Social Entrepreneurism: Fascinating Nuance or Fundamental Shift?

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By Gary J. Hubbell

Framing the Question

Milestones are opportunities for reflection. This year (2010) marks my 30th year in service to the social sector, most notably in and around philanthropy. During those three decades, I have witnessed some interesting dimensions of philanthropy. Concurrently, the study of and teaching of philanthropy has evolved from a craft to become a true profession. The body of literature on all aspects of the topic is growing daily.

Both encouraged and overwhelmed by this reality, I find myself increasingly fascinated by the rise of social entrepreneurism in recent years. Is it really a rise in recent years or have I only become aware of it in recent years? As I work to answer that question, other questions emerge. What is driving the rise of social entrepreneurism? Is it because we're more technologically connected today, making the exchange of observations and ideas time and distance neutral? Is it because each new generational persona puts its indelible stamp on social customs and institutions? Is it because philanthropy as I've known it—should I call this "traditional" philanthropy, or is that only because it's familiar to me in my lived experience?—is being reshaped and improved because of weakness and ineffectiveness? Is it because world cultures are blending practices around philanthropy? If philanthropy is truly being reshaped, can we say today that there has been a fundamental and permanent alteration or is philanthropy merely being reinterpreted in interesting yet understandable ways?

One of the givens in my thinking is that we are hardwired to be charitable (philanthropic, selfless, or whatever similar word works for you). Therefore, this is not an exploration of whether people will give, but those things that shape the way they express their giving impulse. There is a constant across all those who give. That is the desire to have impact, the desire to bring into being a better reality for others. Just as there are early adopters, mid-adopters, and late adopters of new technology, the same is true for how people employ new behaviors around philanthropy.

Caught in the Buzzword Blender

Before I get too far down the path of exploring the rise and impact of this purportedly new approach to giving, let me first acknowledge the confusing glossary around the term. It seems that each generation of practitioners and observers seeks to interpret and label what is happening around them. Some historians shed interesting light on the many faces of philanthropy through time. Someday, my historical interests and knowledge tapeworm will draw me to have read enough to feel much better versed on the evolution of this individual and social phenomenon.[1] Then, I'll be better prepared to explore the likely debate that there is really nothing new in philanthropy today—merely new terms to describe longstanding motivations, actions, and intents. Let it suffice for this essay to suggest that contemporary observations about a perceived nuance about philanthropy are multiplying at a rapid rate to infer there may be something worth watching in all of this.

In this context, we see the rise of the social entrepreneur. Other terms have been introduced for individuals with similar ideals, including "venture philanthropists," "impact philanthropists," "socially conscious philanthropists," "creative capitalists" (Bill Gates), "strategic philanthropists" (Peter Frumkin), "philanthrocapitalists" (Matthew Bishop and Michael Green), philanthropreneurs (Jim Hodge[2]), "celanthropists" (movie and rock stars to leverage their celebrity for philanthropic action [e.g., Bono], agent-animated philanthropists (Schervish, O'Herlihy, and Havens), high-engagement philanthropists (Katherine Fulton and Andrew Blau of the Monitor Group), and the list goes on. Definitions of each begin to take on a similar cast. At the core of these definitions is the understanding that individuals who are successful in business enterprises use their access and acumen—and business itself—to generate even more money for social change than "traditional" philanthropy is able to do. Today's blogosphere is witnessing what one observer called "death by definition." [3] Are these social entrepreneurs the early adopters of a new way of approaching the act of giving to bring about social change?

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[1] I have a few resources in hand that help with this exploration: Jon Van Til, *Growing Civil Society: From Nonprofit Sector to Third Space*, (Bloomington: Indiana University Press, 2000*);* Claire Gaudiani, *The Greater Good: How Philanthropy Drives the American Economy and Can Save Capitalism*, (New York: Henry Holt and Company, 2003); Lawrence J. Friedman and Mark D. McGarvie (editors), *Charity, Philanthropy, and Civility in American History*, (Cambridge University Press, 2003); and Walter W. Powell and Richard Steinberg (editors), *The Non-Profit Sector: A Research Handbook*, (New Haven: Yale University Press, 2006)—especially Part I: History and Scope of the Nonprofit Sector.

