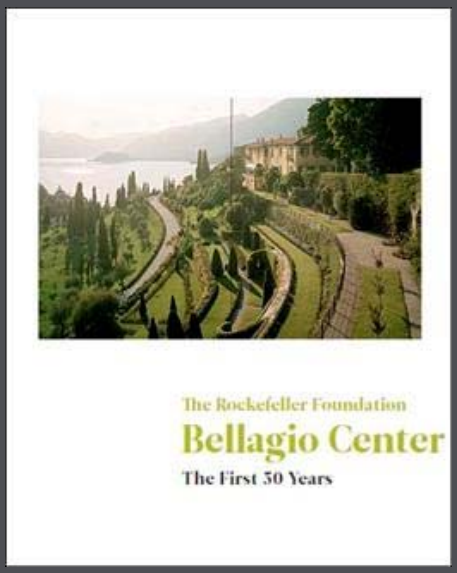
SUSTAINABLE PHILANTHROPY WITH PLYMOUTH UNIVERSITY

INDIANA UNIVERSITY

# Risk and Philanthropy

Jen Shang

Professor of Philanthropic Psychology

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**The Future of Philanthropy and Development in the Pursuit of Human wellbeing**

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# Risk and Philanthropy

***through the Lens of Philanthropic Psychology***

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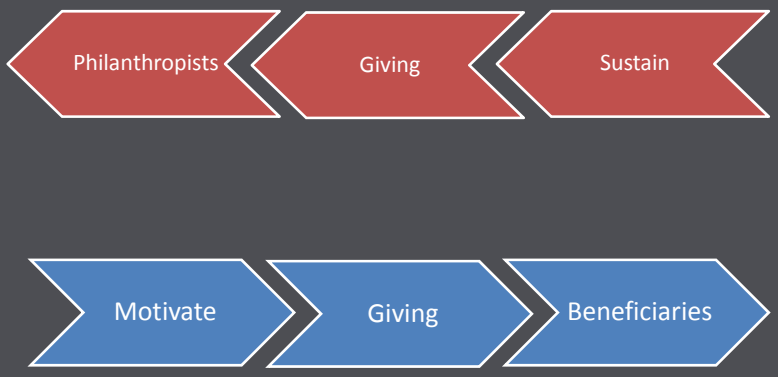
## Philanthropic Psychology



# Risk and Philanthropy

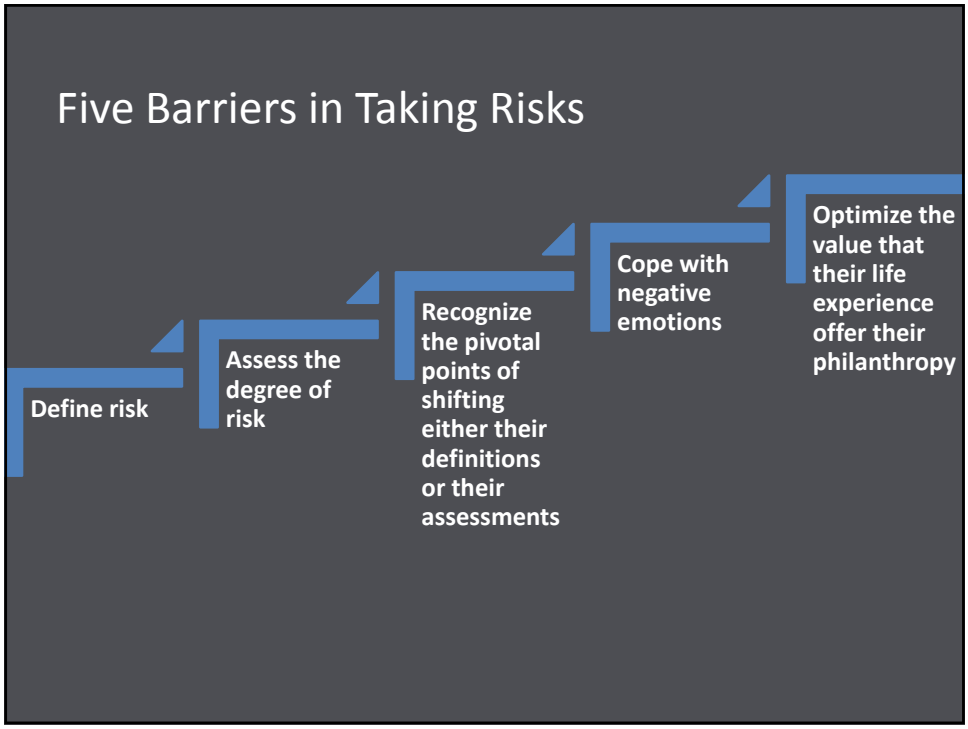
- Decoding-the-Discipline interviews (DtD)

