

Giving is the new taking

Giving is the new taking: Philanthropy is an essential part of wealth creation, happiness, and ensuring one's children do not become indolent. However, it is harder to give it away than it is to make it. This whitepaper provides the “how”, “why” and “when” of philanthropy.

A Short History of Modern Philanthropy

On 16 April 1984, an unlikely looking young technocrat named Bill Gates made his first appearance on the cover of Time Magazine: a 5 1/4 inch floppy disk poised on the tip of his finger.

In the 16 years from 1984 to 2000, Gates's company grew from 400 to 63,000 employees, and Gates himself became known as one of the most aggressive businessmen of his generation. Some of his practices brought the US-government to launch an anti-monopoly suit against Microsoft. His company came close to being split in two. Also around 2000, a surprising event took place: Gates started giving away money: rather a lot of it. From 2000 to 2006 he reportedly gave away about 28 billion dollars. In 2006 he appeared again on the cover of Time magazine, his seventh cover-appearance in total: this time as a “good samaritan”. Today, Gates is seen holding African children rather than gadgets. What happened?

Many sceptics at the time thought the turnaround to be “one man engaged in a one off surprise case of philanthropy; an effort to draw attention away from his company's business practices”. But this was to prove wrong. Gates continued giving. Again sceptics responded “he's just trying to improve his image”. But then others started giving too. Gates, long vilified in certain sectors of the IT industry as an imitator not an innovator was this time taking the lead, unequivocally.

Since 2000 it is as if giving has become the new taking: Dell (computers) founder Michael Dell and his wife Susan, PeopleSoft co-founder David Duffield and his wife Cheryl, Berkshire Hathaway CEO Warren Buffett, and eBay Inc's first president Jeffrey S. Skoll, are among the many who are apparently falling over themselves to outdo each other's philanthropic urges. Even the sceptics are now struggling to see an ulterior business motive in Gate's giving. Suddenly, a new trend is emerging.

How to Give: Run it like a business

The new philanthropy is a different strain from what has gone before. Dale Carnegie, credited by many as the founder of modern philanthropy, gave books to libraries, and gave less than 10% of his net worth. The Rockefeller Foundation gives, among other things, scholarships to Harvard students. Again, the Foundation's wealth is a small fraction of that of the Rockefeller family. The Dells, Duffields and Gates are giving away much earlier in their lives. Bill Gates for example, some 20 years earlier in his life than Carnegie started, has already given the Gates Foundation more than half his net worth. The Foundation

tackles arguably the world's toughest problems afflicting the poorest people in the world: problems including malaria, tuberculosis and HIV.

Another key difference is that the Foundation has adopted a more businesslike and hands-on approach to philanthropy: an approach subsequently coined "philanthrocapitalism". Unlike other mega-charities such as Wellcome Trust, the Foundation's set-up enabled benefactors to see how money is being spent.

The Foundation hasn't always got it right. Far from it. When the \$1 Billion given to improve school dropout rates was met with mediocre results, Gates admitted that first attempts had been naive, and immediately set about "Version II" of the program. Those in the software industry will be familiar with Gates's and Microsoft CEO Steve Balmer's philosophy that "it takes three versions to get it right". The ability to learn self-critically through early failures has been one of the qualities that has given Gates his phenomenal business success. And now the same self-critical approach is paying dividends for the Foundation. The results of the Foundation's work on HIV in Botswana have proved to critics that massive change is possible through the skilful and systematic application of resources in cooperation with a supportive government.

The six stages that caused modern philanthropy

A business-minded approach attracts business-minded benefactors. "Running it as a business" was the first innovation that the modern philanthropists introduced. Warren Buffett for example pledged all revenue from \$31B of investments to charity in 2004, and in 2006 stayed true to his pledge, revealing that the recipient would be Gates's Foundation. He had a condition though: an expert business brain had to oversee the fund: an expert business brain called Bill Gates. Furthermore, because Gates's Foundation was managed on a day-to-day level by successful business people, they didn't need to be paid. Patty Stonesifer, President and Co-Chair of the Bill & Melinda Gates Foundation, for example draws no salary. She doesn't need to.

