Ep. 111 Philanthropy Series: Helping People with Means to Give

Alex S. Jones [00:00:00] From the Sanford School of Public Policy at Duke University, welcome to Policy 360. I'm Alex S. Jones, and I have the pleasure of sitting in for Judith Kelly. I'm a journalist. I work for The New York Times. And most recently, I was director of the Shorenstein Center on Media, Politics and Public Policy at Harvard's Kennedy School of Government. I've teamed up with Policy 360 and the Center for Strategic Philanthropy and Civil Society to bring you the series of podcasts about philanthropy. My guest is Thomas J. Tierney, who is what I would call an authority on smart philanthropy. Now, if there's something you call smart philanthropy, it means that there is also something that could be considered less than smart philanthropy, and there is the less than smart version of philanthropy. Much of the time is loaded with good intentions, honorable objectives, sincere and dogged effort. But it is also loaded with mistakes. Tom Tierney is the co-founder of Bridgespan Group, which provides management consulting to nonprofits and philanthropists. His book Give Smart Philanthropy That Gets Results was coauthored with Joel Fleischman, the director of Duke's Center for Strategic Philanthropy and Civil Society. It's a detailed roadmap for pursuing and executing philanthropy that works and is filled with words like commitment and discipline. It is a book intended for philanthropists and nonprofits with the resources to do big things and to make big changes in the world. But much of what Tom Tierney, his outline is also applicable perhaps to people who don't run big foundations and have many millions to invest in philanthropy. We're going to talk about that today, too. We will first, though, talk about Tom Tierney's effort to persuade the nation's ultra wealthy to give more. Indeed, to give at a level that could be considered their fair share. And we will talk about how that wisdom in his book can be used by would be philanthropists who have big hearts, but perhaps not huge pocketbooks. They, too, need to give smart. Tom Tierney, welcome. You were managing director of Bain and Company, which is one of the leading management consulting organizations in the world. And you took what you learned and founded Bridgespan Group, which provides management consulting to nonprofits and philanthropists. What's the difference in those two management challenges? The for profit and nonprofit?

Thomas J. Tierney [00:02:38] Well, Alex, first of all, I'm delighted to be here and all of us are work in process. And let me just begin with a disclaimer that I'm work in process and I'm constantly amazed by how much I don't know and have to learn in terms of the difference between Bain and company and Bridgespan., It's quite profound. In the for profit world, the goals are pretty straightforward. Earn a great return on your assets. Beat your competitors. Grow your company. The metrics are pretty clear. There are accounting standards and lots of measurements. You kind of know whether the product sells or doesn't. And while emotion matters and passion matters and all those things help create great companies. You're being driven by success in a marketplace. In the social sector, it's way more complicated. You're being driven by success in the heart. There isn't a formal marketplace as there is in the for profit world. You have volunteers. You have all kinds of stakeholders, including public entities. You have a need to often collaborate rather than compete. The metrics are unclear. How do you know whether you've changed the life of a child or not? You have to fundraise. Your investors aren't really investors in the sense of they're expecting a return. They're giving their money away to you voluntarily. Everything is different. And I have to say, Bridgespan is coming up on our 20th anniversary this year. And I recently went back and read our business plan. At least half of what was in that business plan was wrong. Now...

Alex S. Jones [00:04:22] I'm so glad to hear that.

Thomas J. Tierney [00:04:26] By the way, it was wrong for well intentioned reasons, but it was just wrong. Primarily, I underestimated my co-founder and I underestimated how hard it is to drive social change. At the end of the day, it is easier to make a widget than it is to change a life period.

Alex S. Jones [00:04:50] Well, let's let's get to this issue of, you know, fair share. You've been outspoken in calling on ultra wealthy individuals and families. Those with 500 million dollars or more in assets is, I think, the way you've defined it, to, If I can characterize it, not be such tightwads. Is that a wrong characterization of your perspective?

