

‘The day is not too far distant when the man who dies leaving millions of available wealth, which was free to him to administer during life, will pass away “unwept, unhonoured, and unsung”, no matter to what uses he leaves the dross which he cannot take with him. Of such as these the public verdict will then be: “The man who dies thus rich dies disgraced”’

— Andrew Carnegie (1835-1919)—



CHANGE MANAGEMENT

WHAT MAKES A MAN TURN TO PHILANTHROPY? AND WHY IS THERE SO MUCH TALK OF IT NOW? IS THERE REALLY A NEW GOLDEN AGE OF GIVING IN THE UK? HEDGE INVESTIGATES

— MIKE DICKSON —



ILLUSTRATION: RAIS TUDOR

MUCH HAS BEEN WRITTEN IN RECENT months about a philanthropy boom, particularly in the US, where Bill Gates will soon leave the world’s biggest software company for the world’s biggest charitable foundation. Such largesse bears comparison with the golden age of philanthropy, when Andrew Carnegie – steel magnate, philanthropist and ‘the richest man in the world’ – gave away more than \$350m in his lifetime. (He’s still giving posthumously: the Carnegie Corporation stands at some £2.5bn today, and expected to make grants of \$90m in 2007.) But what about over here? Is there really a rise in philanthropy in the UK? Is it contributing significant new money to the charity sector? Is it becoming fashionable, even?

The answer is: a little. More people are interested in the subject; a few are seriously committed and it is certainly fashionable in the media. Nevertheless, a quick look at the facts is sobering. Charitable income in the UK has remained virtually the same for the past 10 years in real terms. In 2007, the total recorded charitable income was £41bn, with around £8.9bn coming from public donations. Against this there has been a dramatic rise in wealth in some sections of UK society, especially in the City. Annual bonuses paid throughout the UK in 2006 amounted to £26bn, according to the Office of National Statistics, of which bonuses in the financial services sector were about

£10bn. To put these figures into perspective, the amount paid in bonuses in the City was more than all public donations to charities last year.

The last *Sunday Times* Rich List published a Giving Index, claiming a big increase in giving to charities by the top 30 donors, who gave £1.2bn in 2006/7, up from £453m the previous year. But this doesn’t quite tell the full story. Most of this increased sum was made up from just two gifts: Anil Agarwal donated £511m to build a university in India, and David and Heather Stevens – two of the founders of Admiral Insurance – established a charitable foundation with £100m worth of shares. Take those generous donations away from the 2006 figure and you get a plus amount of £148m. Not exactly a boom.

It is different in the US, which has an unbroken tradition of giving that dates back to Carnegie and beyond. In fact, Americans are almost twice as generous as the British. Giving USA estimates American individuals donate \$199.07bn, representing 1.75 per cent of GDP. Using the same measurement for the UK individual giving was 0.76 per cent of GDP. Less than half. In the US, success is celebrated, and when Americans achieve success they become generous donors. Especially to their communities, churches, educational establishments and universities, and to art galleries, orchestras and museums. There is a social cachet to ‘giving something back’. Personal benefit, in the form of peer approval, improved social status and involvement are accepted.

This tradition has faded in the UK, perhaps because, as *The Economist’s* Matthew Bishop suggests, ‘the state took it upon itself to be the chief source of welfare’. And yet there are signs that a new tradition is beginning. There are indeed very serious philanthropists at work in the UK – dubbed ‘new philanthropists’ by Charles Handy – and some of the most active belong to the hedge fund community.

Christopher Hohn is one. This 39-year-old graduate of Southampton University, and son of a white Jamaican car mechanic who emigrated to Britain in 1960, is known for being both ‘an

aggressive investor’ and extremely shy. He doesn’t comment on his charitable giving and his American wife Jamie is also deeply reluctant to discuss their philanthropy. ‘We are just not really interested in putting more information out there,’ she has said. Hohn channels a significant amount of the profits from his Children’s Investment Fund (CIF) into his charitable activities, which his wife runs.

Hohn established CIF in 2003 and set up the charity link – the Children’s Investment Fund Foundation – in order ‘to motivate his own performance’. In 2005 he emerged as Britain’s most generous philanthropist, giving away more than £50m to children’s charities in the developing world. In 2006, CIF made a huge donation of £230m to his charitable foundation, which describes its work as ‘aiming to demonstrably improve the lives of children living in poverty in developing countries’. It is said to take a very business-like approach to the projects it backs, looking for proof of positive benefits for the children it tries to help, and projects that can be scaled up to help thousands.

This business-like attitude is key to the approach of the ‘new philanthropists’, who plan their giving in the most effective way they can think of. They are no longer content to write a cheque; they want their donation to make a real impact on a problem, and in a charity’s ability to improve and increase its effectiveness. They bring the same analytical skills that they use in their work to their charitable giving. And they have a point. Until very recently, many charities were not known for their management skills. Very few had any idea of what success actually looked like and many still don’t.

Along with his colleagues in the hedge fund industry, Arkie Busson, founder and chairman of EIM, led the way in proactive philanthropy by establishing Absolute Return for Kids (ARK) in 2002 ‘to transform the lives of children who are victims of abuse, disability, illness and poverty’. Crucially, ARK chose not to donate but to ‘invest’ itself in causes which it had thoroughly researched and where it felt that its involvement would make a difference – then

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'measuring the outcome' of its work. In September 2006, ARK opened the first of 12 planned academy schools, Burlington Danes in west London, one of many charitable schemes.

