



Fundraising | Philanthropy

Future Faces of Philanthropy

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Fundraising – Corporate Social Engagement – Interactive Services | New York | London | Los Angeles | Washington DC | Boston


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Two views of the importance of deep examination of change

- Think? How ya gonna think and hit at the same time?
Yogi Berra
- It has been our experience that for any organization whose external environment is changing faster than it is changing internally, the end is in sight. It is only a matter of time.
Jack Welch, Letter to Shareowners, GE Annual Report 2001

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Objective: Skating to where the puck will be.

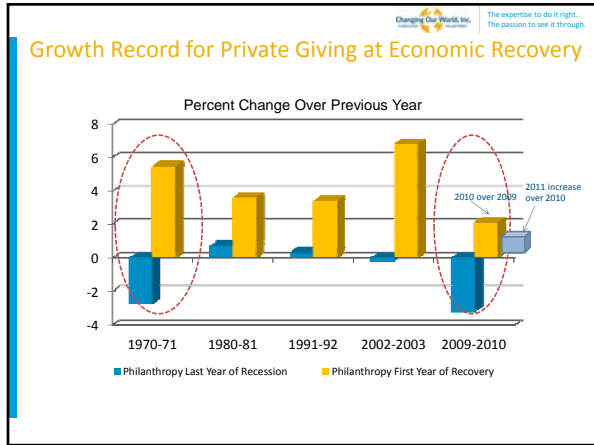
- Review trends in in the operating environment of nonprofits that will affect the future nature and structure of demands placed on philanthropy and the nature of nature of philanthropy itself
 - Economics, Domestic and Global
 - Demographics
 - Wealth
 - Expectations and Innovation
- Consider a set of hypothetical cases that provide the opportunity to think about strategy in the face of these changes.

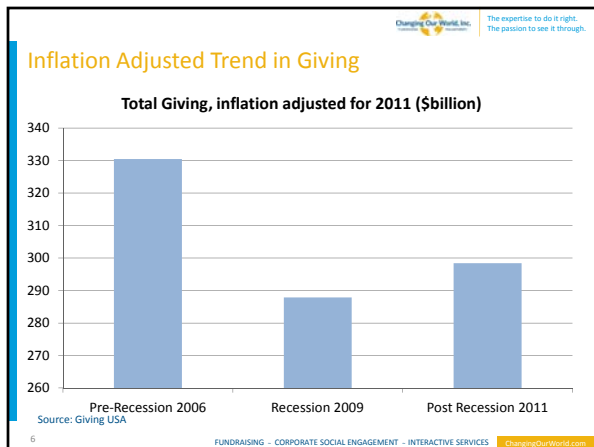
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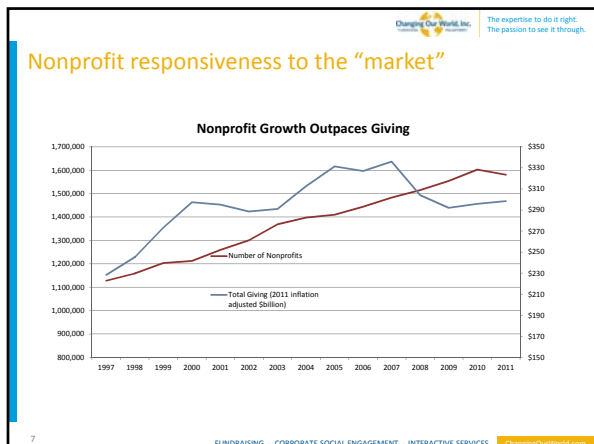
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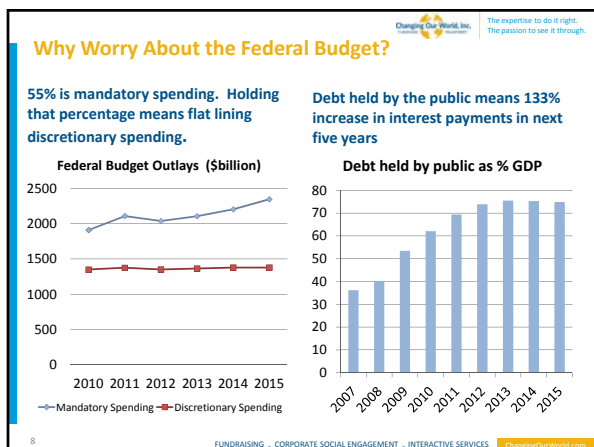
Economics

