

What is High Impact Philanthropy?

**“The noblest question in the world is what good may I do in it?”  
Benjamin Franklin, *Poor Richard’s Almanac*, 1737**

High impact philanthropy means getting the most “good” for your philanthropic “buck.” It is the process by which a philanthropist makes the biggest difference possible, given the amount of capital invested. This Concept Paper is intended as the beginning of a discourse on how to practice high impact philanthropy. It introduces **cost per impact** as the fundamental measure of any philanthropic investment. In order to assess cost per impact, philanthropists must be able to assess, to the extent possible, its two components: 1) **social impact**, as measured by specific, objective criteria for success; and 2) **cost**, as measured by the investments made by philanthropists or other sources to realize the impact. Assessment requires objective, reliable information on what’s effective, what’s not, and how much capital is required to achieve a given impact. The Center for High Impact Philanthropy aims to deliver the information and analytic tools required to answer these questions.

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You've Done Well, Now How Do You Know What Good You've Done?

**“The noblest question in the world is what good may I do in it?”**

**Benjamin Franklin, *Poor Richard's Almanac*, 1737**

Benjamin Franklin had the right question in 1737, but he never seemed to ask the most important follow-up question—“How do I know what good I've done?”

Many have heeded Franklin's call to “do good”, especially after “doing well” financially. For those who have done well, clear indicators exist: Am I making a profit? Have I maximized my return on investment? Is my bottom line black or red?

However, for those interested in understanding what good they've done, the question has been far more difficult to answer. Though a variety of new metrics have attempted to measure “good” - SROI (Social Return on Investment), logic models, process goals, and calculation of overhead ratios – all fall short of helping philanthropists understand what effect their gifts have had on the problems they're trying to solve. It seems the field of philanthropy has yet to resolve the fundamental question posed by many philanthropists and social sector investors: “What impact is my philanthropy having?”

The time is right to do that. In a year of record-breaking \$100 million donations<sup>1</sup> topped by Warren Buffet's gift to the Bill and Melinda Gates Foundation, and with the much-touted, intergenerational transfer of wealth underway, it has never been more important to ask, “What is high impact philanthropy?”

### Defining High Impact Philanthropy

Simply stated, high impact philanthropy means getting the most “good” for your philanthropic “buck.” It is the process by which a philanthropist makes the biggest difference possible, given the amount of capital invested.<sup>2</sup>

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<sup>1</sup> According to the Chronicle of Philanthropy (February 22, 2007 “Record-Breaking Giving”), twenty-one Americans gave gifts of \$100 million or more, breaking a record for philanthropic giving. In 2005, eleven individuals gave gifts of that size.

<sup>2</sup> For financial investors, risk would be another key component. However, given the relative dearth of information with which to assign meaningful probabilities, strictly speaking, today's

The question then is to assess the “good” of a philanthropic investment in terms of its relevant components: (1) social impact, (2) cost.

**Social Impact.** In the context of philanthropy, social impact is the difference a philanthropist can make. It can be more of a good thing or less of a bad thing. What is important is identifying the specific, objective impact target and understanding how to measure a change in that target.

For example, let’s consider increasing college matriculation rates for poor, largely-minority, urban school students as a reasonable “good” for a philanthropist to target.<sup>3</sup> To illustrate how a philanthropist might consider giving options, let’s look at two hypothetical philanthropic investments.

### **Education Programs Alpha and Beta**

Program Alpha is a targeted intervention that enrolls 10<sup>th</sup> grade students from a poor, urban, largely minority neighborhood. These 10<sup>th</sup> graders have good, but not great, Grade Point Averages (GPAs), and are identified as promising students, but unlikely to enroll in college without some kind of help or intervention. Program Alpha provides the selected students with college prep workshops, individual counseling, and other assistance to help the students navigate the college application, admissions, and financial aid process. The students in Program Alpha are then compared to a reasonable baseline: At the end of the first trial of Project Alpha (the students finish 12<sup>th</sup> grade), 75 percent of the students enrolled matriculate to college, compared to only 50 percent of students with similar profiles but who were not enrolled in Program Alpha.<sup>4</sup> Thus, Program Alpha produced a 50% greater enrollment in college or a 25 percentage point improvement in matriculation rates.

Program Beta is another targeted intervention. It serves a 3<sup>rd</sup> grade class of students who come from a similarly poor, urban, largely minority neighborhood. Historical data indicate that 3<sup>rd</sup> graders from that neighborhood have a 1 in 5 (20%) chance of enrollment in college. Program Beta provides individual counseling, educational enrichment in classes and after-school programs, and individual mentoring provided by volunteers. The students in Program Beta are then compared to a reasonable baseline: Ten years after the 3<sup>rd</sup> grade class is enrolled in Program Beta, 70 percent enroll in college, compared to the estimated

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philanthropists operate in a world characterized by uncertainty and speculation, not quantifiable risk.

