

A Tale of Two Cultures: Charity, Problem Solving, and the Future of Social Entrepreneurship

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Published online: 17 August 2012
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Abstract Two cultures are at play in the field of social entrepreneurship: an age-old culture of charity, and a more contemporary culture of entrepreneurial problem solving. These cultures permeate activities from resource providers to front line operations. Both have roots in our psychological responses to the needs of others and are reinforced by social norms. They can work hand-in-hand or they can be at odds. Some of the icons of the social entrepreneurship movement have spoken harshly about charity, yet most of them rely to some degree, at least early in their development process, on resources that are given out of a charitable impulse. The success of social entrepreneurship requires an integration of values from each of these cultures, in which the satisfactions of giving are correlated with social benefits of rigorous problem solving.

Keywords Social entrepreneurship · Charity · Social enterprise · Social innovation · Philanthropy

When we want to help the poor, we usually offer them charity. Most often we use charity to avoid recognizing the problem and finding a solution for it. Charity becomes a way to shrug off our responsibility. Charity is no solution to poverty. Charity only perpetuates poverty by taking the initiative away from the poor. Charity allows us to go ahead with our own lives without worrying about those of the poor. It appeases our consciences...

—Muhammad Yunus, founder of Grameen Bank and 2006 Nobel Peace Prize winner (Yunus 1999, p. 237).

A Tale of Two Cultures

Values matter. They drive, shape, and constrain behavior. In this paper, I want to examine a particularly intriguing interplay of two different—sometimes complementary, sometimes conflicting—clusters of values that play major roles in social entrepreneurship. We can think of these clusters as two cultures, two value systems. One is the culture of charity; the other is the culture of problem solving. This interplay has significant implications for the evolution of social entrepreneurship.

In a famous 1959 lecture, English novelist and physicist, C. P. Snow, brought the world's attention to the “two cultures” of the humanities and the sciences—each with its strengths and weaknesses, but not interacting in constructive ways, to the world's detriment. Similarly, over the past century and a half, we have seen the emergence of two cultures operating in the arena in which private actors respond to social problems. This split parallels the one between the humanities and the sciences, between heart and head. On one side, we have the age-old culture of charity that is tied to heart and steeped in moral traditions from around the world. On the other, we have the more modern culture of problem solving that is tied to head and emerged as part of the scientific, industrial, and now entrepreneurial age. Both cultures have important contributions to make to a successful society and to the success of social entrepreneurs.

Charity (or some variation on it) is deemed an important virtue in many moral systems. Though we English speakers inherit the specific term from Christianity, nearly every religion, from Buddhism to Zoroastrianism, exhorts its

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followers to be generous with those in need. Even secular philosophers, such as Confucius and Aristotle applauded this kind of giving behavior as a virtue. Confucius included charitable behavior as part of *ren*, one of his five cardinal virtues, often translated as a combination of “benevolence, charity, and humanity.” In his *Nichomachean Ethics*, Aristotle places it within the virtue of “generosity,” the willingness to give with the right intention, at the right time, to the right recipients, which is the lead virtue concerned with wealth, the mean between stinginess and wastefulness.

Charity is a virtue, consisting of selfless action for the benefit of another, ideally a stranger. The term is derived from the Latin “*caritas*” which refers to “caring,” “compassion,” or “love.” The Christian parable of the Good Samaritan describes the paradigm case. It is a story in which a person (in this case from a despised ethnic group) stops to help a traveler who has been injured and robbed, after many others (including those from highly esteemed groups) pass the traveler by. The story illustrates the intrinsic moral value of acting selflessly, out of compassion. Thus, charity focuses on the actor’s caring motivations and willingness to sacrifice his or her interests. It makes no reference to the consequences of the act, other than that the act is performed out of love or compassion. In fact, personal gain from the act dilutes its moral value, and raises questions about the purity of the motives.

By contrast, problem solving is a skill, rather than a virtue. It can be applied toward good or ill. Even those who would do harm have problems to solve in getting their schemes to work. It is instrumental. Its value lies in what it is used to achieve. Its moral goodness is judged by the results. Its excellence as a skill is judged by the usefulness of the process in producing results or in producing knowledge that improves future efforts. Together the goodness of the results and excellence of methods are used to judge a particular problem-solving approach.

Social problem solving by private parties does not have the deep philosophical or religious origins of charity. It was not nearly as visible as charity until the birth of the scientific and industrial age. At that point several thinkers, such as Paine and Condorcet, grew frustrated with charitable approaches to poverty and began to look for more scientific and systematic solutions (Jones 2005). In the UK in particular, and then in the US, the enlightenment spirit gave rise to professionalized philanthropy, formalized social work, and more systematic aid programs. The term “scientific charity” emerged to describe this phenomenon (Himmelfarb 1991). This is when the first tensions between the traditional practices of charity and those of scientific problem solving started to emerge. Social entrepreneurship is simply a more recent extension of this analytic problem-solving thrust. It simply acknowledges the insight that entrepreneurial efforts can add value to this process by decentralizing the innovation,

experimentation, and learning process, forming a kind of “learning laboratory” (Dees 2009).

Each of these “cultures” appeals to strong human impulses and each provides its satisfactions. Research indicates that both the generous acts of charity (Aknin et al. 2010, 2012; Harbaugh et al. 2007; Brooks 2008) and the challenges inherent in problem solving (Csikszentmihalyi 1990, 1996a, b) contribute to meaningful, happy lives. Yet fusing the two sets of values is not as easy as it might seem. The culture of charity has a strong legacy in terms of the norms, legal structures, and language that shape behavior in the social sector, a legacy that has helped many social entrepreneurs attract resources to their causes, but that has also inhibited the development and effectiveness of social entrepreneurs.

Benefits of a Culture of Charity

The fact that most societies encourage some variation on charity or generosity toward others is no accident. Charity benefits both the actor and society.

Many of the arguments for charitable behavior focus on the psychological or spiritual benefits to the charitable actor; though, ironically you only get them if you are not seeking them, but simply seeking (unselfishly) to help another. When you act with purity of heart, helping and giving can lead to greater and perhaps unexpected personal happiness. Individuals may not appreciate this fact without the nudge that they get from moral norms encouraging and praising this behavior for its inherent worth. It is acclaimed as a vehicle for spiritual development—a means for expressing compassion, demonstrating selflessness, and loosening attachments to material goods. As sociologist Richard Sennett notes, “*Caritas* means becoming a good person through making gifts; the act of gift giving combats one’s own disposition to sinfulness.” But gifts are only one expression; many other acts of compassion (such as those of the Samaritan) serve the same purpose. These effects on the individual also make individuals more valuable to societies that need a certain degree of altruism to operate effectively.