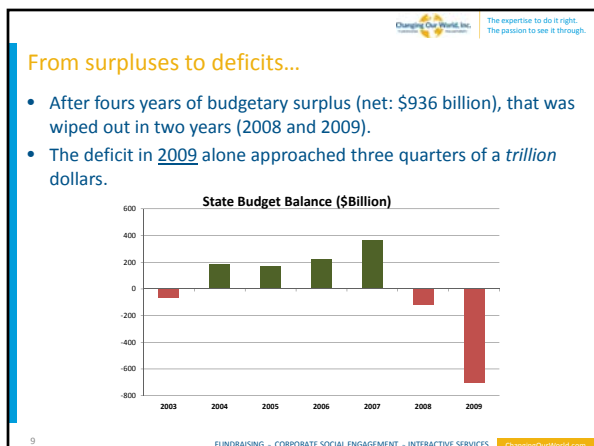
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An incomplete picture...

- An estimated one-third of nonprofit revenue (est. 1.9 trillion in 2008) comes from government sources.
- We're not sure that the distribution is as suggested...

Nonprofit Sources of Revenue

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The federal "bail out" of state governments

- Federal stimulus dollars were given to states for general, balanced budgeting purposes.
- After the stimulus, federal money comprised more than one-third of state spending, up from about one-fourth before the stimulus.

Federal Stimulus Funding to States (in Billions)

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IMF Projections % Change in Economic Output

The advanced economies went into the recession deeper, came out slower, and will stabilize at lower rates of growth.

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Rising Global Middle Class

- By 2030, only 20 years from now, **2 billion people** will join the global middle class.
- This will represent **30% of the world's population**, dwarfing the 19th century middle class explosion.
- This stretches far beyond the growth of India and China. Nations with projected Middle Class bulge include
 - Egypt
 - Philippines
 - Indonesia
 - Mexico
 - Brazil

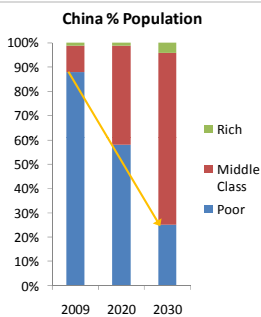
- By 2020, half of **African households** will have discretionary spending power.
- In transition economies (e.g., **Tanzania**) 72% of GDP will be from manufacturing and services; in diversified economies (e.g., **Egypt**), 83%.
- Service sectors will create jobs driven by urbanization. In 2020, **Johannesburg** will be larger than New Delhi.

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The Rise of Middle Income Countries and Individuals

- By 2030**
 - Middle income countries = 43% of global GDP compared to 15% today.
 - Asia Pacific = 59% of middle class consumption, compared to 10% in North America and 20% in Europe.
- By 2050**
 - Middle income individuals = 40% of global incomes, compared with 30% today.



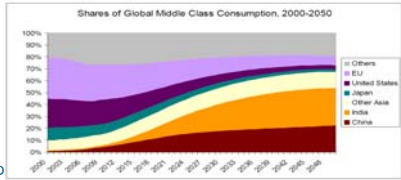
Kharas and Gertz, Brookings

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With consequent purchasing power

- By 2030, middle income countries will account for 43% of global GDP (in dollar terms) compared to 15% today.
- JP Morgan estimates that under-penetrated developed and emerging markets represent \$4 trillion of purchasing power
- Mastercard estimates that 60% of its \$2 billion purchase volume will come from emerging economies
- Visa sees 50% of its revenue coming from abroad



Karras, OECD

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Again, Africa is not the exception. African economies are diversifying

- By 2020, half of African households will have discretionary spending power.
- In transition economies (e.g., Tanzania) 72% of GDP will be from manufacturing and services; in diversified economies (e.g., Egypt), 83%.
- Service sectors will create jobs driven by urbanization. In 2020, Johannesburg will be larger than New Delhi.

