WHAT IS "NEW" ABOUT NEW PHILANTHROPY?

THE CENTER ON PHILANTHROPY AND PUBLIC POLICY

UNIVERSITY OF SOUTHERN CALIFORNIA

ABOUT THE USC CENTER ON PHILANTHROPY AND PUBLIC POLICY

The USC Center on Philanthropy and Public Policy was established in 1998 to promote more effective philanthropy and to strengthen the nonprofit sector through research that informs public policy. Using California and the West as a laboratory, the Center conducts research on philanthropy, volunteerism, and the role of the nonprofit sector in the governance and economics of America's communities. In order to make the research useful, the Center encourages communication among the philanthropic, nonprofit, and policy communities through a series of convenings and conversations around policy issues and research findings in order to help key decision makers work together more effectively to solve public problems and to identify possible strategies for action.

WHAT IS "NEW" ABOUT NEW PHILANTHROPY?

A Summary of a Forum on
Philanthropy, Public Policy, and the Economy

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FOREWORD

The distinct contributions that the nonprofit sector can make in the future — delivering services, helping to formulate public policies, and building our communities — hinge largely on philanthropy, the private pursuit of the public good. While the philanthropic resources derived from individuals, corporations, and foundations account for, on average, only ten percent of the finances of nonprofit organizations, these contributions often provide the margin to underwrite the innovation, experimentation, and social change that are the hallmarks of the nonprofit sector.

At this moment, there are a number of developing trends within philanthropy and its environment that have the potential to transform the nature of charitable giving, its impact on the nonprofit sector, and the capacity for public problem solving. Changes in public policy, demographics, and the economy, as well as the evolution of mechanisms for giving, suggest that a new philanthropy may be emerging, with varied dimensions and significant consequences. If there is a new philanthropy, it is likely to have significant implications for the capacity of the nonprofit sector to solve critical public problems on its own, or in concert with the public and/or business sectors.

These trends in philanthropy are occurring at what seems to be an accelerated and intensified pace in California and the West, home to a large concentration of new wealth, including the "dot.com" economy. With its strong confluence of forces for change, the state and the region may provide a "test pattern" for the identification of the trends that will define the future of philanthropy.

In January 2000, the USC Center on Philanthropy and Public Policy convened policy makers from the philanthropic, nonprofit, and public policy communities in a Forum on Philanthropy, Public Policy, and the Economy to explore the question: What is "New" about New Philanthropy? The Center commissioned a series of papers exploring critical facets of "new" philanthropy to inform, focus, and stimulate the conversation. The papers examined new philanthropists — new wealth and new generations; emerging patterns of giving in communities of interest, focusing on the cases of Latino and Jewish philanthropy; and evolving structures and approaches for giving and grantmaking among foundations and public charities.

The Forum, summarized in this report, provided insights into the changing philanthropic landscape and the implications for philanthropy's role in, and impact upon, the nonprofit sector and public policy. The discourse revealed trends that do support the perception of an emerging, fast-paced philanthropy that is increasingly complex, pluralistic, and donor-directed. While these changes reflect shifts in philanthropic priorities and methods, they do not necessarily herald the advent of a "new philanthropy." Reinvention and renewal have characterized philanthropy, and its institutions, throughout history.

That said, the very magnitude of the changes now occurring suggests that this may be one of those pivotal moments in which change does prove to be transforming. What is needed is an understanding of the changes that are unfolding, and the extent to which they are reshaping philanthropy and its potential contributions to the nonprofit sector and to communities. Certainly, there is a need for the development of strategies with the capacity to capitalize upon the emerging trends in philanthropy — and, in so doing, to generate not only *more* philanthropy, but more *effective* philanthropy.

James M. Ferris
Director
The USC Center on Philanthropy and Public Policy

The economic and demographic changes of the late 20th century have expanded the capacity for personal giving and are bringing new ideas, strategies, and passions to the practice of philanthropy. The entrepreneurs who are redefining the face of commerce are applying venture capital principles to their philanthropy. Younger philanthropists, with their own generational perspective, are motivated in their giving by a different set of causes and passions than their predecessors. There is a growing trend toward giving to communities defined not by geography, but by interest and self-identification.

Considerable new wealth has been created in the past decade, and many of those who control these new resources have directed significant amounts to charitable giving. They are new players on a field that is steeped in tradition. Lacking many of the common biases or preconceptions regarding the "how-to" of philanthropy, the new donors tend to draw heavily upon their own life experiences, passions, attitudes, and strategies to shape their individualistic approaches to giving. They are encouraged and empowered in this endeavor by the development of new philanthropic instruments and institutions.

With the addition of new players, new institutions, and a greater array of tools to facilitate charitable giving, current philanthropic practice is distinguished by three distinct characteristics: it occurs on a greater scale and at a greatly accelerated pace; it is increasingly complex and global in nature; and it possesses an expanded capacity for both greater pluralism and greater individualism. Philanthropy is evolving in direct relation to these new influences; however, the true significance of this evolution can only be assessed in terms of its impact upon nonprofit service providers and the community-based constituencies that they serve.

Nonprofit organizations, with their heavy dependence upon philanthropic support, face numerous challenges posed by the evolving philanthropic sector: financial uncertainty, as funding relationships of long duration are undermined by shifts in giving priorities and a greater number of philanthropic options; the growing expectation that programs and services must demonstrate their impact through quantitative measurement; increased pressure on nonprofits to deviate from their missions in pursuit of goals and objectives that lend themselves to quantitative evaluation; and an increasingly competitive environment in which to operate.

Concurrent with the shifts occurring in the nonprofit sector, developing trends in charitable giving are expected to reshape the linkages between philanthropy and communities as new giving mechanisms are created that challenge traditional definitions of "community." The challenge for philanthropy will be to identify new ways to build and support the communities with which people identify, as well as those in which they live. Three strategic actions will be necessary to support this goal: educating the new generation of philanthropists; sharing new strategies and approaches to grantmaking; and developing and nurturing effective partnerships, both within the nonprofit sector and beyond.

New attitudes toward the accumulation and disposition of wealth have created possibilities that challenge the prevailing norms of philanthropy. Given the fundamental nature and the rapidity of these developments, some conclude that the expanded vision of a new donor base actually translates to a "new" philanthropy. But does it? Any effort to answer this question must be framed by an understanding of the new donors themselves, and of the tools and institutions that are evolving in response to the individualistic priorities and expectations that guide their philanthropy.

New Philanthropists

Philanthropy is at a crossroads, brought about by the confluence of three distinct phenomena bringing new players into philanthropy: the rapid accumulation of new wealth by entrepreneurs who are at the center of the new economy, such as the high-tech, communications, and entertainment industries; the intergenerational transfer of wealth within families with established traditions of philanthropy; and the emergence of successful small- and mid-sized business operators, including women and ethnic minorities, who are in a position to participate in philanthropy.