In his book *Wired for Culture*, evolutionary biologist Mark Pagel, argues that many aspects of human culture, including altruistic practices such as charity, have developed because they have survival value for the societies in which they are embedded (Pagel 2012). More specifically, one role for moral values is to help us resist narrowly self-interested behaviors that do not serve the welfare of the community. This is not the place to review all the intriguing efforts to explain the role of altruistic and cooperative behaviors in human society (see e.g., Ridley 1996; Hauser 2006). We know that narrow self interest can be a strong force and crippling to societies, which require cooperation and sacrifice on the part of individuals for the

whole to thrive. Moral norms, such as those encouraging charity, serve as a counterbalance.

We all know the important role charity can play during a time of crisis, emergency, or particularly pressing need. Charity also helps to make the societies more resilient and cohesive. Charitable responses to tragedies not only fill an immediate need, but can strengthen social bonds and create goodwill. If we reduce the responses of the social sector to cold, scientific social problem solving, we will risk turning all the helping functions over to professionals, which James McKnight argues can debase rather than enrich our shared sense of community (McKnight 1995).

By encouraging charity, societies draw on private resources in a voluntary way, making those resources more productive for the common wealth. Since resources and capabilities are not evenly distributed, it can be a net gain to society when those with more share with those who have less. Economist, Joel Waldfoegel, provocative author of *Scroogenomics*, and critic of what he sees as wasteful holiday gift giving, makes an exception. “Gifts from those with plenty to those with little can increase society’s net satisfaction” (Waldfoegel 2009, p. 120). His argument for this is simple. A dollar or an item of value is generally worth more to the person who has fewer of them than to someone who has plenty of them. Voluntary giving can also ease the burden on the state. There are limits to the ability and willingness of governments to tax wealth for the purpose of addressing social issues. Moral systems that encourage private giving of both resources and capabilities provide a complementary means of mobilizing valuable resources.

More specifically to this paper, norms of charity create pools of resources to support social entrepreneurs, many of whom are also motivated by the same compassionate impulses that drive charity in the first place. Social entrepreneurs are motivated to correct harms done by an unjust equilibrium (Martin and Osberg 2007). Proponents of charity would point out that Yunus relied on charity to get Grameen off the ground (taking outside funding for 15 years before the Bank was self sufficient) and that he has personally engaged in an act of charity through his work at Grameen Bank in which he did not take an equity ownership or a large salary. Instead, he insisted that the poor own the Bank. He has in fact been critical of those in the microfinance world who would personally profit from helping the poor (Yunus and Weber 2010, p. 13).

It is often deep *caritas* that drives extraordinary people to take on apparently insoluble social problems or to work in areas that seem hopeless. In some cases, these “fools” emerge with innovations that make an unexpected difference. Funded by donors who are driven by passion more than reason, they go where purely scientific problem solvers, playing the odds, would not go. The world needs

those who driven by compassion to venture where “reasonable” people would fear to tread, who act in apparently irrational ways, and the drive of *caritas* can take people there. It may seem like a waste to rational problem solvers, but sometimes it is those who are regarded by the mainstream as wasting their time who come up with the real breakthroughs, whether they are motivated by *caritas* or by the irrational optimism that commonly afflicts entrepreneurs (Sharot 2011).

Tensions Between Charity and Problem Solving

Despite these benefits, charitable values can be in tension with the problem solving values that animate much of social entrepreneurship. Several of the practical challenges social entrepreneurs face can be traced to these tensions.

Tension 1: Spontaneous *Caritas* Versus Reasoning

For many people charity and analytic thinking do not mix. Thinking can spoil the charitable act. Michel Roux, philanthropist and founder of Crillon Importers, eloquently expressed the spirit of this idea when he said, “Don’t speak about your giving and don’t think when you give. Just give both with your means and with your heart. And give spontaneously. Real charity can happen at any moment in life” (Rosenfeld 1999, p. 110). Scholar Scott Cutler Shershow even sees a contradiction in any effort to mix giving and analysis, which according to his theory belong in different realms of human behavior. In his indictment of the analytic, results-oriented, problem-solving philanthropic practices, he says:

The so-called new philanthropy thus operates by means of an impossible and ruinous combination of giving *and* working. In its practice, it displaces the possibility of more organized and effective means of comforting the afflicted; and in its implicit theory, it refuses to follow the gift to its limits by insisting that even charity be judged by its (psychic and material) returns (Shershow 2005, p. 134).

Shershow is giving voice to a commonly held view that charity is about “giving,” and it is not authentic if there are expectations and calculations involved. Even the *Wall Street Journal* made a similar point when it used the headline “Strings Attached” (Conkey 2006) for a story reporting on the rise of the “new” philanthropy that views donations as “investments” looking for a “social return.” A gift begins to look more like a contract when strings are attached.

The non-analytic, no strings-attached character is part of the beauty and appeal of charitable acts. Did the Good

Samaritan calculate the social return before helping the injured traveler? No, he simply acted spontaneously, out of compassion. Any calculation would have demeaned the act.

As a result of this bias against analysis, passion can dominate reason in charitable activity. Many of the resources that flow into charitable causes do so without serious deliberation, due diligence, assessment, strategy, or commitment to learning. Charitable organizations can act out of compassion without worrying about whether they are deploying resources efficiently and effectively. Why should a charitable actor conduct due diligence? Charitable virtue does not require it. It requires only the right motivation, “*caritas*.”

When this becomes a norm for the social sector, it can undermine rigor and effectiveness. Highly successful business people often leave behind their business discipline, savvy, and demands for results when they sit on nonprofit boards (Bowen 1994). They seem to think these traits are not appropriate in this setting. Mario Morino, a philanthropist and former entrepreneur who is an exception to this rule, observes, “For the entire sixteen years I have been working fulltime in the social sector, a problem has been gnawing at me, sometimes literally keeping me up at night. Here’s the problem in a nutshell: We don’t manage to outcomes, thus greatly diminishing our collective impact” (Morino 2011, p. 1). Because the norms of charity permeate this sector, organizations have only needed to show charitable intent and tell good stories to motivate *caritas* in board members, donors, and staff, so that they survive and even thrive, regardless of their impact. Until recently, few charitable organizations tracked outcome measures tied to their missions and strategies (Sawhill and Williamson 2001). Without these measures, it is hard to learn what is working or how to improve. Without a strong incentive, such as placing the moral value on outcomes rather than purity of motivations, the hard work involved in measuring impact will not be done.

