A profession in search of standards

Felicitas von Peter

There is a famous Peanuts cartoon that hangs in the offices of many philanthropy advisers that ends with the punchline: 'I want to be a great philanthropist with someone else's money!' The philanthropy advice market is beginning to take off, but there is still a long way to go in terms of clarity about what different types of adviser offer, what motivates them, and what kind of advice might be right for donors at different stages in their giving careers.

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Philanthropy advice is as old as philanthropy itself. Donors have always consulted people they trust about their charitable gifts. This is true for Epicurus, Pliny the Younger, Jakob Fugger, John D Rockefeller, Joseph Rowntree, Jet Li or Paul Allen – to name a few. But while we read a lot about the philanthropists that set up foundations, we hear less about the people who were advising donors in the process. One reason could be that the market for advice has only recently taken off and is still as diverse as donors' interests. Another reason might be that the sector has evolved erratically, with no clear structures or regulating bodies, few membership associations and no commonly accepted code of conduct. We have not really started a discussion within the sector that could clarify the roles and motivations of advisers or create a framework for something that could be called a recognized profession.

This article will have a closer look at the emerging market of advisers, particularly those who provide services to individuals and families, and analyse the different roles (ascribed and self-ascribed) various advising bodies have.

Like journalists, philanthropy advisers have no 'registered trademark'. So it comes as no surprise that among the ranks of self-proclaimed philanthropy advisers one finds banks, wealth managers, lawyers, foundations, NGOs, academic institutions, donor networks, and a variety of freelancers and independent philanthropy advice organizations. What unites them is the desire to assist wealthy individuals and organizations to transfer part of their wealth to charitable causes.

Given the diversity of backgrounds, the motivations for doing so naturally vary, but I want to emphasize that all of these motivations are perfectly legitimate. What is crucial, however, is that individuals and institutions giving advice are completely open and transparent about why they are doing it. Otherwise, the client doesn't know what he or she is buying – and as a result, might either turn away from advice or not approach an adviser in the first place. I would argue that the biggest flaw in our sector is the lack of transparency towards our clients about what drives each of us.

What drives a philanthropy adviser?

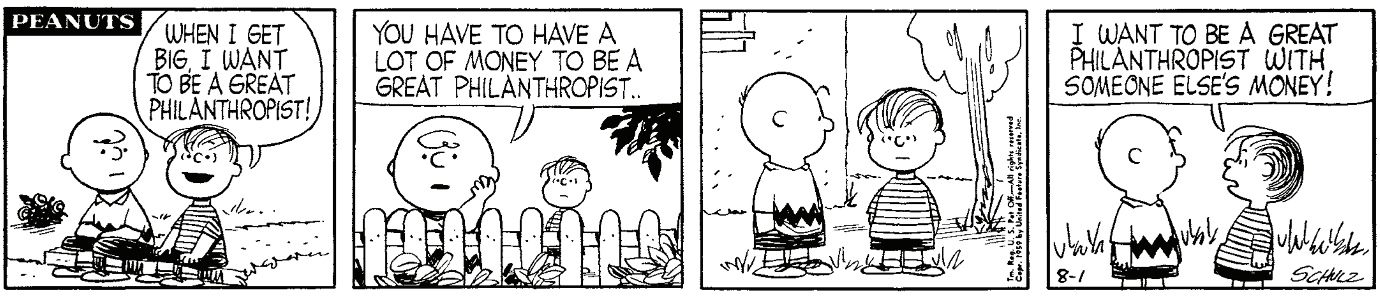
I see roughly three different motivations for philanthropy advisers.

Philanthropy advice as a business

Admittedly, it's not a business that generates huge profits, but it can sometimes serve as an opener for other conversations that prove to be more financially rewarding. It is therefore not surprising that many banks, tax advisers and management consultants have entered this market and sometimes even offer their philanthropy advice services at a reduced fee or no fee at all. Philanthropy advice becomes a door opener to other business that merits a cross-subsidy of the advisory services, or it is part of an extended service package that is delivered.

Philanthropy advice as a way of attracting new funds

There seem to be a growing number of institutions that have identified philanthropy advice as a key lever to increase the size of their charitable investments, and create more impact with the organizations they fund. LGT Venture Philanthropy, for example, is



endowed by the Liechtenstein Princely Family. The consultancy and implementation services and its social investment portfolio are open to clients of the LGT Bank of Liechtenstein. The benefits are obvious: keeping the charitable investments of the bank clients within the company and increasing the impact for the foundation's charitable investments.

In recent years, some of the larger foundations have started to operate their own philanthropy programmes. Some, like the Philadelphia-based Pew Charitable Trusts, also do so to attract additional resources to their own work and create economies of scale with other donors. With a similar goal, some NGOs, such as UNICEF, Plan International and Christian Aid, offer donor advisory services as part of their fundraising activities. It helps them to establish close relationships with major donors, introduces donors to projects and work in the field, and even provides the opportunity for setting up trusts within the framework of the organization. While these kinds of services walk the fine line between advising and fundraising, the organizations maintain that their first motivation is to help donors make better funding decisions by helping them to understand the field they work in.

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For the organizations acting as advisers or intermediaries, this is an effective way to channel money into vetted projects and increase the impact of the work they support. However, they must make it clear to the donor that he or she isn't getting a specially tailored product but more a service that 'matches' the donor with a project or projects in the adviser's portfolio, plus help in understanding selection criteria and reporting standards. If the donor is clear about what is being offered, this service could be a good way to learn from established players and benefit from their experience and contacts in the field when building or refining his or her own giving strategy.