[2] I am uncertain of the origin of this term, but I attribute it to James M. Hodge of the Mayo Foundation. Bishop and Green also use the term in their book, *Philanthrocapitalism: How the Rich Can Save the World*, 2008, page 6.

[3] Rod Schwartz, blog: Death by Definitions in Social Enterprise Land (February 2010), http://www.socialedge.org/discussions/social-entrepreneurship/death-by-definitions?utm_source=Social+Edge+Newsletter&utm_campaign=e2bc23c21f-Newsletter_Death_by_Definitions2_9_2010&utm_medium=email

Merely Nuances…or Signals of a New Era Dawning?

The human condition seems rife with paradoxes. One that seems particularly fascinating is the coexistence of the opposing forces of a resistance to change and the constant belief in or search for a better way to do things. That paradox seems alive and well in the practice of philanthropy. I believe that philanthropy is a catalyst for change. One of the reasons why I am so fascinated by philanthropy (especially in western cultures) is that it has always been a reflection of *staunch individualism* and it is an *effective catalyst for the greater good*. That's why I'm so drawn to the concept of social entrepreneurialism, as it embodies both these elements. The more I study the rise of these characteristics the more I am willing to embrace the argument that social entrepreneurism is neither a passing fad nor a simple reinterpretation of "traditional" philanthropy. There are three primary and closely connected forces that foster and reinforce the adoption of social entrepreneurism as a lasting shift in the face and practice of philanthropy. Those forces are: 1) ubiquitous technology-driven information, 2) the application of business tools to achieve greater impact, and 3) the emerging dominance of the Millennial generation personality. Let's explore each of these in brief.

Ubiquitous Technology-Driven Information

Just as digital [information] technology has impacted and will impact many aspects of society, it will continue to accelerate and amplify the impact on philanthropy. After many, many decades of relative continuity to its basic industry business model, the music, publishing, financial services, and newsgathering industries—to name a few—have undergone significant change as a result of technology's integration and adoption. Bernholz, Skloot, and Varela observe the sweeping nature of these changes. "The ready availability of information—now accessible via mobile devices carried everywhere—also shifts the behaviors, including the sense of speed and response time, and expectations of individual and communities." [4]

> "The functional changes that digital data facilitate—new competitors, higher-level information analysis, remixing of data, and new information dynamics—constitute a set of forces that are reshaping whole industries, governments, and communities. They do so for several reasons: they lower the costs of participation, they shift the boundaries of expertise from within organizations to outside them, and they give everyone the tools of both production and consumption. They expand accessibility and individuals' sense of empowerment."[5]

Consider the implications of visionary undertakings like those of Google, who is working to digitize and make searchable all existing written works. The ubiquitous availability of data is making it possible for *any* motivated individual to study an issue, analyze the information, and

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[4] Lucy Bernholz with Edward Skloot and Barry Varela, *Disrupting Philanthropy: Technology and the Future of the Social Sector*, *Draft v 2.0*, November 2009, page 10. Downloaded December 2, 2009 from: http://philanthropy.blogspot.com/2009/12/disrupting-philanthropy.html

[5] Ibid, p. 11.

take self-directed action seeking impact. What once required organizations now can be done in data rich environments of temporary networks of individuals—sometimes spontaneous—and often dispersed and broad based.[6]

Bernholz, et al., shares the story of Michael Milken and his decision to focus his funding on strategies for translating basic research into medical therapies. He has long been interested in prostate cancer research, yet frustrated by his observation that medical research was often siloed, inefficient and—sadly because of established funding patterns—counterproductive . So he launched FasterCures and FasterCures Philanthropy Advisory Service, with the intent to grow the impact of his own funding and to attract funding from others with like interests. Bernholz believes the center of these efforts will result in fundamental changes in the way medical research institutions develop and share knowledge and how funders will do the same.[7]