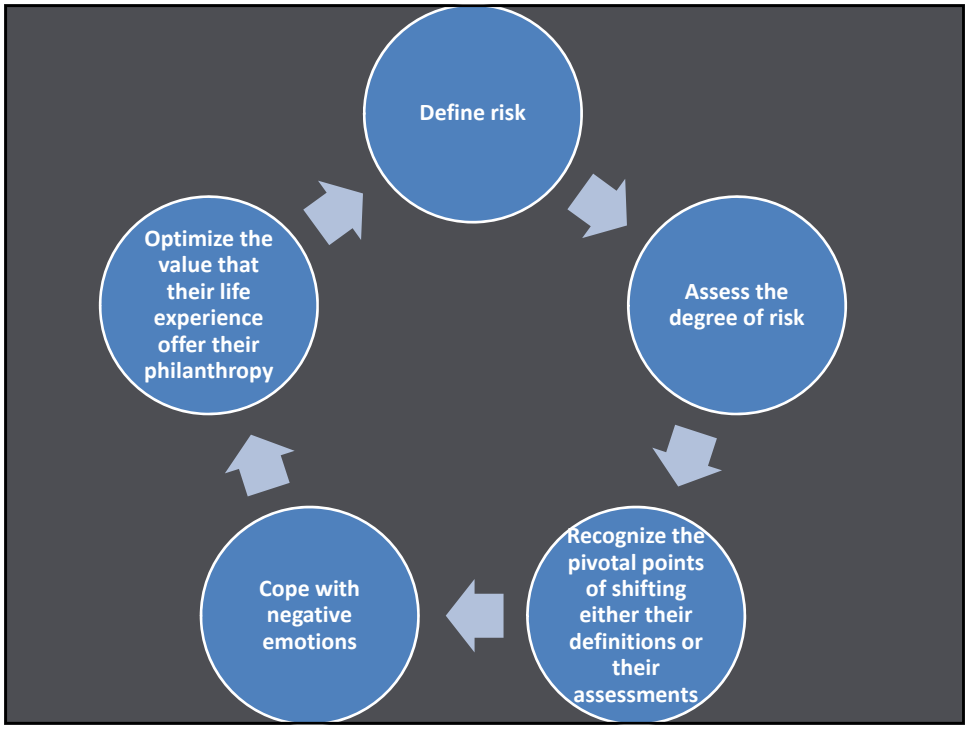
  (Pace and Middendorf, 2004)

