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New Giving Partners

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“I want to make an impact. I want to learn about philanthropy. I can do both of these more effectively as part of a network than I can by myself.”

SVP Partner

Introduction

The recent economic boom made celebrities out of young technology executives, put 35 year old philanthropists on the cover of Time Magazine, and launched venture capitalism as the new metaphor for time-honored traditions in institutional philanthropy. A great deal has been written about new philanthropy. So much so that the writing and conversation quickly shifted to “what, if anything, is new about it?”

This paper draws from several years of work with foundation staff and board members, individual donors of all ages and experiences, and networks of philanthropists such as Social Venture Partners. All told, I have worked with or spoken at length with more than 75 individuals whose experiences inform this writing. The paper also draws from some of the writing done by others on new philanthropy, although this paper is informed as much by experience as from research.¹

The paper focuses on providing insights and recommendations to The Annie E. Casey Foundation as it considers ways to share its work with philanthropic partners. In developing these insights, the idiosyncratic nature of human beings and their giving has been pooled into generalizations and the individual characters left out. These insights should be useful in building strategies to share knowledge and engage with partners. However, as “rules of behavior” for newly active, young philanthropists I expect that these rules may be defined by their exceptions. For this reason, no individuals are named or conversations cited, though several were interviewed specifically for this paper and insights from others have been gleaned from years of work.

The paper is organized into three sections. First, a summary of the attributes, goals, and mechanisms for giving used by new, young philanthropists. The second section is a discussion of their needs as a market for philanthropic advice, support, and services. The final section presents recommendations for The Casey Foundation and other organizations that are considering partnering with these philanthropists to achieve mutual social goals.

¹ Selected research sources on new donors are listed at the end of the paper.

All opinions expressed in this paper are those of the author.

Attributes, goals and mechanisms for giving

Attributes

This paper was commissioned as part of a Casey Foundation inquiry. The Foundation is interested in learning how it might share what it has learned about neighborhood transformation and philanthropic action with other donors and philanthropic institutions around the country. It is one of three such pieces so commissioned. This paper focuses on the archetypal young, new donor. She or he fits somewhere along the following set of attributes:

- Is in early-twenties through mid-forties in age.
- Earned his or her wealth (for the most part) though many come from high middle to high-income backgrounds.
- Has been active in giving on a small, private scale for sometime. Has decided to give at a higher level or in a more public way in the last five to ten years.

Most of the individuals in this group with whom I have worked are Caucasian, native-born Americans, although a small number of first-generation immigrants and several people of color also are represented. The experiences and insights of at least 75 individuals are represented. A fairly even number of men and women are involved.

The lack of ethnic, racial, and immigration-status diversity in the sample of experiences from which I draw these observations is important to note. The characteristics of the people discussed herein is by no means representative of the population of the country at large, either now or, as we can predict, in the future. It also is not representative of the considerable diversity of active philanthropists who fit into this same age and wealth range.

Many, probably more than half, of the individuals are married, and most have young children. In most cases, the individuals are actively involved in their careers, though several have achieved such great levels of financial success that they are either no longer working or are working part-time. In many cases, the individuals who have stopped working full-time are "working" nearly full-time as advisers to new professional ventures, as investors, or are devoting large portions of the 'work week' to their philanthropic activities.

Goals

These new donors are active in philanthropy because they “want to make a difference” and they want to “give back.” There is nothing new about either of these motivations.

As a group, these philanthropists have several common goals. They seek to give as part of a group to leverage their own financial resources. They recognize that philanthropy (institutional and individual) has a long track record, and they are actively seeking to learn about how to make a difference with their giving. While a great deal of writing and talking within philanthropy has focused on the “old versus new,” this positioning more accurately represents 1) the impression of established philanthropists regarding the perception of newer younger donors, and 2) the ‘plot line’ needed to make media and trade stories interesting. New philanthropists are very interested in learning from others – the challenge is finding valid, measured studies and lessons that show real philanthropic success or failure.