"Money is in the hands of a great number of very independent-minded entrepreneurial people."

ELEANOR BROWN
Center on Philanthropy and Public Policy Fellow, and James Irvine Professor of Economics, Pomona College

The economic gains realized by many individuals over the past decade have created opportunities for greater philanthropic activity. The emergence of new industries and the vast fortunes that have been made in the run-up of the stock market have enabled many individuals to increase the scale of their philanthropy or to begin to engage in formal philanthropy for the first time. In contrast to previous generations, many of these newcomers are beginning their philanthropy at a much earlier stage of life. The availability of entrepreneurial wealth offers opportunities for individuals, who may not have family traditions of formal philanthropy, to play meaningful roles.

Along with its wealth, this new generation of donors brings a new attitude to the practice of philanthropy— one that derives from the experiences of these individuals in business. These new donors are confident, aggressive venture capitalists for social change who view charitable actions as investments and who demand a demonstrable "return" on the investment of their philanthropic dollars. With a confidence born of success, these young entrepreneurs are facile with "outside-the-box" approaches to work and to problem solving, and they are quick to apply to their philanthropy the principles and practices that have brought them success in the world of business.

Another factor with the potential to bring about significant growth in philanthropy is the transfer of wealth, from older to younger generations, that is now in process. Typically, these individuals, raised amid the privilege and responsibilities of inherited wealth, are deeply imbued with a "philanthropic imperative" to participate in charitable giving. This concept is pervasive in many such wealthy families and may provide the impetus for demonstration, instruction, and training in the "nuts and bolts" of philanthropy. Thus, many children of privilege are positioned, as adults and young adults, to assume decision-making positions within family charities. Over time, the grantmaking decisions of these institutions may begin to reflect the divergent values and priorities that differentiate one generation from another. In addition to the changes taking place within "traditional" family foundations, younger heirs are, with increasing frequency, choosing to distinguish themselves from the "family business" of philanthropy by establishing and directing their own grantmaking foundations or other giving mechanisms. This transfer of wealth provides a substantial capacity for philanthropy; however, there is work to be done if the potential for philanthropy is to be realized.

The demographics of this new generation of philanthropists are also different. They are increasingly diverse in terms of gender, ethnicity, and life experience. The passions and causes of a younger, more ethnically-diverse philanthropic community suggest that its members may support different nonprofit missions and organizations. While showing a marked lack of enthusiasm for the work of "traditional" institutions, such as operas and museums, these are donors who tend to give to new causes such as the environment, women's funds, and grassroots organizations. Finally, these new donors reflect a more global worldview, resulting in an expansion and a redefinition of the concept of "community." Released from its traditional, geographic definition and aided by technologies and philanthropic tools that are making the world smaller by the day, the "communities" benefiting from these new philanthropies are likely to embody some commonality of belief, purpose, or experience.

The accumulation of significant new wealth, coupled with the presence of an influential pool of new donors on the philanthropic scene, has given rise to a more rapidly expanding, fast-paced philanthropy. As a group, the new donors have little patience with many of the traditional philanthropic models. Noting that many problems have resisted the enduring efforts of organized philanthropy, these new donors are inclined to adopt a directive, hands-on approach to giving. They expect that they can do better. They are interested in gaining the information they need to make the critical decisions. These young people want to learn from those whom they see as possessing knowledge — especially those whom they view as their peers. They want to network and learn for themselves. They want to be involved. All of these factors demonstrate the general predisposition of this donor group to reject "ready, aim, fire" approaches to problem solving in favor of those congruent with their "do it, fix it, learn" philosophy.

As such, today's donors are more likely to practice their philanthropy where they are afforded opportunities to give direction. Federated giving models, such as the United Way or the United Jewish Appeal, have little attractiveness to these individuals. They are far more likely to choose donor-advised funds, venture philanthropy funds, or even to create their own foundations as vehicles for their giving.

New Philanthropic Institutions

Along with the appearance of new players on the philanthropic scene, philanthropic institutions are themselves undergoing profound changes. New instruments, such as venture philanthropy funds, have been developed. There has been a resurgence of interest in existing philanthropic mechanisms such as donor-advised funds. Even the United Way, one of the most established philanthropic institutions, has demonstrated a new responsiveness through promotion of the "donor option." Whether these changes within philanthropic institutions are a creation of the new players or a reaction to them, the changing landscape only serves to enable and empower new generations of philanthropists.

> **"Taken together, the forces of e-philanthropy, charitable gift funds, and public grantmaking charities represent a democratizing movement in philanthropy."**
>
> Lucy Bernholz
> *President*
> *Blueprint R and D*

The newly-created venture funds are a direct manifestation of the attitudes and strategies of the entrepreneurial donors who epitomize the new philanthropy. Many of the newcomers are creating their own institutions. For example, there are numerous venture philanthropy funds that have been created. These funds enable groups of like-minded philanthropists to work together toward a common philanthropic purpose, pooling their contributions with the intent of seeking out projects that will produce demonstrable rates of returns and, if needed, providing technical assistance. In some instances, such as the Entrepreneurs' Foundation, they pool their stock options. This model enables the simultaneous creation of a networking opportunity, a learning experience, and a mechanism by which to leverage outcomes. While funds typically available in the past have offered some of these features, the hands-on style of the new "venture donors" demands the availability of creative new modalities that allow them to practice their philanthropy on their own terms.

In addition, existing philanthropic institutions are accommodating and empowering this new generation of donors by according them a greater voice in philanthropic decision-making. The donor-advised fund exemplifies this approach. This model offers philanthropists an attractive alternative to establishing and operating their own foundations, allowing them to direct their own giving, while relying on the host institution to handle the administrative and financial tasks. As financial planning tools, donor-advised funds offer philanthropists the strategic option to realize immediate tax advantages, while postponing their grantmaking activity to later years. The availability of donor-advised funds has provided an entry portal to a growing number of individuals of moderate wealth, affording them many of the benefits enjoyed by their wealthier counterparts who give through private foundations.

A direct outcome of the popularity of donor-advised funds is that community foundations are experiencing a "boom" in both their numbers and the amounts of gifts received. Ironically, the availability of these funds has, for many years, characterized and distinguished the community foundation model. Now, with a larger number of donors clamoring for this feature, other philanthropic, nonprofit, and commercial organizations — organizations such as Fidelity Investments, the United Jewish Appeal, and large entrepreneurial universities and museums—have instituted donor-advised funds. The financial institutions view these funds as an attractive service for their clients, while philanthropic and nonprofit organizations view the funds as a lure for current or potential donors.

