

Want Better Advice for Donors? Build an Expert Marketplace for Philanthropy

By Simone Friedman

A few years ago, when I took over responsibility for managing our family's philanthropy full-time, the first thing I did was meet with program officers working at foundations in our areas of interest. As a former entrepreneur, I knew that it was good business to get advice from the smartest people I could, and foundation professionals were the ones who really understood the issues. They spend every day conducting due diligence, overseeing grant programs, and thinking about how to allocate funds to yield the greatest impact.

Individual philanthropists, although well-intentioned, frequently do not invest that much time or thought into giving away money. As the late Paul Connolly wrote in "Wanted: Better Advice for Wealthy Donors," a column in *The Chronicle's* January issue, "Foundations often devote more effort to giving away \$10,000 than an individual does to giving \$10 million."

Mr. Connolly suggested that the solution is better coordination between wealthy individuals' philanthropic advisers and their wealth managers and greater integration of philanthropy into wealth-management platforms — the suite of services that financial-advisory firms offer ultra-high-net-worth investors. While I agree that these solutions would help, I recommend a more radical idea: create an "expert marketplace" for philanthropy in which foundation professionals can sell their advice on an hourly basis to wealthy individuals seeking to optimize their giving.

Hedge funds and other asset managers frequently use expert marketplaces, also known as expert networks, to obtain technical advice or get background information on industries or companies in which they are investing. Individual philanthropists could use them for philanthropic expertise in much the same way.

After-School Specialist

Here's an example of how this might work:

A wealthy donor in a major U.S. city wants to make a large gift to a nonprofit that provides after-school programs to poor children. Through the philanthropic-expert marketplace, he is connected with a program officer at a large family foundation in his city who oversees a portfolio of grants related to his area of charitable interest.

In the normal course of her work, the program officer has visited every after-school program in the city and met instructors and students. She has analyzed every program's operating budget and has pored through its parent nonprofit's Form 990. She has met with program staff, leadership teams, and board members and discussed her research with other foundation professionals who make such grants. She has a very good idea of the strengths and weaknesses of every program.

Through the marketplace, the donor and the program officer arrange a phone meeting so she can give a detailed synthesis of her research. She might recommend an organization and suggest which of its programs to support and an appropriate amount, based on the nonprofit's capacity and the prospective impact of the gift.

Weeding Out the Bad

For an individual donor like the one in the example above, using an expert marketplace could provide not just advice on how to optimize a gift for maximum impact but an opportunity to learn about organizations to avoid. The expert would bring insights on groups that:

- have a history of not using donations in the way they were intended.
- have a reputation for not communicating with major donors on a regular basis.
- have significant debts or run large operating deficits.
- have experienced, or are about to experience, major staff or board turnover.
- are mistrusted by the people they serve.

Foundation professionals are generally aware of the risks related to the organizations active in the causes they fund. The philanthropic-expert marketplace would give them a chance to flag issues of potential concern to individual donors.

That would benefit the nonprofit arena as a whole. Some of the worst-run nonprofits have the slickest fundraising campaigns targeted at wealthy individuals; it is not an overstatement to say that these organizations rely on the ignorance of well-intentioned donors to keep their coffers full.

Costs and Privacy Issues

Despite the considerable benefits, such a marketplace would have to get over a few hurdles.

Sustainability of the business model: There would be considerable costs involved in establishing the technology platform for the marketplace, recruiting foundation professionals to serve as experts, and marketing the service to individual donors. Unlike expert marketplaces catering to the financial sector, it is unlikely the end users — i.e., donors — would be willing to pay fees large enough for the entity to recoup its start-up costs, let alone cover operating expenses and pay its experts. The marketplace would likely need to be subsidized, either as a nonprofit, grant-funded endeavor or as a service of a private bank or consortium of donor-advised funds for the benefit of their clients.

Confidentiality and privacy concerns: Foundation boards would need to give permission for their professionals to offer advice on the marketplace. This could be problematic for grant makers that require strict confidentiality or family foundations that put a premium on privacy.

Freeloading: Some foundations might view donors obtaining advice on the marketplace as a form of freeloading. These philanthropists would be getting advice similar to what foundations receive from their staff, at a dramatically lower cost.

However, these obstacles can be overcome if foundations are able to transcend their individual interests and think about the greater good. An expert marketplace could be one of the ways to improve the practice of philanthropy so that more money is funneled to where it will do the most good.

According to a recent survey by the Center for Effective Philanthropy, only 13 percent of the chief executives at the nation's largest foundations think their organizations are making a significant difference in society. A philanthropic-expert marketplace would take advantage of the investments foundations make in their professional staffs and in so doing would enable grant makers to have greater influence on the larger philanthropic world.

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