Informed Leadership

Knowledge is strength, and experts across all sectors of society agree that informed decision making is a key component of leadership. All your stakeholders—board members, constituents, donors, volunteers, and the community—rely on you to make sound, productive choices based on the best available information.

Access to pertinent, timely knowledge is more important than ever for today’s philanthropy professional. The Lilly Family School of Philanthropy provides nonprofit professionals and the philanthropic sector with top-quality information based on the research of our world-class faculty and staff to help you stay abreast of the latest developments in the field and make informed decisions.

From raising or inspiring charitable children to partnering with global corporate citizens to exploring innovative funding options, this issue of Philanthropy Matters magazine equips you with key insights to help you engage stakeholders in new ways and enhance achievement of your organization’s mission.

You are a source of key information for us as well. What questions could philanthropy researchers examine to help you in your daily work? What challenges and opportunities could more or better information help you address? We look forward to hearing from you.

Cordially,

Gene Tempel
Publisher and Founding Dean
Indiana University Lilly Family School of Philanthropy

Lilly Family School of Philanthropy Research Partners
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How do children learn to be philanthropic?

Adult giving and volunteering are often based at least in part on behavior that begins much earlier in life, and parents play a big role in that. In fact, not just whether but how parents teach their children about giving is important, according to a new study conducted by the Women’s Philanthropy Institute (WPI) at the Indiana University Lilly Family School of Philanthropy in partnership with the United Nations Foundation.

Nearly 90 percent of children ages eight to 19 give to charity. Children whose parents talk to them about giving are 20 percent more likely to give than children whose parents don’t discuss philanthropy, the study found.

Importantly, that finding holds true for children from varying backgrounds—children who have conversations with their parents about giving have a much greater likelihood of donating to charity as children, regardless of the child’s sex, age, race, or family income.

Teach Your Children Well

The study affirms that kids don’t have to be rich to be charitable. “No matter where you’re from or who you are, if you have a role model for charitable behavior and you understand the significance of your actions then you’re likely to give back,” says Elizabeth Gore, resident entrepreneur at the United Nations Foundation. “I don’t think that was the assumption prior to this study.”

While lower income parents are more sporadic in talking to their children about giving, there was no statistically significant relationship between family income and whether or not talking was effective.

The fourth and latest report in WPI’s signature Women Give series, the study is among the first to analyze and compare how parents can best encourage their children’s charitable behavior. Drawing on the Child Development Supplement of the University of Michigan’s Panel Study of Income Dynamics, the research followed the giving habits of the same 903 children over two time periods: 2002–2003 and 2007–2008.

The researchers say parents should help their children understand the difference their giving will make.

“Telling a child, ‘You should give to charity because it’s the right thing to do’ doesn’t have as much of an impact as saying, ‘Giving to a homeless shelter will help provide food for homeless people, and they’ll be able to eat and be a little happier because they’re not hungry all the time,’” says Debra Mesch, Ph.D., director of the Women’s Philanthropy Institute. “Describing for children how their charity can change someone’s life—rather than just general platitudes—seems to be what really needs to happen.”

Role modeling alone—defined in this study as parents giving to charity—isn’t as effective, the research found. Parents who want to raise charitable children should talk with them throughout childhood and adolescence about their own philanthropy.
Why We Give

When he entered the workforce in the 1980s, Craig Leach aspired to a different path than his peers targeting finance careers. He wanted to help others, and working with nonprofits seemed the best way to have an impact.

Today, Leach and Elizabeth Zeigler, who shares his drive to make a difference, are CEO and president, respectively, of Graham-Pelton, a global fundraising and philanthropy management consulting firm. Graham-Pelton is sponsoring The Fund Raising School's Principles and Techniques of Fundraising class and the Lilly Family School of Philanthropy's symposium in 2014.

"We are committed to significantly advancing fundraising as a profession," Zeigler said. "Recognition of fundraising as a respected career has arrived but we can't stop now. We want to help proactively develop new talent. The school is at the forefront of all of that." Philanthropy has changed dramatically over the last decade, Leach noted. "There's tremendous competition to attract the best and brightest to our profession, and that's who Lilly Family School students are."

"It shows great promise for the future of philanthropy that these children are giving—so how do we continue that behavior?" asks Mesch. "It's important to really understand that conversations are a powerful way to shape behavior, and nonprofit organizations would be well served to provide opportunities for families to volunteer together. Because children's giving can change as they become adults, we want to really engage our future generations now."

Share and Share Alike?

Previous Women Give studies found that men and women exhibit different motivations and patterns of giving and volunteering, and that women are more likely to give and to give more, all things being equal. Other earlier research indicates that women are more likely to volunteer—and to volunteer more time—than men. But there has been little to no research examining gender differences in children's volunteer behavior.