Another philanthropic option that is becoming increasingly common is the interest/identity fund. Rather than serving a broad geographic community, the interest/ identity fund targets specific donor interests and/or identities. For example, there are funds that focus on specific ethnic communities, as well as women's and local education foundations. Funds of this type have been growing in both number and size as many donors have become disillusioned with the funding choices made by the grants committees of traditional federated funds such as United Ways. Through these funds, donors are provided an effective instrument to support the causes and passions that are an integral part of their identity.

A measure of the extent to which even the most traditional institutions are adapting to the requirements of this new generation of philanthropists is the fact that federated giving models, such as the United Way, have made it possible in recent years for donors to direct their gifts through "donor option." Traditionally, the grantmaking decisions of the fund rested with a board. As donor preferences and funding decisions diverged, donations to federated fundraising appeals declined. In response, the donor option is now offered that enables individual United Way donors to designate their gifts to organizations or causes of their own choice.

New and Old

Amid considerable discussion of "new" versus "old" philanthropy, one clear idea emerges: that, in fact, these labels are simply inadequate to describe the phenomenon that is actually occurring. Rather than dichotomous constructs, generational schisms, donor profiles or institutional models, individualistic giving patterns are developing that seem to reflect the values and life experiences of a larger, and more diverse, pool of donors. Even among the young high tech entrepreneurs, many are giving with a new attitude to new causes, while others are choosing to direct their philanthropy toward "traditional" pursuits, such as supporting their alma maters through "bricks and mortar" gifts for athletic facilities or endowments for schools, chairs, or scholarships.

While the notion of a transition from an older, more traditional, set of philanthropic attitudes and practices to a dynamic "new" philanthropy is provocative, the observable changes appear to be more evolutionary than revolutionary. As always, the common denominator accounting for these seemingly divergent behaviors is that, whatever its form and however idiosyncratic, charitable giving is motivated by the passion of individual donors to make a difference in the arenas that have meaning for them.

Clearly, there are numerous changes occurring across the philanthropic landscape, in terms of both the players and the institutions involved. Moreover, the magnitude and rate of these changes appear to be greater than in the past. However, the issue is not one of "old" versus "new" but, rather, what will be the cumulative effect of these changes on the practice of philanthropy over time?

"There is some 'new old' and there is some 'old new,' but there is very definitely some 'new new,' and we need to think about how philanthropy can be prepared for that."

Jack Shakely
President and CEO, California Community Foundation

Without question, there is a great deal that is new in philanthropy — new wealth, new attitudes, new instruments, and even new institutions. With these innovations, at least three clear trends have begun to emerge: philanthropy is being conducted on a greater scale and at a more rapid pace; philanthropy is more complex and varied; and philanthropy carries the potential for both greater pluralism and increased individualism. Recognizing the pitfalls inherent in any effort to assess the long-term impact of changes as they are occurring, it is important to begin to understand and describe these perceived shifts in philosophy and practice, with a mind to addressing the larger question of their cumulative effect on the philanthropic and nonprofit sectors, as well as on communities.

Greater Scale and Pace

Recent increases in the creation of wealth have generated both more philanthropy and philanthropy that is practiced at a faster pace. Current estimates suggest that this trend is likely to accelerate in the future. For example, in this new funding climate, universities have been able to capitalize on the increasing scale of philanthropy by securing a greater number of multi-million dollar gifts. The number of named schools has proliferated in recent years. Community foundations report substantial increases in assets, due, in large part, to the current popularity of donor-advised funds. The proliferation and growth in assets of family foundations further supports the notion of a burgeoning wealth, accompanied by the strong desire among philanthropists to establish and maintain control over its charitable disposition.

Changes in the marketplace have also contributed to the increasing scale of philanthropy. With the increasing commercialization of some segments of the nonprofit sector, there are strong incentives for some organizations to convert their legal status and operations from the nonprofit to the for-profit form. According to statute, the conversion process requires that the assets of the original nonprofit organization be allocated to charitable purposes typically through new foundations. Until recently, this trend has been observed primarily within the healthcare industry. Now these conversions have begun to occur within the student loan industry. There is every reason to expect that the trend will continue throughout heavily commercialized segments of the nonprofit sector. In the healthcare industry alone, the foundations created to distribute these assets have increased dramatically the availability of charitable dollars to their target geographic areas and programmatic areas of interest.

In addition to the infusion of new dollars into the philanthropic sector, the existing assets of foundations have increased in value due to an unprecedented rise in stock prices. As a consequence, private foundations have an expanded capacity for grantmaking as well as a requirement under federal law to pay out five percent of the value of their assets annually. This increased capacity and obligation provide opportunities for foundations to adopt new strategies and policies, such as increasing the size of grants, instituting or increasing the availability of multi-year funding commitments, or increasing their support for nonprofit capacity-building.

Thus, the economic conditions of the 1990s have contributed to a greater capacity for giving, both by individuals and by foundations. Philanthropy on a greater scale, and at a faster rate, results not only in more philanthropy but, accompanied by innovative approaches and strategies, paves the way for the possibility of more effective philanthropy.

More Complex and Global

The world of philanthropy — with its new players, new institutions, and new options — is increasing in its complexity. Today's philanthropist, exercising his expanded giving options, can pick and choose strategies and instruments that blend the best practices of traditional giving with recent innovations tailored to individual preferences. With the greater diversity of options, philanthropists are able to pursue a range of philanthropic impulses: a successful entrepreneur might choose to join a venture fund, as well as to make a significant gift toward construction of a new building at her alma mater, blending venture philanthropy and risk taking with one of the most traditional forms of philanthropy, bricks and mortar.

In addition to the greater availability of philanthropic instruments, the introduction of new mechanisms for giving is enabling individuals to connect to "communities" beyond those that, historically, have been defined only geographically. The increased number of identity-based funds, such as Latino funds or women's funds, provides alternatives to traditional place-based funds such as United Way or the local community foundation. The Internet has also created opportunities for the expansion of giving without geographical limitations. Web-based information on nonprofits throughout the country, provided through Internet sites such as Guidestar, allow individuals to expand their horizons for giving by providing them easy access to information on potential recipients. In recent years, the introduction of e-philanthropy portals and national donor-advised funds, has extended the reach of individual philanthropy beyond local interests, connections, and communities.