- 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
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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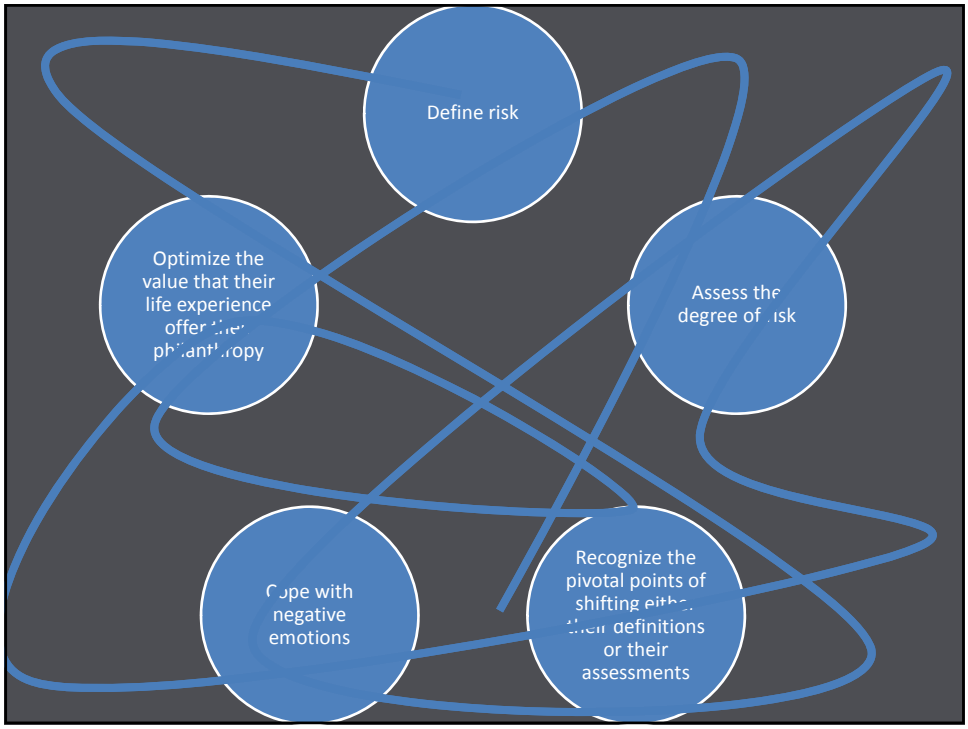
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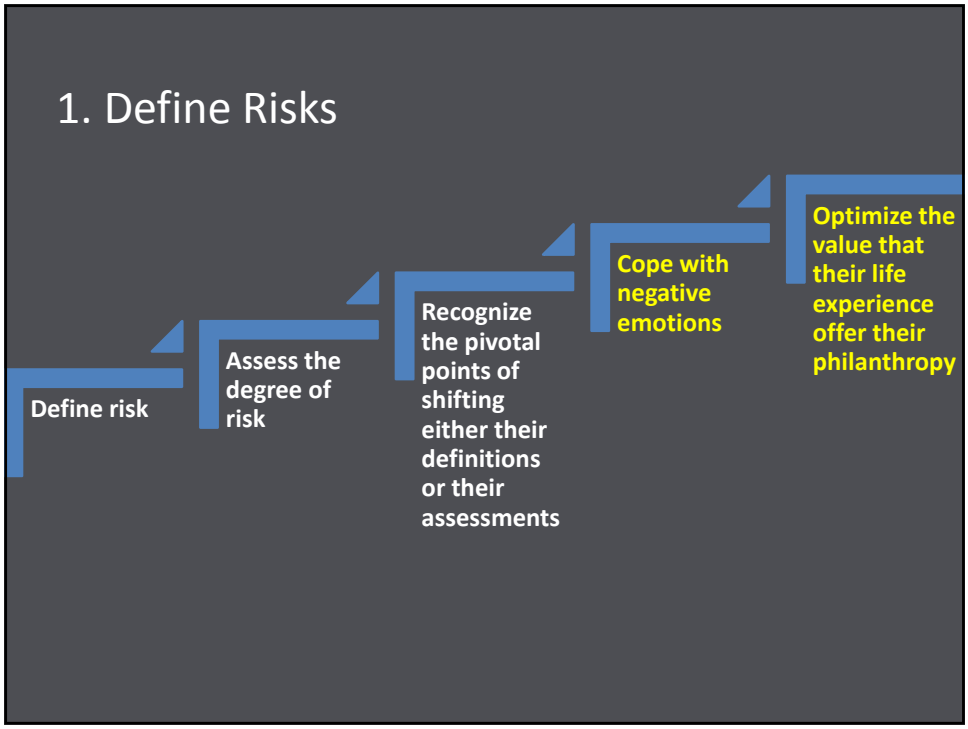

1. Define Risks
Define risk
Assess the degree of risk
Recognize the pivotal points of shifting either their definitions or their assessments
Cope with negative emotions
Optimize the value that their life experience offer their philanthropy