Year	Global	Consuming Middle Class	Emerging Consumers	Basic Consumer Needs	Destitute
2000	35	10	15	30	10
2008	25	20	20	25	10
2020	20	30	25	15	10

McKinsey & Company

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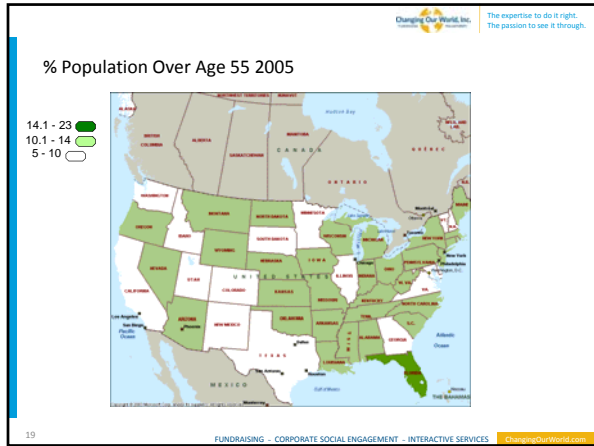
The integration of the global economy and the growth of private investment through open economies is driving wealth creation in former "recipient" countries.

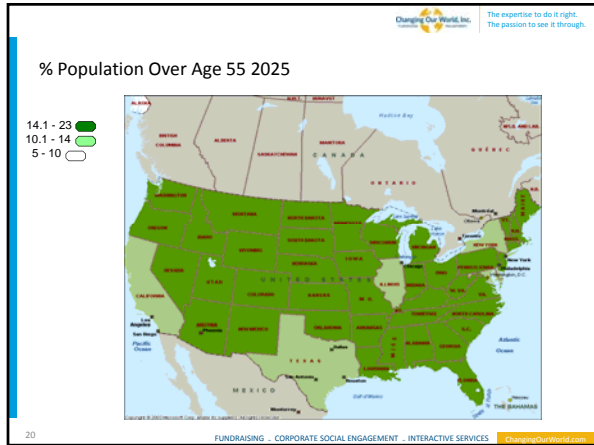
- Capital is now completely mobile.
- Consumer goods competition from newly multinational companies from the emerging economies
- Major M&A activity between U.S. firms and those in the BRICs
- 100 companies in Africa with sales of \$1 billion or more, therefore rising M&A between India and Africa

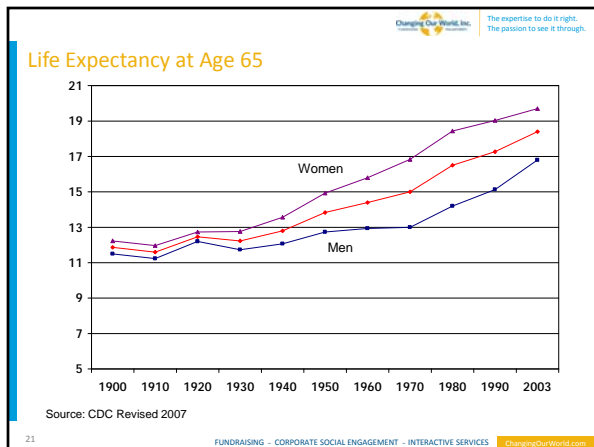
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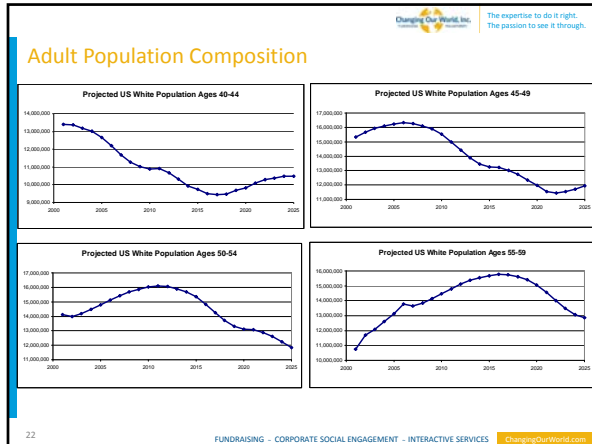
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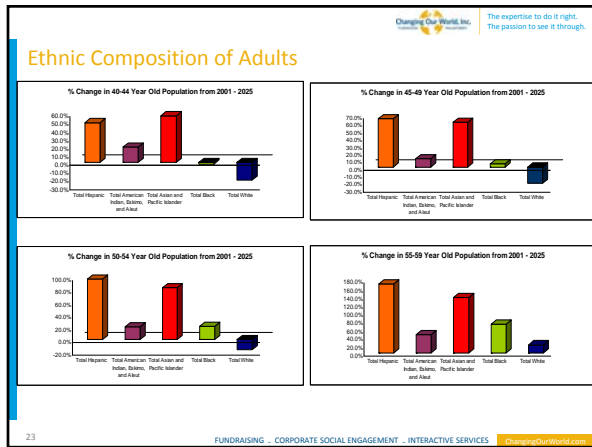
Demographics

