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Paper Title: From entrepreneur to philanthropist: the “second half of the game”

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Abstract:

This paper uses qualitative interviews with wealthy Australians to examine the relationship between sequential entrepreneurship then philanthropy in an Australian context. Three major themes emerging from the qualitative data are proposed: first, the tipping points that move individuals (and their partners/families) between the two activities; and second, the motivations for giving that see entrepreneurs identified internationally as more generous than high net worth individuals whose wealth derives from other sources. Finally, the third major theme to arise from the interviews is modes of giving that distinguish those with a background of entrepreneurship from other philanthropists. Australian philanthropy is currently in a phase of rapid expansion, in particular through the growth of Private Ancillary Funds, a new and simplified type of giving structure established in 2001 that has proved attractive to wealthy individuals and their families, with more than one thousand established over the past decade. Understanding the characteristics, behaviours and motivations of this group of entrepreneur turned philanthropists in an Australian context strengthens the links identified in international research between the entrepreneurship and philanthropic sectors, and highlights areas for future study.

Introduction:

Entrepreneurs are more generous. Research shows that high net worth households where at least half of their wealth came from entrepreneurship gave significantly more than households with all other sources of wealth (Rooney 2006, p16). The not-necessarily-so-good news is that these numbers are from 2005 research, and from the U.S.A. The same may not be true in Australia.

That qualifying statement is needed as, to the best of our knowledge; no quantitative Australian research exists on philanthropy where the source of the wealth being distributed is entrepreneurship as opposed to inheritance, investment, or earned income.

The Australian philanthropic landscape is slowly being explored by researchers, with only a scant handful of academic articles published to date around philanthropy and entrepreneurship (Gilding 1999; Scaife 2008). In this absence, heavy reliance is placed on overseas studies, particularly those from the U.S.A. which has the largest and most studied philanthropic sector globally. This paper begins to address this gap by examining entrepreneurial philanthropy in an Australian context.

Background:

The adoption and adaption of entrepreneurial principles by philanthropy occurs not only when existing philanthropists and philanthropic entities incorporate new ways of working, but also when successful entrepreneurs engage in philanthropy in ‘the second half’ of their working lives. This blending and integration of the two spheres of activity is described by Harrow (2010) and Acs and Phillips (2002) as “the emerging entrepreneurship-philanthropy nexus”.

Clearly, philanthropy and entrepreneurship have much in common. Both fields share a belief in their own ability to bring about change, a vision for improvement, a focus on excellence

and innovation, and a willingness to invest where outcomes are uncertain. These links have been explored internationally in increasing detail over the past fifteen years, and entrepreneurial philanthropy has become a significant and growing part of the global philanthropic sector.

The particular focus of this paper is sequential entrepreneurship then philanthropy, where an individual has made significant wealth through business creation, crystallised that wealth through the sale of part, or all, of their share in that business, and subsequently engaged primarily in philanthropy. Social enterprise, and corporate philanthropy by entrepreneurial businesses are both linked and relevant areas of study, however they are not in the spotlight in this research.

Literature review:

Philanthropic entrepreneurs can be identified not just by their drive to accumulate personal wealth, but also by their choice to use that wealth to support philanthropic goals over which they can exercise control (Harvey, Maclean et al 2011, p.425).

The international body of work examining entrepreneurship and philanthropy in academic and professional literature can be grouped in three main areas:

- the traits or characteristics that distinguish entrepreneurs in their giving
- the generosity of entrepreneurs as compared to other sub-groups of high net worth individuals
- the motivations for entrepreneurs to engage in philanthropy

Only two articles are specifically concerned with philanthropy as a second career for entrepreneurs, once they are no longer the leader of the business founded by them and from which the majority of their wealth derives. Danco and Ward (1990) consider the transition from entrepreneur to philanthropist from a family business perspective, including issues of inter-generational transfer of wealth, and succession planning. Taylor, Coates et al (2008) use a case study from the U.S.A. to illustrate the multiple processes involved in exiting an entrepreneurial business and entering the philanthropic sphere.