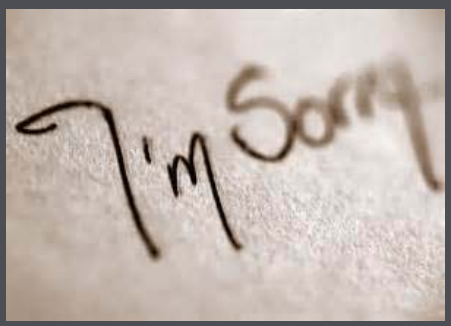
- Impact Risk
  - Not achieving what one would like to achieve

**Box 1: Example definitions of impact employed by our interviewees:**

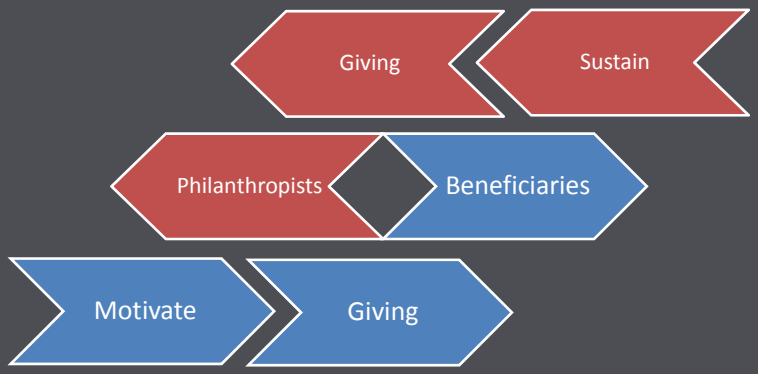
1) Achieving the sustainability of local businesses in Africa
2) Improving the quality of life for retail workers in an Asian country
3) Increasing the number of orphans who attend universities in an Eastern European country
4) Achieving buy-in by local communities to invest in educational funds in an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

Case 1:
Higher Education for Orphans

Im Sorry Will You Forgive Me


I'm Sorry

# Philanthropic Psychology




- Operational Risk
  - Not having the right operational approach to support sustainable impact

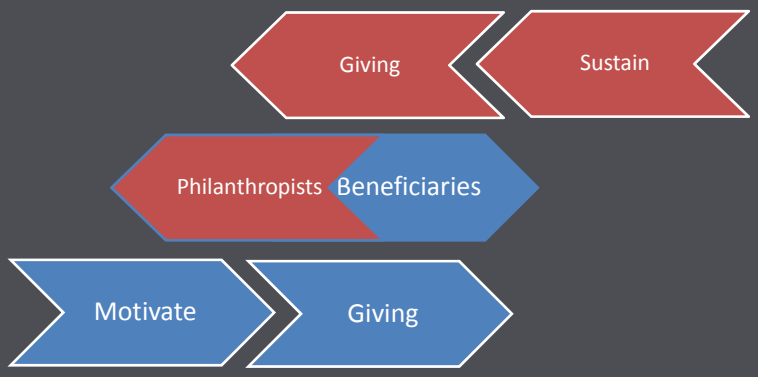
**Box 2: Example operational risks encountered by our interviewees:**

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 …

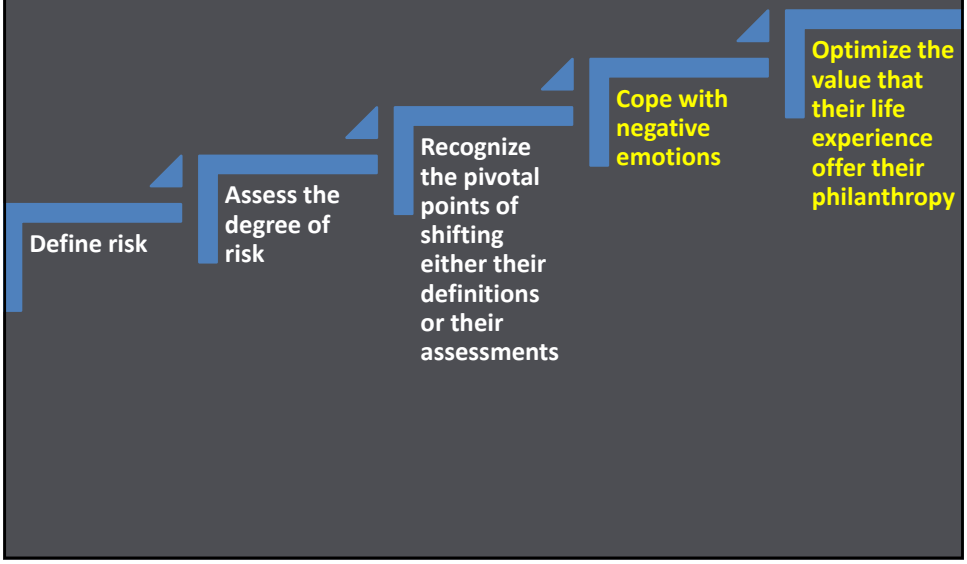
a) How easy or hard it might be to define success
b) The extent to which there is agreement about how to measure that success
c) How easy or hard it might be to conduct the relevant measurements
d) The timescales over which the measurements must be conducted
e) How risk-diverse their philanthropic portfolio 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…