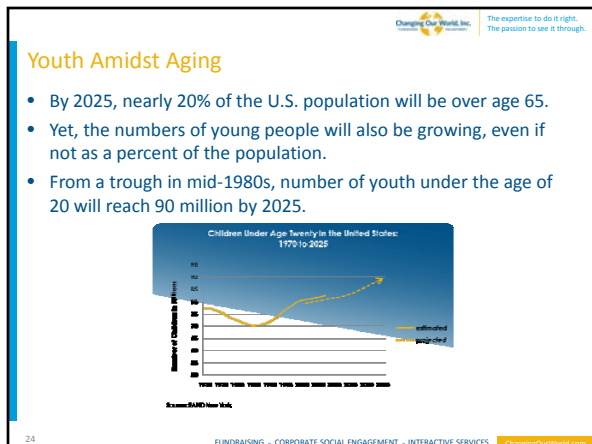












And the faces of the country's youth will change

Ethnicity of U.S. Population Under Age Twenty: 1990 and 2025

Ethnicity	1990	2025
White	70%	50%
Black	15%	14%
Hispanic	12%	30%
Asian/Pacific	4%	5%

Ethnicity of Californians Under Age Twenty: 1990 and 2025

Ethnicity	1990	2025
White	48%	28%
Black	8%	5%
Hispanic	35%	55%
Asian/Pacific	10%	12%

But the more important trend is in ethnicity.

- 40% of American children have at least one foreign born parent.
- In places like New Jersey and California, a third or more of the population is immigrant or children of immigrants.

Source: State of California, Department of Finance; 2000 Census; Public Policy Institute of California

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The Characteristics of Ethnicity

- By 2050, the Pew Research Center projects that 19% of the population will be foreign born.
- This is well above 2010 (12.9%) higher than all previous peaks since 1890 (14.8%).
- CA, TX, MA, and IL are in the top ten U.S. states with high percentages of foreign born.
- All growth of the U.S. population under age 17 will be accounted for by the children and grandchildren of immigrants.

Even now, 25%-35% of people in major cities are foreign born.

% Population Foreign Born 2010

State/City	% Foreign Born
CA	~35%
Los Angeles	~35%
TX	~25%
Dallas	~25%
MA	~25%
Boston	~35%
IL	~25%
Chicago	~25%
CT	~25%
Hartford	~25%
US	~13%

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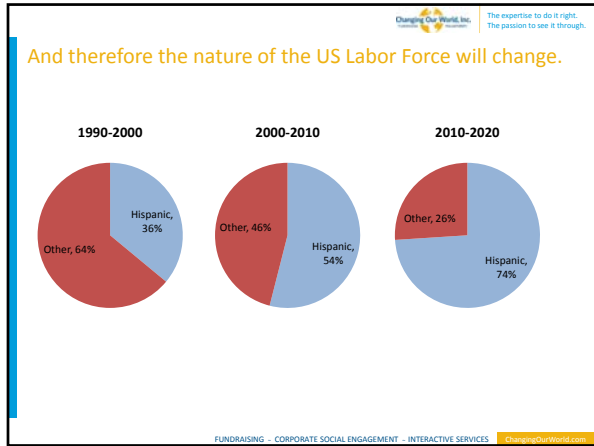
- In several of states the immigrant population is less likely to be recently arrived than in other states, and hence more likely to represent families and not individuals, and more likely to have children of school ages.
- In "older" immigrant states, support mechanisms for communities are in place. Elsewhere they may not be.