The second new feature of modern philanthropy was that people started drawing links between holding wealth and ruining their children's lives. Firstly Gates went public and said his kids would only get \$10M each (a miserly 0.02% of his net worth). He didn't want them being ruined by money. Again, other philanthropists followed his lead, embarking on what the media coined "*carpe diem* (literally "seize the day") giving." American Century founder James E. Stowers, No. 5 on the list of "Most Generous Philanthropists," along with his wife Virginia, for example states "If the kids have so much money they don't even have a reason to get out of bed in the morning, we're hurting them."

The media feasted on anecdotal accounts of the children of the rich burning through their parents' legacies on a lamentable journey of lavish self-destruction. The philanthropists then started publicly questioning the wisdom of inheritance. As if not wanting to be left out of the action, scientists then *proved* what a dangerous combination extreme wealth and youth could be when Columbia University found that rich kids suffer higher incidences of substance abuse, anxiety, and depression than their middle-class and even low-income peers.

Thirdly, the media changed their view on philanthropy. Shortly after Gates's giving commenced, one journo quipped that this would be bad if it caught on because they would lose their "children of the mega-wealthy on extravagant path to self destruction" stories. Yet only 2 years later they were converts to the cause, with BusinessWeek launching the inaugural "50 Most Generous Philanthropists" list: a list held in the same, if not higher, esteem in many quarters to Forbes Magazine, who for 77 years have published the "Forbes 50": the list of the 50 most wealthy people in the world. As if this wasn't enough, it was only 2 years later that the media took it upon themselves to play moral philanthro-watchdog, criticising Buffet, yes the same Buffett who in 2006 made the biggest donation to charity ever, for holding out and giving little of his wealth away during his lifetime.

Fourthly, the philanthropists themselves started advocating what the media coined the new "carpe diem" approach to others. "You just never know how much time you are going to have," said Jeffrey Skoll, founder of eBay. "Which is the greater blessing: becoming wealthy? Or getting to redistribute God's wealth for the well-being of others? It's very hard to do when you are six feet under," pointed out Berber, number 45 on the most Generous Philanthropists List)

Fifthly, the percentage of their total wealth that the wealthy started donating is significantly bigger than previous philanthropy. Previous gifts were typically of an amount between token gestures and tithes (10%), not attempts to get rid of it all in one's lifetime. The Forbes "50 Most Generous Philanthropists" is filled with examples of people giving away over half their personal fortune. In 2005 for example, three of the top five gave over half their net worth to causes as diverse as health, environmental conservation, reducing nuclear weaponry, education, "open and free societies" and biomedical research. This scale of giving has caused today's Foundations to become larger than anything seen before. The Bill & Melinda Gates Foundation's \$29 billion endowment was 10 times the size of the entire Rockefeller Foundation and three times the size of the Ford Foundation. Buffet's \$31Bln pledge doubled its size again, and still the Foundation is a mere elementary-schooler in age.

Finally, philanthropy has changed its status overnight from being a hobby of the mega-rich, to a serious, fulltime occupation that requires as much time, attention, and skill as creating and running one of the richest ever companies in the world. In June 2006 Gates announced that by 2008 he would not only be a philanthropist; he would be doing it fulltime.

The new philanthropy has spread like a beneficent virus: one that is both more contagious and virulent than any charitable outbreak ever before seen. In a matter of years, Philanthropy has become the biggest way for the richest people on the planet to spend their spare change: a practical demonstration that getting rich is not the end-point, just the mid-point of a journey. The really interesting new question in the eyes of the media is now turned from the oft-addressed "how to you make it?" to the new focus "how do you get rid of it?"

Many questions spring to mind. How and why did it happen? Are the most obvious ones to ask. If philanthropy is done right, will it help you attract the resources you need for philanthropic action in the first place? This and many other fascinating questions arise out of the new trend and areas Beyond The Ceiling are conducting further research into. We believe that the results of this research will have significant meaning to the 6 billion of us who are not mega-wealthy.

