."

"[I obtain information about philanthropy] mostly through the people I know... [i]t may not be the correct approach, but I feel like I have enough people [in my network] at this phase, so I kind of get it that way."

How important is it to know someone on the Board or from your peer group that recommends the issue or organization? [N=33]



Within peer networks, several participants told us that they routinely seek advice from peers who they view as more experienced philanthropists.

"I can use my network of what I would refer to as trusted sources to feel absolutely confident in the integrity of the organization and the leadership of its projects."

"I know that they donate a lot and we get along really well, so I just kind of... they've been doing this a lot longer than [I have]."

"Well, I have lots of people who [look] out for me and obviously lots of people who will identify particular organizations that they think are very worthwhile [to] bring to my attention."

Several participants expressed an interest in additional opportunities to meet and talk with other donors, though few currently take advantage of existing donor affinity groups around the country.

"I'm just starting to meet other people who do donating where I can ask them how they make their decisions... [m]ore of those conversations would be helpful."

"I have definitely learned things, and if I were to do this again, there are mistakes I would avoid just like I learned in business... I think... a network of philanthropists where you could look and see who's done something that actually intrigues you and call them and say, 'What did you do?'"

Donor-to-donor exchanges seem to satisfy two interests of HNWP participants. First, they provide an opportunity for donors to obtain information related to their charitable interests

from like-minded givers. HNWP participants described swapping stories over lunch or dinner about their favorite charities. Second, and perhaps more importantly, donor-to-donor exchanges provide a venue for donors to exchange ideas and ask questions in a more relaxed, fundraising-free zone, without obligation.

"[Peer philanthropist convenings are] really, really useful, and they're a no-fundraising zone."

We were not surprised to discover an acute sense of charity inundation among participants. Many described receiving dozens of solicitations on a weekly basis.

"I feel a little overwhelmed with the amount of requests we get."

"I have enough people bugging me for money."

"I can go into my inbox on any day and [have] between one and five charitable solicitations. I get probably twenty per week. My assistant puts them in a folder, it is actually sub-segmented. It never ends."

Others told us about the high number of charity events to which they are invited, apparently leaving little time for other discretionary pursuits. Several participants quite candidly admitted feeling no need to seek out information because so much was sent to them by interested charities. Others told us they manage the inundation by making a practice of never supporting organizations that solicit funds.

3. HNWP Participants Are Neither Accessing Nor Aware of Resources

Given the expressed demand of HNWPs to realize impact, we expected participants to indicate a greater interest in impact-related resources than was the case. After peer networks, the most frequently cited resource for giving information was the popular media (the Wall Street Journal, the New York Times, and several business monthlies were cited most frequently). Participants who use donor tools like Charity Navigator or Guidestar do so as an initial screen, but most told us they did not use these tools. While several HNWP participants have full-time foundation staff supporting their giving decisions, even those with staff did not routinely seek information from the academy or other non-profit organizations involved in the areas in which they gave.

Still, many identified a need for better information and discussed the difficulty of making giving decisions based on the information currently available to them.

"It's really hard for people – even for people who have been doing this for a long time. If they don't have staff doing serious number-crunching analytical work, there's just not really serious data (as opposed to anecdotal [data] or the new book of someone who's obviously working an angle)."

"I wouldn't even know how to begin to know if somebody cares about that issue or is looking at it."

"I mean, other than going out there and staying for a month, I just don't know how to really figure it out."

"... [my giving decisions are not] like doing tons of research over the Web or trying to get the absolute best optimized equations. It is more like satisficing."

This suggests that other dynamics might be discouraging HNWPs from seeking out more knowledge about giving. Interviewees identified several factors to explain their lack of demand. Some expressed a reluctance to investigate the effectiveness of potential recipients for fear of inviting unwanted solicitations or creating inappropriate expectations on the part of potential recipients.

"It's a fine line picking up and raising your hand and being able to control your gifting and not feeling obligated..."

"What I think would be really interesting [would be] some sort of resource, and there probably is that I don't know about, where nonprofits would list specific expertise and resources they need and where people could look through that information without having to talk to people on the phone. I don't mind talking to people, but that would allow me to choose two or three to follow up with so I don't get on so many mailing lists and e-mail lists and phone lists."

Others suggested that current information is not correctly packaged for HNWPs and/or that HNWPs perceive what is available as unhelpful.

"... Maybe it exists and I just don't know it. I wish I could get research reports that are readable, that aren't bureaucratic I-had-to-fill-a-hundred-pages [reports] – you know, a quarterly or annual update on what's the best intelligence on this set of issues."