% Immigrants Entering 2008 or Later

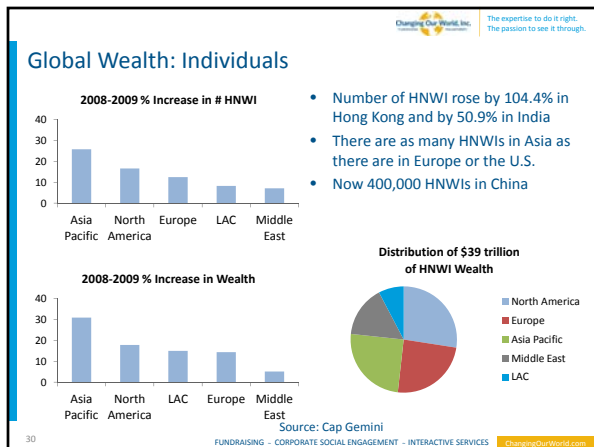
State	% Immigrants Entering 2008 or Later
CA	~5%
ME	~5%
IL	~5%
CT	~5%
U.S.	~5%
TX	~5%
MA	~10%
NH	~10%
VT	~14%

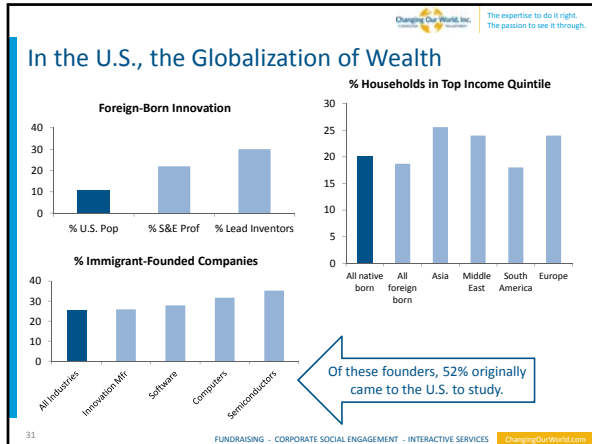
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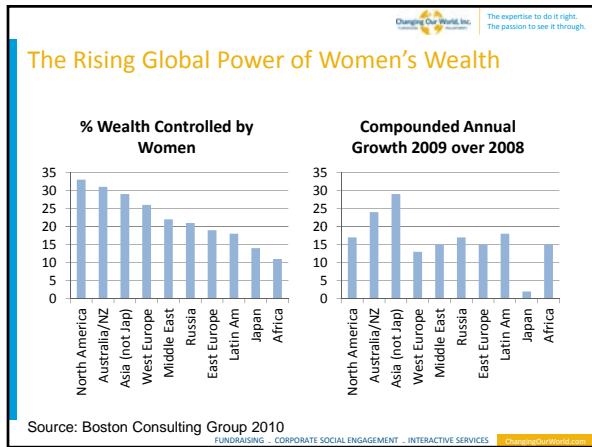
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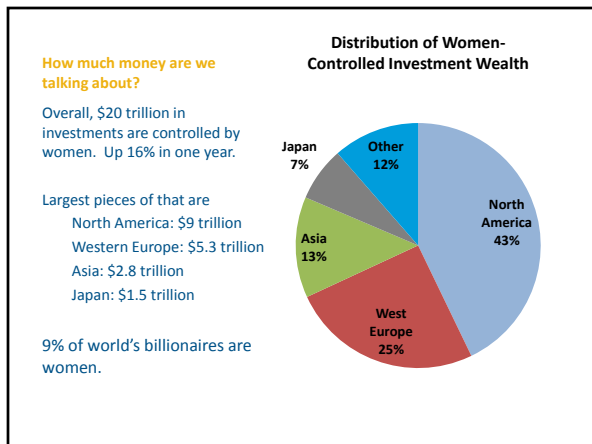