It seems it's not only those from business circles who have started large-scale philanthropy. In Hong Kong, martial arts movie star Jackie Chan recently gave a more modest \$100 million to charity. This amount however represented half his entire fortune.

Large fortunes are being given away closer to home too via the Tindall Foundation which gives to a number of social and environmental causes, and the Robin Hood Foundation which fights illiteracy among a host of other things, and through people's individual efforts. Gareth Morgan for example, the father of Sam Morgan, left New Zealanders agape with news of his plans to donate his \$47 million share in TradeMe to charity.

From Ireland, two rockers stand out. Bono has consistently shown it isn't just businessmen who have caught the philanthropy-bug. U2 lead-singer Bono has become a full-time lobbyist of Western Nations to forgive all third world debt: and according to Time Magazine, it is starting to work. Former Boomtown Rats lead-singer Bob Geldof is no stranger to philanthropy, having launched Live Aid, a huge international rock concert established to create global attention and donations for African famine victims, but these days Bono has acquired some surprising groupies. Having proved he meant it when he said "I don't care who I have to go to, to get this agenda to work", he became an advisor to the British Conservative Party because he understood the importance of making the goal of ending global poverty worldwide a mainstream goal. Is it true as Geldof claims that not only the mega-rich, but "A new generation of concerned citizens want prosperity for themselves and progress for the poor?"

Bill Gates and Bob Geldof: "A Tale of 2 BGs"

The rebellious mid-'70s rock band, the Boomtown Rats, encountered moderate success before topping UK charts with a song most US-radio stations refused to play: "I Don't Like Mondays," about 16 California high school student Brenda Spencer, who after opening fire on her school, injuring eight students and killing the school's principal and custodian, later cited her reason as "I don't like Mondays." They broke up in 1982, and Singer Bob Geldof embarked on a solo career, making his mark on pop culture in Pink Floyd's "The Wall" where he played the lead role of eyebrow-shaving anti-heroic rock-star "Pink." Geldof is a staunch advocate of government aid to developing nations and forgiveness of third world debt. He is not known for diplomacy, as he proved by berating the government of no-nukes-New Zealand as "pathetic" and "a disgrace" for only managing to contribute 0.27% of GNI (Gross National Income) to Third World aid.

Looking at the "path to success" of Bob Geldof, it becomes apparent that in Bill Gates and Bob Geldof you would be hard-pressed to find two more different people in any room at any time, let alone two more different philanthropists with the initials BG. Yet both BGs

are doing remarkably similar things and have remarkably similar goals: they have both dedicated their lives to ending extreme poverty, both have targeted Africa as phase one, and both of them are having some successes.

So on the one hand the world's most successful capitalist embarked on a project of giving it all to the extremely poor during his lifetime. On the other hand, a rebellious rocker started at the other end of the political spectrum, and now is a businessman and Conservative Party Advisor. Both are philanthropists first and foremost, both are extremely successful at their work, both have embarked on journeys that exhibit some of the better tendencies of both socialism and capitalism. Both have worked out that in order to be an effective philanthropist, its not enough to be either a socialist or capitalist: you have to be both and know when to apply each – just like a bird must have both and know when to use each if it is to ever achieve flight. It appears at least anecdotally that philanthropy is both uniting and blurring the lines between the traditional “left” and “right” wing, and traditional capitalist and socialist tendencies.

Why to Give?

The mega-philanthropists have already hinted at the ultimate reason for giving through some of their statements, including

“I have enough already”,

“I don't want to mess up my kids”

“With great wealth comes great responsibility”

“Why wait and give with a cold hand”

“Philanthropy must be run as effectively as a business”

In short, the very rich are realizing that failure to give during this lifetime is a missed opportunity for them to benefit from the joy of giving, the realisation that giving away requires an equal amount of skill to accumulating, and they don't trust anyone but themselves to give it back effectively. At the same time they are realising that failure to offload the burden of inheritance often messes up kids and denies them the growth and joy of having to accumulate their own money in the first place. In other words, wealth in the wrong hands is not only of no value, it has negative value.