This problem even exists at the level of sophisticated institutional giving. Economist Abhijit Banerjee uses the term “lazy giving” to describe the effects that the culture of charity has had on norms of international aid. As he puts it, “The culture of aid-giving evolved from the idea that giving is good and the more money the better...and therefore—and here comes the logical leap—one need not think too hard about how the money is spent” (Banerjee 2007, pp. 23–24). This happens despite all the economists employed by aid agencies.

Lack of disciplined analytic thinking can lead to misguided action, not just wasted money. American pragmatist philosopher John Dewey, writing around the time that professional philanthropy was getting off the ground, pointed out that a person (or an organization) may be

moved “to labor for the good of others, but because of lack of deliberation and thoughtfulness, be quite ignorant of what their good really is, and do a great deal of harm” (Dewey 1908, pp. 271–272). Not surprisingly, proponents of problem solving feel the need to write primers persuading nonprofit charitable organizations to make a “*Leap of Reason*” (Morino 2011) and persuading high net-worth individuals about the need to “*Give Smart*” (Tierney and Fleishman 2011). These are titles of two of the currently popular books in the field. The ideas are linked. It is hard to “give smart” if the organizations to which you give are content with having the right intentions—displaying *caritas*, and not using reason to manage to outcomes.

As Morino (2011) argues, in an era of government scarcity, private actors must be more disciplined about how they use their scarce resources and capabilities to address social needs if they are to help societies make headway against pressing social problems. Acts of heartfelt *caritas*, as beautiful as they might be, will not do the job.

Tension 2: Sacrifice Versus Investment

The culture of charity views *sacrifice* as a means of demonstrating that your *caritas* is genuine. This has resulted in pressure for misguided frugality that can undermine serious problem-solving efforts. While pressure to economize is generally a good thing, this norm has inhibited investments in valuable capacity building and made it difficult to attract and retain problem-solving talent.

To deal with complex social problems effectively, organizations need to invest in building organizational capabilities through research and development, information systems, training, and marketing. The emphasis on sacrifice deters these, even when they are necessary to improve performance. They are seen as “overhead,” an extravagance. Because of the emphasis on sacrifice, the most common performance measure for nonprofits (until recently) was the ratio of overhead expenses to total expenses: the lower this ratio, the better. Yet, this measure has nothing to do with the effectiveness of the organization in achieving its social mission or even its cost-effectiveness relative to its impact.

In business, underinvestment in R&D, marketing, systems development, and the like would be a bad thing. Being lean is good, but only as long as it is guided by the requirements of effective performance, now and in the future. Lack of investment in systems to improve effectiveness, or in research and new program development should be red flags, not positives, even if these activities are technically “overhead.” The overhead ratio might make sense if all an organization did was pass along alms to the poor, but problem solving requires a different cost structure.

The norm of sacrifice and the false frugality it perpetuates also have harmful effects on talent flows into and out of the sector. Though a vow of poverty may not be required to work on social issues, the culture of charity still seems to require those who would “do good” to make sacrifices in the form of accepting modest (or low) wages and slim benefits. It honors those who make great personal and financial sacrifices, and raises questions about the morals of those who do not.

This leads to an intriguing paradox. Those of us who live in capitalist societies are content for business entrepreneurs to make their fortunes, even with trivial products, as long as the products are not harmful. In a classic business school entrepreneurship case Robert Reiss, an entrepreneur who created a TV-Guide trivia game, made well over \$1 million in two years, and then closed out the game as interest subsided (Reiss 2000, pp. 281–315). Did this offend anyone? Certainly not, it was seen as a clever entrepreneurial success. He produced a fun game and good returns for all involved, including himself. However, if he had made this kind of money developing an exceptionally effective educational program for children in homeless shelters, the reaction would have been totally different. The public would have been appalled, regardless of how many lives he improved. This points to the paradox. We are happier for people to be rewarded financially for a commercial success (even if it is of little lasting social value) than we are for those who make the most important, lasting, and valuable contributions to society.

I do not want to make light of the ethical issues related to profiting from the poor, or of the serious incentive problems that can arise in social ventures that are too profit driven or that pay excessive compensation not tied in any way to social performance. The pressure on salaries and benefits serves a valuable purpose of screening potential leaders and staff members for their commitment to the cause. It may also help solve some incentive problems associated with the difficulties of measuring social performance in clear and timely ways. Low salaries can also serve to express an organization’s values, its solidarity with its clients. Nonetheless, expectations of sacrifice can make it difficult to attract and retain the talent needed to achieve significant social impact at scale.

Solving social problems is difficult work, requiring skills comparable to, perhaps even greater than, those in demand in the business world. Searching for people willing and able to accept modest or low salaries imposes costs on social entrepreneurs, as does the turnover when people leave because their families and financial needs have grown, and they can no longer afford to stay with the organization. This is one of the barriers to scaling effective social innovations—the difficulty of attracting and retaining sufficient affordable and skilled talent.

The norm of sacrifice also has a less direct but important effect of minimizing discipline and perpetuating poor performance. It is very difficult to be critical of those making great sacrifices. Board members who would be harsh with a for-profit CEO who performed poorly, often bite their tongue when dealing with an underpaid, yet under-performing, nonprofit executive director. If the person shows *caritas* and sacrifice, weak results are often overlooked. It is notoriously difficult for managers in a social sector organization to fire a staff member for poor performance, or give a harsh performance review, as long as that person demonstrates fidelity to the cause and makes sacrifices. It seems ungrateful for the “gift” of time and energy this person has given to be harshly critical. In the US, we have a saying: “Do not look a gift horse in the mouth.” This means do not check its teeth to see how old or sick it might be. Just as gifts are to be given without strings, recipients are to accept them gratefully without questions. It is common to be “charitable” with under-performing employees. As a result, organizations are often not as effective as they could be.

