CHAPTER 1

A New Day for Philanthropy

JOHN C. OLBERDING

"It was *not*," she declared, "October 29, 1929. That was not the Great Depression's most important moment." My grandmother paused dramatically, almost reverentially, as she recalled her most vivid memory of that time.

"It was the day," she declared, "that Roosevelt closed the banks."

"That's when everything changed."

March 6, 1932, was practically a sacred day to Granny, because, as she put it, "We knew, finally, that we would be all right. That things would change—they would *have* to change—and that each one of us could play a small part in that change."

Historians may argue the economic importance, and even the legality of President Franklin Roosevelt's action—his first official proclamation upon taking office. But to hear my grandmother describe it, "The sun's place which was so low on the horizon for the past several years seemed finally that day to be more dawn than dusk."

"Instead of wondering if there would even be a tomorrow, we began to ask ourselves what we would do with today."

One answer to that question over the subsequent years came in the way the country began to adjust the ways in which it supported public charities. A number of landmark developments signaled a real and palpable evolution in philanthropy:

- *The National Society for Crippled Children launched in 1934* its first "Easter Seals" campaign, introducing a national campaign strategy based on the simple concept of buying and affixing stamps to letters to the entire country. The next year, President Franklin Roosevelt announced the creation of the *National Foundation for Infantile Paralysis* and, in 1938, Eddie Canter coined the name "*March of Dimes*" as he urged radio listeners to send their spare change to the White House to be used in the fight against polio. In many ways these initiatives, using what were then modern mail and mass communication techniques, began the national democratization of philanthropy that today we take for granted as the foundation of a charitable society.
- *Through the Revenue Act of 1935,* corporate foundations were codified in U.S. tax law by permitting corporations to deduct charitable contributions up to five percent of taxable income. Together with the emergence of the Community Chest, corporate philanthropy could be seen as a separate and significant force.
- *In 1935, the American Association of Fund-Raising Counsel* was formed—the first organization to recognize the design and effective execution of charitable fundraising efforts and practices as a profession.
- *In 1935, the Winston-Salem Community Foundation* received its first donor-advised funds. Today there are more donor-advised funds in the United States than traditional private foundations.
- *The Ford Foundation was chartered in 1936* by Edsel Ford and two Ford Motor Company executives "to receive and administer funds for scientific, educational and charitable purposes, all for the public welfare." After the death of Edsel and Henry Ford, it became the world's largest foundation and expanded its mission to "promoting peace, freedom, and education throughout the world." Combined with the movement toward the global initiatives of the Kellogg Foundation (also founded in the 1930s), the Ford Foundation led the way toward a new

internationalization of philanthropy that would be spurred by World War II and its aftermath.

- In 1937, John Rockefeller died, leaving an estate worth $1.4 billion and bequests to charity totaling $530 million. To comprehend the magnitude of this estate today, economists estimate that as a measure of share of GDP today, it would be worth $210 billion, or roughly seven times the net assets of the Bill and Melinda Gates Foundation!

It is difficult to imagine the impact of these various events—all happening in the span of just five years—on modern philanthropy. The Great Depression was a catalyst for what today we know as corporate philanthropy, professional fundraising, fundraising by mail and media, donor-advised funds, "mega-gifts," and international fundraising.

It is not too much of a stretch, then, to see parallels in today's philanthropic landscape. Following the worst economic crisis since the Great Depression, we are faced with a new menu of opportunities and challenges stoked by technology and tempered by an awareness of finite resources. How we recognize and respond to those opportunities and challenges is sure to shape the face of philanthropy for decades to come.

The Big Picture

The pages that follow explore how the philanthropic sector might evolve in such specific areas as social media, the global economy, social entrepreneurship, and cause-related marketing. Seen together, though, a number of themes emerge that may provide some insight into the next generation of philanthropy. Philanthropic trends follow greater political and social movements—toward or away from democratization or specialization, for example—and many of the predictions and trends identified in this book are based on our individual and collective judgments as to what course the next generation may take. At the end of the day, these are subjective predictions (I think the shock of the Great Recession has humbled many in the forecasting business!), but we hope they may be useful in planning the important work of the nonprofit community in the years to come.