Thomas J. Tierney [00:05:13] Yes, in part, the fact of the matter is philanthropy is voluntary. No one has to give their money away. And it's kind of amazing that people do. America is the most philanthropic country in the history of the world by orders of magnitude, both in terms, by the way, of volunteering time and and money. So start with that philanthropy is voluntary. Middle income people, rich people, whoever we are, we do not have to open our wallets and give our money away. Now, that said, the amount of wealth accumulation that's occurred in this country over the last couple of decades is unprecedented. And many of those wealthy people are signing up for the giving pledge or suggesting they really want to give more money away during their lifetimes. It's called giving while living. The facts, however, suggest. On average, that's not happening. Here's a headline fact for you. Bridgespan spent a year doing research actually funded by the Bill Melinda Gates Foundation to help figure out what's really going on in terms of giving among these ultra wealthy people. So it turns out there are about 2000 families in the United States with networth of 500 million and up. Their combined assets are north of four trillion dollars.

Alex S. Jones [00:06:44] Woo!

Thomas J. Tierney [00:06:46] Right. Probably closer to four and a half trillion. Now, that number triggers all kinds of responses. Usually...

Alex S. Jones [00:06:54] You just heard one!

Thomas J. Tierney [00:06:55] Oh, my God. How could that relatively small number of people have that much money. I'm not here to debate our tax systems or capitalism or any of those things. It's just a fact when you look at that fact through the lens of philanthropy and you begin to unpack what's going on in those two thousand families or individuals you discover many, many of them, maybe almost half, really want to be philanthropic. Say, OK. That's great. How much money are they as a group actually giving away? Often because the way taxes are reported, we toss round numbers as percent of income is how much people are giving away. That's a meaningless number. That's an IRS tax number. Percent of assets, is the right...

Alex S. Jones [00:07:48] Net worth, effectively.

Thomas J. Tierney [00:07:49] Correct. How much of your net worth are you? If you're worth a thousand dollars, are you giving one dollar away every year or one hundred dollars away every year out of your thousand? This group has been giving away around one point to one point three percent.

Alex S. Jones [00:08:03] And even though that if you put that into dollars may seem like a huge amount, it is pitiful compared to what the wealth accumulation in the last few years has been.

Thomas J. Tierney [00:08:14] Right. So this is a glass. Maybe it's a third full. So the good news is that group is more generous as a group than any similar group in the history of mankind. They're the richest also. So that's that's forty five billion dollars, maybe 50 billion that they're giving away a year. Great. Oh, and by the way, footnote important. That number includes money they're giving to themselves, which means funding their family foundation or funding their donor advised fund. Entirely different conversation. So that's the half or one third full. The rest of the story is, why isn't it more? And by the way, assets have been compounding over these last 20 years. Six and half, seven percent. So your assets are growing at north of six year in and year out with bumps and grinds. But, you know, that's what's happening. You're giving away one. You're actually getting richer every year. You're also getting older every year. Start getting richer and older every year. Why couldn't it be two point two percent? So my personal mission. Obsession. Call it whatever you will is to help enable the members of that group and others as well who are so inclined and I think it's quite a large number, so inclined to give away more to help make that happen.

Alex S. Jones [00:09:45] Now, before we get into I know that you have done a lot of work and you have a paper called Four Pathways to Greater Giving. And I want you to talk about that. But before you do, I know that this research you did on this issue was psychological as well as it was, you know, looking at the metrics and so forth. What are the barriers in those people's minds to being more generous, given the incredible wealth they have?