ARK is perhaps best known for hosting the annual ball, one of the highlights on the hedge fund social calendar. A major fundraiser, the last ball in May 2007 raised £26.6m. Behind the glamour and the glittering auction prizes, the real heroes of the evening are the original founders, patrons and commercial sponsors who actually donate most of the money. They also cover all the central administration costs of the charity so that 100 per cent of everything raised goes to the people who need help.

Which brings us to Stanley Fink, the former CEO and chairman, now non-executive deputy chairman, of the Man Group. Another founder and trustee of ARK, Fink speaks quietly and thoughtfully, and gives in the same way. Someone who knows him well describes him as 'a role model for modern philanthropy'. Fink would be embarrassed by such a remark, but he is rather special. This is a man whose achievements include, in no particular order: starting from a modest background to become one of the wealthiest men in Britain; being happily married for 26 years; helping to develop ARK and raising £10m for the new Evelina Children's Hospital; and donating a significant sum to, and becoming chairman of, Burlington Danes. And that's without mentioning numerous private acts of generosity.

The following story gives an idea of Fink's attitude to giving. When he was a child, Fink won a scholarship to a grammar school in Manchester. When he became wealthy, he was approached by his old headmaster who asked him if he would donate to the scholarship fund, with his name heading the fund. Fink said he would prefer to pay money for the whole education of one child – and to make the financial contribution anonymously. His only request was that the pupil should receive an unsigned letter when finishing at the school. It read: 'Your education has been paid for by an old boy of the school who got his education free and has done rather well in life. He decided that this was a good way to give something back, so if you ever find yourself in such a fortunate position, think about it.'

Fink has been giving all his life, not just since he became wealthy – generosity of spirit seems part of his DNA. He started his charitable work aged 18 in Manchester by giving his time.

'I didn't have much money,' he says. He later joined the Round Table. 'Most people can give, money or time – some are fortunate enough to give both. That is fantastic, but very few people have the excuse not to do either,' he adds.

Fink believes that true philanthropy is a mixture of giving to registered charities and helping the people around you, but says that 'the highest order of philanthropy is to try to do it anonymously'. Education remains his passion. 'I believe that you can change a person's life through education,' he says. 'It's the old parable: "give a man a fish and feed him for a day, but teach a man to fish and feed him for life".'

When he is giving, Fink always looks for three things. First, an individual with passion and the competence to get the job done. 'Quite a good idea implemented really well can be magical,' he says. 'But a great idea badly implemented will result in nothing. Implementation is as important as the inspiration. If you can find both then that's great.'

Second is the cause itself. Is teaching children to read more important than teaching children to appreciate art? For him it is a rhetorical question. Third is: how many bangs do you get for your buck? What is the best way to educate the most children for a million pounds? Is it better to finish a project begun by someone else, rather than starting over? But he is sensible enough to recognise that there is no template for 'the perfect charity' and that you have to learn to delegate more in philanthropy than in business, 'because you know much less about the world in which they work'.

To finish on another story. When one of Fink's sons had his bar mitzvah – when traditionally the child comes of age and receives lots of presents – the son offered to give 20 per cent of his cash gifts to charity. He chose a local school run by the Royal National Institute for the Blind, visited the charity with his mother and handed over the cheque. A well-centred son, a very proud father and proof of the impact that setting an example can have.

So, finally, to return to our original questions. Yes, there is indeed a new breed of committed philanthropists in the UK, and they are doing great things – but we could always do with a few more... **HEDGE**

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WHERE TO BEGIN?

Philanthropy often begins with some searching questions. Stanley Fink puts it like this: 'If you are fortunate enough to be rich, there are some key questions you need to ask yourself. How much money do you expect to earn by the end of your life? How much do you expect to spend on yourself for the rest of your life? How much money do you think is right to leave to your children? And what do you expect to do with the balance? What do you ultimately want to achieve with your good fortune? Do you want to die the richest man in the graveyard? There is a good Jewish expression: "It's better to give with a warm hand, than with a cold hand".'

In her book *Why Rich People Give*, the first report into philanthropy in the UK, Theresa Lloyd identifies five key motivators for philanthropy: belief in the cause; being a catalyst for change; the satisfaction of personal development and defining a place in history; duty and responsibility to those less fortunate; and the fun of being involved with a new range of people. To that list, I would add one more thing: anger. Many times I talk to people who have come across some injustice and become passionate enough to take action. If you are at all interested in philanthropy, this can be a good place to start. Think and talk about what really interests you, concerns you or makes you angry. It may be a family-related illness – a parent or relative suffering from Parkinson's, a sister from breast cancer, or a family member with an addiction problem. Next, search for charities and causes that work in the areas you have chosen, and think about championing smaller and medium-sized charities which are often very short of resources and funds.

Do your research, and ask if you can visit the charity to see the work they do. Ask questions and don't be put off because they are missing some key management or operational person: they might just not have the money. Think about how much you give currently, to whom and, most importantly, think about why. Is it organised reward-giving, or reactive giving? Are you hunting down causes you want to support, or are you being hunted by every charity in the UK?

Now, how much would you like to give away? Or, rather, how much could you give without it really affecting your life? Would you like to involve your family, especially your children in giving? Finally – get involved. It is much more fun to be on the pitch rather than to watch from the stands. And if you get stuck at any time, drop me a line at mikedickson@themoreyougive.co.uk