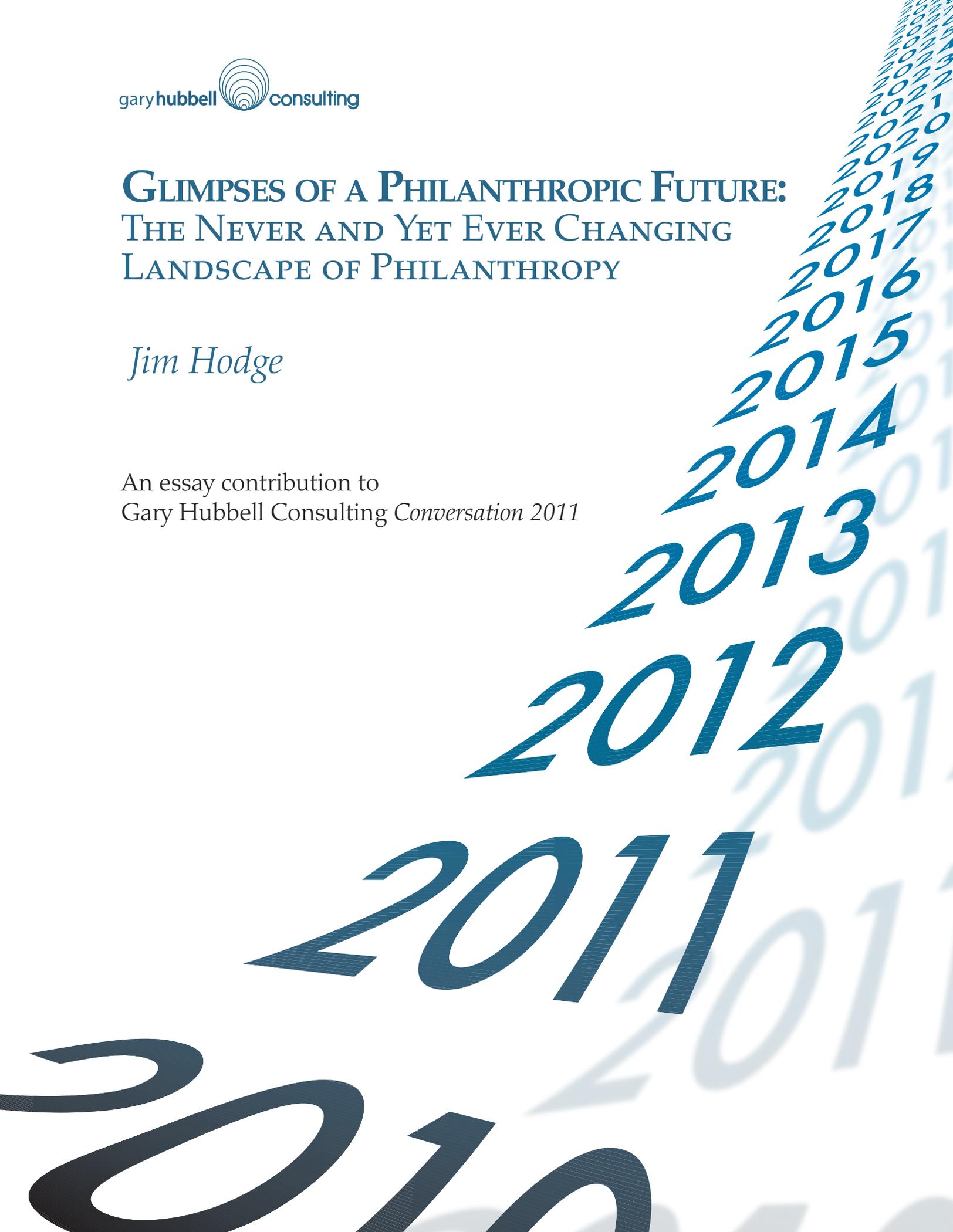


GLIMPSES OF A PHILANTHROPIC FUTURE: THE NEVER AND YET EVER CHANGING LANDSCAPE OF PHILANTHROPY

Jim Hodge

An essay contribution to
Gary Hubbell Consulting *Conversation 2011*



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Gary Hubbell Consulting *Conversation 2011*



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An Ohioan by birth and a graduate with his bachelor's and master's degrees from Bowling Green State University in Ohio, Jim spent his early career at Bowling Green as director of planned giving and later as director of Development. In 1985 Jim came to Mayo Clinic where he has been a senior development officer responsible for building important relationships with Mayo's philanthropic partners. Presently Jim is vice chair and director of the principal gifts program, which is responsible for strategic engagements with benefactors who have the capacity and inclination to make \$1 million-plus gifts to Mayo Clinic.