Thomas J. Tierney [00:10:12] First of all, these folks often are trying to give away money with very limited staff. They're not going out and hiring 30 people to help them figure things out. They are doing it themselves or they're doing with one or two people through their family office. So that's hard to do. Number two, the part of society that has been extraordinarily successful at accessing those people, thank God, are universities, hospitals, institutions who know those people, institutions have figured out how to access money from this constituent group, organizations that serve the poor, organization that serve inner city issues. Organizations that that strive to address problems on the common like climate are a lot less successful. There's kind of almost two worlds out there when it comes to philanthropy. The barriers of giving money away towards social change are quite significant. If you don't have much staff, how do I know where to give it? Is it an after school program? Is it an early childhood education program? Is it a charter school? Is it helping the school district? I'm a what is it? It's really hard to do. Now, let's unpack that, because there are these barriers and some of them are practical barriers, like how much staff and what I give money to. But there are psychological barriers. And this is gonna sound goofy, but I've come to call them swamp monsters. They're creatures that are under the surface. And yet when you get in these conversations with people, they pop up. The first one and the most aggressive one is delay. I'll give the money away later. And that takes a lot of forms. Sometimes people will say, you know, I'm really good at making money. So if I make more money I can give more away later, sometimes they'll say, my spouse and I don't agree. Or my kids, I want to get my kids involved. And they're not old enough yet. You also have to confront your mortality. And that's not a comfortable thing to do. So delay is swamp monster number one. Swamp monster number two is you know, I really can't do anything about climate that problems too big for me or the fact that our school systems underperformed for poor kids. Who am I to help that out? It's too big a problem. People say it's too big. It's too complicated. I can't deal with it. Somebody else's problem, swamp monster two. Swamp monster number three is the ugliest. And that's fear. What if I make a mistake? I'm going to waste my money. Nobody wants to open their wallet and throw all the cash out the window. Nobody wants ever to waste their money. And you certainly don't want to look bad. So when Mark Zuckerberg gives a hundred million dollars to the New York public schools, you can argue that was done poorly or intelligently. Whatever you want. The criticism around that was profound. Making mistakes draws fire. So it is easier to build a building at a university than it is to wade into this complicated area of social change philanthropy. So, fear, people just say, I'm not going to do it. And today, given the criticism around welfare and philanthropy and things like that, people will back off. And so those are the three swamp monsters. When you get really in under the surface into these conversations, those monsters raise their ugly little heads and begin to explain why people who could write checks with 10 million write checks with 10000.

Alex S. Jones [00:14:21] This is really, segways beautifully into your book because your book is basically written for not for the average Joe. I mean there's, I have no doubt that there's a lot of wisdom in it that would apply no matter how much money or how little money you have. But it really is aimed at these these people with these this trillion dollars to do something with. And it assumes, I think fairly it's fair to say that it assumes that you're interested in doing something. But the book is intended to tell people. OK. Step one, step two, step three, step forward. This is what's important. And you start with a an examination of your values and beliefs. Talk about how important that is to the process of extracting some of this money and quiet some of these monsters.

Thomas J. Tierney [00:15:15] Philanthropy is personal. We've seen know fortunes left to cats and dogs, to the welfare of cats and dogs. We've seen fortunes dedicated to climate. We've seen fortunes dedicated to libraries, Carnegie. It's all personal and therefore it's complicated. Because, you know, maybe I really care about right now at this week, this day, I really care about pandemics and what can I do to put my philanthropic dollars to work around pandemics? Or maybe I care about democracy in America and how well it works. Or maybe I care about economic mobility. You can't invest in everything. I'll tell you a story. This happened a few years ago. A gentleman. Extremely successful. You know his name. Called me up and wanted to scale his philanthropy. He was giving, say, X dollars and wanted to start giving 10x or 50 X per year. I said, that's fabulous. How about your wife? Well, I'm not sure what she wants. So I don't. Let's meet with the two of you. We'll spend a few hours. I'm just doing favors, do a lot of favors. They identified 35 areas they were interested in. Ranging from public health and local health clinics to, you know, K through 12 education to, and you name it. This is impossible. You two go away. Do whatever you need to do, whether it's a weekend away or a year, whether it's, you know, a glass of wine or a case of whiskey, whatever it takes. Pick three spots. You don't have to ignore everything else, but pick a couple of things that are for sure on your short list. So what are your values and beliefs begins to get at you? Do I care about a problem like climate change? Do I care about a place? Do I care about constituents? Do I care about poor kids. What is it I mostly care about?No right or wrong answer. That's the launch pad. So if I can't tell you as an adviser, philanthropic coach, wherever in the world I try to be helpful at, I can't tell you you should oughta to focus on climate or you ought to do this. That's none of my business. That's your choice. Once you say, you know, I really care about economic mobility in the United States. Ah-ha! Then there are better and worse ways to do that. So that is the gating factor. And by the way, it creates a barrier because people often can't figure out what they most care about. They care about everything.