It is striking that no one would suggest that Goldman Sachs, Infosys, or Unilever be led by volunteers, or by retirees from another sector looking for a “second act.” Too much is at stake. Yet these ideas are commonplace ideas in the social sector, and they trivialize the challenges of serious social problem solving. It is as if working in this sector is simply an act of kindness and generosity, not a serious challenge requiring deep expertise. When the goal is innovative, cost-effective problem solving with large-scale impact, serious talent, and deep expertise are needed. It is much more demanding than business.

Tension 3: Giving Versus Markets

The culture of charity also is uncomfortable with commercial or business-like approaches to social problems. Market-based solutions are problematic. Charging for a service undermines the opportunity to express the pure *caritas* through a gift. Yet, when you charge the poor for a valuable product or service, they become customers, empowered to complain, instead of being passive, grateful recipients of charity. They also feel less demeaned or awkward about having to accept charity. Using some market-based methods may also lead to a more sustainable solutions and organizations. Yet, according to the culture of charity, giving is superior.

Social entrepreneurs would be thrilled to craft a solution to a social problem that minimizes or eliminates the need for giving. Many of them aim for financially sustainable and socially effective organizations. These solutions are viewed as superior because they free up philanthropic resources for use where they will do the most good.

Completely eliminating dependence on gifts is rare, but it can be done. Grameen Bank in Bangladesh became independent of any outside concessionary funding, but it took fifteen years. This creates a tension between the ideals of charity and those of entrepreneurial problem solvers looking for sustainable solutions.

The problem shows up even in the legal system. Profitable or self-sustaining social ventures do not leave room for traditional *caritas* once they reach their financial goals, but they often require it along the way, especially early on as the concept is tested, business model refined, and certain benchmarks reached. Many never reach full sustainability, always requiring some subsidy, and perhaps giving away some of their products or services to the most needy. As a result, social entrepreneurs, including those who want to find sustainable, market-based solutions, often adopt a nonprofit legal form or some kind of hybrid structure, mixing nonprofit and for-profit elements. This poses a problem because the laws around nonprofit organizations in most countries are designed for “charities” that are alleviating suffering, not building problem-solving business ventures.

One of the largest NGOs in the world, the Bangladesh Rural Advancement Committee provides education, healthcare, and economic development opportunities throughout Bangladesh (and now in several other countries), and is about 80 % self-sustaining. Yet, BRAC had to go to the Bangladesh Supreme Court to defend the social ventures that allow it to operate without begging for more charitable funds. In a private conversation, Dr. Fazel Abhed, founder of BRAC, told the author that BRAC had to use the precedent of Oxford University Press (a money-making operation of Oxford University) to defend BRAC’s use of business ventures. Nonprofit law is just not accustomed to the idea that good might be done (even more) effectively through market-based approaches, leveraging charitable contributions with earned income.

The law in the U. S., which one might think would be very progressive on this matter, is conflicted and confused. As legal scholar Thomas Kelley notes,

For several hundred years, our culture has developed a vibrant charitable tradition without ever agreeing as a matter of culture or law on what “charity” means. In our tradition, and in our contemporary culture, charity is a compassionate act of aiding the poor, of distributing alms to the needy, and spooning soup to the hungry. At the same time, it is a tool for social engineering and for efficiently producing socially beneficial results that will lighten the burdens on our government. These are two very different conceptions of charity, but the legal doctrines that govern charity in the United States do not clearly distinguish between them (Kelley 2005, p. 2439).

He argues further, “that the increasing confusion in the contemporary American law of charity stems from the fact that our society has moved and is continuing to move toward a results-oriented, quasi-commercial, social engineer’s conception of charity, while our law has continued to encourage, and often insist upon, a compassionate brand...” (Kelley 2005, p. 2439). This makes it hard for social entrepreneurs who would prefer to use commercial methods in their efforts. The culture of charity is still embedded deeply in the laws in many countries.

Tension 4: Relieving Suffering Versus Solving Problems

In common practice, charity tends to be a response to visible suffering, as in the case of the Good Samaritan. This kind of help is surely of value, but what if there is a pattern of many travelers getting robbed in this location? Helping one who is already injured does not do much for the next one or the next one hundred. Would not it be even better for society to explore ways to reduce the risk of future robberies? From a rational point of view, prevention deserves even more moral praise than helping one victim, but in the culture of charity, it is the immediate act of *caritas* that is most praiseworthy. This morality encourages people to direct action and resources to visible suffering rather than underlying problems. Interestingly, it fits our visceral reactions.

Visible suffering generates a strong sense of empathy and compassion (Trout 2009). And the emotional satisfaction of providing relief from suffering can be very strong and immediate. For this reason, the outpouring of support after disasters is often dramatic. In the wake of the Pacific tsunami of 2005, many organizations had more funds than they could immediately put to use. At least one prominent agency, Doctors Without Borders, turned away donors.

However, the emotional satisfaction is not so palpable in the case of problem solving or prevention efforts—even when they save lives and are more cost effective than relief. Consider GeoHazards International, whose mission is to “reduce loss of life and suffering around the world in communities most vulnerable to geologic hazards.” It must raise funds before the fact of an earthquake. Even if an earthquake hits a city in which GeoHazards successfully helped develop a plan that saved thousands of lives, these “saved” lives do not have specific names or stories—unlike those pulled from the rubble after the fact. *Caritas* responds to names and faces, not counterfactual statistics. You will not find GeoHazards flooded with so much money they have to turn it away as a result of saving so many people from death and injury, though surely preventing injuries, deaths, and property loss is better than treating the

injured, feeding the homeless, and recovering the dead afterward. This points to another paradox: We are willing to give more to those who treat suffering after the fact than to those who prevent it or reduce it beforehand.

To be sure, effective prevention, disaster mitigation, and problem solving can be quite satisfying to those who engage in it, but the satisfaction is more delayed and muted than it is with immediate charitable relief. The story of many travelers who passed safely because of an innovative protection program is not nearly as moving as the story of the injured one helped by a Samaritan.