Jim is a member of the faculty at Indiana University-Purdue University in Indianapolis, giving frequent Master's Classes in Philanthropy, and an instructor in The Fund Raising School at IUPUI. Jim is a frequent lecturer on the topics of values-based philanthropy, transformational philanthropy, and working with entrepreneurs as philanthropists. He has served on the editorial board of *New Directions for Philanthropic Fundraising* published by the Center on Philanthropy and is the author of the chapter entitled "Gifts of Significance" in the publication *Achieving Excellence in Fund Raising* by Jossey-Bass. He consults on fundraising for Healthnetwork, His Holiness the Dalai Lama, and LiveStrong/The Lance Armstrong Foundation.

Jim was the co-founder of a multimillion-dollar for-profit business within Mayo Clinic called Mayo Clinic Preferred Response, a 24/7 service that provides nursing and medical advice worldwide to individuals and organizations such as NetJets. Among committee assignments at Mayo, he serves on the Executive Committee for the President's Discovery and Translation Program, which makes grants to projects that have the potential to transform the practice of medicine at Mayo and have potential for commercialization. He has received the Mayo Excellence Award for outstanding service to patients and staff of Mayo Clinic, the Mae Berry Award for Service Excellence, and the Mayo Excellence Through Teamwork Award.

This is Jim's first *GHC Conversation*.

GLIMPSES OF A PHILANTHROPIC FUTURE: THE NEVER AND YET EVER CHANGING LANDSCAPE OF PHILANTHROPY

By **Jim Hodge**

Long before the written word or the cave paintings at Lascaux, humans have banded together to increase their chance of survival. These early kinship groups may now be influencing the future of philanthropy, or at least helping to insure that altruism finds its way into our lives of tweets and twitter, Facebook and Web-based giving. From the 4th century B.C.E. bog people of northern Europe to the blog people of today, humans have sought the safety and security, the companionship and care of others. We can perhaps learn as much about philanthropy from evolutionary biology and psychology as we can from webcasts on fundraising, and more from sources we may never before considered than from the present pundits of our profession. For as William Faulkner observed, “The past is not dead. In fact, it’s not even past.”¹

Adam Smith and Charles Darwin may have had it right. Although these gentlemen are often thought to be anything but gentle, upon closer observation, they may have been just that. Traditionally lauded as the fathers of capitalism and evolution and rather single-minded, now scholars contend that man’s nature was, and is, in fact, dualistic. Competition in the business arena or on the Serengeti seemed the order of the day for both economic and physical survival. But that is not the entire story. Smith, in his first treatise, *The Theory of Moral Sentiments*, clearly depicted the human emotions as pluralistic and cited the

¹ www.quotationspage.com

connection between ethics and economics. He contended there were good, ethical grounds for considering other motives than purely ones of self-interest. "Our first perceptions of right and wrong cannot be the object of reason, but of immediate sense and feeling," Smith exhorted.² Over the past few decades economists have developed theories of altruism that depart in different ways from the originally conceived homo economist model. Acts of altruism, Smith contended, stemmed from a moral dictum as binding as the rules of honesty.³ Smith, in turn, was influenced by David Hume and his theories of moral sympathies. Smith believed that sympathy expresses the genuine concern over the interests of others, in short, "other-interest."

Darwin, best known for the concept of the survival of the fittest, also saw in man the great potential for altruistic behavior, not only in kinship groups but generally in lives of bees and humans populating hunting and gathering societies. Man's nature may favor survival of the fittest between warring individuals or in gene pools, but within groups, those societies that shared more, that exhibited more altruism, had more offspring and were more likely to survive than more self-directed groups.