Alex S. Jones [00:18:01] Do they care about or do they know what they believe?

Thomas J. Tierney [00:18:05] If you get them talking about it nine times out of 10. Self-made people and inherited wealth is a whole different kettle of fish. So I'm focused here. We're talking about people who have made the money themselves nine times out of 10. They will say, I got lucky. You know Warren Buffett talks about, you know, I won the gene pool lottery. I got born in the right zip code to the right people at the right time and walked in the right direction. There is an enormous amount of luck involved in success. It's not all luck for sure. Nine times out of ten. Upon reflection, they will say. Darn, I was lucky. And that will lead them to say, I want to lend a hand to people less lucky than me. And by the way, you see this in every major religion in the world, you'll see this in churches and synagogues. The desire to lend a hand to others is profound. Now. That is a, often a common denominator. Where you go with that? It's all over the place.

Alex S. Jones [00:19:14] Well now, is the next step to figure out how much money, realistically, you are going to be willing to to spend at least initially, and then find a goal that meets that area of resources. Or do you start with the goal and then think about the resources?

Thomas J. Tierney [00:19:34] The practical reality is people have a sense for how much money they want to give away. And this is where, by the way, some of the principles apply to everybody.

Alex S. Jones [00:19:44] Yes.

Thomas J. Tierney [00:19:45] I mean, my mom passed a few months ago and our father, my brother and I, our father passed 14, 15 years ago. And when he passed the conversation, my mom about her her charitable budget. Now, cheap, lower middle class, lived in the same house for 60 years. But she wanted to give money away. And she did it in December of every year. And we sat down and she picked two or three areas. She cared about young kids that came from tough households. She cared about veterans. She gave money to wounded warriors. Now she only she her budget was in hundreds of dollars. Right? It wasn't...

Alex S. Jones [00:20:24] No, no. I understand.

Thomas J. Tierney [00:20:26] But boy! The joy that brought her to give, you know, somebody else could have, you know, the decimal point in a different spot, but it still brings joy and she still has to decide because what happens is whether you're giving away hundreds of thousands, hundreds of dollars, or hundreds of thousands of dollars or millions of dollars, whenever you give away money, you become more popular and your name goes on lists and then other organizations start contacting you.

Alex S. Jones [00:20:55] You never have to buy your lunch again, yes.

Thomas J. Tierney [00:20:56] Right. Everything here in your mailbox. Right. Most of the snail mail now it's solicitations of some kind. So the key is to be proactive.

Alex S. Jones [00:21:05] Well, now we're so far we're sort of in the commonsense sort of sphere of of your process. But then we move into something that is almost more metaphysical, it seems to me. And that's this. The words that repeatedly appear, commitment, discipline, excellence, the idea of essentially making yourself accountable to yourself for what you are doing, because your process, as you suggested, does not end with writing a check. It is really not even deciding what to do. It is doing it in a way that is going to maybe give the satisfaction that you described your mother as having. But it seems to me is a much more genuinely challenging kind of rigor that you are putting the prospective smart givers through in order to give away their money.