Because charitable action is driven by the strength of emotive responses, it is susceptible to biases. Critics have long worried more about charity not extending to people who are distant or foreign. The modern media have shortened those distances, but the general problem remains. As Frans de Waal, a leading primatologist, points out in his book *The Age of Empathy*, “Empathy builds on identifiability, proximity, similarity, and familiarity, which is entirely logical given that it evolved to promote in-group cooperation” (de Waal 2009, p. 221). Adam Smith even suggested that poverty alone was not very moving to many people. “The mere want of fortune, mere poverty, excites little compassion. Its complaints are too apt to be the objects rather of contempt than of fellow-feeling. We despise the beggar...” (Smith 1759, p. 242). Another blind spot for emotion-driven charity is future generations. It takes education, as well as acts of will, imagination, and reason to extend *caritas* beyond those currently living. Consider longer term environmental issues. Harvard psychologist Daniel Gilbert has argued that our brains are not wired to detect and respond to long-term threats. If we have trouble imagining and feeling these threats even with regard to our own happiness (Gilbert 2006), we are even less likely to feel compassion for those faceless future generations who are threatened. *Caritas* is an imperfect tool even for addressing suffering, particularly suffering that is not visible, present, or involving a sympathetic party.

Interestingly, some problem-solving organizations have recognized these biases and designed their marketing accordingly. Save the Children is a powerful example of an organization that has found a way to appeal to common triggers for *caritas* while directing the funds toward problem-solving strategies. Donors “sponsor” individual poor children. Poor children tend to evoke empathy, even when they are foreign. Donors get a picture and letters from the child they “sponsor,” but their money does not go to the child. It goes to projects in the child’s community that help the child in some way. Community problem solving is not as moving to charitable donors, so the children are used. This technique of using identifiable victims and their suffering has been tested and verified by behavioral experiments conducted by some prominent behavioral

economists, Small et al. (2007). Unfortunately, not all effective problem-solving organizations have been able to repackage their value propositions in this way.

This bias toward relieving suffering can also affect the organizations donors support, showing up as a perverse bias toward helping organizations because they are struggling. Need, framed in the right way, pulls at the heartstrings. Effective organizations that have been successful in building their funding bases have reported donors or grant makers turning them away because they are not sufficiently “needy.” Yet, their financial strength may well indicate that they are well managed and could put the money to better use than needier organizations that may be needy because they are poorly run. Nonetheless, donors are often moved by the plight of needy organizations, and get charitable satisfaction from helping to “save” them. This almost guarantees that poorly performing organizations will enjoy longer lives and attract more resources than is optimal for society.

Tension 5: Caring for People Versus Empowering Them

Charity is a complicated thing to do well. It can backfire in several ways, causing more harm than good. It has inherently perverse incentives of keeping the problems it addresses alive so that future generations can continue to exercise this virtue. This can lead to a “charity industry” that has a vested interest in problems remaining unsolved. Charity can also be performed in ways that have unintended detrimental effects on the recipients.

Successful problem solving, in the form of eliminating poverty, for instance, could lead to depriving peoples of opportunities to display their charity. Gertrude Himmelfarb cites an example of a wealthy patron in late Victorian England who laments that if poverty were cured, “the rich would have no one upon whom to exercise their faculty of benevolence” (Himmelfarb 1991, p. 198). Of course, few of the benevolent rich would openly embrace this view, but you have to wonder whether it could play out unconsciously and passively. American philosopher, John Dewey echoed this concern, warning, “Underlying complacency with respect to social ills grows up because they afford an opportunity of developing and displaying the finest virtues” (Dewey 1908, p. 348). This was part of what troubled self-confessed “contrarian” Christopher Hitchens who argued that Mother Teresa’s charity was not about helping people move out of poverty. He cited her comment: “I think it is very beautiful for the poor to accept their lot, to share it with the passion of Christ. I think the world is being much helped by the suffering of poor people” (Hitchens 1995, p. 11). He became convinced that this attitude was reflected in the practices of her organizations, helping the poor to accept their lot.

This issue has caused some to worry about a “poverty industry” that has a vested interest in perpetuating the problems. Writing around the same time as Dewey, just as “scientific charity” was getting off the ground, renowned economist Alfred Marshall commented, “I regard poverty as a passing evil in the progress of man; and I should not like any [poverty relieving] institution started which did not contain in itself the causes which would make it shrivel up, as the causes of poverty itself shriveled up” (Marshall 1893). The appeal of Marshall’s principle is clear, but its effects could be perverse. Few institutions want to shrivel up. If they were designed as Marshall requires, the leaders would have an incentive *not* to address the causes of poverty. What is more likely to happen is that many organizations will show some “progress,” but few will really solve the problems they are attacking. If we want the organizations to shrivel, we need to find a way to reward them and their leaders for their success and for the shriveling.

By contrast, a culture of problem solving would prefer organizational structures that thrive on success—ones in which true progress opens more opportunities for the organization to use its skills. One example would be a micro-finance organization that follows successful borrowers out of poverty and starts offering more sophisticated (and profitable) products to meet their changing needs. Another would be health care service for the poor that can expand into other offerings (including health insurance, management of chronic conditions, etc.) after it successfully addresses their most basic health needs. The key is to build organizations so that solving the social problem opens new opportunities for more problem solving.

Even if charitable givers and relief organizations do not unintentionally perpetuate the problems they are addressing, they may inadvertently exacerbate problems or create other problems by their very acts of kindness. Charity can be counterproductive, hurting or demeaning those it was intended to serve, robbing them of dignity or making them dependent in unhealthy ways. This has been evident in the world of international aid, and forms the basis of many of the criticisms of aid (e.g., Ellerman 2005; Hubbard and Duggan 2009; Moyo 2009). Writing in the *New York Times Sunday Magazine*, Ian Fisher provides a powerful example. He quotes a rebel leader referring to massive food relief in southern Sudan in the early 1990s as saying, “The people of the area are great farmers, but because there is this relief food, they did not farm for three years. I could see the difficulty. It was spoiling people. They just sleep and have food. It is very bad” (Fisher 2001, p. 74). This is just one example, but it illustrates how well-intentioned charitable acts can have unintended harmful consequences.