That said, newer donors are asking for something that most established giving institutions haven’t had to provide: proof of impact. Some of this emphasis comes from the individuals experience in the business world. Measuring results and proving the effectiveness of marketing, growth, sales, product or recruitment strategies is part of what made these individuals successful in their professional lives. They design strategies with the ‘ability to measure results’ as one of the starting criteria, and will reconfigure and re-arrange what they plan to do until they can find a strategy that they will achieve their goal and that can be measured. Measurements and outcomes matter.

However, the focus on impact is not unique to new donors. Established foundations have been evaluating and measuring their work for decades. John D. Rockefeller was one of the first to speak about targeting his foundation giving toward big goals where a clear impact could be tracked (what would be known in today’s business-parlance as a BHAG – Big, hairy audacious, goal).²

Mechanisms

The focus on impact also is shaped by the expanded giving options available to new donors. The range of options that provide for tax-exempt giving allows these new donors to ‘comparison shop’ between private foundations, charitable gift funds, donor advised funds, and giving circles (and many other options). Choices that did not exist even a decade ago now dominate

² The term BHAG was made popular by Jim Collins and Jerry Porras in *Built to Last: Successful Habits of Visionary Companies*, NY: HarperCollins, 1994

the marketing landscape and have grown so large as to count among the nation's largest giving institutions.³

Fidelity Investments' 1992 launch of its Charitable Gift Fund opened up a whole new world. While it is now competing with dozens of other commercial financial service firms, the Fidelity Fund also lit a spark under the nation's community foundations, universities, and large nonprofits. Donor advised funds, regardless of where they are housed, are growing quickly even in the current economic downturn.⁴

These new donors are using established vehicles for their giving, creating their own, and hybridizing new structures by selecting the most appealing attributes from existing options. For example, the growth of Social Venture Partners, a giving circle modeled on centuries-old traditions, has inspired several other venture circles. The SVP network has grown to include 18 U.S. cities from its start in Seattle. At least two of these venture circles have turned to their local community foundations to start donor-advised funds, thus melding the peer-to-peer network aspect of their giving with the community know-how, administrative convenience, and financial benefits offered by community foundations.

These relationships can be win-win for both the new donors and the community foundations. The community foundations gain assets, large numbers of new donors, partners in recruiting new donors as the SVP members seek their own members, and access to a new generation of donors. The SVP chapter may negotiate with the community foundation to match its first grants, thus leveraging funds from the start. The SVP Chapter saves time and energy on financial and administrative details, can focus on learning and educating themselves, and can access the community foundation's knowledge base and contacts in doing so.

In addition to the melding of giving vehicles represented by a "giving circle sponsored community foundation donor advised fund," we also see individual donors using several giving vehicles simultaneously. Perhaps inspired by their stock-market savvy "balanced portfolios," new donors not only seek to balance their individual grantmaking portfolios but seek balance and 'hedges' in their choice of vehicles. It is not at all unusual for a single individual or family to have a private foundation, a donor advised fund (or several), to

³ Fidelity Charitable Gift Fund has ranked among the fastest growing nonprofit grantmakers almost since its inception. It now has more than \$2.4 billion in assets under management, positioning it among the 30 largest grantmakers in the country. For the last two years the Fund has raised more in donor advised funds than any community foundation or university.

⁴ See Harvey Lipman, "Survey Finds Rapid Rise in Assets and Grants of Donor Advised Funds," *The Chronicle of Philanthropy*, May 13, 2001.

participate in a giving circle such as SVP, and to have structured their estate plans around remainder trusts and other options at their *alma maters*. They also may be active in their company's giving, and may volunteer time and make direct cash or stock contributions to a nonprofit organization.

New donors as a market for philanthropic advice support and services

One of the key beliefs about new donors is that they don't take advice from anyone. This is countered by the exceptional focus on learning and educating themselves that characterizes the giving circles they have created. My sense is not that these people seek no advice, rather they seek advice from their own trusted filters and not from those that are recognized by and serve established philanthropic institutions. This is important, as it will require seeking out new types of advisers. It also represents the early stages of competition for the established industry resources and associations.