But ultimately they are also doing it for the same reason any human does anything: because it makes them happy to do so. As animals, all humans are driven by the desires to gain pleasure and avoid pain. And people are catching on to the fact that holding on to wealth generates pain, and giving it causes pleasure. The look on the face of Bill Gates as he holds a young African child on the cover of “The Economist” has a broader and more generous smile than it did with any software product he's held.

Gates himself says “From a purely rational perspective, if we can save lives, that's great. But if you can meet with people – you can take the statistics and map it to individuals. It's uplifting. I encourage you to do it.”

In other word, do it because it is uplifting – it brings fulfilment and happiness into our lives.

Gates also said that he had intended to start giving away much later in life. However, after reading World Development Reports, and finding out that a small amount of his net worth could double spending on malaria research worldwide, he decided not to wait that long. Information provided urgency, but the desire to give was there for a long time in the back of the mind. Where did that come from? It is said, “charity starts at home”. In Gates’s case this seems to have been so too. Apparently Gates’s mother would persistently remonstrate with him throughout his rise to the top of the business world with words to the effect “All this software stuff you are doing is all very well, but when are you going to do more for the poor in Seattle (the city where Microsoft is headquartered)?” Gates reportedly would answer “I don’t have time for that right now; I’m too busy writing software day and night”.

An experiment in the relationship between manifestation and giving

As part of *Beyond The Ceiling*’s research for this paper, we looked at a cross-section of books on wealth creation. Without exception, they all talked of the critical importance of giving. The act of giving they reported made manifestation more likely to occur. At Biomatters (the author’s first company), we created a software product for molecular biologists. We had a free version and a version you bought (like Quicktime). The free version had been wildly successful and gone to the top of Apple.com worldwide.

When the “to buy” version was released we decided that we would donate 10% of the company’s revenue in one month to a cause voted by the end-users. We got a huge response but I also faced opposition from my fellow-directors. It was pointed out that even “Ben and Jerry’s” only gave 5% of *profit*, and there was no precedent for a company early in its growth giving away part of its hard-won *revenue*. I convinced the rest of the board to trial the plan. The amount of good-will we generated from end-users was huge. Our “to buy” version became very successful and went on to be distributed into 24 countries in the next four months. I have no doubt we would have achieved this anyway, but I believe that benevolent action helped us get there faster. It made our team tighter, it defined one of our core and solid values, and it attracted many others with shared core values that they were relieved to see another entity, a commercial enterprise no less, reflect back to them.

At *Beyond The Ceiling*, we got very clear on my purpose for our ambitious business goals. We passionately believe that a new type of education is required in order to train children to think in a way that prepares them for the Twenty First Century, and have plans in place to dedicate revenues to this as early as June 2010. We noticed that as soon as we made this decision, business increased. This could be coincidental, and it is definitely anecdotal – but enough such anecdotes have occurred in our lives now that we don’t feel the need to test every scenario in a laboratory over the next ten years before we take further action.

When to give: on the way up

We forget that the top of the mountain is the Half Way Point: you can’t stay there.

Making money is often described by business leaders as climbing to get to the top. We say “climbing the corporate *ladder*”. Gates has been at the top of the “Forbes 50” for the last 10

years. Forbes called Gates's decade at the top of their richlist a decade of getting "comfortable with the altitude". In other words, his success in business was like having "climbed somewhere very high": he was at the top, he had a great view, but the altitude had its own perils that took some adjusting to. Wharton management professor Michael Useem and the business people who accompany him on Himalayan treks use the mountains to gain insights about leadership. In Useem's book *Upward Bound: Nine Original Accounts of How Business Leaders Reached Their Summits*, Useem recounts executives' collected stories where they explain how their experiences as climbers parallel the challenges they faced managing companies.

The Himalayan Trust was founded by Sir Edmund Hillary, who remains involved in charitable work in South Asia today, 50 years after he and Tenzing ascended the 29,035-foot Everest.

One executive in Useem's book commented that Hillary's devotion to the region and its people is inspirational and a manifestation of one of the essential, if often overlooked, components of leadership, pointing out that Hillary in his role as a leader and philanthropist in Nepal constantly asked the question "How can I serve you?"