Charity can psychologically harm both receiver and giver. Anthropologist Marcel Mauss who concludes his

classic work *The Gift* by commenting, “The unreciprocated gift still makes the person who has accepted it inferior, particularly when it has been accepted with no thought of returning it...Charity is still wounding for him who has accepted it, and the whole tendency of our morality is to strive to do away with the unconscious and injurious patronage of the rich almsgiver” (Mauss 1950, pp. 83–84). Interestingly, even Christian scholars, Steve Corbett and Brian Fikkert make a similar point in their book *When Helping Hurts*, and they extend it, arguing that it also harms the giver by creating a false sense of superiority. As they put it, “The way we act toward the economically poor often communicates—albeit unintentionally—that we are superior and they are inferior. In the process, we hurt the poor and ourselves” (Corbett and Fikkert 2009, p. 65). They refer to charitable givers as having a “god complex.” Political philosopher Michael Walzer warned of the same double-edged harm when he commented, “Private charity breeds personal dependence, and then it breeds familiar vices of dependence: deference, passivity, and humility on the one hand; arrogance on the other” (Walzer 1983, p. 92). One prominent fraternal lodge leader distinguished mutual aid from charity in a speech to the 1901 National Fraternal Congress, saying mutual aid is “absolutely distinct from charity or philanthropy. It is liberalizing, self-sustaining, elevating, gives mutual rights, and preserves independence of character.” While charity “signifies condescension, a position of superiority on the part of the organization, and of dependency on the part of the recipient” (Beito 2000, p. 58).

Charity can endanger self-esteem. In a thorough and classic review of literature on recipients’ reactions to aid, Jeffrey Fisher and his colleagues concluded that the best model for understanding responses was one that focused on threats to self-esteem (Fisher et al. 1982). American philosopher Henry David Thoreau speaks for many when he says, “If I knew for a certainty that a man was coming to my house with the conscious design of doing me good, I should run for my life...” (Thoreau 1852, p. 50). It also explains why friends and family who need money, find it uncomfortable to ask for help and prefer to call it a “loan” even if both parties understand it will probably not be repaid. Taking a loan is more dignified than taking charity.

Garret Keizer, in a thought-provoking book on the challenges of helping others, brings this home with a strange comment that gets at the issue of dignity when he notes:

The central paradox of helping the poor, the vortex that forms the very mouth of hell, is that our most humane gestures on their behalf serve to accentuate their dehumanization. In that sense, feeding the hungry a turkey dinner is on a par with eating it in front of them (Keizer 2004, p. 194).

His point, if I understand it correctly, is that serving the dinner only signals your differences from them. You are serving; they are receiving. You are volunteering; they are there out of necessity. It turns out that the privilege of volunteering to serve the Thanksgiving turkey at a soup kitchen is often fully booked well in advance, primarily by families who want to teach lessons to their children. The purpose is to show the children the faces of poverty, stimulate their *caritas*, and make them thankful for what they have, compared to those less fortunate. The clients of the soup kitchen are the show for the day, the object lesson. Tomorrow, the family of volunteers goes shopping at the mall, lesson learned, and the clients of the soup kitchen return for another meal.

The significance of this can be lost if you have not been on the receiving end of charity or do not know someone who has. I did not fully appreciate it until it touched a family very close to me. This family was designated as one of the “neediest” families in their church parish one Christmas. They were both surprised and humiliated when the reverend and church members arrived bearing gifts. Of course, they smiled, expressed thanks, but felt shame, as neighbors saw the entourage arrive. I do not doubt that the church committee felt pleased and had no idea of the humiliation they caused. This family never felt comfortable in that church again and left not long afterward. Did the church committee look into helping anyone in the family find a job or even temporary employment so they could buy their own gifts (ones they truly needed)? No. They might even have offered odd jobs around the church. It would not take long for someone to earn what those “neediest family” gifts cost, but then that would have deprived the church committee of the warm glow they had in selecting the gifts and delivering them.

These kinds of effects are left out of the simplistic equations of people like Waldfogel, mentioned earlier, who sees an automatic gain when gifts are made from those with plenty to those with little. Sure, a dollar may be worth more to a person with few than to a person with many, but the transfer can be sufficiently humiliating as to negate much of the value of the gift, and it can create a false sense of pride and satisfaction in the giver. Should we count as a positive the smug self-satisfaction derived from the *illusion* of having done good when you may have actually humiliated someone while providing little value?

Some recipients have openly rebelled against being the objects of charity. A powerful example is the disability rights movement, as chronicled in Joseph Shapiro’s book *No Pity*. He describes how the disability community shifted from dependence on charity to a focus on independent living. This was illustrated powerfully by the story of activist Evan Kemp, Jr., who had muscular dystrophy (Shapiro 1994, pp. 20–23). In 1981, Kemp shocked the

world by strongly and publicly criticizing the Muscular Dystrophy Association (that his parents helped found) for running its annual telethon in a way that treated people with muscular dystrophy as objects of pity. He found it demeaning. According to Shapiro (1994), the principles that guided the early disability rights movement were “Independence. Self-sufficiency. Mainstreaming. Disability as a social problem.” This contrasts with disability as a charitable cause. It starkly contrasts with language used by Shershow, quoted earlier, when he was defending charity as a pure gift and referred to “comforting the afflicted.” It is hard to imagine Kemp or others in the disabilities right movement embracing the idea that they are “afflicted” in need “comforting.”

Nobel Peace Prize winner and social entrepreneur Wangari Maathai makes a similar point reflecting on the images of Africa portrayed in fundraising appeals and by aid agencies. She mentions the image of “an emaciated young girl with a distended belly on the cover of a UNICEF magazine,” and she worries about these images “stereotyping all countries south of the Sahara as places of famine, death and hopelessness” (Maathai 2009, p. 78). She also suggests that when Africans see these images representing them as needy and charity-dependent, “A dangerous and unfortunate process ensues that subtly and perhaps unconsciously affirms to Africans their inability to be agents of their own destiny. Eventually, it may destroy the sense of confidence they should and must have to make progress” (Maathai 2009, p. 79). This goes beyond embarrassment to a kind of disempowerment.

Thus, the culture of charity, even when well intentioned, can lead to actions that perpetuate the problems it is addressing and that create new problems in the psychologies of both charitable actors and the recipients of charity. Both of these are antithetical to problem solving.

Toward Alignment of the Two Cultures

Despite the challenges that the culture of charity poses for the growth of problem-solving social entrepreneurship, the spirit of charity is needed to bring sufficient passion and private resources to the table. Replacing *caritas* completely with rationality would be counterproductive. Social entrepreneurs and other problem solvers often rely, to some extent, on the *caritas* of resource providers and underpaid staff members.