Thomas J. Tierney [00:22:00] Well. Let me tell you a story. So I grew up doing a lot outdoors, hunting and fishing with my dad. He worked in a factory and I was always outside. And by the time I was in my twenties, I thought, you know what, I want to do something for the environment. I don't. I don't have a clue what. And I started studying nonprofit organizations. There was no Internet then, so was a little bit more laborious. And discovered an organization that I thought was really great. Called The Nature Conservancy and the Nature Conservancy has chapters in every state. So for at that point, I guess it was 20 bucks. I became a member of the Nature Conservancy. That was 35 years ago. I just stepped down as chair of the global board of the Nature Conservancy. That's not a brag. I'm only saying I've been involved there in various forms for 35 years. It has been a wonderfully fulfilling journey. I've met all kinds of incredible people. And by the way, you know, I'm not a major donor. I'm kind of a helper because one of the patterns of philanthropy is you contribute oftentimes time as well as money. And it's that time in that personal engagement that creates part of the fulfillment, which is why sticking with things over time for years is more rewarding. So if at the extreme, there's two kinds of philanthropy in both of them. Probably are inappropriate. One, I'll call it peanut butter philathropy where I give little amounts of money to different things every single year. I never do the same thing twice. Ever. The other extreme is I just do one thing forever. I don't keep my eyes open. So, yes, there's a pandemic risk now, but I'm gonna ignore that. Neither of those are right. So whether you're giving away hundreds or hundreds of millions. The basic principle of pick some spot you care about that are fulfilling to you and you might have to explore for years to figure that out and stick with it and then be open to experimentation along the way and new ideas, because that that discovery is part of the learning adventure.

Alex S. Jones [00:24:17] Well, as someone who knows this world very well, you have also sort of blown the whistle on one of the secrets of of the sort of, you know, the philanthropic world, if you will, it seems to me, which is its resistance to being held accountable. Its reluctance to have anybody judge them or have metrics that they have to meet or do anything to perform at a certain level because they don't want to be accountable in that way. And one of the things you are advocating in your book is that you create a sort of level of excellence that you demand, whether they like it or not.

Thomas J. Tierney [00:25:04] In philanthropy, it's impossible to fail. What I mean by that is it's kind of a Lake Wobegon like environment where everybody's above average. I gave it a talk once, to, I don't know, maybe three or four dozen wealthy couples was in some fancy place in Colorado. I remember again, it was doing a favor. And I opened the talk by saying half of you are below average in your philanthropy. You could have heard a pin drop. And I said only 10 percent of you are in the top 10 percent. So there say 40. So four of you are in the top 10 percent. Look around the room. No one liked that. That was absolutely an unappealing way. What they wanted to hear was you're all fantastic philanthropists because you're giving money away. True, it's voluntary. You've got to respect people who in a voluntary way give their money. However, that doesn't mean they all get an "A". It's it's kinda like philanthropy's, kind of like one of these, you know, it's a pass fail course, but you're self grading. So it's pass/fail. There's, everybody gets either a pass or fail. And by the way, I'm grading my homework. So guess what? I pass. Everybody passes. If you want to really get an A in philanthropy, you have to hold yourself accountable because no one else can. You have to say to yourself, you know what? I'm going to get the most impact I can out of the resources, the time and money and leadership I can bring to bear. You have to hold yourself accountable. The phrase we coined was excellence is self-imposed. And by the way, that's just like if you're exercising every day. Nobody's making you do it. Or if you're taking up a musical instrument. You can have people looking at you. But at the end of the day, you are holding yourself accountable.

Alex S. Jones [00:27:07] And you're the only one who can hold yourself accountable really.

Thomas J. Tierney [00:27:10] That's it. There are no marketplaces. If you open up a restaurant, if you and I, went in the restaurant business and we open up the doors and the place is filled night after night, that's feedback loop. If we open up the doors and nobody shows up or people eat the food and get sick, that's a feedback loop. And if it's in the latter case, we're going to go out of business. Philanthropy's don't go out of business. In fact, foundations, which I think this is a strong element of our society, but it does cause one to pause, are created in perpetuity. Perpetuity. It's a long time perpetuity. So what is created in perpetuity? People are created in perpetuity, that's for sure. If businesses aren't created in perpetuity, nothing traded. So perpetuity, which means my number one aim is to serve to, you know, be around five, 10, 100 years later. That is an asset. If my coauthor, Joel Fleischman were here, he'd say that's an asset for society. It is. But it also can lull one into complacency that simply existing or simply acting philanthropically is enough to generate results. And it isn't.