Jim Hodge reports a parallel experience in his work with the Mayo Foundation and Mayo Clinic, one of the world's most renowned medical institutions. With his guidance, Mayo created a discovery and translation fund—acting like a social venture capital fund—to accelerate 7th inning research with bedside application. As in Milken's case, their efforts intend to produce faster cures by reducing from the past accepted standard of research requiring 14-17 years to develop new ideas that ultimately got to the bedside. With an initial infusion of $25 million from entrepreneurial donors, Mayo is now working to be more flexible and more patient-focused—taking an already high standard even higher.[8]

The more we learn about this kind of entrepreneurial initiative, the more we recognize the potential to leverage this model in other disciplines. Through FasterCures, Milken seeks to conduct in-depth analysis of disease research so thoroughly that it has value to donors and social investors. Through the Philanthropy Advisory Service, he seeks to "build a set of research and tools that will inform [donors'] giving at a much lower cost than if each donor had to do the due diligence himself…and build a shared resource in which more funds can go to the search for cures and less will be spent on the overhead of investor/grantor due diligence."[9]

In a recent conversation with Hodge, he echoed Bernholz, expressing his belief that we may be witnessing a true change in philanthropy, led by entrepreneurs. He observes that money was traditionally used to buy power and prestige. Now, big money seeks to buy *purpose*. He maintains that the entrepreneur has changed the dialogue about what it means to live a meaningful life with abundance. "We are witnessing the transformation of money into meaning. The primary passion of the entrepreneur is the key ingredient to their approach to social change. These people want their full senses and capabilities engaged. They want to invest in change writ large. They are looking for catalytic philanthropy. They are the contagious

[6] Ibid, p. 42.
[7] Ibid, p. 20.
[8] James M. Hodge, Associate Chair, Principal Gifts, Mayo Foundation. Personal conversation on February 17, 2010.
[9] Bernholz, Skloot, and Varela, p. 21.

exemplars for others. The 'genie is out of the bottle' [i.e., the idea of deep entrepreneurial engagement] and it won't go back to the way it was."[10]

Information is fuel to entrepreneurial creativity and advances in digital technology are making information much more immediately available. Not only will these advances shift the way individuals act philanthropically, they will change how people connect and volunteer, the role of and relationships with organizations. "A technology or practice must be widely adopted, and broadly transformative of individuals' expectations, before we can expect to see it making a real impact across philanthropic enterprises."[11] Among the rapidly growing and more widely accepted dimensions of technology in the philanthropy world are the following:[12]

- Linked databases and cloud-based sharing of vast file cabinets of research and grantmaking experiences.
- Nonprofitmapping.org, a volunteer-led national effort, managed remotely with free software, demonstrating how virtual teams without an organizational home or permanent institutional affiliation can work together to solve big problems.
- Social investors using a data-driven portfolio approach become peer networks of donors and social investors. "Consortia of active donors may begin to thrive, especially for place-based or thematic endeavors." Part of the change taking place hits many of us close to home. Bernholz, Skloot, and Varela conclude that "[a]s peers find peers, and peer networks find data, the role of the professional changes." Taking this same question to Hodge at Mayo, I asked him how his increased work with "philanthropreneurs" is changing his work with administrators and top physicians, both groups for whom the desire for control is a recognized characteristic. Describing this as the "delicious burden" of being the go-between, Hodge has come to see his development role shift to that of an agent of organizational change.
- "[P]eer-supported, data-informed, passion-activated, and technology-enabled networks may just represent a whole new structural form in philanthropy." The top-down, highly centralized, financial supporter and knowledge provider of the Carnegie/Rockefeller era (whose foundations are nearing their centennial anniversaries) may give way to "the dawn of a new complementary form of giving that is more informed, more aware of complex systems, more collaborative, and ultimately more effective."
- Bernholz, et al. refer to the "next frontier" as the blending of donations with investments by those at more of the grassroots investor level—well below the headline generating actions of the mega-rich philanthrocapitalists. Projects like **Kickstarter** and NeXii[13] offer

[10] Personal conversation with James M. Hodge, February 17, 2010.
[11] Disrupting Philanthropy, p. 40.
[12] Drawn from Disrupting Philanthropy.
[13] **NeXii** is an electronic transactions and communications platform for the social and environmental capital markets. The nexus for impact investing – NeXii is designed to make social and environmental impact investment easier, more effective and more personal by providing a regulated electronic transactions platform, associated information,

mixed opportunities to provide funds classified as investments, gifts, and/or loans. These information platforms are designed to meet the needs of everyday investors interested in the social good.