Women Give 2013 investigated whether girls and boys give and volunteer differently, expanding WPI's exploration of how gender affects charitable giving. Eighty-seven percent of boys and 88 percent of girls gave to charity during one or both of the two time periods studied. There was a wider gap in the number of boys and girls volunteering, with 50 percent of boys volunteering compared with 60 percent of girls. This indicates that girls are more likely than boys to volunteer, and suggests that adult volunteering is part of an ongoing pattern of behavior that begins much earlier in life.

Engage Future Generations

All children can learn to be philanthropic, the researchers say. Philanthropy helps children and adults develop a broader view of the world and their place in it. Learning to care about others, developing helping behaviors, and volunteering encourage empathy and a sense of responsibility for others.

"You don't have to be a parent to use the results of this study," says Gore. "We all have children around us, and we're mentoring them in some way. This study is a great tool to help us think things through and have serious data to back up our actions."

Although much has yet to be studied about how children's giving habits develop and how they change between childhood and adulthood, this study gives ample evidence that the majority of today's children give and volunteer.

Contact Debra Mesch at dmesch@iupui.edu. For more information on the United Nations Foundation visit www.unfoundation.org. Read the full report and learn more about the Women Give series at www.philanthropy.iupui.edu/womengive/.
How can companies and nonprofits work together to address social challenges worldwide?

U.S. corporations are expanding their giving globally, and not just in geographic areas where they have a presence. They’re choosing where and how to give internationally based on their local employees’ preferences, the company’s mission, and its business goals. And they’re partnering with nongovernmental organizations (NGOs) to make the most of their philanthropic work. But how does a corporation find suitable NGOs to partner with? And how does a corporation focus its charitable giving?

At the broadest level, U.S. corporations are looking for partners whose philanthropic values align with their own, and they want to give internationally where they’ll have the most impact on the community. According to a new study by the IU Lilly Family School of Philanthropy and sponsored by Global Impact, 78 percent of 27 companies responding to questions about international giving named local needs in the countries where they give as their priority. Financial performance in that country was a key decision-making factor for 52 percent of those companies.

The study, one of the first to look at international corporate giving, addresses in depth why corporations give, where and how they give, and how they seek and form partnerships with NGOs. Conducted January through August 2013, it comprises results of secondary research on FORTUNE 100 companies, an online survey of 59 FORTUNE 500 companies, and in-depth interviews with four major U.S.-based companies.

Eighty-six percent of 27 companies that gave internationally said they plan to increase or maintain the size of their foreign giving budget in the next fiscal year. Notably, nearly 20 percent of these 27 companies gave only in developing countries, and the majority donated in Asia and the Pacific region.

Corporations and NGOs find shared value in their expanding global partnerships. Companies reported that assistance with vetting potential nonprofit partners and with developing employee engagement strategies are among the resources companies need to expand and strengthen their international philanthropic commitments.

“It’s hard to find a truly reliable partner by reading information online or on paper,” says Xiaonan Kou, research project coordinator for the study at the Lilly Family School of Philanthropy. “For companies that are looking for a foreign nonprofit partner, it’s important to give both partners some opportunities to learn and grow, and to build trust along the way.”

What do corporations look for in an NGO partner? They seek partners with mission and focus areas that align with their own philanthropic focus (77 percent), geographic footprint (51 percent), and business goals (40 percent). But they also look for trustworthiness, measurable results, and good communication.

“The company interviews we conducted in this study and previous research suggest openness to new ideas, flexibility, trust, and honesty are equally important for a company to build successful international partnerships with NGOs,” says Kou.

In fact, 68 percent of 53 companies responding to the question, “What leads to a sustainable business-nonprofit partnership?” cited a demonstrated record of effective and efficient results as their top priority, while 25 percent look at a nonprofit’s accountability, 17 percent consider its reputation, and 6 percent take into account its size and capacity.

Responsibility for creating a partnership that works lies with both partners, says Scott Jackson, president and CEO of Global Impact. “Nonprofits need to do their homework and understand their corporate donors, rather than just sending them proposals. They need to be willing to co-design programs that really are a true partnership, and they need to be able to show impact and results.”

Thoroughly evaluating program impact and strengthening the sustainability of partnerships are the most important factors for success for both the NGO and the corporation, the study finds. Only by developing truly cooperative partnerships can they build the foundation of a sustainable program.

Contact Xiaonan Kou at koux@iupui.edu. Contact Global Impact at charity.org/contact. Read the full report at www.philanthropy.iupui.edu/research-by-category/giving-beyond-borders.
Over the past decade, policy makers and leaders within the nonprofit sector have increasingly sought to leverage philanthropic capital to achieve impact. A growing number of foundations are asking: how can we expand our philanthropic goals while at the same time maintaining or growing our assets in order to deliver on our mission? Some are exploring whether program-related investments (PRIs) are part of the answer.

PRIs are tools such as low-interest loans or equity investments that allow foundations to go beyond grant making to allocate a greater share of their resources to support and assist nonprofits. This in turn allows foundations to essentially recycle their funds and leverage them for greater impact. Many foundations that use PRIs report that they frequently achieve successful results. So in the last two decades, why have a relatively small share of U.S. foundations made PRIs each year?