Philanthropy advice as a way of changing the world and making a living at the same time

Most individuals and institutions offering philanthropy advice probably fall into this third category. The number of independent advisers is still small, and extremely diverse. Most of the organizations work as for-profit advisers, such as Arabella Philanthropy Investment Advisors in the US or wise – philanthropy advisors in Switzerland. A few organizations are financed by third-party investors like private donors. An example of this is Shaerpa, an organization promoting engaged philanthropy and social venturing amongst Dutch families that is founded and backed by the Noaber Foundation and the Baan family in the Netherlands. Some organizations like Rockefeller Philanthropy Advisors in New York offer additional resources such as free publications, while their bread-and-butter income comes from for-profit advisory or project management services.

These independent advisory services are often established and run by former foundation or NGO professionals or by bankers, private wealth managers, business consultants or lawyers. They offer bespoke philanthropic advice, often covering a wide range of services from helpful resources for donors and social investors to workshops and learning journeys, networking events and project management. For some, philanthropy is a business opportunity, but for most of them it is first and foremost a way to contribute to positive change in society. However, the diversity of profiles and nature of services can be startling to donors.

The second and third models prompt a series of questions: what kind of advice do donors need at what point in their 'career' as a philanthropist? When (and at what intervals) is a bespoke service required and when can we resort to existing tools and services that can serve as more cost-efficient 'building blocks' for helping a donor embark on his or her journey as a philanthropist?

What else is available?

Over the last decade a variety of complementary services have developed that support donors and advisers. The need for good information on charitable organizations is one driver for this development. Internet-based platforms such as www.globalgiving.org in the US or www.donorinfo.be in Belgium aim to allow quick and easy giving decisions based on certain quality standards. Third sector analysts like New Philanthropy Capital in the UK, Charity Watch in Sweden or Phineo in Germany assess charities and then publish their recommendations in the form of reports, project profiles and/or 'best-of' lists that can serve as a useful entry point for getting an overview of a market. These services, while they might be considered more 'retail', are helpful for donors starting to give or wanting to explore a new field of investment, or for those investing a limited amount or wanting to make one-off or short-term donations. ▷

The other need donors often voice is for networking and partnering with like-minded philanthropists. That is why donor networks, such as the Chicago Global Donors Network or the Australian Women Donors Network, have become very popular among donors everywhere. A key function of the networks is the exchange of information and advice in a trusted environment, and they are excellent vehicles for donors to get started or to hone their skills by coaching other donors on their journey.

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What do donors need at different stages?

I doubt that tools and services like internet-based platforms or best-of lists would be sufficient to allow an early-stage donor to develop a giving strategy, but they might be useful as basic orientation or when used by advisers as part of their work with donors. For advisers, these tools might free up time to focus on the most important aspect of philanthropy advice: helping a philanthropist to identify a cause he or she is passionate about and develop a personal giving strategy. Interviews with donors recently conducted by the design and innovation company IDEO (see p38) emphasize that philanthropy advice is still a people business, and donors want a personal connection with their advisers. 'An individual can make me feel number one, a company can't' was the way one person interviewed by IDEO expressed it. A variety of studies and anecdotal evidence from a range of advisers have shown that a donor will become an engaged philanthropist only when they get involved in a cause they feel passionate about and develop emotional ties with the cause and projects they support. This kind of work relies heavily on trust, and an adviser can be key in helping a donor navigate the complexity of the sector until they find the perfect match in terms of organization and focus.

What is the added value of philanthropy advice?

Our work with IDEO also showed something that advisers don't like to be reminded of. Donors will give whether we are there or not. Some donors even perceive advisers to be a barrier, shielding them from direct contact with the project. Some feel rushed by their advisers, and are highly sensitive to 'being told what to do'. It looks like we have not proven our case to donors yet, and shown them the value of philanthropy advice.

Again, the key is transparency and providing clients with the best overview of all the options they have for whatever stage of their journey they are at. This could be co-investment with foundations or advisers, access to ratings or best-of lists, access to donor networks, or a bespoke service. In many cases, the solution might be a combination of various services that helps the donor to move from one stage of their journey to the next. Another key is that advisers need to be as little as possible 'the sage on the stage' and more the 'guide on the side' who will co-create the giving strategy with the philanthropist – accountable to them but also to the sector at large and to our peers, the ultimate goal being to enable philanthropists to generate the maximum impact from their philanthropic activities.

If we look at the philanthropy market, every outsider and insider is startled by the numbers. We are working in a booming environment. The number of foundations in the US has quadrupled since the 1980s to more than 60,000. Asia, Europe and Latin America are experiencing a similar growth. While the number of philanthropy advisers is also growing, that growth in no way mirrors the increase in money going into the sector. We read a lot about the potential of the advisory market but somehow that potential does not fit the actual demand.

We can change this trend only if we start to talk openly and honestly about why we are in the business of philanthropy advice. This includes talking about the fine line between fundraising and advising. It also includes reflecting on our own bias. Even if we try to be as objective and evidence-driven as possible, our advice will still be influenced by our own agenda and perception of our professional role. In our work, we constantly ask organizations seeking funding to be accountable to donors. We need to start thinking about how we, too, can become more accountable to them. Lawyers have the law, financial services are regulated in many countries, doctors take an oath. Maybe it is time to think about what standards of good practice we need in our sector.

I believe the result of such deliberations and of standards of good practice could greatly strengthen our sector, and create a framework that would attract more donors to seek advice as they recognize its value. As an aside, it could also strengthen the case that high-quality advice justifies a fair price, which would help all advisers, no matter what motivates them.

Impossible? Well, Walt Disney might not be the father of Peanuts, but Linus would probably have agreed with his remark: 'It's kind of fun to do the impossible.'