The self-characterisation of himself and his wife Melinda by Bill Gates as “impatient optimists” (the name of their blog www.impatientoptimists.org on the Gates Foundation website) is supported by articles that consider the traits of entrepreneurs that may predict their future significant engagement in philanthropy. These traits can be divided into those that are considered broadly positive or broadly negative, with most cast in a favourable light.

Positive traits cited included:

- seeking to be directly involved; unafraid of addressing tough, entrenched problems; and “giving while living” with a sense of urgency (Bishop 2006)
- a focus on results, and a quest to maximize the social impact of their actions. (Bishop 2006)
- a desire to continue achieving (Danco & Ward 1990)
- generosity, and preparedness to be active fundraisers (Ledbury Research 2009a)
- an internal locus of control and innovativeness (Mueller & Thomas 2001)
- the ability to turn outline business ideas into big results (Pepin 2005)

- applying a business-like approach, which includes planning processes, milestones and outcome measurement, to their social venture activity (Pepin 2005)

Negative traits cited included:

- the fear of losing control of hard-earned wealth and authority (Danco & Ward 1990)
- dynastic ambitions (Gilding 2005)

The generosity of entrepreneurs who give away a significant portion of their wealth is examined in greater detail by Rooney (2006); Nell, Sherk et al (2008); and Ledbury Research (2009a). Nell, Sherk et al (2008) found using U.S.A. tax return statistics that entrepreneurs give 80% more than the rest of the general population (1.8% as opposed to 1.0%), when measured as a proportion of their income. The Rooney study, as already cited, considered only high net worth households in the U.S.A., and found that the majority source of wealth had a dramatic impact on the level of giving. In 2005, households with more than 50% of their wealth attributable to entrepreneurship gave more than twice as much in dollar terms (total giving of \$232,206) as the next closest group (being inheritors with total giving at \$109,745).

The main motivation for this generosity of individuals and couples whose wealth has been self-created is described as a desire to ‘give back’ (Ledbury 2009a). This concept of returning something to society is strongly supported by Acs & Phillips (2002) who use the phrase “reconstitution of wealth” to describe the work of philanthropic foundations in contributing to economic prosperity and growth, in particular through knowledge creation. Gordon, Harvey et al (2011) also describe entrepreneurs turned philanthropists as being motivated by both “opportunity and capacity to support economic and social regeneration”. Harvey and Mclean (2011) offer a case study of the career of Andrew Carnegie, and use a model of entrepreneurial philanthropy to demonstrate that his giving gave him power through converting money into personal social and intellectual capital. Carnegie is regarded by many (The Economist 2004, Bishop 2006, Gordon 2011) as being the forerunner of a class of entrepreneurial philanthropists identified by Gordon (2011) as tackling social problems on a global scale.

Lastly, in an Australian context, Gilding (1999) has explored ‘superwealth’, considering the impact of the religious and ethnic diversity of entrepreneurs and their private accumulation of wealth on the capitalist class, from a sociological perspective. Using published ‘rich lists’ as a data source, Gilding finds that at least 70% of the post-war fortunes on the 1998 rich list had their origins in small businesses formed by entrepreneurs. Scaife (2008) explores venture philanthropy through the lens of funding health and medical research in Australia. Closely linking the venture philanthropy and social entrepreneurship models of funding, three international case studies are provided. The venture philanthropy model, while by no means exclusively applied by entrepreneurs turned philanthropists, shares many principles with for-profit business, and is concluded to be a way of attracting new entrants to philanthropy.