New donors turn to their peers who are philanthropically active, they count on former classmates who now work in the nonprofit sector, and they get involved on a small scale and seek education about greater activity as one of their key criteria for action. Social Venture Partners exemplifies this. Education and learning about philanthropy are key components of local chapters. These activities are ambitious, sometimes including weekly and monthly speaker or seminar series. They are organized from within the group from those they know. Partners cite these opportunities as one of their top reasons for joining and participating in the network.

New donors learn a lot about giving in the workplace. This is where their social and professional networks are formed (as well as in college and graduate school), and this is where they find the people they trust. Several companies recognize and are leveraging this relationship. Cisco Systems in San Jose has hired a philanthropic advisor for its employees, working with Community Foundation Silicon Valley to do so. Microsoft encourages its alumni to return to campus and educate current employees about their philanthropic activity. Charles Schwab and Co. recognized that its own executive pool was a perfect marketing test group for new philanthropic advising services. The company developed an internal system of advice and education prior to launching similar services for its web-based charitable gift funds. The workplace is a key source of inspiration and learning for these young donors.

This importance of the workplace helped launch yet another new giving vehicle: the pre-IPO, stock option funded, corporate customer focused

foundation. Known as entrepreneurs' foundations, these funds exist in high-tech hotbeds such as Menlo Park, CA, Raleigh, NC, and Austin, TX.

The workplace as an influence on donor activity can be seen in the creation of yet another new vehicle, the Philanthropic Incubator. A formal, physical incubator endeavor is underway in Silicon Valley. Several established foundations have joined together to build a shared physical space where new and emerging philanthropists "can learn about effective 'venture' philanthropy, sharpen grantmaking skills, network into collaborative resources, establish long-term charitable strategies."⁵

A similar effort is underway in Seattle. There the incubator is self-organized as several new donors (many of whom know each other through Microsoft and SVP) look for shared office space for their private foundations and family offices. They intend to create a space where they can split overhead costs with long-term colleagues, host joint learning opportunities and meetings with potential grantees, and encourage the valuable exchanges and idea sharing that can take place at the water-cooler.⁶

These donors believe in the power of networks, both human and technological. They turn to the people they know for advice. They rely on the power of the network to identify great giving opportunities, or, as one donor says, "to get in on the deal flow." Their advisers are often self-taught philanthropists like themselves who have not necessarily hung out a professional shingle as such.

The new donors also rely on technology for information (email and the web being key sources) and to manage their giving. While they want to meet and learn with colleagues, they want access to information on demand, they want to be able to give and check their giving balances "24-7," and they want to be able to manage the administration of their philanthropy from their desktops. The networks matter: personal and technological.

Recommendations for sharing information and partnering with new philanthropists

⁵ Peter Hero, "Giving Back the Silicon Valley Way: Emerging Patterns of a New Philanthropy." A discussion paper for the Indiana University Center on Philanthropy's 13th Annual Symposium, August 2000.

⁶ The value of learning from colleagues and sharing workspace has recently gained credence through its recognition as social capital. Its value in the workplace is discussed in Donald Cohen and Laurence Prusak's "How to Invest in Social Capital," *Harvard Business Review*, June 2001. Its potential value to co-located philanthropic activity is easily inferred from the article.

The following recommendations are based on the above aggregate profile of new donors. It draws from their attributes, needs and goals. The recommendations are intended to guide The Casey Foundation as it develops ways to share what it knows with local donors interested in neighborhood transformation. This information also may be of use to other efforts at philanthropic knowledge exchange.