More Pluralistic and Individualistic

Philanthropy — private action for public purposes — has always allowed multiple voices, with diverse values and passions, to be heard. The greater scale and pace of philanthropy, along with its growing complexity and expanded reach, serve only to amplify these voices, in both strength and number. As a consequence, increased access to institutions has created a degree of pluralism that is unprecedented in the philanthropic sector. For every venture philanthropist who disavows "mainstream" philanthropy in favor of new approaches to social change, there is another who contributes to improvements to the civic infrastructure through contributions to Disney Hall or public school reform. For every effort to improve opportunities for children in the local community, gifts can also be made to efforts to preserve the Brazilian rainforest.

With the availability of new, highly individualistic philanthropic instruments, a more "atomistic" philanthropy has emerged, in which the mediating function of philanthropic institutions between donor interests and community needs has been diminished. The increasing popularity of donor-advised funds and the donor option have limited the discretionary funds available for allocation by the governing boards of community foundations or federated funds such as the United Way or the United Jewish Appeal. Consequently, there is less capacity for agenda-setting within these institutions for the communities they serve, and more limited opportunities for these established philanthropies to provide a bridge among individuals to help build community.

"Wealthy philanthropists often pursue a variety of strategies simultaneously and change that mix over time . . . they can do so by choosing from among a wide array of approaches of modes of engagement."

Paul Schervish
Professor, Boston College

The Evolution of Philanthropy

Although it is too soon to declare a new era in philanthropy, the evidence indicates that the nature of philanthropy is, in fact, changing as it responds and reacts to changing conditions. The introduction of new wealth and new philanthropists, new giving mechanisms and evolving institutions are all quickening the pace of change throughout the sector. The possibilities for philanthropy expand as its scale increases, its pace quickens, and its reach expands. To understand the significance of this philanthropic evolution, attention must shift beyond philanthropy itself to its impact on nonprofit organizations and the communities they serve.

The changing character of philanthropy offers the potential to affect dramatically the capacity of nonprofit organizations to deliver services, shape public policy, and build communities. The significance of these new trends in philanthropy is best assessed by its impacts upon nonprofit organizations, upon communities and, ultimately, on society's problem-solving capacity.

Nonprofit Organizations

Emerging trends in philanthropy, fueled by new players, with new attitudes and shifting passions, using new and multiple instruments, are creating an environment for nonprofit organizations that is, increasingly, more uncertain, more demanding, and more competitive.

For nonprofits that rely heavily upon philanthropic funding, the changing philanthropic climate serves to increase the degree of uncertainty within a sector already plagued by high levels of organizational insecurity. Many nonprofit organizations have become accustomed to relying on particular donors, corporations, foundations, or federated funding institutions. With shifting funding priorities and a greater number of giving modalities in place, some such relationships might be expected to continue, even as new ones are cultivated. However, a key concern is that solid and ongoing funding relationships of long duration may become less reliable. For example, the declining amount of discretionary funds allocated by United Ways — a direct consequence of donor option availability — will, without doubt, translate into smaller allocations of unrestricted operational funds to long-time United Way member organizations. Coupled with the significant changes in corporate philanthropy resulting from mergers and shifting corporate priorities, all of these factors threaten to undermine the fragile stability of a sector that depends upon charitable donations for its distinctiveness.

"It may be that more and more nonprofits are viewing traditional sources of giving as generally more and more irrelevant to their mission."

Peter Goldberg
President and CEO, Alliance for Children and Families and Chair, The Independent Sector

That said, this altered grantmaking landscape does offer opportunities for nonprofit organizations to capitalize on the availability of a larger pool of philanthropy. In particular, the increased emphasis on venture philanthropy and strategic grantmaking enhances the funding prospects of those nonprofits that can demonstrate their impact. The ability to measure impact is often tied to the nature of an organization's mission and the extent to which the work lends itself to evaluation. Hence, this new environment may favor particular nonprofits, and offer little comfort to those with a strong reliance on fading sources of philanthropic dollars.

The more active role of donors, and the concomitant emphasis on outcomes, may intensify pressure on nonprofits to alter or deviate from their missions. The clear preference of this new generation of pro-active donors to support new or expanded projects, forces nonprofits to roll out new programs, on an almost continual basis, in order to qualify for foundation grant funding. As a result, successful programs of demonstrated value to constituents are often neglected due to lack of financial support following an initial grant period.

Finally, although the dollars going to philanthropy are increasing, the number of nonprofit organizations is increasing as well. The expansion of nonprofits, combined with reduced public sector funding, leads more nonprofits to seek private philanthropic support. A larger number of organizations chasing the increased philanthropic dollars creates a more competitive environment. This, combined with the increasing complexity of philanthropy, is likely to drive up the costs — both financial and human — of soliciting funds from these sources. On this basis, the costs of securing needed support in the current funding climate may well exceed its potential value.

These changes in philanthropy are likely to alter the relationships between nonprofits and the donor community — both individuals and foundations. Although certainly there will be some nonprofit organizations that will thrive in this funding climate, those that do not will be forced to seek public grants or contracts, commercialize their operations, or simply close their doors. Even with unprecedented amounts of money to contribute, philanthropy that is unresponsive to the needs of nonprofit service organizations and their constituents risks becoming irrelevant to large segments of nonprofits and, in the process, diminishing the distinctiveness of the nonprofit sector.

Communities

The links between philanthropy and the community are likely to be reshaped as a result of developing trends in giving. For the majority of Americans, the church or temple serves as the "entry portal" to personal philanthropy. The impact of the values, traditions, and histories on the philanthropy of various ethnic and religious groups in society is well recognized. The challenge for philanthropy is to develop mechanisms for giving that are synchronized with these communities as they develop and evolve.

For example, philanthropy in Latino communities has been informal and has centered around the Catholic Church. Now there is an interest in developing more formal philanthropic institutions similar to those that are found in the Jewish communities. Interestingly — and concurrent with the movement of Latino philanthropy toward this model — the effectiveness of many Jewish philanthropic institutions is now being questioned by their constituents. As the interests of Jewish philanthropists become broader than the focus of Jewish philanthropic institutions, the connection between Jewish philanthropists and Jewish institutions is fraying. To the extent that the institutions of philanthropy are able to accommodate the variety of interests within communities, they will play a vital role in shaping, building, and enriching communities.

"Philanthropy is not only a reflector, but a determinant and molder of values and norms as well."

Gary Tobin

President, Institute of Jewish and Community Research

However, as institutions adapt to, and accentuate, the specific traditions and interests of various groups, fragmentation within the broader "local" community seems to increase. The more individual interests and new technologies expand the reach of philanthropists beyond the local community — the communities in which we live our daily lives — the more the capacity of the philanthropic sector to solve problems on the ground is called into question. If philanthropy is to play a significant role in community-building, then the sector must devise methods by which to weave together all of the disparate elements that, together, define the meaning and importance of community.