"Before you create newsletters, white papers, etc., a list of key issues in a field and a list of key questions to ask about them would be a really useful tool. People are overwhelmed with data and where to find it. If they were

so inclined to look, and time is limited, some very simple, straightforward tools would be really helpful.”

The failure of HNWPs to seek out information means that, even where information exists, HNWPs might not access it. This failure can

lead to inefficiencies in the philanthropic sector, including philanthropists starting new non-profits when perfectly good vehicles for their giving already exist and/or philanthropists making funding decisions based only on information they glean from their social capital, which may or may not be sufficient.

4. HNWP Participants Are Ambivalent and/or Confused About Impact Information and the Utility of Evaluation

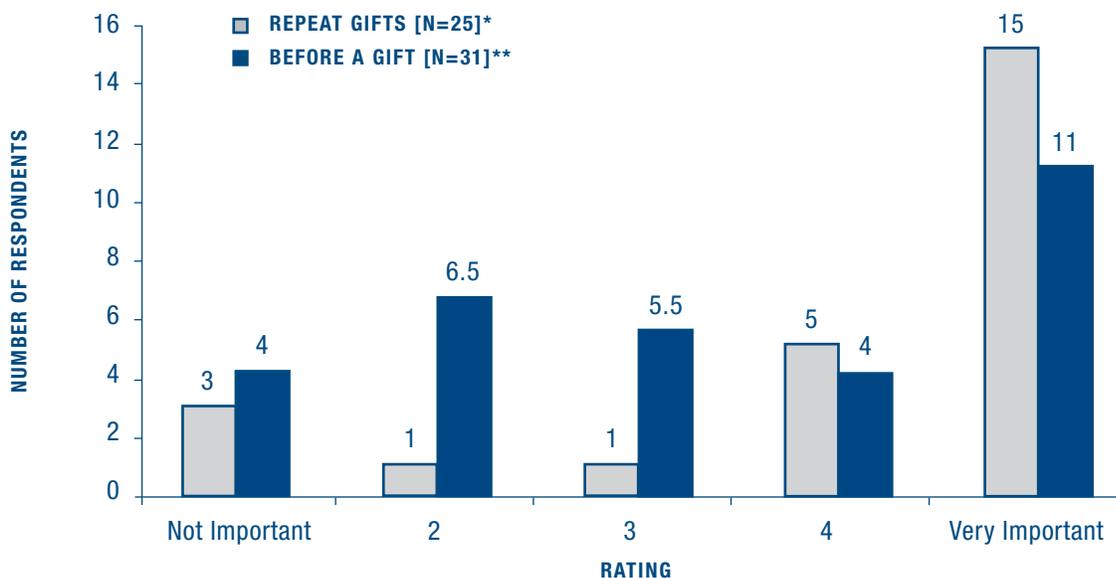
HNWP participants rated the importance of impact data as very high, yet it seems they have a difficult time identifying and tracking outcomes and encounter some of the role confusion discussed above. In our interviews, we asked participants to describe the outcomes they seek in discretionary giving. Participants found it easy to describe the impact of gifts that supported discrete products, such as the development of a computer lab or library or the funding of a scholarship. Several admitted that they intentionally give to projects that are time-limited and highly tangible so

the impacts of their gifts are easy to observe. Outcomes were harder to talk about for less concrete gifts, such as giving to an afterschool program or supporting an international women’s economic development project. As HNWP participants observed:

“Now can I prove that all happened? No.”

“There should be better ways to measure success and track performance than [those] we’re currently [using].”

How important is impact data for gifts?



*Eight HNWPs were not asked or did not answer this question.

** Two HNWPs were not asked or did not answer this question.

This difficulty did not appear to result from participants' lack of knowledge of what making a difference means in the areas where they give, such as decreasing the number of high school dropouts or increasing the earning capacity of low-income women in developing countries. Rather, the difficulty seemed connected to some ambivalence or confusion on their part about whether and how to obtain such information. Many told us they did not want to burden non-profits with additional feedback requirements, nor did they want to appear to be high-maintenance donors or imply a lack of trust or commitment by asking about outcomes.

"I said this from the get-go, 'We are not going to have an onerous process or else I want no part of it. You can't ask a small organization to reinvent the wheel for these [donations], it's ridiculous."

"We're not like some of the foundations and the government where they give you a little bit of money and they expect you to turn out all of these results."

"But I wouldn't ask them to have any sort of outside assessments done because outside assessments can cripple organizations and cripple them for time, resources and money."

The question of outcomes prompted some participants to reiterate their decision criteria. Thus, where their involvement with an organization was a prerequisite for making a gift (which it was for many HNWP participants), any sense that outcomes were being met was based on their involvement.