Chief Executives and Managing Directors as an occupational group in 2009-2010 (the most recent data available from the Australian Taxation Office (ATO) recorded both the highest average gift (\$3,923.11) and the highest total value of tax deductible donations claimed (\$162M) (McGregor-Lowndes & Pelling 2012, p60). They gave 0.94% of their taxable income to deductible gift recipient organisations, which ranked the occupational group equal fourth by percentage of income claimed as gifts (p62). Unfortunately neither professional philanthropist nor entrepreneurs are occupational categories currently recognised by the ATO.

Theory:

The Center on Philanthropy (2007) paper *Portraits of Donors* identified 12 archetypes or 'portraits' of donors based on the findings of the Rooney (2006) *Study of High Net Worth Philanthropy*, and using data on high net worth households in the U.S.A. While acknowledging that respondents could be placed in multiple categories, each archetype was found to be statistically significantly different from the rest of the sample (p5). The Entrepreneur was defined as households with 50% or more of their wealth in entrepreneurial assets. Distinguishing characteristics of this archetype are their support of educational, environmental and international causes, and a strong motivation to "give back". Their motivations for giving differed most from other high net worth households in relation to their ability to bring about a desired impact, to influence others to give, and to provide services the government cannot (p59).

In a similar study, Ledbury Research (2009a) identify six key typologies of high net worth donors based on research in the U.S.A. and the U.K. drawing on data from their study *Tomorrow's Philanthropist* (2009b). For each type, segmentation analysis illustrates defining characteristics being age, source of wealth, key causes supported, mode of giving, donation level and motivation. While one of the typologies identified is Altruistic Entrepreneurs, the focus of this paper on sequential entrepreneurship then philanthropy relates more closely to the typology of Professional Philanthropists. This group is described as those who have reached the peak of their careers and/or recently sold their business interests. They are the oldest of the six types identified, typically seek a high level of engagement with the charities they support, provide in-kind assistance in addition to funding, and encourage transparency in themselves and their grantees (p8).

Harrow (2010) offers four main areas of research interest in philanthropy, being motivations, expressions, locations and values. These areas are framed by a discussion of the nature of philanthropy, including a range of conceptualisations and definitions. Harrow cites Acs and Phillips (2002) in seeing entrepreneurial philanthropy as 'where the philanthropic actor deploys special business skills' (p126). The importance of personal biography is highlighted as impacting on philanthropic behaviour.

Finally, Taylor, Coates et al (2008) offer a U.S.A. case study of Ewing Marion Kauffman, founder of a pharmaceutical company and also the Kauffman Foundation, which has a focus on supporting entrepreneurship. The case study outlines a theory of the processes undertaken by an entrepreneur exiting his/her company and establishing a philanthropic program and/or giving structure. The authors identify factors and leverage points which mentors (particularly other entrepreneurs) can use to influence successful individuals towards philanthropy; and conclude that these factors and leverage points can be "anticipated, planned for, and rehearsed" (p90).

Methodology:

During the past three years, the philanthropy team¹ within the Australian Centre for Philanthropy and Nonprofit Studies (ACPNS) here at QUT has completed two research projects looking at giving in Australia, focusing on foundations as a form of structured giving, and the philanthropy of ultra-high net worth individuals.

¹ Wendy Scaife, Katie McDonald, Susan Smyllie, Alexandra Williamson

In total, 47 semi-structured interviews were conducted from mid 2010 to late 2011. Of these, 40 were with the founders, directors, trustees and family members of: individual or family foundations including Private Ancillary Funds (n=21); community foundation sub-funds (n=9); and corporate foundations (n=11)². The other seven interviews were with extremely wealthy individuals whose personal financial resources set them apart from most Australian philanthropists. Of these seven, six had established a foundation or giving structure, of which four were Private Ancillary Funds.

One of the key findings of this research was the great diversity of giving structures and hybrid entities created, within the broad classifications used above. For example, a corporate foundation may have been established as a Private Ancillary Fund, however for the purposes of the study they were grouped with other corporate giving structures as they shared many features. The differentiation between them was based on the emphasis given during the interviews. This diversity fits in an international context, with Leat's characterisation of the philanthropic sector as 'notoriously individualistic' (2007, p207).