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Some examples of scope


- By 2020, women millionaires in the UK will outnumber those who are men.
- In the Middle East, women hold \$40 billion in personal wealth, and make decisions affecting \$500 billion in investments
- In Saudi Arabia alone, women control an estimated \$11.9 billion in cash.
- A third of women-owned businesses in the Middle East earn in excess of \$100,000 per year, compared to 12% of their U.S. counterparts.
- In the European Union, the number of HNW women has increased 29% faster than the number of HNW men in the last 5 years
- Women control near or more than 50% of wealth in
 - Finland
 - Netherlands
 - Denmark
 - France
 - Germany
 - The United Kingdom

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For global HNWI wealth, philanthropy is a local affair.

FIGURE 3.1: What causes are important to you?




Cause Type	Importance Score (1-5)
International causes	2.52
National causes	1.95
Local causes	1.37

Source: The ZNP Farbas/Camden Research Family Philanthropy Survey 2009

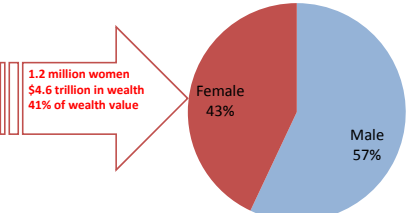
"LOCAL ISSUES MATTER.
INTERNATIONAL CONCERNS COME
A LONG WAY DOWN THE LIST"

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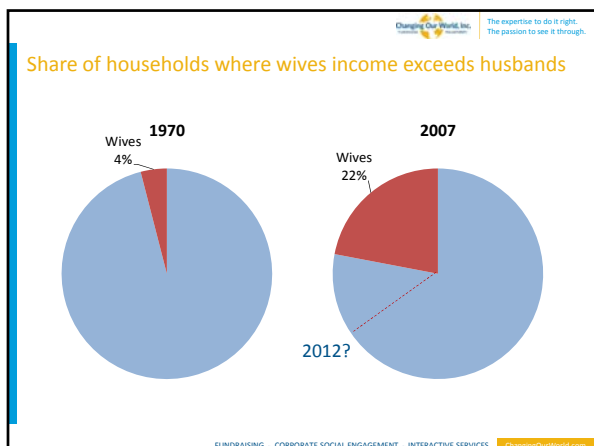

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What about the U.S.?

% Of Top Wealth Holders with Gross Assets of \$1.5 Million or More (2004)



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Expectations and Innovation

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Things that are changing: Wealth and age

- Andrew Carnegie
 - Age at serious philanthropy: **54**
 - Life expectancy of an American male: **52**
- Bill Gates and Jeff Skoll
 - Age at serious philanthropy: **39 and 34**
 - Life expectancy of an American male: **78**
- Median age of Facebook employee: **26**
- Average age of Facebook Board members: **44**

Of the top 50 philanthropists, many are young

- Of the Americans, over half (11) were under the age of 65, and all of these had wealth from technology
- All Russians in the top 50 are under age 60.
- But all of the Europeans and nearly all of the Asians are over age 60.

In 2012, \$1.1 billion in new major gifts came from billionaires under the age of 40.

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New Wealth and New Expectations


- **Investment not Charity** – What is the long term gain from my short term support?
- **Impact, Impact, Impact** – How will you FIX what is wrong? And how will you measure it so that I know?
- **Engagement** – How can you use what is between my ears as well as what is between the covers of my wallet
- **Sustainability** – How will the good you do go forward when I stop giving you money to do it?
- **Accountability** – Report not on my money, but also on the financial performance of the organization.

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Why All of This Matters

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- More competition for private resources as public resources fade.
- Changes in the kinds of populations that nonprofits will need to reach, and the cultural implications therein.
- Changes in the cultures of donors, based on a combination of age, ethnicity and gender. Little guidance as to what that portends.
- Changes in the nature of wealth.
- Changes in the locus of wealth.
- Changes in expectations.


The End of Definitions

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Case Deliberations and Discussion



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Thank you