We may not be able to judge fully the true impact of all this technology-driven change until having the luxury of a perspective born of decades of distance. I look to leading students of technology's impact on philanthropy—like Bernholz—for signals of change on the horizon. She notes four new possibilities for the future: 1) data as platforms for organizational and social change; 2) new business models to support social good; 3) new models of governance, from centralized to porous; and 4) new tensions between market-based and non-market solutions.[14] I am sufficiently persuaded that technology's role in propelling change in philanthropy will prove to be significant.

Applying Business Tools for Greater Impact

Clearly, success in business is no prerequisite for having the wherewithal to make huge philanthropic gifts. It is, however, a frequent and highly visible source of some of the world's greatest stories of philanthropy. While some might protest the migration of philanthropy and the social sector toward business-like practices, I believe it is inevitable. While business is no panacea—as has been recently reinforced through the hard lessons of the Great Recession of 2008-2009 where automobile companies, financial institutions, and the housing industries all but collapsed—its practitioners are often the people making big gifts and looking for big impact. It is no surprise that they apply business principles to philanthropy in an attempt to solve some of society's most intractable problems.

One of America's most notable business people and philanthropists, Andrew Carnegie, observed in 1889 that "one of the serious obstacles to the improvement of our race is indiscriminate charity."[15] A recent and provocative author, Stephen Goldberg, believes little has changed since then, noting that donated funds are flooding into the social sector with virtually no intelligent means of making informed choices among a bewildering array of seemingly equally worthy recipients."[16] Even Michael Porter, Harvard business professor and highly recognized business strategist, says "philanthropy is decades behind business in applying rigorous thinking to the use of money.[17]

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communications services, data analytics and portfolio management tools that facilitate private impact capital transactions. The platform is scheduled for launch in New York City and Capetown, South Africa in Spring 2010.

[14] Bernholz, Skloot, and Varela, p. 42.

[15] As noted in Stephen H. Goldberg, *Billions of Drops in Millions of Buckets: Why Philanthropy Doesn't Advance Social Progress*, 2009. John Wiley & Sons, Inc.: Hoboken, p. 231.

[16] Ibid.

[17] Matthew Bishop, "The Business of Giving," *The Economist*, 25 Feb. 2006, reprinted in Venture Philanthropy Partners, "The Business of Giving: A Survey of Wealth and Philanthropy," http://venturephilanthropypartners.org/globals/press/Economist_Survey_March2006.pdf.

Goldberg believes that real impact—or what he calls transformative social impact—is unlikely to happen without the application of a new strategy and new mechanisms that allow social solutions to be rapidly taken to much larger scale. To achieve the kind of transformation he envisions—"substantially and permanently reducing structural barriers to educational and economic opportunity to enable poor and low-income people to become self-sufficient"—he is most concerned about structural barriers to producing that impact.

> "The achievement of lasting and decisive social changes will require nonprofits to conduct much bigger field experiments than they normally undertake. NPOs will have to align themselves, both vertically and horizontally, with complementary organizations, as well as with business and governmental organizations, to see if they can deliver results on a much larger playing field with many more clients. Doing this will require significantly larger and more capable staffs, management teams, support systems, and infrastructures, all of which will require substantially more money and organizational horsepower than mid-caps [nonprofits with revenue between $10 - $100 million] handle today….I think we need to consider what levels of funding would be needed to serve at least 5 to 10% of the total population in need, rather than the less than 1 to 2% that even excellent social enterprises are reaching today. Until such organizations can increase their impact by five or ten times, I don't think we can say that we're on the path to transformative impact. That translates into annual budgets in the very pricey neighborhood of $100 million or so."[18]