Hillary, like Gates, is another example of someone who climbed a mountain before the half-way point of his life. In his case he did not use his own money, but the ability to attract money that his profile gave him, to further the philanthropic causes of raising funds for the Nepalese people who dwelt at the foothills of that same mountain. In his case, his mountain was both literal and figurative.

When climbing a mountain, what many people who do not climb mountains forget is that getting to the top is not the end-point – it is the half-way point. You still have to get back down again. The stories of those who have died through failing to make the descent of Everest are numerous and tragic.

The same is true of making money. There are plenty of books that tell us how to make money, but they leave us celebrating at the top of Everest. At most, they allocate one chapter to the other half of the journey.

Most books on "wealth creation" address the "how" of earning money, not the "why". Most books on wealth creation do not offer insight into why the average American's happiness has declined 15% over the same 40 year period that wealth has increased 200%. Climbing the mountain and getting down it require different muscles, body-parts and skills. The quads and abdominals get a heavy work out in the ascent, but the hamstrings and knees get a hammering on the way down. Imagine if you had only ever walked up steep slopes, and then you found yourself at the top of a hill. What would you do? It is likely you would either stay there, or find a higher hill to climb. Descending mountains can also be dangerous. Scree slopes can quickly carry people over cliffs if they are unable to control their momentum.

Similarly, disbursing money (descending the mountain) needs to be practised in order to get good at it. Bill Gates frankly admitted that his first billion spent on improving education

was based on philosophies that were “naive”. He was naive simply because he hadn’t done it before, and so he lacked the right philanthropic muscles to execute effectively first time. Yet in making money, he is the antithesis of naivety. So with the Gates/ Ballmar approach of “it takes 3 versions to get it right”, Gates simply embarked on version 2. That version will be better, and version 3 will be great, because of his “there is no failure, only feedback” approach to business and life.

To carry this analogy even further, Gates started business in 1978, but did not start practising philanthropy until 1999. In 1984 he made the cover of Time Magazine for the first time as a businessman. In 2005-6, he made the cover for the first time as a philanthropist. This suggests that Gates still has a lot to learn, and a massive contribution still to make. But what if Gates had started philanthropy 10 years earlier? 20 years earlier? Could he have included walking up and down mountains in the same exercise program? Would this have distracted him from dominating business, or enhanced his cause still more?

It is these unanswered questions that mean that despite Gates’ massive contribution to philanthropy, there are still many experiments that have not been run, and much ground for innovation: just as Newton made an astonishing contribution to physics, but still left unanswered areas to be explored by the Rutherfords, Bohrs, Heidelbergs and Einsteins who followed.

Warren Buffett has been quite specific about the skill required in philanthropy, making a seemingly outrageous claim that it takes more skill to give it away than to earn it in the first place. His reasoning is that “in making money you look to cut corners, whereas in philanthropy you approach the toughest and unsolved problems.” The fact that Gates took slightly longer to make it to Time’s cover as a philanthropist, and had to share the cover when he did get there adds some credence to this claim. So does Gates’s decision to work fulltime on philanthropy, plus the fact that according to some insiders, the Foundation struggles to find sufficiently good causes to give away the minimum 5% it must for special tax status. It is fascinating and a little counterintuitive to think that it might be harder to give away money than it is to earn it..

This corresponds closely to my own experiences in spending bestowals in business. Our company successfully won a \$1M government grant to pursue research into software to help disease research. We subsequently struggled to spend that money even half as fast as we said we would, because we had the same attitude that every dollar had to be spent not burnt. Why was this hard to do? Because good employees were harder to find, matching funds were slower to procure, and the management structure to facilitate a larger team took longer than expected to establish.

So let’s continue this analogy to its conclusion: mountains are inspiring but dangerous. You need to get off them fast! They offer amazing views to the transient visitor, but catastrophe to those who overstay their welcome, as any surviving ascender of Everest will tell you: the time they actually spend at the top is minutes-long.

