

TROPMAN REPORT

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NEW ECONOMY ENTREPRENEURS: *Their Attitudes on Philanthropy*

During the dot.com boom several years ago, significant attention was directed to so-called "new economy" entrepreneurs and their philanthropic activities. Naturally, the nonprofit sector was quite interested in attracting some of the new wealth generated and acquired by these entrepreneurs. But also there was interest in how to engage these talented and creative thinkers in the philanthropic enterprise as advisors and strategists. At that time, there was a significant amount of anecdotal data, but little systematic research on new economy entrepreneurs and their attitudes toward philanthropy.

Today, of course, the economy has declined and many of these once-wealthy entrepreneurs are now struggling to keep their businesses alive. Nonetheless, there remains significant interest in the attitudes of private sector entrepreneurs toward philanthropy. For example, the emergence of Social Venture Partners in Pittsburgh and other cities, and the phenomenal national growth of the Fidelity Charitable Gift Fund suggest that a growing number of citizens are actively looking for alternative mechanisms for making charitable investments. Also, United Ways around the country have been experiencing a painful shift in donor attitudes, manifested in the growing popularity of "donor choice" models of giving, which effectively by-pass the traditional United Way planning and distribution processes.

Do these developments suggest that private sector entrepreneurs have fundamentally different attitudes toward philanthropy? The Pittsburgh Foundation in partnership with the Forbes Fund commissioned Campos Market Research and Droz and Associates to conduct a study to gain insight into what motivates entrepreneurs to support charitable organizations and foundations. Focus groups and an email survey of nearly 100 entrepreneurs addressed the following questions:

- What are the perceptions of high technology entrepreneurs toward charitable giving and philanthropy?
- What prompts them to give and why?
- What are their perceptions of charitable foundations?
- What is the likelihood of their becoming more involved with philanthropy and on what level?
- What types of accountability do they demand from the organizations they support?
- What type of engagement do they want with the organizations they support?

THE FORBES FUNDS

Envisioning Pittsburgh's nonprofit sector as innovative, informed, and engaged, The Forbes Funds advance capacity-building within and among the region's nonprofit organizations.

THE COPELAND FUND FOR NONPROFIT MANAGEMENT

The mission of The Copeland Fund for Nonprofit Management is to strengthen the management and policymaking capacity of nonprofit human service organizations to serve better the needs of their communities.

- Management Enhancement Grants
- Emergency Grants
- Cohort (Professional Development) Grants

THE TROPMAN FUND FOR NONPROFIT RESEARCH

The mission of The Tropman Fund for Nonprofit Research is to support applied research on strategic issues that are likely to have profound effects on nonprofit management and governance, especially among human service and community development organizations.

- Applied Research Projects
- Annual Research Conference

THE WISHART FUND FOR NONPROFIT LEADERSHIP

The mission of The Wishart Fund for Nonprofit Leadership is to encourage pioneering nonprofit leadership by promoting public learning and discussion about issues critical to ethical and effective management, as well as by celebrating exemplary practices.

- Leadership Roundtables
- The Frieda Shapira Medal
- Alfred W. Wishart, Jr., Award for Excellence in Nonprofit Management

To read the full text of this study, log onto The Forbes Funds' web site at (www.forbesfunds.org).

QUALITATIVE FINDINGS FROM FOCUS GROUPS

Campos Market Research conducted three focus groups with top executives (CEO, CIO, CFO, COO, VP, Controller) of high technology companies in industries like information technology, robotics, biotechnology, venture capital, Internet support and others. One focus group ("givers") consisted of people who reported that they give on average the equivalent of \$2,000 per year to charity. Two of the focus groups ("non-givers") consisted of people who say that they typically give less than \$2,000 per year.

Interestingly, all three groups displayed similar views of charitable giving. The findings from the focus groups suggest the following:

- **There are some widely held misconceptions of new economy entrepreneurs:** Respondents consistently reported that, with few exceptions, they do not have the financial resources that many charities assume them to have. They contribute what they can and generally they want to give more to charity, but often they are surprised by what they are asked to give. They believe that charities have wildly inflated estimates of their wealth. Thus, it seems that many charities may have misconceptions about the actual wealth that is controlled by this segment of the population.
- **Charity versus Philanthropy:** Respondents in the focus groups seem to have a very narrow, and somewhat dated, notion of "philanthropy." They view philanthropy as a full-time endeavor, involving huge contributions that only the super rich can afford. They do not envision their modest contributions as being philanthropic. Nor do they see their contributions as a systematic "investment" in a cause. Surprisingly, some of them seem to make *no* distinction between making a contribution to a nonprofit organization or handing a dollar to a panhandler on the street. Very few of the focus group participants have ever served on a board of directors of a nonprofit organization, and they believe that they would need to make a significant contribution to the organization before being invited to serve.
- **Perceptions of Foundations:** Again, the participants in the focus groups seem to be generally uninformed or misinformed about the activities of philanthropic foundations and distinctions between various types of foundations. For example, they report that they would not give money to large family foundations, apparently unaware that such foundations operate on endowments and do not seek contributions from the general public. Beyond this, respondents seem to see all foundations as "old guard" organizations. They are more interested in controlling their charitable contributions and in *niche giving* rather than making contributions to large organizations that address many community needs.
- **Reasons for Giving:** Respondents seem to be motivated by one set of reasons for *personal* giving and another set of reasons for *corporate* giving. Generally personal donations are motivated by a desire to help the community, while corporate donations are motivated by self-interested outcomes such as increasing corporate visibility, good public relations, professional networking, and tax deductions.
- **Perceptions of Fundraising Approaches:** Focus group respondents believe that most fundraising approaches used by charities are pushy, inconvenient, and time-consuming. They resent being solicited by professional telemarketing firms who know nothing about the mission and programs of the organization they represent, and they suspect that charities often sell their telephone or mailing lists to corporations who, in turn, use them for other types of telemarketing.
- **The Giving Process:** The entrepreneurs in our focus groups believe in conducting at least some research on a charity before they make a contribution. They may look at Internet sites, printed literature, or simply ask a trusted associate who has had some experience with the organization. They want their charitable contributions to contribute to a tangible goal or objective, they want to know that their contribution will make a difference in achieving that goal, and they want to know what percentage of their contribution goes to that goal rather than administrative overhead. They believe administrative overhead should be 10 percent or less.
- **Charity as a Learned Behavior:** While charitable giving seems to be a learned behavior, our respondents state that their giving differs from that of their parents. The prior generation had fewer outlets for their charitable giving, and they seemed to give to the same cause year after year. Today, these respondents report that there are more choices, and they admit that they are more fickle in their giving patterns than their parents, due in part to fluctuations in their cash flow.
- **The Ideal Charitable Organization:** When asked to describe the ideal charitable organization, respondents in the focus groups stressed the importance of personal appeals (not computerized dialing), high community visibility, the ability to convey personal meaning to their cause, modern communication and information outlets like web sites, tangible and realistic goals, a clear vision for the future, and prompt expressions of thanks for contributions with no strings attached.

QUANTITATIVE FINDINGS FROM THE SURVEY

Based on the focus group findings, a questionnaire was developed by Campos Market Research and distributed via email to members of the Pittsburgh High Technology Council. A total of 97 responses were received. The modest response rate suggests that the quantitative results of this survey should be interpreted with caution, as there is a 10 percent probability of a relatively high margin of error (+/-8.31 percent).

- **Philanthropic Behavior and Attitudes:** Contrary to the focus groups, respondents to the survey seem to believe that anyone can be a philanthropist, not just the wealthy. Almost 75 percent of the respondents reported that they currently serve on a nonprofit board of directors. Over 70 percent would like to be in a position to make a major impact with their charitable contributions and 60 percent said that they would like to become more involved with the nonprofit sector in the next five years. Still, more than half of the respondents reported that they gave either nothing or less

than \$1,000 to charity in 2000. 25 percent gave between \$1,000 and \$5,000. Only 20 percent gave more than \$5,000 to charity in 2000.

- **Favorite Causes:** Respondents were asked to report what types of charitable organizations they had supported in the past and what types they were most likely to support in the future. Table 1 provides the findings. These high technology executives seem to favor contributions to:
 - Arts, culture, and humanities (although they appear less inclined to support these organizations in the future)
 - Environment
 - Education
 - Children, youth, and families
 - Religious
 - Human Services

Education and children, youth and families appear to be especially strong areas of interest in this analysis. They are among the top five current and future candidates for giving among this group of donors and they show a significant increase in future interest. The lowest ranked organizations in terms of past and future giving seem to be in the areas of aging and addiction counseling and treatment. When asked to name the most important issue facing the region, almost 57 percent named business/economic issues, followed by about half of the respondents who mentioned general economic issues and social problems.