Perhaps as an article in *Ode Magazine* online contends, "Altruism, rather than avarice, is our primary motivation." To continue the quote,

"Economics has long been considered as the 'dismal science' for its self-centered view that individuals are only motivated by their personal, financial, or material interests. However selfish man may be supposed, there are evidently some principles in this nature which interested him in the fortunes of others and render them happiness necessary to him, though he derives nothing from it except the pleasure of seeing it."⁴

Recent research in psychology has indicated that purely altruistic actions such as giving blood are more likely to occur where there is no monetary exchange between blood donor and the blood bank. When money is offered in exchange for blood donations, donors fall

² Oren Harman, *The Price of Altruism: George Price and the Search for the Origins of Kindness*. W.W. Norton as quoted in *The Economist*, May 20, 2010

³ NewStatesman.com/ideas/2010/04/Smith-market-essay-sentiments

⁴ Jeremy Mercer, "The Altruism in Economics," *Ode Magazine*, May 2009, page 1

from 93 percent participation to 65 percent. This phenomenon is referred to as “crowding out” behavior.⁵

It would appear that when one is engaged in acts of altruism—the “angels of our better natures,” as Abraham Lincoln once described it—then monetizing these genuine and natural human predispositions sullies the intent. Intrinsic motivation may indeed trump extrinsic motivation. Survival of the kindest may just prevail. Gintis, when commenting on moral sentiments and material interests, put it this way, “Altruism isn’t irrational because if it were, the only rational people would be sociopaths.” Bonds of trust and cooperation within a community often serve as a greater motivation than material reward.⁶

In the scheme of the universe, humankind as we know it has been around a mere nanosecond. 40,000 years ago we existed in hunting and gathering groups, not in narcissistic Facebook communities. Humankind passed each other along in story and song and dance, not in text messages and tweets of 140 or fewer characters. We may have added 30 years or 60+ percent in life expectancy in the last 100 years, but we have never strayed too far from the caves and camps of our ancestors.⁷ It is often asserted that hunting large animals has driven evolution more than any other factor—developing the cooperative skills so important to modern society.

Animals and humans co-inhabited the African continent, but not so in North and South America and Europe. Speculation about the Pleistocene Overkill contends man outside of Africa did not see the close connection between the environment and survival of the African hunter-gatherer groups and thus there was a mass execution of large animals some 14,000 years ago.⁸ Animals were hunted into extinction perhaps by greed and perhaps with the motivation that it was better to kill more than one could eat to keep that meat from other marauding groups. In other words, “winner take all” and competition between groups took precedence. Comparisons to the present economic crises based on greed unchecked are difficult to avoid. Greed gone amuck is disastrous to our economic and environmental existence. As Cardinal Cormac-Murphy-O’Connor declared, “Capitalism

⁵ JEL: C93, D64, I18, Z13) 9c) 2008 by the European Economic Association

⁶⁶ Herbert Gintis, Samuel Bowles, Robert Boyd and Ernst Fehr, ed., *Sentiments and Material Interests: Origins, Evidence and Consequences*, Massachusetts Institute of Technology, 2005

⁷ en. Wikipedia. Org/wiki/life-expectancy

⁸ *The Quarterly Review of Biology*, September, 2003, Vol. 78, No. 3, University of Chicago, 2003

needs to be underpinned with regulation and a moral purpose.”⁹ Both our economic and environmental health depend on it.

“Game theory and empirical results of modern-day psychological studies provide insight into human behavior, especially cooperative behavior. It has often been suggested that the foundation for much of human cooperation is the widespread sharing among hunger-gatherers.”¹⁰ In groups such as the Hazda Bushmen, the cardinal sins were not sharing or hoarding food.¹¹