"... 80% of the organizations to which I give are organizations I also have a time commitment in. The result: I'm sort of getting an inside look on the monitoring."

"We build a relationship with somebody in that organization who we know has been successful rather than it being a lot of empirical data."

"Just because I am involved with them, I'm aware of what they are doing, so it's not as though they need to send me a report."

HNWP participants were similarly ambivalent about the role of evaluation in their philanthropy. Many held rather narrow views of what "evaluation" means and had a negative opinion of its value. Some did not see the importance of any kind of formal evaluation process.

"... I would say that, if a philanthropist is giving a gift, they ought to know more about what they're doing before they do it, rather than stirring the pot once the gift has been given... So I don't know why a philanthropist would want to go ahead with an evaluation of a gift; that just doesn't seem right to me."

"... we only have so much money to give away...we know what we want to do. Having been burnt and having done great programs, I think we pretty much know what we're looking for."

"I don't need hard numbers. I just need to see, 'Oh, here's how this will impact this group, and here's how it would be different without this funding.'"

"It's not as quantitative as you guys might do it or as we might do it for an ad campaign. And that's mainly driven by the fact that I know pretty well most of the places [to which] we're donating."

Others seemed to be put off by their prior experience with evaluations:

"... many times when the evaluations come back, you can't read them anyway."

"[An] evaluation should be an executive summary. Yes, you need some numbers and data, but many of the evaluations... are endless."

"So whenever I think about evaluations, maybe people don't want to answer it, but [I want to know] what is the problem you're trying to solve? And if you get really, really clear on what that problem is that you're trying to solve and [how] evaluation will help you solve it, that's great. But I would guess nine out of ten times, it's not that. It's so many things the executive director isn't doing well, and so they're going to do a big evaluation of them so they have an excuse to get rid of the executive director."

Despite tepid feelings about evaluation, most told us they would consider funding evaluation, if asked, and acknowledged they were rarely asked to do so.

"... we would fund a tracking of it... it probably wouldn't be like a third-party evaluation... [but] there would definitely be funds to track performance indicators..."

"I might be in favor of funding a third party doing an evaluation of them."

"I don't think we've funded the thing in a meaningful enough way where we're sort of singularly responsible, [where] that type of monitoring is necessary. Are we probably going to do that in the future? Yes, it's just that we have done very little programmatic funding. I think if we are funding a very specific project, we would want those accountabilities."

KEY IMPLICATIONS OF WHAT PHILANTHROPISTS SAID

Our interviews (described in detail in the previous section) found that HNWPs use a diverse and evolving set of practices, including a predominant reliance on peers for information and a narrow and negative view of evaluation.

Yet almost all of the HNWPs we interviewed told us they practiced philanthropy (or “donated funds”) because they wanted to make a difference in the issues important to them. Because anonymous investigation of potential nonprofit targets is often impossible and impact information is rarely easily accessible, philanthropists who care about the impact of their giving often run into an informational wall.

In this final section of the report, we share some of the implications that we took away from what we heard from HNWPs.

Evolving Practices

Overall, the study found that the practices of HNWP participants evolve over time. HNWP participants change both how they make decisions and the roles they play in the philanthropic community. The most common trajectory is a transition from early hands-off donations to more focused giving.⁵ Increased focus is most typically associated with greater involvement in an organization. Generally speaking, the evolution of an HNWP participant’s practices corresponds with an increase in experience with philanthropy, size of donations, and/or available time.

Given the evolving nature of HNWP practices, tools, resources, and expectations may need to be matched to a philanthropist’s current life cycle phase. For example, a 45-year-old CEO with school-age children may have the requisite financial capacity and good intentions, but not enough time or focus. Unless nonprofits and philanthropic advisors can help them make good decisions

more efficiently, philanthropists might donate less capital than they have the financial capacity or desire to give.

Ambivalence and/or Discomfort with the Label “Philanthropist”

Nearly one-third of the HNWPs interviewed reported that they do not think of themselves as “philanthropists,” despite giving an average of almost \$1 million annually. Given the high number of HNWP participants who did not consider themselves philanthropists, marketing to “philanthropists” may miss a significant number of current and potential HNWP givers. Nonprofits and philanthropic support organizations may need to reconsider the vocabulary they use or better define what they mean by “philanthropist” (e.g., anyone who gives financial support to a nonprofit). They may also need to use alternative labels with which HNWPs are more comfortable (e.g., community volunteer, community supporter, and so forth).