Those who would set up camp at the top of a mountain would get cold then miserable. Next, the body would begin freezing from the extremities inwards until finally the heart dies too. Does this describe people who make money; but then fail to embark on the philanthropic descent of the mountain? Do we not use terms like “dead heart”, “cold”, “miserly”, “miserable” to describe people who had a good heart but were tainted by money like a frost biting the flesh; and ended up making only a monument to their own dying spirit on top of their personal mountain of cash?

While descending a mountain, maintaining our awareness as we descend of scree slopes and other potential dangers, we may find an unexpected ski field too. As any skier will tell you, the joy of skiing with gravity on your side is pure freedom. The businessman is the mountain climber, but the philanthropist has the opportunity to do something that is intrinsically as enjoyable as skiing. As Gates says, it is “uplifting” It is curious that we should ever have wanted to forego that pleasure. And yet, until recently, most of us opted to leave it to lawyers to cut up our estates after we are locked in our little underground wooden toboggans. There are others who, rather than even allowing themselves to enjoy the view, strive to overtake those people above them. As Philip R. Berber, founder of online-trading firm CyBerCorp Holdings Inc and No. 45 on the “Most Generous Philanthropists” list, put it “Which is the greater blessing: becoming wealthy? Or getting to redistribute God's wealth for the well-being of others? It's very hard to do when you are six feet under.””

But where is half-way?

Dale Carnegie at the age of 33 said, “To continue much longer overwhelmed by business cares, and with most of my thoughts wholly upon the way to make more money in the shortest time, must degrade me beyond hope of permanent recovery”. This sounds much like the fear of a mountain climber who knows they need to come down from their summit before the altitude and the cold overwhelms their energy reserves beyond the point of recovery.

But business growth, unlike mountain climbing, has no clear summit. There is always a higher peak to ascend that competes with the desire to return to the foothills. Carnegie at 33 went on “I will resign business at 35, but in the ensuing two years I wish to spend the afternoons in receiving instruction and in reading.” It never happened, and his next 30 years were occupied by climbing higher peaks. This raises an interesting question “When is the right time to give? Do we defer now so we can give later, or practice giving right now? My own belief is that intelligent philanthropy requires such skill that we need to start practicing as we accumulate.

For Carnegie, it was a good job that he did continue his ascent; for when he finally did stop, he was much more interested in helping improve the literacy of a nation through massive donations towards libraries, than he was in taking up his own private reading assignment. He had climbed a bigger mountain, and clearly had the reserves and the strength for the altitude, yet still left energy for the descent.

So the message Carnegie leaves is not “don’t ascend very high”: on the contrary it is

“remember the journey back, and reserve enough time/energy for it.”

If philanthropy is done right, it has been my direct experience and those of every “Wealth Mastery” author I have ever read that it will help you attract the resources you need for philanthropic action in the first place. Why? – Because it creates the most compelling call-to-action imaginable: one that fulfils not just our “wants” but which unveils and fulfils our very reason for being on this planet. First however, we need an understanding that money is not a “thing” but a form of energy just like light, or heat is a form of energy. This is a very different way of looking at money. But until this is fully grasped and understood, we will continue to evaluate the possibility that giving away can attract money in a way that will lead us to conclude this is impossible. Unless this concept is fully grasped, we will conclude incorrectly that accumulating and giving are no more than a plus and a minus on a balance sheet, with each one cancelling the other out. But debunking this myth is the subject of another whitepaper.

Modern Philanthropy has shown how giving has become the new taking. Philanthropy has taken off for many reasons. The very-rich have not wanted to ruin their children’s lives through huge inheritances. They have realised that it takes time and practice to learn how to give effectively. They have learned that it brings much more fulfilment and happiness to start giving during one’s lifetime. Philanthropy is also an essential aspect of wealth-creation, because it provides the most solid and value-based reason to earn in the first place.

Danny Batten is CEO and Founder of Beyond The Ceiling: a peak-performance company with a division dedicated to furthering enquiry into how business can solve some of the world’s toughest problems. Danny is a business mentor, serial-entrepreneur, keynote speaker, author and one of Australasia’s top advisors on philanthropic-investment & investment-pitching.