Data analysis using NVivo software began with an intensive, iterative search for concepts that suggested themselves from the transcribed interviews. These concepts were progressively refined and redefined. The second stage of analysis identified a set of categories into which these concepts could plausibly be collected. The third phase linked these various categories into broader themes, and some clear patterns emerged linking philanthropy and entrepreneurship.

In the following findings section, entrepreneur-philanthropists of moderate to high wealth are first compared with non-entrepreneur philanthropists (whose wealth derives from other sources) around three key themes. The giving of the smaller group of ultra high net worth entrepreneur-philanthropists is then considered separately; and differences between those of moderate to high wealth, and ultra-high wealth, are highlighted.

Findings:

Of the 40 interviews with founders, trustees and family members, 13 of these specifically identified themselves in their interview as having created their own wealth (or their partner having created joint wealth) through entrepreneurship or business enterprise. Of these 13 entrepreneurial interviewees, there was a clear preference in regard to types of giving structures, for individual or family foundations including Private Ancillary Funds (n=10) over sub-funds within community foundations (n=2), or giving in the name of the company they had created (n=1). A similar pattern existed for the ultra high net worth individuals. None of the seven interviewees had established a community foundation sub-fund, one used a corporate giving structure, and one gave directly as an individual rather than through a structure. The remaining five had established individual or family foundations, including four Private Ancillary Funds. This data clearly shows that Private Ancillary Funds are the giving structure of choice for entrepreneurs in Australia.

Three key themes that emerged from the empirical data relevant to entrepreneurship in philanthropy were: tipping points for philanthropy, motivations for giving, and multiple modes of giving.

² One interviewee had established two different types of giving structures, hence the disparity in numbers.

Tipping points for philanthropy:

The part or full sale of their business was a key trigger for entrepreneurs to consider planning and structuring their giving. Along with the trigger event came a range of reported feelings: the need for time for reflection, a sense of responsibility and obligation, the perception of having more than enough (wealth for personal and family needs), and searching for the next thing. While none of the interviewees identified the tipping point as being an emotional time in their lives, much of the language used reflects uncertainty. Phrases such as “I didn't know what to do”, “I wasn't used to [it]” “I didn't have that background” “I didn't have any clearer idea” “what should the future look like?” and “I was a little lost and I didn't really quite know what my next steps were going to be” all describe a time when previous knowledge and authority was no longer applicable.

The expression “tipping point” in itself implies a fall or a very quick change in balance. This concept of suddenness or shock is reported by entrepreneurs in a very different way from those who build up a philanthropic fund gradually. Interestingly, the difference is also clear between entrepreneurs and inheritors, both of whom would generally receive a lump sum. While those who inherit large wealth could for the most part be assumed to have an expectation that it would happen, the same could be said for entrepreneurs who have created wealth that is subsequently crystallised through a sale. This however is not borne out in the data: none of those interviewees who inherited wealth (n=9) expressed the same uncertainty or lack of direction as those who had created wealth “it [setting up a foundation] was always something we had planned to do”. The implication is that entrepreneurs, unlike inheritors, do not anticipate or plan for a time beyond the predictable but sudden acquisition of wealth.

Another theme related to tipping points into philanthropy was reaching a point of having enough. While tied closely to motivations for giving, a growing awareness of having wealth well in excess of any foreseeable personal or family needs was also cited as a trigger for change. Having achieved financial success on any measure, the entrepreneurs interviewed expressed a sense of finding themselves no longer motivated by increasing their wealth: “It made me go through points of reflection about well, what are you making money for? What is the driver?” This led to individuals considering and revising their personal goals.

Motivations for giving:

Philanthropy was seen by interviewees as a means of dealing with financial success, a pathway into a new sphere of endeavour, or resulting from a need to work towards something of broader significance. These motivations were linked to reaching a life turning point, and feeling an obligation to give. Taxation incentives for giving were a significant initial motivator to engage in philanthropy, but became less important over time.