Thus, even as new trends in philanthropy are forging new connections among those with common identities and interests, these very innovations are working to undermine local community supports. The challenge for philanthropy is to strengthen the ties that bind the communities with which people identify and, at the same time, to build those within which they live.

The changes unfolding in philanthropy, and their consequences for nonprofit organizations and communities, present critical challenges for the philanthropic and non-profit sectors. In order to meet them, these new developments must be harnessed for a more effective philanthropy. This will require concerted action. The Forum identified three strategic actions to support this goal: educating the new generation of philanthropists; sharing new strategies and approaches to grantmaking; and working with partners, both within the nonprofit sector and beyond.

Educating a New Generation

There is no guarantee that those who accumulate or inherit wealth today and in the future will follow the examples of established philanthropists. Philanthropy is not genetic; it is taught. A critical first step is to make potential philanthropists aware of their capacity to give and to promote the social good. This is especially true when, as is the case with many of the new entrepreneurs, they are not accustomed to wealth or, having made their money at increasingly younger ages, have an increased capacity to give, accompanied by a more limited set of life experiences and ties to the philanthropic world.

"You cannot ask someone my age, someone successful who is young, just to come on the board of a charity because that's what you're supposed to do. I'm a big believer in teaching people how to give, getting them excited about giving and making giving fun."

Casey Wasserman

25 year-old Chief Operating Officer of the Wasserman Foundation and owner of the LA Avengers

The growing number of options for giving should enable new generations of philanthropists to find mechanisms that match their attitudes, strategies, and passions. Today's philanthropists, with well-developed views on how they want to do their giving, will be able to capitalize on the widening array of philanthropic options. Those less inclined to devote considerable time to their philanthropy have the option of enlisting the help of advisors, as has been done in the past. The advice likely to be of most value to them is that which goes beyond simple estate planning or the mechanics of giving, and which provides opportunities for individuals to learn about the joy of giving through experiences — of their own, of their peers, or of their mentors.

Enabling individuals to feel the joy of giving is key to unleashing the philanthropic potential of younger generations. Given the increasing diversity and the larger numbers of potential philanthropists, it is critical to identify their areas of interest and the modes of engagement that they find fun and rewarding.

Strengthening the Field

With the increasing complexity of philanthropy, there is a greater need to strengthen the field of philanthropy itself. Not only are there more players and more institutions but also, taken as a group, the philanthropic sector is far less homogeneous in its values, experience, and worldview than in the past. With this in mind, a critical question is: "How might philanthropy make a more significant impact upon society and public problem solving?"

Many of the newcomers who now populate the world of philanthropy must be encouraged and instructed, not as dutiful and attentive pupils, but as independent-minded doers. The ability to accumulate and share knowledge is critical if change is to occur on a scale to make a greater difference. In the coming years, there will be a greater need within the field to provide arenas in which philanthropists and philanthropies can learn, network, and convene. By this process, many will be able to avoid replaying others' mistakes, "reinventing the wheel" with each project, or simply stepping on each other's toes. They will be afforded opportunities to work together toward their shared purposes.

In addition to helping the decision-makers *within* philanthropy, there is also a pressing need to identify opportunities for philanthropy to help in setting or furthering community-based agendas. Many of the innovations within philanthropy have been designed to accommodate the hands-on style of the new philanthropists. As such, the field has embraced a model that tends to diminish philanthropy's role in forging public agendas that facilitate the aggregation of private actions to a common good. Thus, another key challenge for the sector is to develop strategies and mechanisms that encourage active philanthropy and, at the same time, work to limit the fragmentation that undermines — or undervalues — common purposes.

Creating a More Effective Philanthropy

Encouraging a new generation of philanthropists and strengthening the field of philanthropy are important actions for the creation of a more effective philanthropy. As a first step, the sector must understand its own nature and the extent to which the decisions of individual philanthropists and philanthropies affect the field as a whole. And at the same time, they must understand that they are not by themselves likely to achieve social change. As any grantmaker can attest, countless failed initiatives have demonstrated the futility of simply "throwing money" at a social problem in the hope of solving it. Philanthropy must work in concert with others if real and substantive change is to be achieved. Among the tasks facing the philanthropic sector at this time in history are the identification of potential working partners, clarification of roles within these relationships, and the formation of strong alliances with the capacity to attain the desired outcomes.

Nonprofit organizations are, of course, philanthropy's obvious partners. Yet there appears to be a deepening divide between grantmakers and grantseekers. Philanthropists wonder why those whom they support are not more forthcoming; nonprofit organizations often feel the same way about funders. The inability of philanthropists and foundations to fund all of the good work of nonprofit organizations is part of the story, but so too is the power differential between the parties. The work of reconfiguration of the relationships among philanthropists, foundations, and nonprofit organizations is difficult, but necessary if the increases in philanthropy are to translate into greater value for public purposes.

"I'm hoping that the DNA of this next generation of philanthropists is I talk to my peers and I brainstorm and I look for collaborative ways to approach philanthropy."

Sterling Sperin
Executive Director, Peninsula Community Foundation

Philanthropy must also recognize the need to extend its operations beyond the borders of the nonprofit sector to create a more effective philanthropy. There exists a long history of relationships among philanthropy, government, and business. However, just as philanthropy is undergoing significant change, so is the environment in which it operates. Philanthropy, if it is to be more effective in solving public problems, must consider its roles in light of the changes occurring within governing institutions, and the emergence of a new economy in which information and global markets play key roles. For example, is the historical model of philanthropy providing the "seed funding" for innovation, and government taking successful interventions to scale, still relevant in the face of only modest support for increases in public spending? How do corporations relate to communities when their sights are less local and more global? There is a need for philanthropy to work with government, business, and the community to develop new models and to explore new roles that link emergent trends in philanthropy with the profound changes underway in other sectors of society.

SUMMARY AND CONCLUSIONS

Although the joy of giving and the desire to make a difference remains at the heart of philanthropy, there is clear evidence that philanthropy is, indeed, changing. This continues a long tradition of renewal and reinvention within the sector as it leads and responds to changes in society. Yet the changes taking place across the philanthropic landscape are so profound as to suggest that this could well be a pivotal moment of transition in philanthropy.

New players are entering the philanthropic arena, bringing with them an array of divergent life experience values, and traditions, and introducing to the old mix new attitudes, strategies, and passions. Not accidentally, the appearance of these new donors coincides with a fertile period of innovation within the institutions of philanthropy. All of the available indicators suggest the emergence of a complex, but substantial, infrastructure for transforming the potential for philanthropy. These new features of philanthropy do not replace the old, but rather increase the rate of change within the field with significant implications and consequences for the nonprofit sector and society.

