

How a New Generation of Business Leaders Views Philanthropy

by Paula Goldman

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Andrew Carnegie's advice in the 1889 essay "Wealth" was to spend the first part of your life getting as much education as possible, to spend the second part making all the money you could, and to spend the last part giving it all away for worthwhile causes.

Today, business leaders are not only trying to address community and global problems earlier in their lives; they are also questioning the traditional divide between commerce and philanthropy. As prominent hedge fund manager Bill Ackman told me, “When I graduated from business school I thought business was about making money and philanthropy was about doing good. Now I think both can be used as methods for changing the world.” Sir Ronald Cohen, the father of British venture capital, agrees. “We are on the verge of a revolution,” he explains. “Just as technology and entrepreneurship have transformed the way we live, applying investment and business tools to social problems is disrupting everything from philanthropy to governments to investing.”

At Omidyar Network, we’re excited by this shift in thinking. Determined to explore how today’s philanthropists are harnessing market forces to make a difference in the world, and what they are learning, my team and I conducted interviews with several of the most prominent: from Ackman and Cohen to Virgin’s Sir Richard Branson and Reid Hoffman of LinkedIn. From those conversations, a few themes emerged: invest for impact in both non- and for-profits, measure results (but not at the expense of taking risk), and shape your existing business around social good.

Invest for impact in both non- and for-profits. In December 2015, Facebook founder Mark Zuckerberg and his wife Priscilla Chan announced their intention to commit an estimated \$45 billion in Facebook stock to improve the state of the world via a limited liability company (LLC) instead of a traditional foundation. The approach is similar to the one eBay Founder Pierre Omidyar took over a decade ago when he launched Omidyar Network (where I work) with both an LLC and a foundation arm. Like Zuckerberg, he wanted to broaden the range of tools he could apply for social change – including not just grants to nonprofits but also “impact investments” into mission-driven, for-profit companies.

Impact investing has an array of champions – from Pope Francis to the White House – and is gaining traction in sectors as diverse as education, financial inclusion, and alternative energy. Some observers worry that it diverts money away from worthy nonprofits. But Omidyar

argues that it's more about finding the right solution for each problem: "It's important to invest in the best change-makers you can find regardless of what legal form their organization takes. It's about using everything in your toolkit."

Measure results, but not at the expense of taking risks. Another key business principle that the new generation of philanthropists bring to their social change initiatives is their emphasis on rigorous, results-focused metrics. Effective altruism, for instance, is a growing movement to use evidence and reason, rather than emotion and intuition, to drive funding decisions. It has been championed by people such as Facebook co-founder Dustin Moskovitz and his wife Cari Tuna, who have used the approach to identify less celebrated causes (such as iodine deficiency in the developing world), where studies show their money can make an outsized difference.

The drive for more and better data and analysis on the efficacy of programs is now widely accepted as best practice. As Jean Case (who started the Case Foundation with AOL co-founder Steve Case) says, "Moving more toward a dashboard approach is important where there *is* available data. Where there isn't, you need to invest in getting the data or 'being the data' by innovating and breaking new ground to help those that come after you be farther up the learning curve. Don't let [the lack of existing data] be an excuse to not take risks."

LinkedIn founder Reid Hoffman sees this as another principle brought over from the business world: "In the for-profit world, the ventures that tend to have the most impact in the long term are the ones that are so unconventional that a lot of people initially believe there's no way they can work. ... It turns out that many social impact ideas also have that unconventional aspect to them, which makes many people doubt their potential." He points to Change.org, which was founded by Ben Rattray in 2007. In the early days of the internet, many people dismissed online petitions as "feel-good clicktivism that didn't really accomplish anything," Hoffman explains. But then the site showed that it could stir people to action, affecting real-world corporate and government decision-making. "I'd encourage entrepreneurs interested in social impact to think as boldly and imaginatively as possible," Hoffman says. "Test your ideas in small, measurable ways, and find out what works."

Shape your business around social good. There are now more than 1,000 B Corporations, which are certified by the nonprofit B Lab to meet rigorous standards of social and environmental performance, accountability, and transparency. From Method to Warby Parker, they list positive societal impact alongside profit as a top-line goal.

But such formal certifications are just one way in which corporate leaders are leveraging their enterprises for greater social good. Sir Richard Branson, for example, has pushed for Virgin and other companies to take a stand on issues that align with their values. Working with Unilever CEO Paul Polman and Salesforce CEO Marc Benioff, he helped found the B Team to persuade more executives to make pledges that protect basic human rights. This isn't just good for the world, he says. It's good for business. "If companies become a force for good, the people working for them will be that much more motivated and their brands will shine that much brighter amongst others," he explains. "Customers care about these things, and they will vote with their wallets."

Mohammed Dewji, CEO of the Tanzanian conglomerate MeTL (and Forbes' 2015 Africa Man of the Year), also stresses the importance of "a business strategy that sees the economically disadvantaged not as charity cases but as willing and able consumers for products that match their needs – and pocketbooks." His company offers a variety of affordable consumer products to lower-income people in East Africa who might traditionally have been priced out of such access.

The opportunities to harness the power of markets for social good are enormous – especially for the next generation of change-makers who can build on these ideas. Richard Branson sums it up well: "If you put charity on one side and for-profit business on the other, we see the beautiful hybrid models in the middle as the greatest opportunity of our lifetime."

Hoffman agrees: "Organizations with very few resources can now achieve a reach and scale that once would have required hundreds of employees and millions of dollars. It's never been easier for good ideas to achieve massive impact."



Paula Goldman is the vice president and global lead for impact investing at Omidyar Network.

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