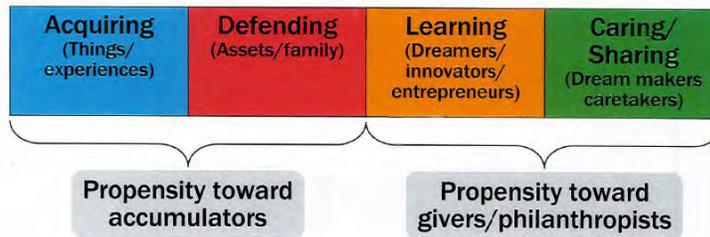
The book *Driven: How Human Nature Shapes Our Choices* by Paul Lawrence and Nitin Nohria of Harvard Business School explores four basic brain drives they believe every individual possesses to one extent or another. They contend humans are hardwired and driven to accumulate things and experiences, defend accumulation and loved ones, learn new ideas (be curious and explore ideas), and share in a generational way both accumulations and knowledge. The authors contend that individuals with strong predispositions to accumulate and defend resources are more likely to be more competitive and less altruistic than those souls who favor inquisitiveness, learning, caring, and sharing. The former are more likely to be hoarders and perhaps the latter more likely to be philanthropists. (Illustration 1)

⁹ Alice Thompson and Rachael Sylvester, “Cardinal Cormac Murphy-O’Connor: Recession May Be Jolt that Selfish Britain Needs,” *The London Times*, February 14, 2009

¹⁰ en. Wikipedia. Org/wiki/R._Mark Isaac

¹¹ hazdas_bushmen.monomix.com/en/artiste.htm

Four Basic Brain Drives*



*From *Driven*, Paul R. Lawrence and Nitin Nohria, Harvard Business School, 2002

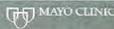


Illustration 1

Here is the contention: The past is not dead and is indeed prologue for the future. And although we now suffer from “Blackberry thumb injuries” and the anxieties attendant with too much choice in our lives, we are still gathering around metaphoric campfires (Facebook and LinkedIn) to quench our thirsts for companionships and need for care. We still are wired for altruism and its modern counterparts in philanthropy. There is indeed a competitive-cooperative continuum upon which individuals fix their lives.

This competitive-collaborative continuum in the free market place of today has spawned a unique space labeled “competitive collaboration” in business. So while at the conceptual level there are principally two modes of engagement by participants in an economic community—competition and collaboration—between these two modes a new form of business is unfolding labeled as “soft competition.” This is a non-zero-sum arena where reputation (not merely profit) is the basis for soft competitiveness. Individuals in businesses who foster soft-competition among its ranks of employees ask the question: Who is delivering the most relevant ideas, the most insight for the organization? Hard competition in a dog-eat-dog world of business drives innovation and rewards the progenitors of new ideas, whereas in a softly competitive model, or also identified as “competitive collaboration,” cooperative behavior is valued. Businesses are rewarding and recognizing people for contributions that help advance ideas as much as is done for those who originate those ideas. W. W. Gore Company, often cited as a business innovator, creates an

environment which enables constant feedback between employees and incentivizes employees on the basis of sharing and peer ratings. Those who collaborate win both tangible extrinsic rewards and social intrinsic incentives of public recognition.

These changes in the “competitive only” landscape are not only accruing within businesses but between them as well. Eli Lilly, Merck and Pfizer have agreed to share precompetitive genomics data on lung and gastric cancers in Asia. This collaboration will help co-create cancer databases.

In the nonprofit sector, drivers such as the quintessential competitor Michael Milken are transforming organizations like FasterCures into highly collaborative cross-boundary organizations to speed medical research from the laboratory bench to the bedside. A new territory emerges where master competitors become master collaborators weaving bench medical researchers together to share data and knowledge in prepublication stages, sorting out issues of intellectual property rights between individuals and organizations, and working to streamline clinical trials to speed discoveries to the patient. FasterCures is creating “platforms for venture capitalists in medical research to come together to share best practices, exchange ideas and fund relevant tools and resources.”¹²

The Milken Institute, through Proposition 71 in California, sought out a model to involve the state of California in biomedical research (www.milkeninstitute.org). These sector-bending individuals and organizations are breaking down barriers between public-private spheres and for-profit–nonprofit spheres. The book *Forces for Good: The Six Practices of High-Impact Nonprofits* clearly articulates that the new world, at least of nonprofit entities, will rely on alliances, collaborations, and partnerships between countries, companies, nonprofit organizations, and philanthropists.