For many of the interviewees regardless of the source of their wealth, structured philanthropy offered a solution to the question of what to do with their money. A sense of distancing comes through in phrases from entrepreneurs describing the creation of their giving structures, such as “having breathing space to decide what to do with it” “we never really saw it as ours” “it wasn't real” “wanted to put it at arm's length” and “you actually need a buffer zone”. From this viewpoint, the wealth of entrepreneurs provides both positive and negative motivations to engage in philanthropy: the positive changes that giving can bring about, for both donors and beneficiaries; and the preventative benefits of applying that wealth to

purposes outside their family. This was of particular importance in relation to concerns expressed around their children inheriting ‘too much’.

The taxation incentive to engage in philanthropy is acknowledged by interviewees whose wealth comes from all sources, but is never cited as the sole reason for giving. The creation of a philanthropic structure serves “a dual purpose” for most people: “in part driven by tax” “the tax refund was one reason” “tax advantages, you know, that's clearly one of the things” and “even though it's tax deductible, from my experience, I'm not convinced that that's the entire motivation. I think it is part of it though”. These views are generally linked to other benefits of setting up a structure, most particularly allowing for the planned and thoughtful gifting of the funds over time: “they can get the tax deduction and hold the assets and then release those assets in a much more managed and strategic way”. The Private Ancillary Fund structure was often mentioned in relation to tax deductions for giving, citing its ease and speed of establishment.

The strongest of the motivations for giving is feeling an obligation to give back, with seven of the 13 self-identified entrepreneurs articulating a need to return some of their wealth to their community and country. Descriptions of this commitment included: a debt, the right thing to do, responsibility, a duty, a moral obligation. While some of this language has negative overtones, none of the entrepreneurs interviewed expressed guilt about their wealth. Their commitment to philanthropy was expressed both in terms of their own sense of obligation “paying back the successful life I've enjoyed”, and questions as to why others did not feel the same “I do not understand why they want to feel they have to hold onto it”.

Philanthropy as a pathway into a new sphere of endeavour elicited some of the most thoughtful responses from the entrepreneurial participants in the study. In their own words: “I think it [philanthropy] adds to the sense of fulfilment or achievement or the kinds of things that probably have driven people to want to run their own business in the own place”. “I felt at that point that I ought to be winding back my full time commercial work and winding up some exploration of a kind of second half of the game that was more weighted to not for profit things.”

This sense of bridging the two sectors – entrepreneurship and philanthropy – with skills and abilities drawn from one but applicable to both, was a strong motivator for interviewees. There was a sense of looking for another sphere in which their experience could be used, rather than wasted or neglected: “So I thought well what else can I do?... I've been given so many opportunities, I've learnt so much and surely that's got to be of some use to somebody? So let's see if I can find a way.” This motivation was also expressed directly as a need for creative power: “I want to be making the influence and making changes”.

This motivation leads into the third key theme to arise from the empirical data, being multiple modes of giving.

Multiple modes of giving:

Many entrepreneurial interviewees felt that giving of time, expertise, and voice was a natural extension of their financial support. They spoke of bringing the skills developed in their business careers to nonprofit organisations that could never otherwise afford them. Interviewees also drew links between their philanthropy and their creative and leadership skills. They highlighted the importance of targeting particular causes and organisations where impact could be achieved, and then leveraging off their existing knowledge.

This giving other than money influences the shape of their philanthropy in many ways, and was a theme that arose in six of the 13 interviews with those individuals who had created their own wealth through entrepreneurship and business. Other modes of giving described included volunteering physical labour or “getting their hands dirty”, creating and accessing networks, serving on nonprofit boards, fundraising, providing free office space and staff, contributing business expertise, and creating new nonprofit organisations. These multiple ways of supporting organisations are more often reported by entrepreneurs (six of 13 interviewees) than for those with inherited wealth (three of nine interviewees) or corporate giving (two of eight interviews). Gordon (2011) refers to these multiple modes of giving as “harnessing the sum resources accessible to the entrepreneur”.