What Will Be Different

Here, then, are one person's thoughts on what is likely to be quite different—and quite similar—in the philanthropic world in the years to come.

Personal Philanthropy Will Increase Dramatically

In both total contributions and as a percentage of wealth, I believe that we will see a substantial increase in giving over the next decade for the first time since records have been reliably kept. Do I believe that human nature will suddenly change and people will be simply spontaneously more generous? In a word, no. There are several mechanical and social factors, however, that I think will spur greater personal giving.

The first factor related to public benefit organizations is the palpable *shift in funding from public to private sectors.* This is happening both in the United States and, increasingly, worldwide. In short, governments are politically losing the ability to tax. Even the most socialist countries and the most liberal states and localities have found that increasing taxes is practically impossible. Meanwhile, the press of increasing demands caused by a number of factors—population growth, upward mobility, deferred social investments, to name just a few—will be shifted to the philanthropic sector. More and more, governments themselves are getting into the fundraising business. Areas that were once primarily publicly funded, such as libraries, parks, and government-owned hospitals, are now opening or dramatically enhancing fundraising offices. Public funds that are available will increasingly come with private fundraising strings. This hardly means that there is a greater need for funds in the next generation than there were needs in generations (much less centuries) past. It does mean, however, that the sheer volume of solicitations will grow significantly and giving is likely to follow.

Secondly, the next generational transfer of wealth is likely to skew far more to charitable causes than to family. Some of this is based on simple demographics: the affluent of today have fewer family members than those of the past. But many of us who have been working with nonprofit organizations for over a quarter century have also noticed a more fundamental change in the ethos of conspicuous consumption and estate planning encapsulated in the question Jack Nicholson's private eye, J.J. Gittes, asked of John Houston's water-robbing mogul, Cross, in the Depression-set *Chinatown:* "Then why are you doing it? How much better can you eat? What can you buy that you can't already afford?"

The past generation of conspicuous consumption, like the Roarin' Twenties, seems poised to be followed by an era of greater generosity. The very wealthy will be more able and more inclined to make the kind of transformational gifts once relegated to the Fords, Rockefellers, MacArthurs, Gates, and Kelloggs. That will be especially true, I believe, in wealth transference. Certainly, children born into great wealth will continue to enjoy the benefit of family wealth, but there will be fewer such children and the benefits will have limits. In recent years, I have heard several quite affluent individuals offer something like: "My family will be well-enough cared for; they don't need to have everything handed to them." I never used to hear that. Even more gratifying is that I also hear more and more family members agree. I definitely never used to hear *that!*

Beyond greater demands on philanthropy and an emerging culture that might better promote it, I anticipate that the fundraising profession will reach a new level of maturity and competence. Fundraising will be buoyed by better clinical research in the field, more extensive educational offerings than ever before, and greater efficiencies propelled by technological and communication advancements. We have a long way to go in all of those areas, to be sure, but it stands to reason that a larger, more experienced, and vastly better equipped and educated profession will have a catalytic effect on overall giving.

The Nonprofit Sector Will See Both Major Consolidation and Diversification

I believe we will see competing currents that will dramatically alter the landscape of philanthropy over the next generation.

On one hand, the spate of mergers and consolidations begun in the past decade in education and health care is likely to extend to the arts, to associations, and to the environmental and social service organizations. The financial crisis that most charitable organizations experienced over the last years has forced many to openly, honestly, and bravely look at fundamental questions of mission, organization, and "competition." The corporate and foundation communities, in particular, have long encouraged nonprofits to consider consolidation with others with similar missions; those encouragements will increasingly have carrots and sticks accompanying them.

