Risk and Philanthropy

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The Rockefeller Foundation
Bellagio Centre

“To promote innovation and identify impact-oriented solutions to critical global problems”

“To promote the well-being of Humanity around the world”
The Resource Alliance

An international network that enables non-profits around the world to be stronger and more effective

Bellagio Initiative

The Future of Philanthropy and Development in the Pursuit of Human wellbeing
Risk and Philanthropy
through the Lens of Philanthropic Psychology

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Philanthropic Psychology

Philanthropists → Giving → Sustain

Motivate → Giving → Beneficiaries
Risk and Philanthropy

- Decoding-the-Discipline interviews (DtD)
  (Pace and Middendorf, 2004)

- 22 international development philanthropists from Africa, Asia, Europe and North/South America

This Study

- Interviewees are asked to recall an experience where they deliberately took a higher than normal level of risk or where they had to cope with a difficult consequence of having taken a risky decision.
Five Barriers in Taking Risks

1. Define risk
2. Assess the degree of risk
3. Recognize the pivotal points of shifting either their definitions or their assessments
4. Cope with negative emotions
5. Optimize the value that their life experience offer their philanthropy

Define risk

Assess the degree of risk

Recognize the pivotal points of shifting either their definitions or their assessments

Cope with negative emotions

Optimize the value that their life experience offer their philanthropy
1. Define Risks

- Define risk
- Assess the degree of risk
- Cope with negative emotions
- Optimize the value that their life experience offer their philanthropy
- Define the risk
- Assess the degree of risk
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• Impact Risk
  – Not achieving what one would like to achieve

Box 1: Example definitions of impact employed by our interviewees:
1) Achieving the sustainability of local businesses in Africa
2) Improving the quality of life for retail workers in an Asian country
3) Increasing the number of orphans who attend universities in an Eastern European country
4) Achieving buy-in by local communities to invest in educational funds in an African country.

Case 1:
Higher Education for Orphans
• Operational Risk
  – Not having the right operational approach to support sustainable impact

Box 2: Example operational risks encountered by our interviewees:

1) Finding the right people to engage in small and medium sized sustainable business in Africa
2) Identifying the right business model to sustain an uplift in quality of life for retail workers in India after the intervention is complete
3) Sustaining the operation of a nonprofit in the face of unfavorable tax law changes, so that orphans can attend university in Russia
4) Implementing adequate record keeping procedures to facilitate leadership succession in an educational investment fund.
Case 2: A Private Foundation in Asia

A life of learning, leading and returning...

Philanthropic Psychology
2. Assess the degree of risk

Define risk
Assess the degree of risk
Recognize the pivotal points of shifting either their definitions or their assessments
Cope with negative emotions
Optimize the value that their life experience offer their philanthropy

Anchoring-and-UNDER Adjustment
ANCHOR...

ADJUST ...

a) How easy or hard it might be to define success
b) The extent to which there is agreement about how to measure that success
c) How easy or hard it might be to conduct the relevant measurements
d) The timescales over which the measurements must be conducted
e) How risk-diverse their philanthropic portfolio might be
f) The extent to which a given investment might fit with their philanthropic profile
g) The size of the focal philanthropic investment
h) Past experience working with the relevant community and/or stakeholders.
But…

may not be enough...

That is when philanthropy can get really lonely…
3. Recognize the pivotal points of shifting either the definitions or the assessments

Define risk
Assess the degree of risk
Recognize the pivotal points of shifting either their definitions or their assessments
Cope with negative emotions
Optimize the value that their life experience offer their philanthropy
Case 3

A children’s hospice
Doctors and nurses not serving these children

Doctors and nurses serving these children

Families and communities

Children

Medical doctors in the same country

Doctors and nurses not serving these children

Doctors and nurses serving these children

Families and communities

Children
Medical doctors in the same country

Doctors and nurses not serving these children

Doctors and nurses serving these children

Families and communities

Children

Risk and Philanthropy

- Accessible Outcomes → Systemic Change
- Fixed Strategy → Iterative Strategy
- Beneficiaries → System of Stakeholders
Summary of 4 and 5

Define risk
Assess the degree of risk
Recognize the pivotal points of shifting either their definitions or their assessments
Cope with negative emotions
Optimize the value that their life experience offer their philanthropy

Add A Partner in the Mix
Given philanthropy is

- Risky
- Tough
- Intellectually challenging
- Emotionally draining and
- Sometimes, unbearably lonely...

- Why don’t people give up???
Box 4: Solving problems in philanthropy is fun

‘I am really good at problem solving. A lot of social problems are really difficult to solve, and no one has been able to solve them before. My philanthropy offers me the opportunity to stretch my problem-solving skills to a place where they have never been stretched before, and that is exciting and fun.’

Causal Evidence on Giving and Moral Identity

*Field and Quasi-Lab Experiments*
Experiment 1 - Procedure

- Design
  - 2 (priming by control) x 2 (male by female)
  - Priming
    - Thank you for being/becoming a compassionate, kind, caring, friendly, helpful (randomly selected two out of the five words) STATION_NAME member.
  - Control
    - Thank you for being/becoming a STATION_NAME member.

- Participants
  - 147 males and 280 females
  - 129 in the control condition and 369 in the experimental condition
  - 366 New members and 134 renewal members
  - 477 one-time payment and 24 installments.

- Procedure
  - Dependent Variables: “How much would you like to contribute today?”

Experiment 1 - Results

![Graph showing average donation amount by gender and experimental condition.](image)
Study 2 - Procedure

- Participants:
  - 166 male and 207 female students

- Procedure
  - Moral Identity Pre-Measure
  - Donation Scenario
  - Moral Identity Post-Measure

- Dependent Variables:
  - Post-Measure Moral Identity Discrepancy

Giving Intention
Shrinks Moral Identity Discrepancy
More Strongly in Females than in Males
Philanthropic Psychology in Infancy

- Motivate
- Giving
- Sustain

Philanthropists

Philanthropists and Beneficiaries

Beneficiaries

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