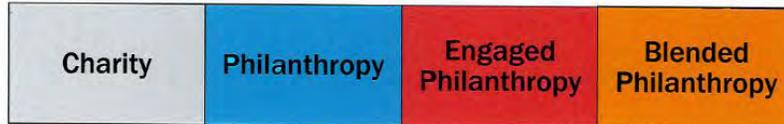
Mergers among and between nonprofit organizations are occurring today and will likely increase in the future. Nonprofit leaders are “increasingly more savvy and seasoned business-people. When they identify overwhelming benefits from a potential merger, they are prepared to pursue those benefits aggressively.”¹³

¹² FasterCures: The Center for Accelerating Medical Solutions, www.fastercures.org.

¹³ Jerald A. Jacobs, *All About Mergers of Nonprofit Organizations*, Association Law and Policy, Legal Section of ASAE & The Center for Association Leadership, July 2008

The business world is not the only place a subtle evolution is taking place. The arena of philanthropy is also witnessing changes. From the alms for the poor, from charity to philanthropy, new versions and visions are in the making. Perhaps the old has become the new again. From Adam Smith’s concept of caring for the community to Carnegie’s caring for the mind, from “give a person a fish” to “helping people help themselves,” the shift is from mere helping to strategizing sustaining the good that can be done through philanthropy. This isn’t your grandmother’s philanthropy anymore. The old days of “give and name” and “give and go away” are gone. A new age of the engaged philanthropist is upon us. (Illustration 2)

Philanthropic Evolution



MAYO CLINIC

Illustration 2

The world of philanthropy is evolving steadily as well along a philanthropy-to-business continuum, with the lines ever blurring between the for-profit and the nonprofit world. Leading this transformation in philanthropy are the same old and young characters who have created the great economies of the world: the entrepreneurs in our midst. These hypomanic individuals not only shaped but will reshape the American and the global economies—in fact, they already are. They are the new engaged philanthropists who expect to bring to the cause their experience, their rolodex—fellow influencers, their business acumen, energy, focus and “demanding for perfection” work style as well as their “Rolex,” their investments, be they business or philanthropic. (See illustration 3)

Entrepreneurs' success in the world of business, they believe, is transferable to a world of pressing social needs. They carry with them the Olympic mottos: *citius, altius, fortius*—higher, faster, stronger—and will brook no excuses from nonprofit leaders, will tolerate nothing but our best, and will relentlessly push us to greater efficiencies and new ways of approaching our work. Not only is the attitude of philanthropy changing from “charity to full engagement,” not only are the players evolving, but the entire landscape is transforming.



Illustration 3

Greg Dees said, “Philanthropy today is best defined more broadly than giving away money, ‘as mobilizing and deploying private resources, including money, time, social capital, and expertise, to improve the world in which we live.”¹⁴ Philanthropreneurs are all about impact. They bring the amazing peripheral vision that the greatest of our ancestral hunters processed. They can envision opportunity where others cannot, markets where none previously existed, and “Blue Oceans” and “The Long Tail” strategies that contemporary business writers are just now exploring. These ADHD and often dyslexic influencers simply see better and broader and think differently than we often do in the

¹⁴ Matthew Bishop and Michael Green, *Philanthrocapitalism: How the Rich Can Save the World*, Bloomsbury Press, 2008, p. 49

nonprofit world. They know how to focus on new models which attack old intractable problems in new and multidisciplinary ways, apply strategic resources, and scale successful models. When they turn their thoughts to broad social change, they are able to think with “oriental” rather than occidental minds, both the ying and the yang—contemplating the competitive and collaborative orientations simultaneously. Often they show up at our doors wearing two hats, one philanthropic and one all about business, and they deftly trade off these hats as they deem most appropriate to the circumstances. This changes everything for those of us in the nonprofit worlds. This shift in thinking, this new landscape along the philanthropy to business continuum, will require us to reorient our hearts and our minds.

These are not new and suddenly immerging trends. Like all changes, they have been evidenced and reported by the early adaptors of our worlds—the venture capitalists turned venture philanthropists. They blossomed in Silicon Valley before the dot-com bust; they were manifest in the Ashoka Foundation and now in hundreds of other nonprofits around the globe. They live in the souls of the social entrepreneurs; they exist in the curriculums of our best universities; they gather in “herds with a heart” at the watering holes of the Davos Conference, the Clinton Global Initiative, and the Aspen Institute and at many other sites around the world. They prefer “Do Tanks” to mere “Think Tanks.” They are documented in publications such as the *Stanford Social Innovation Review*. They are here to stay, and they are coming to a theater near you! We can either embrace them or rebuff them at our peril.