A new study by the Indiana University Lilly Family School of Philanthropy analyzes key trends in foundations’ use of PRIs between 2000 and 2010. The report, sponsored by the impact investing and consulting firm Mission Throttle, examines funders’ motivations and strategies for making PRIs and identifies potential obstacles and opportunities for expanded use of PRIs to advance charitable goals.

“In the past decade, there’s been growing interest in impact investing, and that’s where philanthropy can play a role in leveraging resources to drive outcomes and change in communities,” says Una Osili, Ph.D., director of research for the Indiana University Lilly Family School of Philanthropy. “Whether the issue is in housing, community development, healthcare, or education, funders have these new tools to help achieve the results they desire.”

RUNNING THE NUMBERS

PRIs are gaining attention from foundations for their potential to meet charitable purposes while generating financial returns, but their use remains limited. Despite increased interest, U.S. foundations generally have been slow to adopt their use—only about 1 percent have made PRIs each year. PRIs are more common among larger foundations. There are more than 70,000 foundations in the U.S. At the peak in 2004, 137 foundations were making PRIs, according to Foundation Center data; that number declined to 97 foundations using PRIs in 2009. The number of PRIs made each year also has declined from 421 in 2004 to 244 in 2009.

Although the number of PRIs has declined, the total dollar amount invested in PRIs grew significantly during the studied time period, rising from $139 million in 1990 to $701 million in 2009 adjusted for inflation, according to IRS data. Additionally, the average dollar amount of PRIs made increased steadily during the period, growing from just over $666,000 in 2000 to more than $1.5 million in 2009. More than half of all PRIs made between 2000 and 2010 were loans.

Housing, community development, and education were the program areas that received both the highest total dollar amounts and the largest number of PRIs made by foundations between 2000 and 2010. Nontraditional program areas such as environment, health, and arts and culture were also likely to receive PRI support during that period.

“It’s clear that using private sector funding for socially beneficial projects has been more than just an experiment,” says Phillip Wm. Fisher, founder of Mission Throttle. “The results of this research demonstrate that PRIs have the potential to increase foundations’ grant-making impact while meeting their IRS distribution requirements.”
Overcoming the Hurdles

Although there’s growing interest, challenges in the use of PRIs remain. Foundation leaders point to four main recurring issues as they begin using PRIs:

- Lack of information or knowledge about PRIs
- Lack of expertise in PRI management
- Potential transaction costs associated with PRIs
- Lack of appropriate opportunities

“There’s potential for these tools to be used more widely,” says Osili. “But there’s a lack of information for foundations trying to start up in this area. Funders have to build internally the legal and programmatic requirements, as well as the financial expertise. And on the nonprofit side, practitioners must also have the staffing and leadership to ensure that they’re able to meet the requirements associated with PRIs.”

The report suggests that effective impact investing strategies and implementation plans call upon investment, financial, and program professionals within foundations to work together.

Measuring the success of a PRI isn’t always easy. Foundations generally define success in two ways—programmatic or social return and financial or economic return—and some deem a PRI successful even if it did not produce a positive financial return on the investment so long as it produced the desired social outcome.

Achieving success requires planning, new team structures, traditional financial investment skills, and social metrics.

Peer networks play an important role in overcoming challenges and in supporting and educating foundations in the use of PRIs. Several foundations noted that dialogue among foundations and supporting professional networks have greatly benefited the expansion of the field of PRI users.

“Certainly, more education and collaboration will be needed if PRIs are to gain widespread use,” says Fisher. “We believe that true culture change will occur when the benefits and methods of impact investing are understood and adopted by a variety of organizations and community leaders.”

As more foundations seek to leverage the potential power of their assets beyond grants alone, they are seeking to participate in peer-learning networks to increase their capacity for PRIs. Collaboration among foundations using or interested in PRIs has become a common practice.

Spreading the Wealth

PRIs provide opportunities for foundations to allocate a greater share of their resources in order to advance their charitable mission through means other than grant making, including equity investments, loans, and loan guarantees. Many funders see PRIs not as an end in themselves, but as a means to greater impact and a complement to other effective grant-making and philanthropic activities.

Nonprofits as well as foundations can find potential in PRIs.

“For the nonprofit, one important benefit of PRIs is access to capital and expanding scale. For the funder, the primary benefit is that there’s return on philanthropic capital, and those resources can be recycled for another philanthropic purpose,” says Osili.

“Although grant making remains an important toolkit, suppose a foundation makes a loan to a childcare center. Once that loan is repaid then the foundation can recycle those dollars. It’s clear that the potential power of a foundation’s assets has the potential to surpass the impact of grants alone, and PRIs can help a foundation tap into this power.”

MORE INFO

Contact Una Osili at uosili@iupui.edu. Contact Mission Throttle at info@missionthrottle.com. Read the full report at www.philanthropy.iupui.edu/research-by-category/PRIreport.
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