On the other hand, the preference of the next generation of philanthropists is clearly toward a more personal customized approach. The explosion of donor-advised funds is one indication. So is the burgeoning of giving circles and social entrepreneur institutes, clubs, and associations. The Internet makes it possible to craft "boutique" charitable organizations in a customized and immediate way that will provide greatly more diversified and specific choices. No disease will be too rare, no art will be too arcane, no service will be too remote or specific to have its own Web site and related fundraising opportunity.

These cross-currents of propagation and consolidation of nonprofit organizations combined with a more "hands-on" attitude by more and more donors will promote, I imagine, the cottage industry of donor advocacy. As consultants to nonprofit organizations, we are already seeing an interest in such donor-centric assistance.

Larger consolidated organizations will have greater appeal for larger institutional donors, such as corporations and major foundations wishing to form effective strategic partnerships. They will not be as content as in the past to simply publish giving criteria and wait for the mail to arrive with that quarter's proposals. They will be proactive in seeking out—or even creating—those organizations that can best leverage their social and financial investment. They will also welcome objective assistance in finding suitable partners in both the philanthropic and charitable communities.

An example of this approach is one fostered in recent years by several major foundations in forming the Africa Grantmakers Affinity Group. These blue-chip foundations—Carnegie, Ford, Hewlett, Kresge, MacArthur, Mellon, Rockefeller—recognized in 2004 that the formidable demands on the philanthropic sector of promoting, for example, higher education in Africa would benefit from partnership and consolidation of efforts. In the future, I believe, more such affinity groups will be formed among donors and charities alike with a focus that begins with an opportunity or problem to be solved, and *then* they'll find partners—as opposed to the traditional approach where an individual institution identifies a need and seeks to fulfill that need itself.

Another kind of philanthropic "matchmaking" will develop with individual donors and smaller or "boutique" charities at the other end of this trend line. In these instances, an individual may be interested in say, public education at the high school level using the Montessori Method. Perhaps he or she was inspired by a positive experience with Montessori at the lower levels and had heard of recent but limited positive developments in extending this pedagogy to the secondary level.[1] The traditional approach would have this individual incorporate a new foundation, attempt to find a few like-minded individuals (typically from among friends, family and associates) and begin with a local project in a local school. In the new paradigm, however, such an idea and such an individual need not be so limited. Using Web-based social networks and simple search engines to complement traditional networks, the individual philanthropist or representative can test the waters on a far more global basis. They'll find both fellow funders and already-developing capital or research projects to address the "cause" in a more comprehensive and organic process. It is, to be sure, a model of organizational development with its own pitfalls and tradeoffs, but one that is nonetheless likely to be more and more common in the generation ahead.

The new philanthropic landscape, then, will be particularly dynamic. There will be something like geometric growth in the number of moving parts: size, number, specialization, breadth, culture, location, to name just a few variables. This will certainly lead to the potential for great marketplace confusion as the sheer volume of movement will make for a degree of instability that may be nerve-racking and exciting at the same time for donors and charities alike.

Ironically, the short-term effect of this dynamism may well be that well-established traditional nonprofits such as churches and schools will have an even stronger position. Key older and more affluent constituents will tend to hold fast to the masts of their local congregation or their alma maters amid the greater turbulence.

The Fundraising Profession Will Be Besieged by Critical Personnel Shortages, Scandal, and Counterproductive Regulation

The downside of greater societal reliance on philanthropy worldwide and the increased diversification and consolidation within the field will be acceleration of a troublesome cycle in the profession: a shortage of trained and competent professionals leads to greater likelihood of scandal and corruption, which leads to greater rules and restrictions on fundraising professionals, which leads to greater shortages of qualified professionals. To better understand this cycle, it may be useful to consider the evolution of the profession from the hallowed halls of academia to the frequently unwelcome ring of the telephone at dinnertime.