<sup>3</sup> The advantage of using college matriculation for this example is that it is relatively easily measured and research has indicated strong societal and individual benefit.

<sup>4</sup> We will ignore, for the moment, that the program was not assessed using a “gold standard” random clinical trial, and thus the “evidence” for success does not meet a level of scientific evidence for effectiveness.

20% percent from the neighborhood. This is a 350% increase in enrollment or an improvement of 50 percentage points from the estimated base rate.<sup>5</sup>

Clearly, a philanthropic investment in either program yields the “good” of increased college matriculation. However, compared to Program Alpha, Program Beta has the greater social impact. The question to ask now is “What are the comparative costs?”

Cost. Program Alpha costs \$1,000 per student. For a cohort of 100 10<sup>th</sup> graders, the difference – a 25 percentage point increase in college enrollment - cost \$10,000 to achieve. In other words, the *cost per impact* – in this case, a percentage point increase in college matriculation - was \$40 per each percentage point increase in college matriculation.

Program Beta (which ran for 10 years) cost \$10,000 per student, or \$1,000,000. Therefore, the cost per impact for Program Beta was \$20,000 per each percentage point increase in college matriculation.

Program Beta’s higher cost per impact is not unexpected. Program Beta is aimed at a much more challenging population of students. Many of Program Beta’s 3<sup>rd</sup> graders would not even make it to 10<sup>th</sup> grade without some form of intervention. The Program Alpha students, who are already in 10<sup>th</sup> grade when the program is rolled out, are the “low hanging fruit” as they enter the program. What’s more, for Program Alpha students, the impact measure selected – college matriculation – is a fairly proximate outcome. For the Program Beta students, the many intervening years between the start of their program and their hoped-for college matriculation exposes them to a host of other factors that may contribute or place barriers to college matriculation.<sup>6</sup>

While other social impacts might be attributable to Program Beta’s activities (e.g., decreases in truancy, violence, depression and teenage pregnancy; increases in employment and family/community involvement), Program Alpha is the better philanthropic deal for the philanthropist whose desired impact is increased college matriculation rates. If an increase in college matriculation is the targeted “good”, then Program Alpha provides more “good” per buck.

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<sup>5</sup> Again, the same caveat applies; the evidence is derived from a “weak” experimental design and not based on a true experimental random clinical trial.

<sup>6</sup> Given the different time horizons, one strategy for a philanthropist concerned about maximizing impact within a particular community might be investing early in Program Beta in order to yield more students later for Program Alpha.

## Summary

This Concept Paper is intended as the beginning of a discourse on how to practice high impact philanthropy. It introduces **cost per impact** as the fundamental measure of any philanthropic investment. In order to assess cost per impact, philanthropists must be able to assess, to the extent possible, its two components: 1) **social impact**, as measured by specific, objective criteria for success; and 2) **cost**, as measured by the investments made by philanthropists or other sources to realize the impact. Assessment requires objective, reliable information on what's effective, what's not, and how much capital is required to achieve a given impact. The Center for High Impact Philanthropy aims to deliver the information and analytic tools required to answer these questions.

## Your Input

As we launch the Center and encourage continued discourse, we recognize that there are many important issues to tackle in our goal of defining the “efficient frontier” of philanthropy. Looking back at Programs Alpha and Beta, several questions emerge. For openers:

Impact Measurement: What impact measures are both meaningful and practical to target? If you could choose three impact measures to target for improving K-12 urban education, what would they be and why?

Cost per Impact: Given the comparative cost per impact profiles of the two programs described, should a philanthropist go after the “low hanging fruit” and increase the likelihood of seeing tangible results soon, or is the higher fruit the bigger payoff? If the later, how would a philanthropist determine that?

Access to Information: What incentives are required to increase transparency in philanthropy – i.e., what might motivate philanthropists of all stripes, both individual and institutional (foundations, corporations) – to share their experiences of what worked, what didn't, and for how much?

Public Policy: How should existing public policy impact decision-making in philanthropy?

The answers to these and other questions will provide the scaffolding of the emerging field of effective philanthropy to which our Center hopes to contribute. We welcome your thoughts and encourage you to visit our website [www.impact.upenn.edu](http://www.impact.upenn.edu) and send your comments to [impact@sp2.upenn.edu](mailto:impact@sp2.upenn.edu).