The greater scale and pace, the increasing complexity and reach, and the more pluralistic and individualistic nature of current philanthropy suggests that these changes are exerting profound influences — indeed, altering the philanthropic landscape. Significant opportunities are being created to encourage individuals to experience the joy of giving and empower them to make a difference. At the same time, analysis of current trends underscores the need for the sector to work toward the commonly held goal of ensuring a meaningful role for philanthropy — today and in the future — by honoring the passion and energy of philanthropists, respecting individual differences in style and methods, and maximizing the potential for all of these elements to come together for the common good.

The challenge for philanthropy, and the nonprofit sector, is to develop strategies that capitalize on the enhanced capacity for giving and lead to more effective action within both the philanthropic and nonprofit sectors, while building constructive relationships with government and business for public problem solving. In so doing, the emerging trends will yield more than new players, new institutions, and new money, but an enlarged and transformed role for philanthropy in its scope, reach and impact.

—J.M.F.

APPENDICES

APPENDIX A

FORUM PROGRAM
WHAT IS "NEW" ABOUT NEW PHILANTHROPY?

A Forum on Philanthropy, Public Policy, and the Economy
The Center on Philanthropy and Public Policy
University of Southern California
January 19–20, 2000

KEYNOTE ADDRESS AND OPENING RECEPTION
At the Getty Center, January 19

Welcome and Introductions

Robert Biller, Interim Dean,
USC School of Policy, Planning, and Development

Esther Wachtell, Chair, Advisory Board,
Center on Philanthropy and Public Policy

Keynote Address

Jane G. Pisano, Senior Vice President-External Relations, USC; Trustee, John Randolph and Dora Haynes Foundation; and Governor, California Community Foundation

WELCOME AND OPENING REMARKS
At the Davidson Conference Center, USC, January 20

Welcome

Robert Biller, Interim Dean,
USC School of Policy, Planning, and Development

Richard Riordan, Mayor, City of Los Angeles

Steven B. Sample, President,
University of Southern California

FORUM OVERVIEW

James Ferris, Director,
Center on Philanthropy and Public Policy,
and Emery Evans Olson Chair in Nonprofit Entrepreneurship and Public Policy

THE NEW PHILANTHROPISTS

Are the emergences of new businesses and a new generation of entrepreneurs and the intergenerational transfer leading to more philanthropy, philanthropy directed to different causes and purposes, and in different forms that have a significant impact on nonprofits and their capacity to solve problems?

Moderator

Barry Munitz, President and CEO,
The J. Paul Getty Trust

Background Papers

Eleanor Brown, James Irvine Professor of Economics, Pomona College, and Center on Philanthropy and Public Policy Fellow

"Wealth, Taxes, and the New Philanthropists"

Paul Schervish, Social Welfare Research Institute, Boston College

"The Modern Medici: Patterns, Motivations, and Giving Strategies of the Wealthy"

Panelists

Sarah Pillsbury, Producer,
Sanford Pillsbury Publications, and Founder,
Liberty Hill Foundation

Sterling K. Speirn, President,
Peninsula Community Foundation

Casey Wasserman, Chief Operating Officer,
Wasserman Foundation

PHILANTHROPY AND COMMUNITIES OF DIVERSE INTERESTS

How do cultures, values, and histories shape philanthropic behavior in communities of diverse interests—such as color or faith—and what community structures and strategies are emerging to tap philanthropy in these communities to meet community needs?

Moderator

Wendy Schine, Vice President and Program Director, Joseph Drown Foundation

Background Papers

Henry A.J. Ramos, Principal, Mauer Kunst Consulting, and Gabriel Kasper

"Building a Tradition of Latino Philanthropy: Hispanics as Donors, Grantees, Grantmakers, and Volunteers"

Gary Tobin, Center for Jewish and Community Research

"Jewish Philanthropy: Values, History, and Community Structures that Shape Giving in the Jewish Community"

Panelists

Uri Herscher, President and CEO,
Skirball Cultural Center

Mónica Lozano,
Associate Publisher of *La Opinión*

Donald E. Miller, Executive Director,
USC Center for Religion and Civic Culture

Remarks (after Lunch)

Jack Shakely, President,
California Community Foundation

THE EVOLUTION OF ORGANIZED PHILANTHROPY

How have changes in the structures and strategies for giving and grantmaking affected the reach of philanthropy in terms of creating a capacity to identify and meet community needs?

Moderator

Peter Pennekamp, Executive Director,
Humboldt Area Foundation

Background Papers

Lucy Bernholz, Blueprint Research and Design

"Foundations for the Future: Emerging Trends in Foundation Philanthropy"

Lon Burns, Consultant

"Community Structures for Philanthropy in an Era of Economic and Demographic Change"

Panelists

Bruce Sievers, Executive Director,
Walter and Elise Haas Fund

Stewart Kwoh, Executive Director,
Asian Pacific American Legal Center

Eugene Wilson, President — Youth Development,
Ewing Marion Kauffman Foundation

WHAT DIFFERENCE DOES NEW PHILANTHROPY MAKE?

A roundtable of leaders from varied segments and perspectives will reflect upon the day's panels and offer their assessment of what is new? How does it matter to nonprofit organizations in fulfilling their missions? And what difference does it make for the sector, in California and across the nation?

Moderator

Dennis A. Collins, President and CEO,
The James Irvine Foundation

Panelists

Kathleen Brown, President — Private Bank West,
Bank of America

Peter Goldberg, President and CEO,
Alliance for Children and Families

Christine W. Letts, Executive Director,
Hauser Center for Nonprofit Institutions,
Harvard University

Marcia Sharp, Principal,
Millennium Communications

CLOSING REMARKS

James Ferris, Director,
Center on Philanthropy and Public Policy

APPENDIX B

SUMMARIES OF BACKGROUND PAPERS *

"Wealth, Taxes, and the New Philanthropists"

Eleanor Brown

The term "new philanthropy" is often invoked in descriptions of the hands-on, entrepreneurial style of charity practiced by many new foundations and newly-rich benefactors. "New philanthropy" often bespeaks a concern with addressing present-day social issues, and with getting results. By contrast, "old philanthropy" might be more closely associated with prestigious cultural organizations whose missions are timeless and whose excellence is assured.

To predict the impact of the new philanthropy on nonprofit organizations and their constituencies, it is necessary to consider the traditional model against which the "new philanthropy" is compared and contrasted. An understanding of what is "not new" in philanthropy supports the notion of an emerging "new philanthropy" in California, one that is incubating amid conditions of widespread new wealth being dispersed across geographical regions and cultural and class distinctions.