Supporting the assertion that technology will make information available in unprecedented ways and, therefore, may significantly change philanthropy, Goldberg believes that more funding will come to those performance-based effective nonprofits and less will come to those less effective. What needs to be put in place, he submits, is a mechanism in the market that connects the supply of and demand for third-stage funding. Notwithstanding the staggering failures in the stock market in 2008, Goldberg maintains "market-driven intermediation remains the most promising toolset for performance-based philanthropy. By harnessing the 'wisdom of crowds' to gather the most basic intelligence about relative nonprofit performance, the virtual nonprofit stock market I propose—the 'Impact Index' or 'IMPEX'—could produce essential information that is now wholly unavailable to social investors….[P]erformance-based philanthropy could magnify the impact of tens of billions of donated dollars."[19]

Goldberg does not suggest the death of "traditional" philanthropy and social sector organizations with revenues less than $10 million. He describes first-stage funding as the informal start for many nonprofits, generating hundreds and thousands of dollars from friends, family, and local community groups. Once progressing to second-stage funding, nonprofits begin to realize gifts of five-, six-, and seven-figure gifts and grants by individuals, foundations,

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[18] Goldberg, pp. 19-20.
[19] Ibid, pp. xx-xxi.

institutions, and venture philanthropists. These smaller nonprofits have always been the most numerous.

However, one can begin to imagine a significantly altered social sector landscape if his IMPEX were to take hold. Driven by the constant search for innovation and impact, social entrepreneurs would take the larger and highly effective "mid-cap" organizations to scale, achieving what he calls third-stage funding, which exhibits these characteristics: "(1) long-term six- and seven-figure grants pooled from multiple sources; (2) coordinated to support integrated projects; (3) to be undertaken by one or more successful mid-cap NPOs; (4) for the purpose of attacking $100 million problems."[20]

If more nonprofits are to escape the current inefficiency in the capital markets, Goldberg argues that they'll have to overcome two central problems: 1) the fragmentation problem ("in which well-intentioned philanthropy is dispersed too widely and spread too thin to do much good"); and 2) the "burden of fundraising" (which he describes as a "crippling distraction" from mission-related activities because it is "too hard, expensive, and time-consuming").[21] He leaves little doubt about the starkly different nonprofit landscape in the world he proposes when he concludes, "Nonprofits that can't prove they know how to continuously account for the use of and results gained from third-stage funding will never get any."[22]

Goldberg argues that the first essential building block toward transformative social impact is more sizeable nonprofits having a growth plan. The second is overcoming fragmentation in philanthropy, which he believes is the product of capital accounting. "The absence of capital accounting helps explain why fragmentation occurs: funders don't know if nonprofits can put larger and longer grants to good use because potential grantees can't demonstrate competent financial control." He concludes, "By recognizing growth capital as a separate and distinct source of funding, one that won't be raided whenever the nonprofit runs short of cash for ongoing operations, social entrepreneurs could break the glass ceiling that's preventing exponential growth."[23]

If this type of fundamental shift actually happens on a broad scale, we will witness the migration of loyalty-based fundraising to merit-based fundraising. For Goldberg, this is not just theory and supposition. He believes that social innovation must be at the very heart of a renewed or extended American Dream. Those innovations can be either sustaining or disruptive, noting that "[d]isruptive innovation is exactly where social entrepreneurs excel."[24] If the really big impact is happening among third-stage funders and social sector organization stars, all other nonprofits will be left to pursue comparatively smaller (but not unimportant)

[20] Ibid, pp. 26-27.
[21] Ibid, p. 125, p. 30.
[22] Ibid, p. 181.
[23] Ibid, p. 185.
[24] Ibid, p. 102.

initiatives, largely in silos, hoping to engage a loyal following of donors for whom the gravitational pull of greater impact will relentlessly beckon.

So, I have described the first two legs of the stool of my argument about a fundamental shift happening in philanthropy. Let us explore the third leg—the Millennial generation.

The Rising Millennial Generational

It has long been observed that Boomers have changed everything they've encountered. While we won't know for decades what, if any, lasting impact this generation has had on philanthropy, it is clear that they've opened new doors in the practice of philanthropy.

If first wave Boomers have largely—but not exclusively[25]—been the innovators of social entrepreneurism, first wave Millennials may be the generational cohort to take this idea into the mainstream. In a 2009 essay,[26] I made the case for differences in the generational personalities, concluding that the Millennial generation in their rising adulthood years—especially in the western democracies—would exert real leadership in philanthropy.