Reluctance to Request Information from Nonprofits

The ambivalence of HNWPs extends to their role with respect to information and impact. Many HNWP participants expressed a reluctance to investigate the effectiveness of potential recipients for fear of inviting unwanted solicitations or raising expectations of a future gift. Those already involved with particular nonprofits told us they did not want to burden organizations with information requests, appear to be “high-maintenance” donors, or imply a lack of trust by inquiring about outcomes.

⁵ According to a study done by The Philanthropic Initiative (TPI), donors use different sources of information as they evolve in their philanthropic practices. The Philanthropic Initiative. (2000). *What’s a donor to do?: The state of donor resources in America today*. Retrieved on August 8, 2008 from http://www.tpi.org/downloads/pdfs/research-whats_donor_to_do.pdf

Given this reluctance, potentially useful information from nonprofits often goes untapped.

In the absence of information from other sources, however, giving decisions can be significant gambles for philanthropists. Both nonprofits and HNWPs can take steps to overcome the reluctance of HNWPs to make the most of the knowledge and experience of potential nonprofit targets. HNWPs can treat initial interactions with nonprofits as transactional, making it explicit that they are in an interview phase and offering a modest donation to nonprofits that make an interview short list (e.g., \$1,000) as a way of thanking them for their time. Nonprofits can add HNWPs to a list only after seeking express permission and/or consider ways to ensure the anonymity of informational requests.

Primacy of Social Capital and Personal Perception as Sources of Information

Given the aforementioned reluctance to request information from nonprofits, it is not surprising that HNWP participants rely primarily on social capital – personal and professional networks – to inform philanthropic decisions. Furthermore, HNWP participants do not use the myriad academic, nonprofit, and philanthropic giving resources, citing various reasons, including unawareness of the existence of such resources, lack of time, and a preference that philanthropic activities not feel like “work.” In the absence of hard data about nonprofit activities, HNWPs rely heavily on their own involvement with organizations to make both initial and repeat giving decisions.

Given their reliance on personal networks and concerns about shopping around for fear of raising expectations about future gifts, HNWPs who care about impact must recognize the limited information and perspectives they are using to make decisions. In the absence of information from other sources, initial giving decisions can be significant gambles. To mitigate these risks, HNWPs need to find alternative sources of impact information. Entities that create resources and tools for philanthropists, including the Center for High Impact Philanthropy, should be aware that these resources may not be accessed by the majority of

HNWPs and consider new ways of packaging and distributing information so HNWPs can readily access and use it in giving decisions.

A Negative and Narrow View of Evaluation, Yet Willing to Consider Supporting It

HNWP participants had a narrow view of what “evaluation” means and expressed a negative opinion of the value it would bring to projects they support. Some thought that evaluation would be too expensive given the level of their giving, while others felt evaluation might be warranted once the work they supported matured. Interestingly, most HNWP participants had never been asked to support evaluation work, and very few said they would automatically decline a request to support such efforts.

The current attitude of HNWPs to evaluation has potential implications for multiple stakeholders who care about social impact. If HNWPs’ attitudes stem from ignorance of evaluation methodologies, then educating them about the variety of monitoring and assessment options makes sense. Such education should outline the specific questions evaluation activities are designed to answer (e.g., “Are we making a difference?” “How could we improve?” and “What should we stop doing?”). However, if HNWPs and their nonprofit partners do not seek hard answers to these questions, they must accept the risk that their dollars are potentially ineffective or, worse, causing unintended harm.

Once Committed, Difficulty Exiting

Few HNWP participants indicated that they thought upfront about how and when they would exit a philanthropic relationship. As a result, many appeared to give to the same organizations each year, even when they had other priorities or indicated there was a reason to sever ties with an organization.

If HNWPs are unwilling to “break up” with organizations, which most say is too hard, those who care about impact need to invest upfront in due diligence and learn how to support organizations to track their progress and course-correct accordingly.



Appendix

The Center for High Impact Philanthropy

School of Social Policy & Practice | University of Pennsylvania

Exploring High Net-Worth Philanthropists' Giftmaking

September 2007

Objective of Study

introductory script for interviewer

The Center for High Impact Philanthropy was established in the spring of 2006 by alumni of the Wharton School who were frustrated by the difficulty in understanding the impact of their charitable gifts. The Center aims to provide information to help philanthropists in their charitable decision-making. Our work focuses on three areas: global health and development; urban education; and disadvantaged populations in the U.S.

We are currently conducting a research study exploring high net-worth philanthropists giftmaking. In the study, we are interviewing philanthropists to aid the Center in developing resources for more effective philanthropy. The interview questions seek to gain a better understanding of: (i) the criteria used by philanthropists in choosing and making gifts; (ii) the knowledge and resources currently used to support giving decisions (what is available now and what would be helpful in the future); (iii) the outcomes philanthropists seek when making gifts; and (iv) the roles philanthropists play in the sectors in which they give.