Entrepreneurs also give money itself in a range of ways. Typically, giving structures such as foundations are not the only vehicle for their philanthropy. Many identify that they still give outside of their foundations, sometimes because a donation they want to make doesn’t fit within the identified areas of interest of their foundation, sometimes to avoid processes or restrictions inherent in foundation giving: “A lot of my donations are just out of my own income, and I still do a lot of that” “I have also given a gift to [name of organisation] quite separate from any foundation, because I feel that I’m rather - a bit ambivalent altogether about [my] foundations”.

However, while both general media (Hazlehurst 2012) and the academic literature (Pepin 2005), report that entrepreneurs engaged in philanthropy are open to considering ‘creative’ funding options (e.g. loans, venture capital, crowd-funding and underwriting) that don’t fit the traditional philanthropic funding model, this did not emerge from our Australian data.

Entrepreneurs turned philanthropists are also more likely to set a sunset clause for their foundation or giving structure than those whose wealth came from other sources. Of the 40 interviews as a whole, 20 or exactly half wanted their giving structure to continue in perpetuity; 10 have sunset clause or pre-determined end date by which all funds should be given; and 10 were uncertain. However, when looking only at the entrepreneurs as a group, six of the 13 had a sunset clause or spend-down policy, six wanted their giving structure to last indefinitely, and only one was uncertain. This greater urgency of entrepreneurs about giving while living was expressed quite bluntly: “in our financial modelling we expect to be able to get this thing right down to kind of a zero balance in about 15 -20 years” “we figured it’s probably needed now just as much as ever. So why not?” “I think future generations need to sort their own problems. So for me, I think we need to solve the problems of the day”.

Ultra high net worth philanthropists

Seven interviews were conducted with ultra-high net worth individuals from the state of Queensland. Six men and one married couple were interviewed about their philanthropy. Their ages ranged from 61 to 76, and all participants were married with children. Almost all participants had earned and accumulated wealth themselves, with only one having inherited wealth. Their reported³ net worth at the time of the interview ranged from \$220M to \$874M. Their donations in 2008-09 ranged from \$100,000 to \$10M; and six of the seven have established formal giving structures (four of which are Private Ancillary Funds). As a group, these interviewees revealed certain characteristics which set them apart from those with less personal financial capital.

³ Information was derived from Business Review Weekly’s ‘Rich List’ 2008

These interviews followed in the footsteps of Gilding (2010) who completed a series of 43 interviews with Australia's 'super rich' in the late 1990s and early 2000s. In his 2010 paper examining the motivations of his interviewees for taking part in the research, Gilding cites Ostrower (1995) as speculating that their participation was evidence of the importance and interest of philanthropy to them⁴.

This theory was not uniformly borne out by the seven interviewees, for some of whom philanthropy was seen as a job, something that required effort to be done as it should: "I think the more you think about these things, after you've left active business behind you, the more you think that you've only done half the job. You've amassed a fortune and now I work nearly as hard - not quite as hard - I work nearly as hard giving my money away as I did making it".

Another theme that emerged strongly from the data was the interviewees' attitudes and beliefs concerning the charitable sector. They expressed a significant degree of caution and questioning regarding the operation and motivation of some nonprofit organisations, in particular around salaries, operating costs, and transparency: "Well they're not transparent are they? It doesn't worry me if that's how they care to run it, that's what they want to do with it. To me, if it was I who was running one, you'd have to be transparent with your customers who are your donors". This scepticism is much more strongly present among the ultra high net worth individuals (n=7) than among the other, larger group (n=40) with moderate to high wealth⁵. Five ultra wealthy interviewees used negative words and phrases including "scam", "prey on", "hate", "abhorrent", "despicable" "greedy" "bottomless pits" "hit list" and "wishy washy" to describe the actions and behaviour of some charitable organisations (as opposed to the charitable sector as a whole). These were not outlying views, but rather frank expressions of concern. In balance, two interviewees spoke positively about the Australian charitable sector: "a lot of the Australian charities do do a good job" "there are good examples; you know who work off the smell of an oily rag and who are passionate and obviously deliver a good value".