Alex S. Jones [00:28:29] Well, it also raises one of the questions that's really at the heart of the the sort of public policy aspect of what philanthropy is about. Now, if you give money to Duke University or something like that or your church, maybe that is not that's not a public policy question. But what you describe in your book is philanthropic efforts to make things better by getting at the underlying causes of things. I mean, my understanding is the difference between charity and philanthropy is that charity ameliorates something that's a specific problem. A kid is in a bad home and he's getting beaten up. And you found a way to get the kid out of the house. That's or give money to an organization that will do that. But philanthropy is trying to get at why that child's family and why families like that child's family are having all these problems. And that's where you're you're coming from in your book. But that really also raises the question of of all this private money being marshaled for the purpose of effecting and changing public policy in ways that the individual or the foundation might want, but that somebody else might not. In other words, it's a political thing to a degree. Where does that put the the moral dilemma for people who are thinking about about philanthropy in terms of the power of these institutions and individuals to shape American public policy?

Thomas J. Tierney [00:30:07] I guess absolutely important question. And it merits calibration. Remember, we said all philanthropy is personal. And at least so far, I've never, never seen even a couple, partners who fully agree on everything. So the first thing to recognize is philanthropy reflects in many healthy ways our our civil society reflects the diversity of our civil society. It's not as if only liberal people have money or only conservative people have money, or only there for that have money. So that that's thing one. It is this kind of massive melting pot. Thing, two, is that philanthropy as a financial resource is tiny. It's a rounding error. If you took all the philanthropy in America, it couldn't fund our school systems for, you know, but a few weeks. And so it's kind of a rounding error compared to, you know, municipal governments, state governments. It's just it's tiny. Where you run into interesting dynamics is when wealthy people use their voice. And their resources, whether that's, by the way, to run for office or whether that's to support people running for office or whether that's philanthropically. We are seeing more of those sorts of things now than we did certainly 20 years ago on all dimensions, by the way. Whether it's running for office or whether it's, you know, funding people running for office or whether it's using your voice. The laws around what philanthropy can do politically are pretty tight. That's why there's a 501c3 organization that can't lobby and things like that versus c4's who can. That said, it is a fair discussion for our country and the world even to engage in when you begin to see fortunes that are in the tens of billions and tens and tens and tens of billions of dollars. What which which are unprecedented. What does that actually mean? And we don't have a track record on this one. And what does that mean for the influence those folks could have? Because, if someone's worth fifty billion dollars and they're 50 years old, there aren't too many of those folks but they're they're there. Or 10 billion dollars. They have decades of influence ahead of them. Administrations are going to change, the heads of agencies are going to change. But those people will be there with their staffs and their voice. So it is a really relevant question as to how those resources, but in particular those voices and that influence can be effectively engaged to make society better off rather than worse off.

Alex S. Jones [00:33:26] Well, of course, better off and worse off may be in the eye of the beholder. You know, this is a conversation that I hope that we, you know, one of these days can continue because I think that philanthropy affects people much more than they really understand, simply because of the of the of the wealth that potentially can be used to shape what kind of a country we have. Tom Tierney, thank you so much for joining me today. Tom Tierney is the co-founder of the nonprofit Bridgespan Group, which provides management consulting to nonprofits and philanthropists. Before that, he was CEO of Bain and Company, one of the world's leading management consulting organizations and he took that knowledge and insight to the philanthropic sector. He is the coauthor with Duke's Joel Fleischman of Give Smart: Philanthropy That Gets Results. You can find out more at our Web site Policy 360 dot org. Thank you for joining me on this series of podcasts focused on philanthropy. Until next time, I'm Alex S. Jones.