

Why Mark Zuckerberg and Priscilla Chan Should Use Their Money for Fundraising

by Dan Pallotta

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The last 72 hours have seen a hailstorm of criticism over Mark Zuckerberg and Priscilla Chan’s pledge to give away 99% of their wealth. “He’s not really giving it to charity – he’s formed an LLC and some of it will be invested in for-profits!” “Massive tax breaks are their real motivation!” “Capitalism at its worst – they’re setting social priorities that only the government should set!”

It reminds me of Robert F. Kennedy's famous words: "25% of the people are against everything, all of the time."

But more important, all of the commentary is blind to the real opportunity here. Zuckerberg and Chan could transform philanthropy, the way philanthropy is deployed, the way we think about philanthropic leverage, and transform civic engagement in the process. (And God knows, given the mass shootings happening every day in America, civic engagement could use a transformation.)

But only if they are willing to look at the world through a heretical, blasphemous, upside-down lens that, to date, most philanthropists have been unable to look through. They just can't see that way. But the view through that lens is transformative.

Here's what Zuckerberg and Chan could do. In addition to their 99% pledge, they could pledge that every dollar they donate to a nonprofit organization will be earmarked for the very thing we have been taught not to give to. In fact, it's the thing we've been taught that nonprofits should spend as little as possible on – in fact, spend nothing on, if possible. That thing is fundraising. Which should really be called civic engagement-building.

Why? Because the problem is scale. Most of the problems we confront, from disease to poverty to illiteracy to skyrocketing suicide rates are massive in scale. Our nonprofit organizations are microscopic in comparison. Unless they grow to the scale of these problems, these problems are going to remain with us for a very long time. And only massive increases in revenue can take the organizations we love to the scale we need. And only fundraising can do that.

Venture philanthropy taught us that innovation was the big lever. It said, "Go find the most innovative social enterprises - the ones with the best approaches to ending hunger, illiteracy, etc. – and fund their programs." That is tragically short-sighted. Innovation is not the big lever. It's an important lever, but it is dwarfed by the real lever – multiplication. What good is the most innovative program in the world if it remains perpetually and eternally miniature up against the size of the problem? Only fundraising can multiply the amount of money that goes into it. And it uses the average citizen to do it. Donate \$1 to breast cancer research and you get a dollar's worth of breast cancer research. Donate \$1 to breast cancer fundraising and it can turn into \$2, \$5, \$10 for breast cancer research.

In 1998 my company launched the Breast Cancer 3-Days with an investment of \$350,000 in risk capital. If that investor had said, “I don’t want to launch a fundraiser, I want \$350,000 worth of breast cancer research,” then that’s what they would have gotten. Instead, we used the money to create a recurring annual revenue stream that in just five years multiplied the investment 554 times into \$194 million - net, after all expenses, for breast cancer research. 106,000 average people who’d never raised a dime in their lives for charity became philanthropic heroines and heroes in the process. How can you possibly compare \$350,000 worth of breast cancer research to that?

We launched the AIDSrides with \$50,000 in risk capital. Within nine years we multiplied that 1,982 times into \$108 million net for AIDS services.

If those capital investors had been as short-sighted as most philanthropists, none of those results would ever have gotten produced.

If the Gates Foundation took this year’s \$3.5 billion in program grants and put it into grantee fundraising and got the same 554x return we did, it would amount to \$1.9 trillion. But let’s get more realistic. Even if it only produced a return of ten, that would be \$35 billion – more than Gates’ entire giving total since its inception.

Take another example: Wounded Warrior Project. They didn’t exist fifteen years ago. It has a board possessed of rare enlightenment. In 2006 Wounded Warrior was raising about \$10 million. \$1.5 million went to fundraising, another \$2.9 million into administration, with \$5.6 million left for veterans. Forty-four percent overhead. “Terrible!” most charity-rating agencies would say. A traditional board would have said that priority one is to cut back on fundraising and administration. But Wounded Warrior went the opposite direction. By 2012, they were investing \$20 million a year in fundraising. That was producing \$200 million in revenue, with \$115 million available for veterans. This year Wounded Warrior will raise \$400 million with over \$200 million going to veterans. If their board had focused on sending more short-term money to veterans - as most philanthropists do – they’d still be slicing up a measly \$5.6 million pie.

We like donating to social programs because it’s high-minded, academically interesting, makes for good social engineering cocktail talk, and gives us an immediate hit of gratification to know we helped someone this year. We hate fundraising because it’s basically sales and marketing. We turn our noses up at that. We think we should be above it.

To the detriment of the massive number of people that could be helped if we would open our eyes to the logic of it. Our moral compass is sending us in circles.

If Zuckerberg and Chan took all of that money and made strategic investments in smart, vetted fundraising plans for the organizations they think are the most innovative, their money could have an impact of five, ten, twenty, fifty times what it otherwise will. They could set a new high-profile example that would cause other philanthropies to follow suit. That would engage the public on a massive level in giving more money to causes – money that now goes to consumer companies like L’Oreal and BestBuy, because consumer companies like L’Oreal and BestBuy understand sales and marketing.

Charitable giving has remained stuck at 2% of GDP in America for 45 years. It isn’t enough. Zuckerberg and Chan could start to move that needle, and move the revenue needles for our most innovative organizations, and that would change everything, including the priorities of our society at large.

Dan Pallotta is an expert in nonprofit sector innovation and a pioneering social entrepreneur. He is the founder of Pallotta TeamWorks, which invented the multiday AIDSrides and Breast Cancer 3-Days. He is the president of Advertising for Humanity and the author of *Charity Case: How The Nonprofit Community Can Stand Up For Itself and Really Change the World*.

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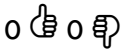
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Robert Bandoni a year ago

An important data point is "being stuck at 2%." I believe that venture philanthropy is not "zero-sum." Pallotta's critical message of bringing basic, free-market principles to the non-profit sector - namely marketing - will provide a natural vetting structure to this type of business by providing conscious "consumers" confidence through scale. Addresses the "paralysis of enormity" so many potential, yet reticent philanthropists experience.
Bob

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