This small group of ultra wealthy interviewees also differed strongly from the larger group with moderate to high wealth philanthropists around the theme of personal efficacy and power. This theme highlights individual attitudes of goal orientation and work ethic linked to entrepreneurship: "There's no satisfaction in being handed stuff. You've got to earn it yourself". They identify philanthropy as a powerful act undertaken by powerful people, some who use their giving to exercise control over the others. A clear sense of efficacy and the ability to create change came through when discussing their giving. "I don't put money where I don't think it's going to be used well, and if they need a bit of strategic advice they get it whether they want it or not." "If they won't listen to me or don't have the capacity to do something sensible then I walk away from them" "It takes three times as long to achieve the same end talking to somebody else. In the end it's easier just to go and do it." "Because I think the way I'm doing stuff, I'm happy with and I think its way ahead of anything I've ever read any of them doing." "I'm determined to give it away on my terms. I'm determined to make sure it goes where I want it to go and to have a result, have an effect."

These are key differences between the ultra wealthy and those of moderate to high wealth. The combination of ultra high wealth, plus entrepreneurialism plus philanthropy leads to a

⁴ Gilding himself proposes 'media' or looking outward, and 'therapy' or looking inward as alternate motives for participating.

⁵ The group of forty interviewees were not asked about the dollar value of their wealth, and it is possible that some would also fit within the smaller group of ultra high net worth individuals.

stronger sense of scepticism, personal efficacy and power; as opposed to those with moderate to high wealth who do not reveal the same traits.

While the very small number of participants recruited limited this study, it nevertheless provided some initial insights into the philanthropy of those Australians with the greatest financial capacity to give. These individuals are uniquely placed to support philanthropy in Australia, and their perceptions are worthy of further research.

Discussion:

There is renewed international interest in encouraging philanthropy in times of economic austerity. Philanthropy is seen as playing a key role in 'post-recession' western societies, particularly in the U.K. with the concept of 'big society' rather than 'big government'. In Australia, significant reforms for the nonprofit sector (including philanthropy) are underway, with the establishment of the Australian Charities and Not-for-profits Commission (ACNC) which from late 2012 has responsibility for regulation and reporting of nonprofits. Further regulatory changes are proposed by the Not-for-profit Sector Reform Council, including potential changes to tax concessions for the not-for-profit sector.

The Australian philanthropic sector is also growing strongly. The introduction of the Prescribed Private Fund (PPF) in 2001 allowed for the streamlined establishment of a charitable foundation. There was no requirement for gifts to these Funds to be sought from the public, and a Private Prescribed Fund could therefore be controlled by an individual, family or corporate group. Renamed in 2009 as Private Ancillary Funds (and commonly known as PAFs), this new modern foundation structure has attracted many new participants to the philanthropic sector. While there is no reported data, the philanthropic services organisations that facilitate the establishment of Private Ancillary Funds are clear in their consensus that the structure is attractive to those who have created their own wealth (Mansfield 2008), a finding backed by this research. Cumulative donations from these Funds in the eight years from 2001/02 to 2009/10 totalled \$2,266 billion (Australian Taxation Office 2012). As at June 2012, there are over 1,000 Private Ancillary Funds in Australia.