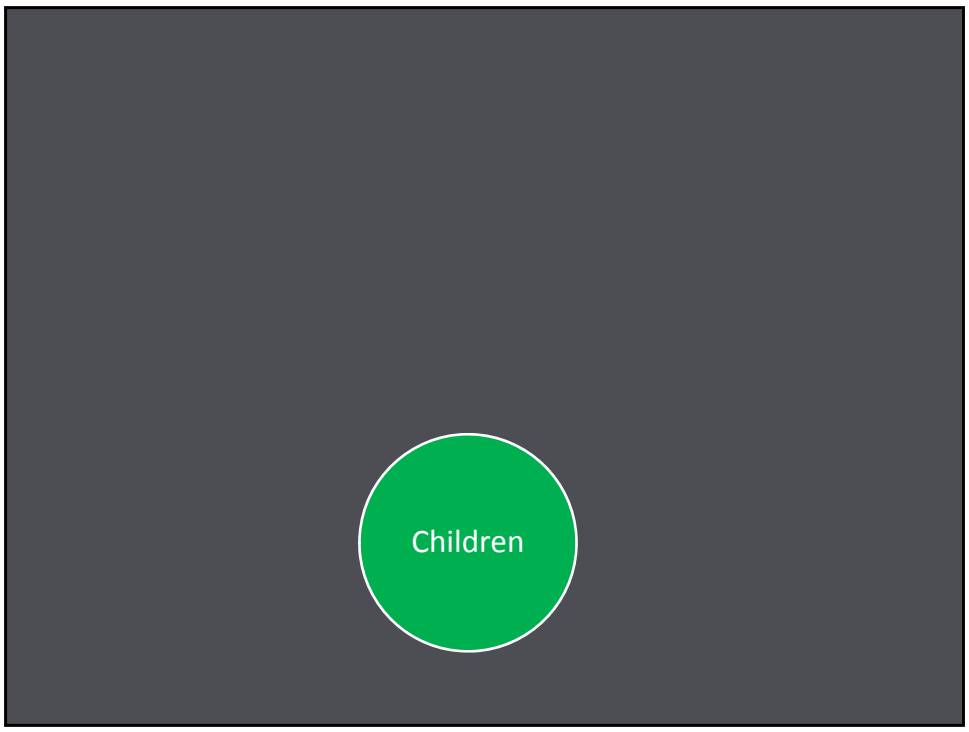
That is when philanthropy can get really lonely…

