

PHILANTHROPY, ENTREPRENEURS AND THE CIVIC SECTOR

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ABSTRACT

The origins and motives of the philanthropist and entrepreneur combine to create a quasi business model that may become a more common economic entity. This is presented in the in the context of the civic sector which is defined as a third force in the US economy. Blending the initiatives and practices of the philanthropist and entrepreneur is subsequently defined as entrepreneurial philanthropy. As the economy evolves during its post recession recovery, the entrepreneurial philanthropist may be responsible for an increasing share of job growth and economic activity in the civic sector within the economy.

INTRODUCTION

This paper explores the origins and motives of the philanthropist and entrepreneur but presumes that changes in the post-crisis economy may find philanthropy as the motive and entrepreneurship the mechanism. Philanthropy in the western context is often viewed as the consequence of great entrepreneurial success. It is seen by some as an interesting paradox: enormous wealth generated by the energetic pursuit of self interest (some would suggest greed) only to be given to societal need for purely altruistic motive. (Fleishman 2009) Some often offered examples are: Rockefellers, medical research and the preservation of public land; Carnegie, libraries and universities; and more recently, Gates, public health and the quality of life in the most challenging of circumstances; Buffett, the greatest investor becomes the greatest divestor. Traditionally, political economists expect the small business sector (entrepreneurs) to be the driving force for innovation and new jobs creation. Entrepreneurs may be viewed as individuals with a particular drive to succeed generally as measured by return to risk. They may also be seen as a product of society's need. And, more recently social entrepreneurs, where the profit motive is second to a societal agenda, are becoming part of the global economy. The civic sector is an appropriate context to examine entrepreneurial philanthropy, the merging of philanthropic purpose and entrepreneurial initiative. It is considered the third (and growing) great force in American society producing about 12% of U.S. gross domestic product. Often this independent sector of foundations and philanthropy has mediated transformational change in society.

PHILANTHROPY

Searching Wikipedia and those who have contributed to it take us back 2500 years to the Greek myth involving Prometheus and the Greek word, philanthropos, describing his human loving character. In the story, primitive humans completely unskilled lived in caves in fear of their surroundings. Zeus decided to dispose of these despicable creatures but Prometheus intervened by providing the humans both knowledge and hope. By combining these they were able to improve the human condition. The classical definition of philanthropy includes elements of public need and private initiative. It is important to note how the notion of philanthropy differs subtly from the notion of charity particularly as it is developed in a religious context. Where the latter may focus on the immediate need of the individual, the former tends to address the larger human condition. Frumkin (2002) makes a distinction between what he sees as two

types of charitable giving. He labels these as instrumental (strategic) and expressive (support). The former is intended to make a significant impact on a specified social problem while the latter provides partial support for a cause or organization. Modern philanthropy can be defined as, private initiatives for public good, focusing on quality of life. And, numerous authors note how western and particularly American society has influenced philanthropy. Recently, Bill Gates and Warren Buffett visited China in an effort to get Chinese billionaires to agree to return to society a significant portion of their wealth as Gates and Buffett are. While they were cordially received, the message was not understood in all probability because western style philanthropy has deep roots here as the third force in the economy. It is tempting to apply Porter's generic strategies to classify philanthropic endeavors. There are those large foundations capable of driving down the cost of giving. The differentiators participate in a wide range of seemingly unrelated endeavors (Pew Charitable Trust). And, there are numerous small foundations which narrowly focus their initiatives. Currently, approximately 70% of philanthropic activity through foundations is attributable to about 2% of all foundations. These percentages may change for two reasons: societal needs and demographic factors related to the aging of the population and impending transfer of wealth which may manifest itself as a significant increase in entrepreneurial philanthropists.

ENTREPRENEUR

A generally held theory is that entrepreneurs emerge from the population on demand from the combination of opportunities and people well-positioned to take advantage of them. Entrepreneurs may perceive that they are among the few to recognize or possess the skills to solve a problem. In this view, one studies the distribution of information available to would-be entrepreneurs (see Austrian School economics) and on the other, how environmental factors (access to capital, competition, etc.), change the rate of a society's production of entrepreneurs.

CIVIC SECTOR GROWTH

One of the questions raised by our continuing "financial crisis, now recession" is: will the economy return in much the same fashion that it left? Will industry and employment follow the same pattern that existed before the global recession? The temptation may be to predict some massive change. But, the likelihood is more modest and gradual. Consider this, at least for North America; while the unemployment rate currently hovers around 10%, the employment rate is 90%. There is considerable inertia. However, it is reasonable to expect that current and future employment opportunities will adjust to new market realities. Society is burdened with massive debt. It is unlikely that government will be able to provide services as widely as it once did. Yet, the need for services traditionally provided by public agencies will be as great or more so in the near future, hence civic sector growth.

ENTREPRENEURIAL PHILANTHROPY

Social entrepreneurs seek to further social and environmental goals. However, while social entrepreneurs are most commonly associated with the voluntary and not-for-profit sectors, this need not necessarily be incompatible with making a profit. To illustrate this we can examine a small initiative that is entrepreneurial philanthropy. It is entrepreneurial but not in the traditional sense for two reasons. First, the activity is driven by charitable purpose not a profit motive. Second, unlike many entrepreneurial initiatives risk is not an issue. As many entrepreneurial initiatives may be linked to an entrepreneur's passion, at least in this instance there is congruence between charitable and profit motives. To be continued...