I see this generation, the oldest of whom are roughly 27 years old in 2010, as being technology adept, solution oriented, and naturally networked and collaborative. In the hands of this generation, pervasive technology-driven information (leg one of my stool), and the advent of a new business application of a market mechanism to scale social solutions (leg two of my stool), will help propel a fundamental and permanent shift in philanthropy.

Evidence of this get-it-done Millennial mindset is found in a story of three socially conscious entrepreneurial Millennials who took a unique approach to capitalizing their young nonprofit organizations. Kjerstin Erickson, Saul Garlick, and Jon Gosier separately lead three social ventures--FORGE, ThinkImpact, and Appfrica, respectively. They sought large upfront investments. Additionally, they wanted a way to leverage personal integrity and future prospects in exchange for wisdom and guidance for learning, growth, and success. Their solution? They offered 3% equity positions *in their life's earnings* for an upfront infusion of cash to help them catalyze their social ventures to sustainability and scale. They believe they are true entrepreneurs and, while they may be working in the nonprofit space now, they will likely follow the path of many/most entrepreneurs who never stop at their first enterprise. They each believe they will found other organizations, some of which they believe will be for-profit.[27]

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[25] Consider that Muhammad Yunos is a late wave Silent, born in 1940, as is Carlos Slim. George Soros is a mid-wave Silent, born in 1930. Obviously, many other examples apply before and after these generations.
[26] See *Prophecy of Millennial Philanthropy*, in In Search of New Meaning: Philanthropy, Community, and Society (2009), edited by Gary J. Hubbell.
[27] Invest in Me, Take My Equity, blog hosted by Saul Garlick, January 12, 2010, http://www.socialedge.org/discussions/funding/invest-in-me-take-my-equity?utm_source=Social+Edge+Newsletter&utm_campaign=5bc5e070e2-Newsletter_Take_my_Equity1_12_2010&utm_medium=email

This story reflects both the creativity and impatience of this generation. These philanthrocapitalists and social entrepreneurs are less likely to feel like the big traditional charity organizations are willing and suitable partners for their interests and desired impact. Therefore, they take an “end-around” approach, often working directly with the recipients or working with smaller, nimble, or start-up organizations where they have more voice. Consider the rapid growth of Kiva (www.kiva.org) as a way of connecting people through lending to alleviate poverty. The speed, direction, and control are squarely in the hands of the entrepreneurial donor rather than the big organization. Technology provides both the information and the mechanism to act philanthropically. Impact is assured.

As noted in *Prophecy*, “[t]his is a generation very intentional about making a difference and building community. Steeped in solid values, the Millennials will bring the same solution orientation to philanthropy that they have brought (and will continue to bring) to every other aspect of their lives.”[28] This generation may not have invented social venture philanthropy, but they will be the ones to take it to scale. This type of thinking and practice on the part of those who seek—and those who seek to make—social investments will increasingly permeate professional literature, social networking media, professional practice and, ultimately, widespread behavior.

It is hard to deny that the unique intersection of these three forces (ubiquitous information and digital technology, the bold application of business tools like IMPEX, and the emerging leadership of the Millennials) is a fascinating coalescence. But do these forces coalesce to create a fundamental and permanent shift in the way we think about and practice philanthropy in western democratic capitalist cultures or are these impulses and nuances really new after all?

Rich Lessons from a Long Past of Philanthropy

Schooled as a historian, I am usually skeptical about sweeping pronouncements of seismic shifts in culture and practice. While intrigued by my hypothesis, I find great value in holding the idea to the lens of historical interpretation. Helpful in this regard is the recent work of Payton and Moody.[29]

“Philanthropic action,” say Payton and Moody, “is expressed in ways that are patterned by culture and history.”[30] As such, one infers that real change occurs slowly. In this context, the