1. Use their networks, not yours.

New donors learn from whom they know. For many, this has led to the rising importance of the workplace as a source of support and colleagues for their philanthropy. It also elevates the importance of corporate and college alumni groups, social circles, and professional networking organizations. Many rely on peers who have already cut their teeth in philanthropy. Others are tapping into the growing numbers and networks of independent consultants focused on philanthropy – taking the classic business approach of “why own when you can buy.” Networks of individuals who manage grant programs for small foundations, consultants who advise giving circles, university development directors, class agents, corporate alumni group leaders, and the speaker lists that the 18 SVP cities have developed are all valuable allies in helping to share knowledge.

2. Pedagogy matters – try “project-based learning” not “sage on the stage.”

SVP members and other new donors are looking to learn. They don't want to be lectured to by an “established expert.” They do want to hear success stories as well as lessons learned from failures. They will “press for proof” from grantees, philanthropic advisers, and other foundations. Efforts to share information with these new donors, particularly with their networks, should emphasize the learning that can be done together, the need to take proven results from one place and adapt to local circumstances, and the need to engage the new donor's expertise in measurements as a means of improving the ability to assess philanthropic strategies. Create opportunities to learn together and partner for the long-term.

3. Use case studies.

Many of these individuals trained in business or law school and they are comfortable with case studies. They also are frustrated with the limited supply of well-written, thought-provoking, honest case studies about philanthropic decision-making, success and failure. They are skilled at analyzing such documents individually and thrive on discussing them as part of their partnership meetings. The few ‘cases’ that exist (most done by the Hauser Center at Harvard in the last few years) get used

extensively and find their way deep into the strategy development of giving circles.

4. Be online.

Learning opportunities will require personal connections and opportunities to work together. They also must use internet and communications technologies for sharing written work, pointing people to research, scheduling, discussions between meetings, surveying participants and document archiving. When designing these online resources to support personal offline learning networks, remember where people will be when they access the online information – probably at their work desk. Keep it short, easy to use, and relevant. The individual may participate as part of SVP or a community foundation while managing their money and individual philanthropy through myCFO.com – when they are not meeting together or with you they will be online. That is where the information must be. As one donor said, “If it isn’t online, it isn’t.”

5. Be on their nightstand.

In addition to teaching case studies such as the Hauser Center has created, several magazines publish similar case-style stories. The Harvard Business Review, university alumni magazines, the business media, and trade and professional association journals are common reading for this cohort. As in good case studies, the stories need to be real, in-depth, focus on attributes of success and failure, and pose a dilemma to be resolved.

6. Be creative in where you look for partners.

Not all local donors will be found behind the desk of a foundation. Be creative in looking for new philanthropic vehicles. In the first six months of 2001, young donors created two new community foundations San Francisco. Finding new donors with whom to learn and partner will require looking to established organizations such as the community foundations, to SVP chapters, company giving programs, corporate alumni groups, and associations of entrepreneurs, women, and certain professional groups.

7. Reach broadly to those who reach deep.

Local networks of new donors include community foundations, entrepreneurs’ foundations, and giving circles such as SVP. A learning partnership that uses these networks may provide more leverage for The Casey Foundation than seeking their own partners in several parts of the country. Working with these networks to identify common interests and

to distribute and discuss materials will reach further. Consultant networks can also be used and/or developed.

Selected research on new donors and philanthropy

(Not intended as a comprehensive list)

Association of Fundraising Professionals, *The High-Tech Donor Study*, May 2001. www.afpnet.org

Peter Hero. "Giving Back the Silicon Valley Way: Emerging Patterns of a New Philanthropy." A discussion paper for the Indiana University Center on Philanthropy's 13th Annual Symposium, August 2000.

Paul Mattesich, Motivation and education of new philanthropists: findings and recommendations, A study conducted by Wilder Research Center for the David and Lucile Packard Foundation, November 2000. www.wilder.org

Paul G. Schervish. "The Modern Medici: Patterns, Motivations, and Giving Strategies of the Wealthy," Boston College, Social Welfare Research Institute, March, 2000 www.bc.edu/swri

"What's A Donor to Do? The State of Donor Resources in America Today" The Philanthropic Initiative, 2000.