



## TRENDS IN FAMILY PHILANTHROPY

A 3<sup>rd</sup> PHILANTHROPIC REVOLUTION IS FULLY UNDERWAY

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We live in an era of unprecedented change and transformation. Technological, demographic, environmental and social uncertainty is causing leaders around the world to worry about the future of society, the economy and our planet as a whole. In an attempt to address the manifold challenges, a range of stakeholder groups including policymakers, NGOs, businesses, foundations and entrepreneurs are seeking to contribute in a meaningful way.

In this mix of stakeholders, enterprising families have long played a central role in tackling societal and environmental challenges. While charitable giving has been around for a long time, philanthropy (“love of humanity” in the form we know it today is a comparatively new phenomenon. Two of the founding fathers of modern philanthropy, John D. Rockefeller and Andrew Carnegie, had large ambitions to improve the US public health and education systems. But also others, like Julius Rosenwald, Olivia Sage or Robert Brookings left their marks on society... and the list could go on.

Philanthropy plays an essential role in enterprising families. When it comes to the family, it allows family members who don't enter the family business to make a contribution to the family enterprise system, educates family members about family legacy, wealth & professional skills, and helps families transfer social capital between generations. On a business and societal level, it demonstrates a commitment to long-term goals, develops social & reputational capital and enhances commitment of family- and nonfamily employees towards the firm.

However, the space of philanthropy, that has traditionally been reserved for established wealthy individuals and families is being disrupted. The world of philanthropy is re-organizing itself and this 3<sup>rd</sup> philanthropic revolution is fully underway, driven by forward-thinking entrepreneurs and facilitated by technology.

Here are some of the most eminent trends in modern philanthropy.

- Rise of new megadonors: there is a new crop of self-made wealth holders who have decided to use their wealth to do good in the world. Consider recent entrepreneur billionaires and megadonors Soros, Gates, Buffett, Bloomberg, but also younger entrepreneurs like Mark Zuckerberg who have joined the ranks. They eclipsed the old guard with respect to the sheer magnitude of money involved, they want to act while they are alive, get actively involved in their philanthropic activities, are willing to take more risk, place bigger bets, and want to ensure that their donations have a measurable and sustainable impact.
- Shift towards impact: As outlined above, there is a clear shift towards measurable and sustainable impact of philanthropic giving. Donors are demanding clear KPIs – which is evidently easier for some projects and more difficult for others – to ensure that their money is being put to use in an effective and efficient manner.
- Convergence of stakeholders: In this new era of “impact”, we can observe a convergence of the different stakeholder groups, including traditional charities and philanthropists, businesses and investors, as well as policymakers. They are all striving towards impact.
- Democratization of giving: Technology allows the broad mass to participate in philanthropic activities, not just the wealthy with their own foundations. First, mass collaboration allows each and everyone to make a contribution for the greater good of society (e.g., individuals contributing to Wikipedia). Second, online philanthropy marketplaces allow each and everyone to contribute to specific causes, even with just a few dollars. The power of the many, leveraged through the internet, is changing the face of philanthropy. Third, aggregated funds are forming, which combine the resources of many donors in the most effective way, instead of everyone having to launch their own initiatives. Fourth, innovation challenges (e.g., xPrize) put the problem center-stage instead of the donor, which is also a fundamentally new way to giving.
- Spending down funds: While traditionally, funds were set up as perpetual funds, a growing number of newly established funds and foundations are structured as spending-down funds (i.e., funds with a limited life-span).

Over the next couple of years, these trends will further gain in importance and converge, thus gradually transforming the field of family philanthropy.

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