It appears that rational deliberation can dampen the willingness to give (Small and Loewenstein 2003). This may not be surprising; rational people might not believe they could make much of a difference, or they may not want to give without knowing more about how their money will be used. This may be the right rational response, but if

it leads to fewer resources being available overall, that could pose a serious problem even for problem-solving efforts—since they seem to benefit from charitable giving to some degree.

Given that both charity and problem solving have important roles to play in society, we appear to have two choices to minimize the tensions. One is to partition them off into separate realms, so that people do not get confused as to which applies. The other is to find a way to bring them into greater harmony. Partitioning is hard to do since many charitable organizations are moving into problem solving. The lines are blurry. In any case, it is not clear this would help social entrepreneurs. In the absence of *caritas*, how would social entrepreneurs attract the resources they need at the times when the “returns” they can provide are mostly social? Some amount of *caritas* may be needed to motivate this giving, especially with the uncertainty that most new ventures face. Alignment seems like a better choice. What we want to do is channel the charitable impulse toward more effective, more promising problem-solving efforts, and we want to minimize the harmful norms of charity.

This will not be easy because charity provides immediate satisfaction for the actor. This is supported by psychological and neurological research, as previously cited. We are culturally and biologically wired for this kind of altruistic behavior. Obviously, it is not so powerful that everyone is devoting his or her life to charity work, and strong arguments have been made that most of us fall way short of what we could or should do (Singer 2010; Rosenberg 1994). But it is still a powerful force. By contrast, social problem solving provides a deferred gratification, one that has to be earned, quite often after failure and frustration (Harford 2011). If the level of challenge is just right, one might experience the joy of “flow” (Csikszentmihalyi 1990) at times during the process, but the general rewards of social problem solving are not as immediate, complete, or certain as those of charity. The financial rewards are generally modest, if any. And the psychic rewards of successful social problem solving may not flow through to the resource providers as effectively as they do with charity. The reward of charity happens in the act of giving. It does not have to await any consequence. The rewards of problem solving come primarily with success.

Steps Toward a New Culture

The challenge then is to change the social sector culture so as to encourage more “smart” expressions of the charitable impulse and, ideally, to provide as much satisfaction for this activity as possible, so as to compete well with the immediate pleasures of relieving suffering of an

identifiable victim. It has to become admirable and gratifying to engage in intelligent problem-solving efforts, even when they fail, as long as they were smart and lessons are learned. Perhaps, over time, with the benefit of neuroplasticity, even our immediate brain responses will shift to mirror what is culturally reinforced.

I suggest a five-pronged strategy, but with no illusion that these are the only or even the most effective steps we can take. These are offered to stimulate discussion and guided by the principle that we need to shape motivation and reward changes in behavior.

1. *Emphasizing the Importance on Problem Solving through Education, Religious Authorities, Role Models, and Media.* New generations are growing up with deep interests in global and local social problems and less dedication to old norms of charity. This presents opportunities for educators (formal and informal) to engage them in a way that reinforces the power of problem solving and smart giving at an early age. There is a movement now to teach more empathy in the classroom, but this does not go far enough. It needs to be supplemented by learning how to go beyond the most immediate triggers of empathy to identify serious social problems and solve them. Students need to learn about empathy gaps, biases, and shortfalls. They also need to learn problem-solving skills and see these as equally important as relieving the suffering that causes empathy. They need to see how to channel their expanded empathy skills into problem solving, not potentially injurious charity. The impulse when you feel someone’s pain is to relieve it immediately. In many cases, that is too limited a response. Teaching the joy and value of creative problem solving is a crucial piece to changing the culture to be more supportive of problem-solving efforts. We need a parable of the “Better Samaritan” who not only helps the traveler but also sets up an effective crime prevention program to keep future travelers safe. Education needs to warn about the potential harms caused by common norms of the culture of charity. It is very helpful if religious leaders, such as Protestant Christians Corbett and Fikkert mentioned above, endorse problem-solving approaches. Recently, Pope Benedict IV (2009) has delivered an encyclical on charity. Because *caritas* is deeply rooted in Christianity and the Catholic Pope is a leading authority on Christian teaching, it is valuable that his letter is clear in its embrace of the combination of *caritas* and rational, strategic problem solving. He says clearly, “In view of the complexity of the issues, it is obvious that the various disciplines have to work together through an orderly interdisciplinary exchange. Charity

does not exclude knowledge, but rather requires, promotes, and animates it” (Pope Benedict, Section 30). He goes on to quote predecessor Pope Paul VI who said, “the individual who is animated by true charity labours skillfully to discover the causes of misery, to find the means to combat it, to overcome it resolutely.” Many other religious and secular leaders reinforce the message that true charity should embrace problem solving.

It is also helpful to make role models out of problem solvers and their financial supporters. This requires the cooperation of the media who need to treat stories in this arena seriously, not just as heart-warming human-interest stories. To some extent, magazines running features such as “top social entrepreneurs or innovators or investors” can help, but they can backfire if their lists are not put together carefully with solid rationales for who is on the list and how they are ranked. Critics are always ready to pounce. We need dynamic, attention-getting stories about ingenious innovations and effective social change. The digital *New York Times* runs a “Fixes” column that was designed, in part, to play this role. Also the Dowser website, developed by David Bornstein, one of the authors of the Fixes column, serves this purpose. However, it is not easy to break the tradition of simple heartwarming stories or scandals when it comes to charity coverage. It will take time, but engaging the media in serious coverage of social entrepreneurship that is engaging, respectful, and critical could help tremendously.

2. *Making Performance Information More Available and Visible.* The warm glow of charitable acts may dim if it becomes apparent that the organization you support is not effective. With more so-called “charitable” organizations moving into problem-solving modes of operation and institutional funders focusing on where their money is having the greatest impact, there is a movement toward producing and providing more social impact performance information. We do not yet (and may never) have meaningful common metrics to compare social impact across all types of organizations tackling all types of problems with different kinds of strategies. However, we can get relevant performance information in individual organizations that allow them and their supporters to make informed judgments about effectiveness. The recent publication of two popular books by economists who engage in rigorous evaluations is helping this cause by showing the value of this work. These are Dean Karlan and Jacob Appel’s (2011) *More than Good Intentions* and Esther Duflo and Abhijit Banerjee’s *Poor Economics* (Banerjee and Duflo 2011).