Two models of "not-new" philanthropy include that based upon the largesse of an upper-class, "old money" society (where philanthropy is used to mark social status) and that practiced by capitalists (whose philanthropy is shaped by a strong work ethic and a desire to give back to society). The "old money" model emphasizes the connection between social standing and philanthropy. For this group of donors, the philanthropic imperative to give directly is accompanied by the perceived social necessity of membership on the boards of elite institutions as a means of demonstrating or maintaining social status. This is a reciprocal relationship in which some enhancement of social status may accrue to board members; however, the greatest benefits are realized by the institutions themselves — providing a de facto "seal of approval" that positions them to acquire large gifts by other individuals of wealth.

In his 1889 essay, *"Gospel of Wealth,"* Andrew Carnegie espoused the dictum that exemplifies the second "not new" philanthropy, stating that investments in the public infrastructure strengthen the viability of capitalism through the creation of ". . . an ideal State, in which the surplus wealth of the few will become, in the best sense, the property of the many . . . for the common good." Carnegie suggested, however, that charity conducted at the individual level would cause more harm than good. As such, he proposed a hierarchy of giving priorities based upon large-scale, institutional philanthropy. A shared characteristic of both of the "not new" models is a focus upon giving to large organizations — the first, in order to enhance prestige; the second, in order to dispose of very large fortunes.

California, especially California outside of San Francisco, with its grand cultural institutions and social elites, may not fit models of old philanthropy for a variety of reasons.

- Wealth is new and may not, therefore, gravitate to old-money charities;
- Wealth has accumulated rapidly in areas (such as the Silicon Valley) whose cultural institutions may lack the eminence of those in areas that have long been homes to wealth;
- Immigrant populations may be frustrated with the slow response of established organizations to address their concerns and values; and
- New philanthropists may view established organizations as ineffective and/or bureaucratic and, therefore, give to organizations that they see as more innovative.

A 1997 California Community Foundation survey supports some of these theories. The survey found that, in Los Angeles, people tend to give to

* The full text of the background papers is available at the Center's Web site: www.usc.edu/philanthropy.

local organizations and human service organizations — and, in fact, give at a rate that exceeds the national average by approximately five percent. A Community Foundation of Silicon Valley survey, conducted in 1998, also revealed a sharply divergent giving pattern from that of the country as a whole. In an area of new wealth earned through work, the survey found that over half of the population belongs to a work-related organization; over one-third gives to religious organizations; and another one-third gives to education. Additionally, 50% of these donors stated that they expected to see results from their donations. Another survey, conducted by the University of San Francisco, found that education and religion have less pronounced impacts on giving in California than have been observed nationwide. Moreover, the findings indicate support for charitable giving among members of ethnic minority groups that mirrors that of whites, in terms of likelihood of giving.

The dispersion of wealth in America derives partly from self-made fortunes in technology and entertainment. It also derives from a dispersion in accumulated wealth and a consequent prospective dispersion in inherited wealth. It is predicted that, over the next twenty years, over $1.7 trillion will be bequeathed to nonprofit organizations.

Analysis of both the historical model for philanthropy, and the emerging trends among California's new donors, suggests three clear implications for the "new philanthropy":

- More wealth enables higher levels of giving, accounting for trillions of philanthropic dollars over the next two decades;
- New money will branch out geographically from the centers of old money; and
- The philanthropy of donors with self-made fortunes may follow the example of Carnegie, developing giving preferences and policies derived from their success in business.

Similarly, to remain competitive in a philanthropic milieu driven by newly-acquired entrepreneurial wealth, nonprofit organizations must be able to adapt to the shifting priorities and values of a new constituency of prospective donors.

- Nonprofits must be able to detail not only their goals but also assessment criteria by which bottom-line oriented donors can observe the results of their "investments" and make future funding decisions.
- They must develop an understanding of tax codes and advantages for inclusion in their major gift solicitations.
- They should be open to potential donors who want to be an active presence as the programs they support are undertaken.

"The Modern Medici: Patterns, Motivations, and Giving Strategies of the Wealthy"

Paul Schervish

For the foreseeable future, the quality of social and cultural life will be linked to growth in material life. At the public and personal levels, the leading intellectual, emotional, and behavioral issues of the day will revolve around the determinants, dilemmas, and dynamics of personal decision making in an age of affluence. In the forthcoming epoch, vast numbers of the world's population will reside not just within a sphere of affluence, but also within a broad sphere of wealth. Americans will conduct their commercial, political, cultural, social, and spiritual lives within the context of a dramatically increased — and increasing — material standard of living. One manifestation of this new era of affluence will be substantial developments in the quantity and quality of philanthropy by wealth holders.

Wealth holders share with others from all walks of life the human inclination to allocate their wealth in order to produce happiness in themselves and others. Examination of the complex social, historical, and financial relationship between wealth and philanthropy suggests three specific influences that may be predictive of a forthcoming golden age of philanthropy: the almost exponential growth in wealth; the motivational array that inclines wealth holders to contribute to charity; and the array of strategies that they employ in their philanthropic practice.

Current giving trends indicate that the majority of individuals at all income levels practice some form of philanthropy, with most allocating approximately 2% of their annual incomes for that purpose. The number of families with the highest incomes contribute a disproportionately higher amount of the total annual charitable giving. Those with annual incomes in excess of $1 million tend to allocate approximately 5% of their income to charitable purposes. Accordingly, the top 1% of the income scale accounts for some 20% of all charitable dollars. Extending the equation, the wealthiest 7% of the population accounts for 50% of all philanthropic dollars. While, in general, *inter vivos* charitable giving (during an individual's lifetime) is increasing, charitable bequests from the final disposition of estates have been growing substantially faster than the growth in the value of estates. A significant transfer of wealth appears to be on the horizon — one whose scope and magnitude will be far greater than had been previously assumed. A recently-developed Wealth Transfer Microsimulation Model suggests that, over a 55-year period from 1990 to 2044, the value of estates in the United States passing from adults with children, aged fifty and older, would be $10.4 trillion.

There is a complex interaction of various determinates that underlies philanthropic behavior. In the presence of significant wealth, the process is fueled by the class trait of "hyperagency," (referring to the capacity of wealthy individuals to control substantially the conditions under which they and others will live). Significant wealth confers upon its holder the freedom, self-determination, and ability to create a legacy whose impact will be meaningful and ongoing. While most people strive to *find* the best possible set of circumstances in which to live or work within a given array of possibilities, significant wealth confers the ability to *create* these circumstances.

Five key motivational factors appear to influence most strongly an individual wealth holder's inclination to allocate that wealth for charitable purposes.