At the time in 1969 that my father, Greg, made the decision to move from a career in public relations into fundraising, the field was barely and loosely recognized as a profession. Even the national gatherings of what was then the 10-year-old National Society of Fund Raising Executives were held in small hotel ballrooms with attendance measured in the hundreds. He was typical of those who would gather at that time, coming to the profession out of a genuine interest in charitable work (he was a former seminarian and teacher who had worked at the local Community Chest), but with no academic or formal training in the field. There was little pertinent literature (though he did proudly pass on to me his copy of the seminal *Designs for Fundraising,* by Harvard's Harold J. "Sy" Seymour). The primary sources of wisdom, experience or thought were available for those in a campaign and hiring professional counsel or through exchanging ideas with each other. When Dad joined the staff of St. Xavier High School in Cincinnati, fundraising was still only part of his job.

Today, that same Jesuit school has a professional staff of 10, and our professional organization, now called the Association of

Fundraising Professionals, numbers over 20,000 from all around the world. There is a well-stocked library of literature in the field (to which we hope the Skystone Ryan series is a welcome addition), and a number of formal academic programs have been instituted, led by the Center for Philanthropy in Indianapolis. Admirable as is much of this progress, however, it is woefully inadequate to meet the explosion in demand for competent stable ethical professionals.

The fundraising profession still suffers from many of the same dynamics that my father encountered upon entering it 40 years ago: unreasonable and inconsistent expectations, inadequate academic or professional training or standards, and a built-in "glass ceiling" in the nonprofit sector that encourages frequent job changes for the best and brightest. The average work span of a director of development in a given nonprofit organization is estimated at 20 months. By the time those professionals have gone through one calendar year of appeals and events and funding cycles with an organization and are just beginning to be familiar with the mission and to develop personal relationships with donors and volunteers, they leave. Why?

In economic terms that might be employed in the for-profit sector, the supply of capable human resources is simply not keeping up with the demand. There are nearly one million nonprofit organizations in the United States alone and only a small fraction are staffed in their fundraising efforts by professionally trained or adequately experienced staff. That by no means reflects on the dedication, intelligence, or commitment of the organizations or staffers who do not have such experience or staffing; just a simple function of mathematics. To compensate, the for-profit market would say that a great fundraising executive would be given incentive by commensurate monetary compensation, for instance, or by a significant investment in professional development, and that such monetary compensation would be a wise investment. For better and for worse, however, that principle does not apply as much to the culture and sensitivity of charitable organizations. Not every value can be reduced to fiscal terms. It is unseemly to pay the market rate for an organization's fundraising professional when the market rate for that same organization's chief social worker, or educator, or curator is very often so much lower.

So, an understandable but often counterproductive glass ceiling is created; a talented professional who gains experience at one organization realizes his or her market value only by moving to the next stop.

Unfortunately, that is not the only reason for the profession's high turnover. Often, the person or persons hiring and supervising the development professional, or the individuals applying themselves, simply fail to understand the job. "Fundraising" means many different things to many different people, and expectations for a particular position by one or both parties are often either unrealistic or unclear. In the absence of those with experience or training, the natural inclination is to look at "related" professions, with unpredictable results. Someone who is, say, a good volunteer or a good salesperson may make, with decent training or coaching, a great fundraising professional—or a lousy one. The reality is that with no better alternatives, the wrong people are often hired, or the right people are hired but often evaluated incorrectly. Or they simply move on to better positions.

The growing staffing crisis in professional fundraising combines with several other factors touched on earlier—the dramatic and dynamic growth of the nonprofit sector and its blurred boundaries with the government and for-profit sectors—to provide the makings of scandal and corruption. Any time large amounts of money change hands with less than professionally adequate oversight and within increasingly complex organizations, there is the opportunity for mischief. It is a tribute to the sacred position of philanthropy in our collective *ethos,* frankly, that scandals regarding charitable gifts have historically been few and mundane. To be sure, some individual organizations have been severely hurt by incidents of excess, scheming, and occasional abject fraud, but the world of philanthropy as a whole has yet to be rocked by a significant scandal.

I am afraid that will change in the coming years.