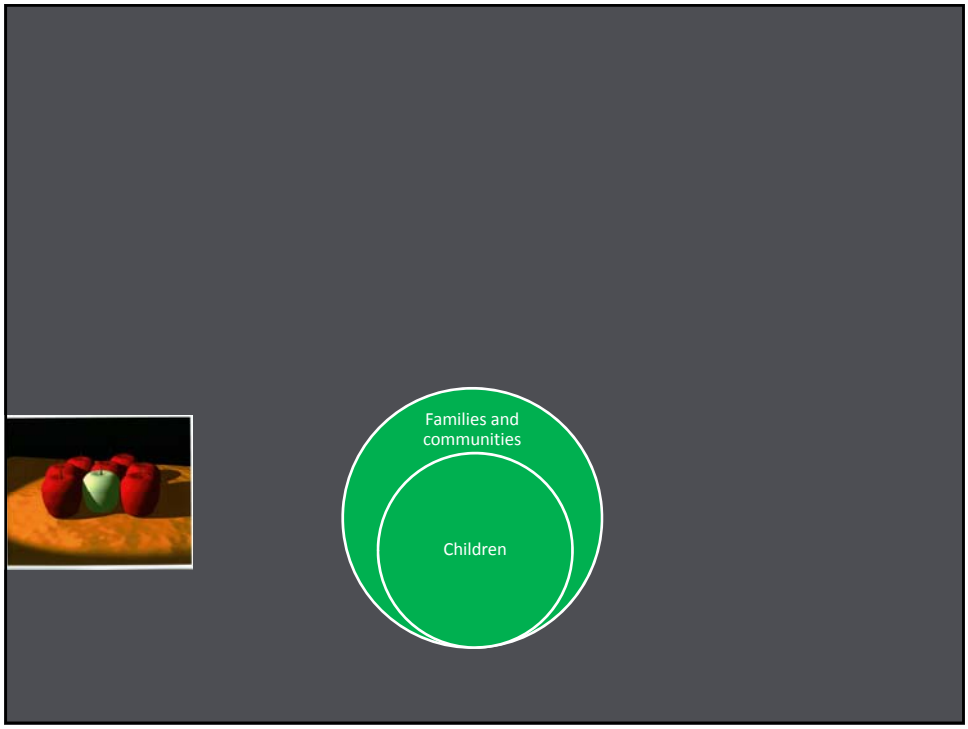
## 3. Recognize the pivotal points of shifting either the definitions or the assessments