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[28] Gary J. Hubbell, *Prophecy of Millennial Philanthropy*, pp. 15-16.
[29] Robert L. Payton and Michael P. Moody, *Understanding Philanthropy: Its Meaning and Mission.* (Bloomington: Indiana University Press, 2008). Payton is Professor Emeritus of Philanthropic Studies and was formerly director of the Center on Philanthropy at Indiana University. His long career included service as president of the Exxon Educational Foundation, president of Hofstra University and of C.W. Post College. He has lectured and published widely about philanthropy and is author of *Philanthropy: Voluntary Action for the Public Good*. Michael Moody is Assistant Professor in the School of Policy, Planning, and Development at the University of Southern California. He is a cultural sociologist whose work focuses on the theory and practice of philanthropy, and on the analysis of advocacy professionals, political culture, and public policy debates such as those around environment issues.
[30] Ibid, p. 63.

authors argue that philanthrocapitalism is not likely to make sweeping, radical changes to what is known as more traditional, organized, formalized philanthropy. They contend that the framework of philanthropy that is still with us had been established by the end of the ancient world; however they caution that challenges brought by these new innovations should not be dismissed. These challenges and the criticisms driving them are legitimate. Attempts to resolve them are beneficial to social sector organizations and, ultimately, to those being served by those organizations. Decades from now, perhaps, we will better be able to see the extent to which social entrepreneurism has shaped and impacted philanthropy.

These innovations stem from a familiar desire to serve the public good. Social entrepreneurship is another example of the products of creative imaginations, as we saw in the Millennial "me as equity" idea above. Payton and Moody list many earlier innovations as examples of the broad arc of philanthropy, including:

- American barn-raisings as mutual aid with a touch of charity;
- Benjamin Franklin's founding of the Junto Club for political discussions;
- Ralph Nader founding consumer watchdog groups;
- The invention of the general purpose endowed philanthropic foundation and, later, the community foundation;
- The creation of the tax deduction to encourage charitable giving;
- The development of the "community chest" idea that became the United Way;
- The design of the tools used in the business of fundraising—capital campaigns, charity balls, cause-related marketing, planned giving, etc.;
- The ingenious grassroots programs being developed by "social entrepreneurs" around the globe.[31]

These historical examples of philanthropy are part of what Payton and Moody call society's social history of the moral imagination. As such, all these innovations are simply expressions of that ever evolving moral imagination. They note that scholars have previously offered the "failure argument" behind philanthropy and the social sector. This theory suggests that the "failure" of government and the private sector to solve social problems brought about the third sector, fueled by philanthropy.[32] Similarly, one might interpret the doctrine of meliorism—described as the pragmatic philosophy of philanthropy between optimism and pessimism, where the world can be made better through "rightly directed human effort"[33]—as the impetus behind social entrepreneurism. An outgrowth of the philosophy of pragmatism, its roots extend back 100 years, often associated with American pioneer of psychology and philosophy, William James. Surely the belief that things can be made better, arguably shared by meliorists of

[31] Ibid, p. 133.
[32] Ibid, p. 87.
[33] Ibid, p. 123.

old and social entrepreneurs of our day, suggests a common sharing of what Payton and Moody call “a bias toward hope, a disinclination to despair.”[34]

Likewise, the 19th century’s “scientific philanthropy” may be seen as an historic precedent to today’s social venture philanthropy. Proponents at the time—like Andrew Carnegie in the 1880s—“took the view that it was better to reform someone’s behavior than to permit that person to become dependent on others, and that it was better to prevent social problems than to try to alleviate them. As political and economic philosophy, scientific philanthropy assumed that requiring the poor to help themselves would reduce the need for public charity.”[35] The charity organization movement is another precursor, with its focus on helping “the deserving poor” help themselves. “Dime banks” and “penny banks” were created in order to foster the poor’s responsibility for saving—arguably serving as the forerunners of the microfinance movement driven by Grameen Bank (Mohammed Yunos), Kiva, and others. Finally, five principles of charity, published in 1895 by British charity organization movement leader Charles S. Loch, read as antecedents to today’s strategic giving.[36] “Perhaps what is new about the contemporary strategic philanthropy is their unprecedented advancement and extension of this historic emphasis.”[37]