I promise to you and the authorities that I have no firsthand knowledge or insight into any particular malfeasance. I certainly hope I am mistaken. But if crimes are based on motive and opportunity, human nature has long provided the motivation to do evil as well as good, and it seems that there will be unprecedented opportunity. If robbers rob banks because "that's where the money is," as more money goes toward charity, the largest of those charities may become targets for the biggest crimes. If such a crime occurs—via Ponzi scheme, extortion, embezzlement or the like—tightened regulations for both charity and donor will inevitably follow.

This will put added pressure on medium-sized organizations particularly to merge or consolidate and on the profession to screen and police its own members. In one sense, of course, such regulations are quite healthy. In the late 1980s, many of us worked with the federal government, Financial Accounting Standards Board, and state Attorneys General to write good model charitable solicitation laws designed to codify legitimate fundraising efforts. In many states, however, those model laws have been superseded by ill-conceived or poorly defined new regulations that tend to add expense and counterproductive new bureaucracy to charities and the professionals who would serve them. A major new scandal will only accelerate this trend.

What Will Not Change

We are focused in this volume primarily upon new opportunities and challenges facing the world of philanthropy in the next generation. It is worth noting, however, some fundamentals of philanthropy that we do not expect to be significantly altered in the foreseeable future.

Personal Relationships Have Dominion

The pioneering Australian fundraising consultant and long-time colleague Michael Downes puts it this way: "*Who asks* is more important than 'What for.' "

For all of the coming dynamics we predict here in the size, volume, character, and practices of nonprofit organizations, fundraising has been and will ever be, at its core, one person asking another person on behalf of someone else. The way I often illustrate this basic precept is by suggesting two scenarios in which you are approached for what, for you, would be a "stretch" gift to a particular organization—the kind of gift you could only make this once.

In the first, you are approached on behalf of an organization to which you have a natural and strong affinity. The attendant materials are thorough and top-notch. The "pitch" is professional and convincing, but delivered by a perfect stranger.

In the second, you are approached by the person you care about most in the world: someone you trust implicitly. That person tells you that they urgently need your help with something that is the most important thing they have ever done. You don't know anything else. There are no materials. There is no pitch.

To which solicitation are you more likely to respond with the requested gift?

When I ask this question in presentations, the response is overwhelmingly toward the second choice, but the very fact that the second response even enlists careful consideration illustrates the point: the most unprofessional personal appeal can favorably compete with the most professional impersonal appeal. The most successful nonprofit organizations will continue to be those that encourage around them cultivation of the broadest and deepest personal relationships.

Sacrificial Giving Will Continue to Be Confined to the Non-Affluent

In over a quarter of a century of working in the nonprofit sector and in encounters with thousands of others in that community, I have never heard of a confirmed case of a sacrificial gift from a very wealthy person.

To be clear, I mean by "sacrificial" a gift that forces a significant and fundamental lifestyle change upon the donor (as opposed to one, however admirable, that changes how someone *might* otherwise live, or that follows a lifestyle change that was otherwise contemplated). I know of many sacrificial gifts from the non-affluent along the lines of the Biblical account of the "widow's mite." And the fact that I don't know of such gifts from among the very affluent doesn't, of course, mean that they don't occur; I strongly suspect they do. I yearn and expect some day to be told of such gifts. But they must be very rare. So, despite my optimism stated earlier in this chapter that giving will significantly improve, I don't imagine that it will mean the wealthiest among us will give until they can't give any more. According to *Giving USA*, the wealthiest 1 percent of the population currently gives an average of 1.3 percent to charity. I hope and expect that percentage will increase, but even a doubling of giving among that classification of donor will not cause for its members significant new sacrifices.

Conclusion

My grandmother described her perspective on the Great Depression as a horizon with a low-set sun. Depending upon where you stood and when you were looking, it might seem at the moment to be either dawn or dusk. I find it a useful image for today's world, which, we are reminded, is cyclical and enduring. In the chapters of this book, wise and wonderful professionals I am privileged to count as colleagues at Skystone Ryan seek to shed light on particular patches of the changing philanthropic world. It is a world we are blessed to inhabit. It is a new day we gladly welcome.