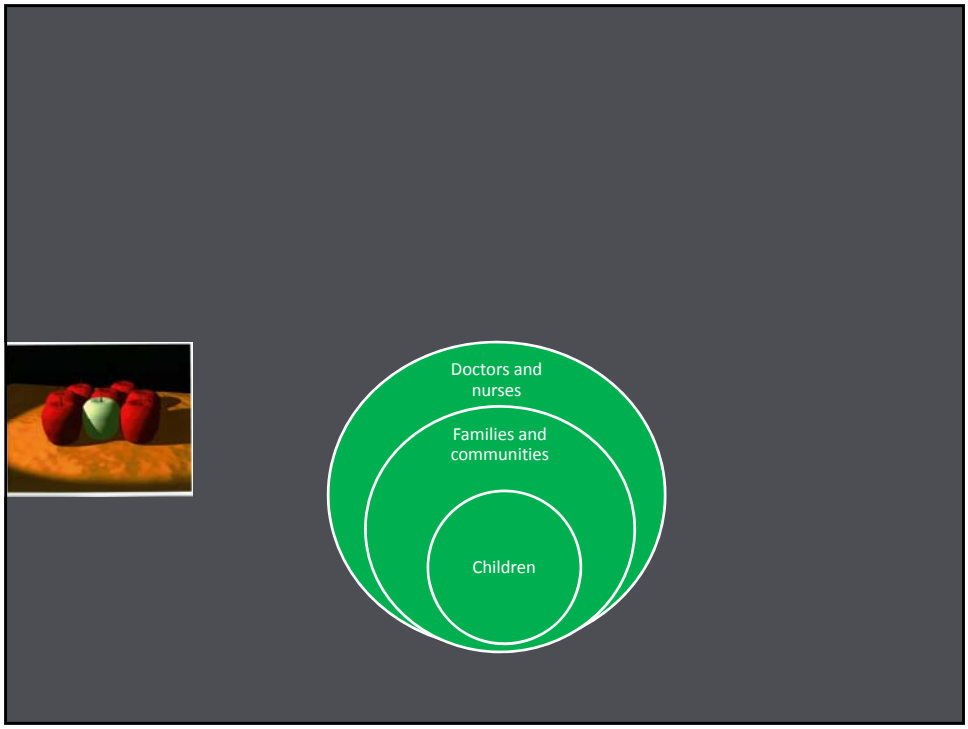


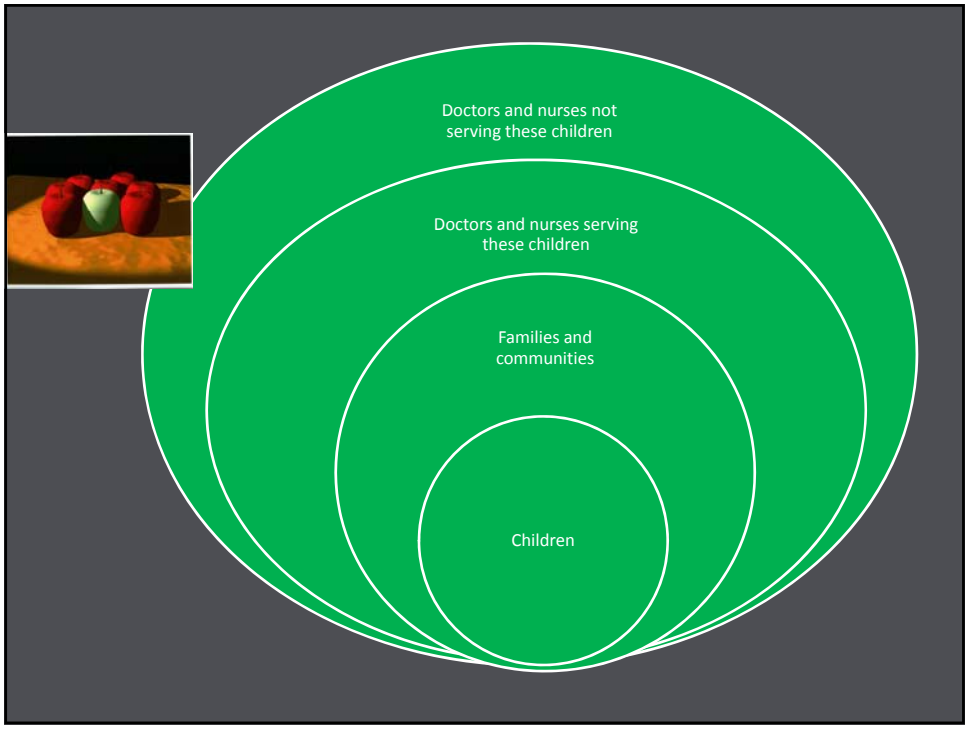
# Case 3

A children's hospice

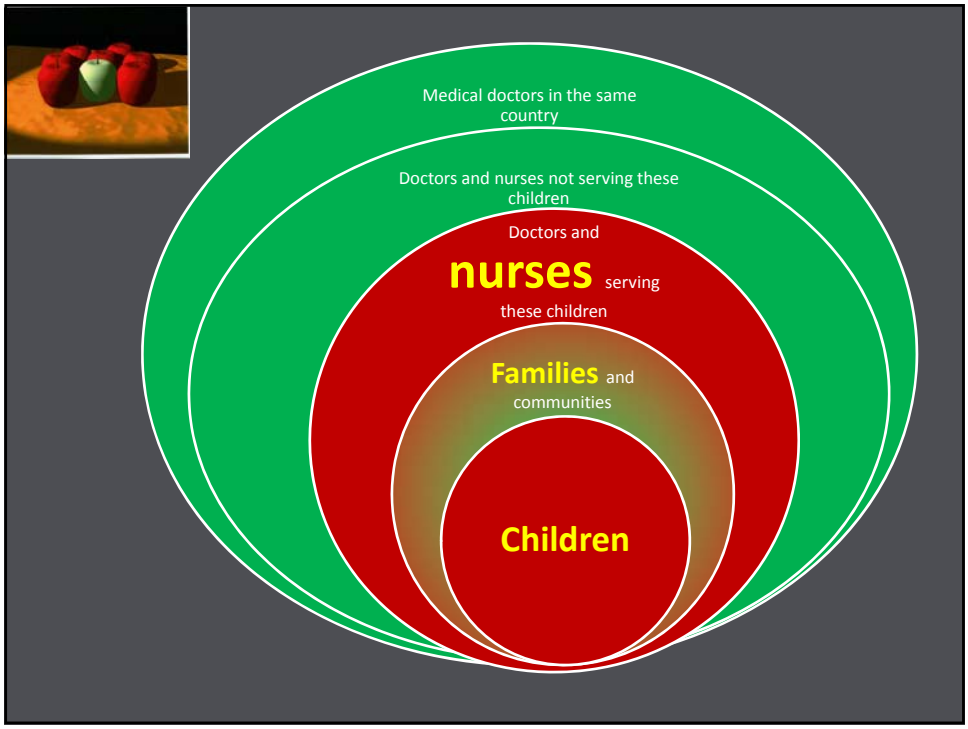



Families and communities
Children


Doctors and nurses
Families and communities
Children


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

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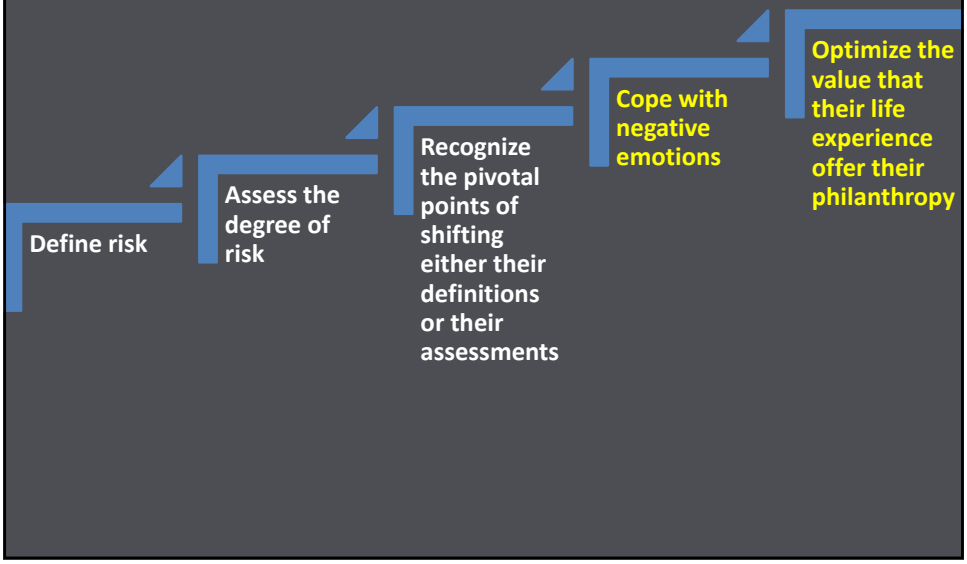
## Summary of 4 and 5




## Add A Partner in the Mix

**Box 5: Factors changing a philanthropist's mindset from 'why take a risk to why not take a risk**

| | 'Only you I can help...' Is it believable? | Why take a risk?/Why not take a risk? |
|---|---|---|
| 1) A target amount (of funding) | No | Why yes? |
| 2) A passion for a cause | No | Why yes? |