- **Factors Affecting Giving:** Respondents indicated that they are most likely to give to organizations whose goals they understand and support. Many report that they rely on the general reputation of the organization and a “gut feeling” about the organization, but they also state that they are likely to visit the organization’s web site or review its printed literature. Relatively few respondents say that they will request an annual report and even fewer seem to rely on audited financial reports or the opinions of their financial advisor. In addition, these donors want to have confidence that their contribution will make a real difference and they want to have a personal interest or stake in the causes they support. They are far less concerned with factors like a family tradition of giving to a certain organization or being publicly recognized for their contributions.
- **Communications by Charities:** The overwhelming majority of respondents (83.1 percent) stated that a web site would be a valued form of communication from nonprofit organizations. A significant percentage, although less than half, said that case studies, newsletters, strategic / business plans and public meetings would also be valued forms of communication. Less than 25 percent mentioned traditional communication vehicles like fundraising brochures, advertisements or printed annual reports.

Cause / organization	Have supported in the past two years		Likely to support in the future		Trend
	%	Rank	%	Rank	(- or +)
Arts, culture, humanities	81.4	1	67.4	1	-14%
Environment	43.3	2/3 (tie)	50.6	4	+7.3%
Education	43.3		66.3	2	+23.0%
Children, youth and families	39.2	4	54.4	3	+15.2%
Religious	35.1	5	38.4	5	+3.3%
Human Services	27.8	6/7 (tie)	35.6	6/7 (tie)	+7.8%
Animal Welfare	27.8		29.4	10	+1.6%
Women’s Issues	24.7	8	35.6	6/7 (tie)	+10.9%
Health care	23.7	9/10 (tie)	27.5	11	+3.8%
Economic Development	23.7		33.0	8	+9.3%
Physical and/or mental disabilities	22.7	11	26.4	13	+3.7%
Political / Public Policy	17.5	12–15 (tie)	26.7	12	+9.2%
Social justice	17.5		26.4	14	+8.9%
International programs	17.5		21.2	18	+3.7%
International programs	17.5		30.6	9	+13.1%
Emergency disaster relief	11.3	16–18 (tie)	17.6	19	+6.3%
Scientific research	11.3		21.3	17	+10.0%
Anti-poverty	11.3		26.2	16	+14.9%
Anti-racism	5.2	19	22.6	16	+17.4%
Aging	2.1	20/21 (tie)	11.8	20	+9.7%
Addiction counseling and treatment	2.1		5.9	21	+3.8%

CONCLUSIONS

Our overall impression of the findings is that there is an evolutionary, not revolutionary, change in charitable behaviors and attitudes among high technology entrepreneurs. Many of them are not well informed about the charitable investments available to them, and their interest in becoming deeply involved in the organizations they support is clearly tempered by the demands of their own organizations. Nonetheless, they clearly feel an obligation to be engaged in charitable activities and want to do more in the future. Soliciting their involvement in the nonprofit sector will require attention to new types of communication, including web sites and well designed personal appeals.

The Forbes Funds remains committed to helping nonprofit organizations access and utilize resources from a variety of sources, including high technology entrepreneurs. The findings of this study can be helpful as organizations enlist the engagement of this segment of the population. The full version of this study is available on The Forbes Funds web site (www.forbesfunds.org).

This TROPMAN REPORT is one of a series of briefing papers generated by The Tropman Fund for Nonprofit Research. TROPMAN REPORTS in this 2002 series are:

1. Capacity-building in the Nonprofit Sector: *A Comparison of Resources and Practices in Pittsburgh and Denver*
2. How Do Nonprofits Compare with For-profit Providers? *An Application of Customer Value Analysis*
3. Leveraging Human Capital: *How Nonprofits in Pittsburgh Recruit and Manage Volunteers*
4. **New Economy Entrepreneurs: *Their Attitudes on Philanthropy***
5. Profit Making in Nonprofits: *An Assessment of Entrepreneurial Ventures in Nonprofit Organizations*
6. Recruitment and Retention of Managerial Talent: *Current Practices and Prospects for Nonprofits in Pittsburgh*
7. Social Services in Faith-Based Organizations: *Pittsburgh Congregations and the Services They Provide*
8. Staying Ahead of the Curve: *An Assessment of Executive Training Needs and Resources in Pittsburgh*
9. Strategic Planning: *Positioning Identity, Values and Aspirations*

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