Global Philanthropic, a philanthropy consultancy organisation with a strong Australian presence, has created a subscription-based on-line database, the Complete Guide to Australia's Private Ancillary FundsTM. Approximately 65% of the entries in the Guide include biographical information on the founder, and the majority of these in turn include information on the source of wealth. The Guide is the most comprehensive source of available information on Private Ancillary Funds and a rich potential future resource on the link between entrepreneurship and philanthropy.

This wave of new participants in philanthropy also raises questions for the broader nonprofit sector. If Australia will see a continuing increase in entrepreneurial philanthropy in the coming decade, how will this impact the ways that charitable and nonprofit organisations interact with their philanthropic funders?

One key issue to be negotiated between may be the extent to which the motivations and modes of giving of entrepreneurial donors influence the programs, services and missions of nonprofits. Ostrander (2007) considered practitioner-based literature around heightened donor control, and raised concerns around the 'damaging loss of discretionary judgement by nonprofit recipients' (p359). Potential research questions in this area of donor control include:

what differences in accountability will there be for nonprofits funded by entrepreneurial versus more traditional donors? Will an increase in donors who want to give time, expertise and voice as well as money potentially lead to a corresponding increase in nonprofits who decline funds from donors wanting a high level of involvement in their organisation? Would this encourage entrepreneurs turned philanthropists to create not just giving structures but also to found new beneficiary organisations to deliver their mission? And what role do Australian philanthropic advisers play in determining the degree of control expected and exercised by donors?

In these times of rapid expansion, understanding the motivations and later-life propensity to give of entrepreneurs in an Australian context provides a framework for future research. The skills and characteristics of entrepreneurship can diversify and grow Australian philanthropy, with an exchange of ideas and mutual learning.

Conclusion:

This paper identifies key themes for Australian philanthropists whose wealth was created through their entrepreneurship. These themes are relevant to the larger issue of how to increase philanthropy or larger donations by individuals in Australia, and expand the group of active Australian philanthropists. Government funding of nonprofit organisations (NPOs) is becoming less secure, more competitive, and more closely tied to service provision. In the face of growing demand, NPOs are increasingly seeking the support of wealthy individuals who are able to give at higher levels than average Australians.

Entrepreneurs who become philanthropists are a distinct group within those Australian individuals, couples and families who have established formal giving structures. They have characteristics, values and goals that set them apart from other philanthropists whose wealth came from inheritance, investment, or earned income. The traits that enabled them to create their wealth through their entrepreneurial businesses they find equally applicable in their philanthropic work.

Why is this distinction important? The influence of entrepreneurs turned philanthropists on the Australian philanthropic sector is considerable. Internationally, the high public profile of successful entrepreneurs including Gates and Omidyar is drawing broad media and public attention to their subsequent philanthropic activities. Entrepreneurs are perceived as transferring the innovation that allowed them to succeed in business to their giving. This creates an atmosphere of excitement and hope that new approaches to previously stubborn problems being tackled by global philanthropy may be working. Being unafraid of failure is perhaps as useful in philanthropy as in entrepreneurship.

As Gordon (2011) identifies in an international context, there is equally scope for further research into entrepreneurship and philanthropy in Australia: “what entrepreneurs do beyond wealth creation”. A broad research agenda might usefully include in depth case studies of individuals, an exploration of the take-up of the Private Ancillary Fund giving structure by entrepreneurs, an analysis of the giving modes used, and the impact of their giving on nonprofit beneficiaries.

Finally, a quote from Danco and Ward (1990) illustrates how the image of the philanthropic sector has changed in the last 23 years. In the abstract to their Family Business Review article *‘Beyond Success: The Continuing Contribution of the Family Foundation’* they offer this

advice, not graciously expressed but perhaps still applicable to any business owners of a certain age who may be seeking a new challenge in 2013:

Many entrepreneurs stay too long in the role of owner-manager of their family business because of confusion about alternatives, the desire to continue achieving, and fear of losing control of hard-earned wealth and authority. This article suggests that setting up a family foundation affords the ageing business owner a new, challenging career.

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