| 3) A relevant set of social connections | Maybe | Why yes? |
| 4) A contextualised understanding of the impact | Maybe | Why yes/not? |
| 5) A set of skills, knowledge and competences relevant to reducing operational risk | Maybe | Why yes/not? |
| 6) A set of skills, knowledge and competences relevant to achieving impact through defining strategy | Yes | Why yes/not? |
| 7) It would be a waste if I don't use my skills, knowledge, and competences to achieve impact I am passionate about | | **Why not?** |

## 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?"

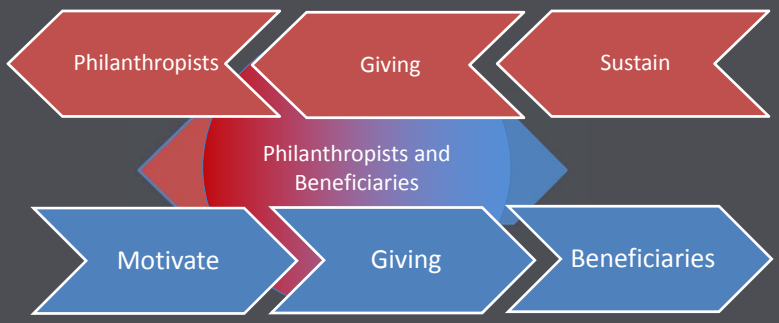
# Experiment 1 - Results

## 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





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