Once performance information is widely available, it could challenge the culture of charity, but steps need to be taken to make sure it is visible and easy to find. It should become a norm to expect to see it with information about an organization. This could be facilitated by refining evaluation sites, such as Charity Navigator, and/or developing respected evaluators, analysts, or intermediaries that could credibly rank or certify organizations, as Consumer Reports does for various products, or J.D. Power does for automobiles, or Morningstar does for mutual funds. The good news is that more people and philanthropic institutions are demanding it. *The Chronicle of Philanthropy* recently ran a feature entitled “To Lure Baby-Boomer Donors, Charities Must Prove Their Results” (Berkshire 2012). (It would be great, if the *Chronicle* could only stop calling every nonprofit a “charity.” But that illustrates the power of this word and its culture.) For those with little time, prescreened investment options might be made available. An example is Innovations in Poverty Action’s Proven Impact Fund, which consists of organizations with programs that have been rigorously evaluated with positive results.

3. *Making Smart Giving and the Leap of Reason “Cool.”* I am not referring to promoting the books, but the concepts. Once performance data is more readily available, institutional donors may be hard pressed to ignore it, unless their boards choose not to hold them accountable for impact. However, for it to matter, organizations and individual donors need a good reason to use it as well. Organizations need to adopt a data-driven, analytic value system that blends the passion that attracts people to the cause with a rationality that will improve performance. For individual donors, it needs to become “cool” (socially admirable) to be smart in your giving and “uncool” to give to a poorly performing organization (without a compelling reason). Bannerjee’s term “lazy giving” might find its way into the lexicon for those who do not do their homework. However, in light of the findings on deliberation, we want to be careful not to dampen the spirit of giving by placing too much of a deliberative burden on givers, making it easy for them not to give. Not giving or low giving would have to be even less cool than just lazy giving.

Of course, simply creating a new lexicon will not be enough, it has to be adopted. This requires a concerted marketing campaign by those of us who care about the impact and the future of effective social innovation. Social media could be used to “ripple” these concepts through different networks and communities. Stanford professor Jennifer Aaker and marketing consultant Andy Smith have recently published a book describing

“the dragonfly effect” (Aaker et al. 2010) as a means for driving social change. I will not summarize their strategy here except to say that the core steps involve focusing on a concrete goal, then getting attention, engaging others, and taking action (or rather getting the others take action). With social media, we have culture-changing tools now that were not viable even a decade ago. Terms like “lazy giving” and “smart giving” could quickly become part of common vocabulary when backed with powerful stories, and reinforced with opportunities for action.

4. *Engaging Supporters in the Problem Solving.* One way to share the satisfactions of the problem-solving process with supporters is to draw them into it. The easiest way is to bring them along vicariously through a blog about the challenges, progress, and even setbacks of the process—celebrating each victory and each lesson learned. However, in an age of social networking, organizations can also actively engage donors in problem-solving efforts at key junctures, through various collective innovation and problem-solving efforts, asking for their input on ideas, issues, or priorities. This has to be handled in a way that manages expectations and does not invite interference, but there are mechanisms for soliciting input in constructive ways allowing donors to comment on input from each other, or asking them to comment on or respond to ideas emerging within the organization. For instance, you could pose a problem and invite innovative solutions to be judged by an independent panel (so your organization is not to be blamed if a particular donor’s idea is not among the winners). For instance, when I took a leave to work in the Appalachian region of the US, we developed a website, called Business First Stop, for entrepreneurs in the region, but we had trouble driving traffic to the site. We could have sponsored an online competition among various donors to our parent organization to come up with low-cost, innovative ideas for getting more traffic to the site, with local entrepreneurs as the judges.
5. *Improving the Affective Positioning of Problem Solvers.* Even with all this, making the case on rational grounds is not enough to motivate high levels of engagement and effective action. Passion is still crucial. Problem solvers must appeal to those factors that also drive charitable behavior, linking these to the potential benefits of problem solving. This can be done by personalizing the activities and (potential) benefits. We have already seen the example of Save the Children putting a sympathetic human face on its problem solving. Kiva does this with micro-credit by identifying specific borrowers. This is affective

(emotion-driven) positioning and must be done carefully not to engage in any deceptive practices that could easily backfire. And, it is particularly challenging for preventative efforts and for efforts directed at helping less sympathetic groups. Here the appeal will have to be more creative. For instance, with prevention, focusing on someone who is suffering because she did not have the benefit of the program might be the best—as when a lung cancer victim speaks out for smoking cessation programs. If you are helping ex-convict drug addicts kick their habit and re-enter society, having a graduate of the program who is now successful and looks more like the donor population, rather than a current participant, might work. In the absence of anything else, it might be possible to connect the donors to individual problem solvers, giving them a personal connection to the work being done. Because even poorly performing organizations can engage in affective positioning, this step clearly needs to be coupled with the other steps to make the link with performance stronger. But given the power of emotions in this field, especially empathy, it is unwise to ignore it. A good way of visibly conveying the suffering that is prevented, minimized, or sustainably relieved can help illustrate the value of the problem-solving effort in a way our brains appreciate more than numbers.

While taking these steps, we need to keep in mind that there is a role for spontaneous charity and relief work, especially after disasters or in response to an injured traveler. Perhaps more importantly, deep heartfelt charitable activity often drives the kind of irrational ventures that take on extremely difficult problems in hopeless arenas. This kind of irrationality can be good for the world. Occasionally, it generates a surprising innovation with widespread benefits.

Concluding Comments

Former U.S. President Bill Clinton wrote a book called *Giving* (Clinton 2007). What was particularly striking about this to me was that many of the examples in the book, and certainly many of the activities of the Clinton Global Initiative, the flagship program of the Clinton Foundation, are examples of innovative problem solving, not simply “giving.” This is a book about hard-headed social problem solving being marketed as a book about warm-hearted giving. It is a book that is making an effort to align the culture of giving and the culture of problem solving. The subtitle helps make the link. It is “*How Each of Us Can Change the World.*” President Clinton knows

that effective social problem solving by private citizens typically requires significant giving of money, time, expertise and more. As I have argued, even many profitable social ventures have relied on subsidies early in their life cycle. Unless we find a way to marry the cultures of charity and the cultures of problem solving, social entrepreneurship will suffer. By taking some deliberate steps, aware of the strong cultural, psychological, and neurological factors driving human behavior in this realm, we can craft strategies for moving in the right direction.

Acknowledgment The author thanks the Skoll Foundation for its generous support of this work as part of a larger project.

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