Philanthropy—including social entrepreneurism or philanthrocapitalism—is often part of a blended response to a problem. Philanthrocapitalism is part philanthropy and part self-help mutual aid. As such, it complements other organized responses coming from the other two sectors—government and the private business. It is a catalyst to action—born of the desire to make the world better—that spurs action from the other sectors.[38]

Conclusion

So I conclude that what we are seeing in today’s social entrepreneurship is the unprecedented advancement and extension of this historic emphasis. Entrepreneurs, now as before, are seeking purpose. Social entrepreneurism—despite the new tools of technology-driven information, an emerging new market mechanism to scale effective solutions, and the rising adulthood and leadership of the Millennials—is not a departure from philanthropy. Reaching this conclusion neither negates nor diminishes the interest I have nor the importance I place on what seems to be an expanding practice of entrepreneurship applied to philanthropy. Maybe the economic disruption of 2008-2009 will prove to have been an eye-opener for us in many ways, namely that we are forced to reexamine previously unchallenged assumptions about how the social sector works, relationships between donors and doers, and the role of organizations in relation to the individual.

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[34] Ibid, p. 125.
[35] Ibid, p. 144.
[36] Ibid, p. 147.
[37] Ibid, p. 153.
[38] Ibid, p. 127.

In considering this essay topic, I set out to explore the possible reinterpretation of philanthropy into more of a business-like expression by entrepreneurs. Instead, I find (surprising myself) that the historic arc of philanthropy is as old as civilization itself and that religions and cultural contexts influence its expression, yet all countries, peoples, and faiths are more alike than different. Also, it provides perspective to see that recent innovations are mere *nuances*—driven by the core values of compassion and community—and *not* likely to fundamentally change the face of (western) philanthropy.

"The history of philanthropy is the story of humans exercising their moral imagination in particular historical contexts to bring forth 'good works.' In the same way, the future of philanthropy will be the social future of the moral imagination."[39]

[39] Ibid, p. 154.

About GHC Conversations

Annually, Gary Hubbell Consulting convenes and hosts a small hand-picked group of social sector professionals from throughout North America for three days of intense dialogue and critical thinking. We strive to create a thought-provoking, mind-opening, and stimulating conversation about philanthropy, organizational leadership, and the sector as a whole. This deep exploration of the nature and challenges of the philanthropic environment is intended to engage, inform, and inspire senior leaders to be catalysts for change in their own organizations and communities of influence. With each GHC Conversation, we seek to establish the seeds of a continuing and enriching network that nourishes us as individuals and helps each of us change how we converse, inspire, and seek new dimensions of philanthropy. This essay is one contributed for *Conversation 2010*.

Leadership Learnings Future of Philanthropy Organizational Effectiveness Leadership Learnings Future of Philanthropy Organizational Effectiveness

garyhubbell consulting

Conversation 2010

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Gary is a strategist, providing high-level consulting to social sector organizations and private companies in the areas of philanthropy, strategy development, and planning. He is passionate about partnering with leaders to transform organizations - applying his research and experience to help define and achieve goals.

A voracious reader and student of history, he is constantly looking to understand the driving forces that shape organizational choices and create openings for change. He seeks to know why people and organizations behave the way they do so their passions and energy can be channeled to reach their full potential.

With more than 30 years' professional experience, Gary has been counsel and coach to more than 135 clients throughout his career. He started Gary Hubbell Consulting in January 2006, following 15 years as a senior strategist with a national consulting firm. Earlier leadership roles include development and marketing responsibilities in hospital and museum settings, and consulting roles in resource development, public relations and opinion research.

Recent books and monographs include:

- Forces of Change: The Coming Challenges in Hospital Philanthropy (2005)
- Lessons from Benchmarking: Fast-Forwarding the Maturity of the Fundraising Operation (2007), with Mary Reinders
- Staff-Led Feasibility: How to Design and Conduct Your Own Fundraising Feasibility Study (2008)
- When the Party's Over: Why, How, and When to Conduct a Post-Campaign Assessment (2009)
- The Prophecy of Millennial Philanthropy (2009)
- In Search of New Meaning: Philanthropy, Community, and Society (2009) (edited by Gary Hubbell)