This will require the nonprofit world to be “open to openness,” to be willing to acknowledge a new world is upon us. Many in our midst believe that the new landscape is a temporary trend and that the world will right itself again, carefully bifurcating the landscape into the independent spheres of philanthropy and business. The Portuguese and the Spanish may have asked the Pope to divide the world neatly via a line of demarcation, but that is both passé and imprudent. The 21st century hunters, the game-changing philanthropreneurs, are like the proverbial toothpaste out of the tube ... we will never get them back into the tube again, and that is a beautiful thing, for innovation always occurs when two seemingly opposite ideas collide in the night. With the friction and the heat given off from the worlds of competition and collaboration colliding like two tectonic plates, we also see bright flashes of light wherein lay new worlds of possibilities and transformations. Staying in our neatly defined arenas may be comfortable but not creative, soothing but not solving the challenges of our times.

The philanthropreneurs of our time attack the societal problems of today with eyes and minds wide open. They constantly scan the environment for other early adaptors, for fellow

people of vision in both the for-profit and the not-for-profit worlds. Socially responsible investing (SRI) is “a concept aimed at addressing sustainability through financial markets; it combines investors’ financial objectives with their concerns about social, environmental, ethical, and corporate government issues.” The rise of double and triple bottom lines where businesses share a concern not only about profits but also about social issues and the environment is impressive. Like Steve Case who remarked, “Too many people still act as if the private sector and the social sector should operate on different axes, where one is all about making money and the other is all about serving society. The real strength of organizations in the ‘sector-blending’ space is that they don’t just balance competing goals—they try to maximize them both.”¹⁵ The next year at the 2008 Davos Conference, Bill Gates said, “The genius of capitalism lies in its ability to make self-interest serve the wider interest. There are two great forces of human nature: self-interest and caring for others.” (Illustration 4)¹⁶



Illustration 4

¹⁵ Personal interview fall, 2007

¹⁶ online.wsj.com/2008/01...davos.../index.htm

Whether the label is “not-only-for-profit,” “social entrepreneurship,” or “creative or conscious capitalism,” all the models presently evolving apply business tenets, the for-profit mentality, to a variety of societal needs. Business acumen meets social consciousness. How does this change the traditional world of and roles within the nonprofit sector? It requires us to enlarge our visions as well, to alter not only the nomenclature of philanthropy to include the developing world of social entrepreneurship but to think differently about how to inspire support in the future. To think with both a business hat and a philanthropic hat, to hold in our minds simultaneously the concepts of both collaboration and competition, and to cultivate a “supply-side” mentality rather than a “scarcity” model mindset will require nonprofit leaders to embrace a brand-new world—a world where private equity/venture capital models are applied in the nonprofit sectors; a world of active engagement of benefactors to achieve agreed-upon outcomes measuring organizational effectiveness, capacity building, and a variety of funding mechanisms, only one of which will be pure philanthropy; a world of “proof of concept models” and questions of the scalability and sustainability of best practices.¹⁷ Think of the Broad Institute of MIT and Harvard where two great institutions collaborate and use “systemic approaches in the biological sciences to dramatically accelerate the understanding and treatment of disease. To fulfill this mission, we need new kinds of research institutions, with a deeply collaborative spirit across disciplines and organizations and having the capacity to tackle ambitious challenges.”¹⁸

Visual acuity and peripheral vision were essential skills in the lives of our hunter-gather ancestors. These very skills will shape the philanthropic future: better perspective, broader participation, a welcoming and creative way of looking at a new socially connected world. To steal a great line from the Ronald Reagan, “Philanthropic leaders of tomorrow ... tear down these walls.” Get comfortable with being uncomfortable. Actively embrace both competition and collaboration, merge both the best practices of the for-profit world and the nonprofit world. Like with all great leadership, it will require both courage and creativity. The impact will be swift and palpable, inspiring and effective.

¹⁷ European Venture Philanthropy Association www.evpa.eu.com

¹⁸ www.broadinstitute.org