Your participation in this interview process is voluntary. All of the answers you provide during this interview will remain anonymous, and all results will be published in aggregate. Nothing you say will be attributed to you. You are free to decline to answer any questions we ask you for any reason or no reason. The interview should take about forty-five minutes. We are happy to provide you with a copy of the findings.

If it is all right by you, I'd like to record our conversation. If there's anything that you would like to say "off the record," just let me know and I'd be more than happy to turn off the recorder. Do you have any questions? May I turn on the tape recorder?

Decision Criteria in Choosing and Making Gifts:

We'd like to begin by learning a little about how and why you chose the areas in which you make gifts.

- Can you tell us the major areas in which you give? Why did you choose those areas (i.e., might also ask how they interpreted need in that area)? How do you usually find philanthropic opportunities in this area? For instance, do you start by identifying the issue or the NPO/NGO or program? Do you consider issues related to “value for money” in your giving? Why? Why not?
- Think about the gifts you haven't made (despite being asked). Would you tell us why you chose not to make the gift? Are there specific areas within the domains that you give, where you won't make gifts?
- Have you put any restrictions/conditions on your gifts (e.g., no gift if overhead /fundraising/ operating costs too high)?
- Has the area in which you contribute changed since you first started giving? Why?
- Have you ever considered or made investments in research, advocacy or organizational capacity building? Why? Why not?

On a scale of 1 to 5, 5 being very important and 1 being not important at all, how important is it for you to be able to touch/see/interact with the people and /or organizations you are giving to?

Knowledge and Resources

Next, we'd like to talk to you about how you currently obtain information related to your giving, and what kind of information would be most helpful to you.

- Where do you get information related to your giving? With whom do you talk to about your giving? Describe your relationship to them/it. (If they don't mention it, inquire specifically if they have a philanthropic advisor and/or use specific mechanism for giving?)

- At what point do you rely most heavily on networks/peers? For instance, are peers most helpful when identifying a grant targets or in shaping their expectations of results?
- Do you or your advisors use Charity Navigator or Guidestar? Why?
- From where we sit, there are a tremendous number of events, listserves and research and policy organizations publishing information about both philanthropy and the areas in which you give. Do you receive any of this? Do you review it? Which events do you attend?
- What information do you wish you had but can't seem to get? How would you prefer to get it (prompts: e-news, peer convenings, expert convenings)?
- Is there any type of information that would make you think about reallocating or redirecting your philanthropy – i.e., give to a new entity or give much more to an existing recipient?

Using the same scale, how important is it for you to know someone (on board/from peer group) that recommends the issue/organization you are giving to?

Outcomes

Next, we'd like to talk with you about social impact and how you determine whether your gifts are making a difference.

- Tell us about a recent gift in urban education (note: choose whichever area they gave the most to per earlier question). Think of a large charitable gift you have recently made. Would you walk us through your thought process e.g., what were you hoping to achieve? What outcomes did you track? How did you know the gift made a difference? [If answer is no, could ask them to answer questions in the hypothetical. Also, ask if this is their typical approach to impact/outcomes]
- Do you require your grantees to provide “feedback” or any sort of evaluation of the work in exchange for your grant? What do you require?

- When do you expect to see results from a gift you make?
- Are there any repeat gifts you decided against because of outcome information?
- Have you ever funded an evaluation of your gift or a program that your gift supported? Why or why not? If no, would you consider making a gift in this area?

Using the same scale, how important is impact data to you before you make a gift? What about to make a repeat gift?

Role as Philanthropist

Philanthropists come in different forms. One role of philanthropists (perhaps the most basic role) is to donate money, but many philanthropists play a host of other roles in the sectors in which they give. We want to talk with you about yours).

- How would you characterize your role (prompt: if need be, make clear that this is asking about other than role of check writer)?
- Do you want this role to change in any way? Why or why not? If yes, how? Do you see opportunities to make that happen?

Using the same scale, how important is it to you and your giving that you have a role beyond that of check writer?

Demographic Questions

We'd like to conclude by asking you a few demographic questions which, like all information we are collecting, will remain anonymous and only be published in aggregate.

- What year were you born?
- Where do you live?
- For how long have you considered yourself a philanthropist?
- What percent of your working time do you currently devote to philanthropy?
- What percent of your annual giving would you describe as obligatory (i.e., connected to alma mater, religious institution, community quid pro quo, etc)?
- Which best describes the source of funds you use for your philanthropy? Business income, inherited funds, investment income, a mixture (which ones?).
- How much money do you donate annually?

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