- *Identification/association.* The key determinate for predicting "pro-social" or philanthropic behavior in individual wealth holders is the extent to which they identify the fate of others as being linked to their own. Identification is the school of generosity, and association is the school of identification.
- *Hyperagency.* This is the distinctive class trait of the wealthy in the world of philanthropy — the ability to bring into being, rather than just to support, their charitable projects. Wealth holders are empowered by their legitimate confidence in their ability to actualize their expectations and aspirations, because they are able to effect directly the fulfillment of their desires.
- *Taxes.* Perhaps the strongest material incentive for channeling this burgeoning wealth to major gifts revolves around making positive use of the current estate tax laws.
- *Gratitude.* The recognition of a life graced by unearned opportunities and unachieved benefits is at the core of the inherent transformative capacity of wealth to induce charitable giving.
- *Death.* Psychological empowerment in later life may direct expectations, aspirations, and the resources to accomplish them toward the goal of advancing for oneself, and leaving for others, a personal legacy of significance.

Philanthropic strategies vary according to the complexity of goals or intended outcomes, the social, spiritual, or pragmatic "world view" of the donor, and strategic practice or method for achieving the intended goal(s). At least thirteen philanthropic strategies have been identified through empirical research. These strategies are grouped into four primary categories.

- *Personal Engagement Strategies* are characterized by direct contact and exchange of ideas between donors and the beneficiaries of their giving.
- *Mediated Engagement Strategies* are those in which contact between donors and recipients is mediated by third-party organizations or individuals.
- *Donor-Oriented Strategies* share the common trait that donors become engaged as a result of conditions or expectations in their own lives, rather than those of the recipients.

- *Business Strategies* are the managerial, venture, and entrepreneurial approaches by which donors focus upon administering, developing, or founding the organizational capacity of charitable institutions.

Many affluent individuals (especially professionals and first-generation entrepreneurs) have not been challenged to assess their personal capacity for philanthropy. For the most part, the philanthropic community has not initiated effective strategies by which to guide potential new donors to an integrated awareness of the relationship between philanthropic practice and the achievement of valuable social outcomes. There is a need for a "values-based financial planning process" that incorporates not only the pragmatic considerations of financial management, but also the psychological, social, and spiritual factors that underlie the inclination to share, rather than simply to accumulate, wealth.

"Building a Tradition of Latino Philanthropy: Hispanics as Donors, Grantees, Grantmakers, and Volunteers"

Henry A. J. Ramos and Gabriel Kasper

The Latino population is booming throughout North America and is soon expected to become the largest ethnic minority in the United States. The after-tax buying power of Latinos amounts to more than $400 billion, and their business and nonprofit startup rates are higher than the national average. Still, the Latino population has a higher rate of families living in poverty and higher incidence of school dropout than any other minority group. At 54% of the median family income of whites and 63% of African Americans, the median Latino family income remains well below that of any other population in America.

Latino philanthropist Herman Gallegos has observed that "Hispanics have been perceived, even by themselves, as takers, not givers." While current statistics show that Latino giving lags behind that of whites, the data ignore substantial increases in the rate of Latino giving. It is noteworthy that, while research indicates that Latinos are far more likely than members of other groups to make donations when asked, they are significantly less likely to be asked. Many surveys ignore the long-standing Latino tradition of informal charity. The Latino population largely directs its charitable giving and community efforts through religious institutions, giving to family and extended family, and through *mutualistas* (mutual assistance societies providing general charitable services). Latino culture is steeped in a philanthropic tradition that encompasses service, giving, responsibility, and community. Latino philanthropy is characterized by four key features: *Familialismo* (significance of family), *Personalismo* (good character), *Espiritualidad* (spirituality), and *Colectivismo* (collectivism). For a culture arising from countries where governmental or religious organizations have, historically, addressed issues of social inequality, the Latino population has yet to fully embrace the American concept of philanthropy. As the North American Latino community grows in wealth, increasingly, the philanthropic activities of its members model mainstream giving. While most Latinos still give to family, close community, and religious institutions, more and more are beginning to give to community-based Latino nonprofits, to Latino interest/identity funds, and to mainstream charities. Latino giving to community foundations has also increased, largely due to culturally-targeted methods of solicitation.

Volunteerism is on the rise in Latino communities. In fact, while the rate of Latino volunteerism still lags behind that of whites, in recent years the growth of volunteerism among this population has been far more dynamic than that of whiles. In a study of Latino giving and volunteerism, Rodolfo O. de la Garza attributes this phenomenon not to any cultural bias discouraging volunteerism, but to the relatively lower socio-economic standing of Latinos in the United States.

In grantmaking institutions, Latinos are largely under-represented, comprising less than one half of one percent of foundation and corporate boards of directors. Latinos are learning that, in order to achieve full inclusion in the philanthropic sector, a leadership base of Latinos must be established — as has occurred in other industries such as education, politics, and healthcare. The lack of Latino representation in the grantmaking process may be responsible for a dearth of advocacy on behalf of Latino social services. This disconnect can be seen in United Way funding. While Latino nonprofits have experienced an annual growth rate accounting for some three hundred new organizations each year, the United Way has only added about three of these new organizations per year.

Throughout its seventeen-year history, Hispanics in Philanthropy (HIP) has become one of the largest and most influential associations of grantmakers in the United States. With more than four hundred members, HIP's goals are: to increase Latino representation at all levels of leading mainstream philanthropic organizations; to increase financial support and other resources to Latino nonprofits; and to strengthen Latino philanthropy in the United States and Latin America. Grassroots Latino community organizations have also focused on the creation of Hispanic community self-help institutions. Seven major community funds have been established in the last 15 years to attract contributions from the Hispanic community to help the poor and underserved in their own communities. Four of these are donor-advised funds of community foundations that focus on the creation of endowments; the other three operate as workplace fundraisers that direct money to community nonprofits. These Latino funding models are adding value to organized philanthropy and Latino communities in five specific areas:

- Increasing the quantity and responsiveness of charitable grants to Latino nonprofits;
- Promoting an orientation to the culture of organized philanthropy among U.S. Latinos;
- Expanding the level of understanding by the philanthropic sector of Latino community needs;
- Increasing Latino representation in philanthropy; and
- Facilitating coordination and planning among Latino nonprofits.

The Latino community has created and implemented two successful new models for service. The *talleres* (citizen workshops) model was introduced by the National Association of Latino Elected and Appointed Officials to help immigrants with the citizenship process. This model has greatly enhanced naturalized Latinos' engagement in civic activities. The *promotoras* (health outreach workers) model has increased health education in Latino communities dramatically, especially among women.

An examination of two successful models of community-driven philanthropy identifies five lessons of Jewish and women's philanthropy with implications for the growing field of Latino philanthropy:

- Building first upon community-based resources;
- Engaging the wealthiest and most influential people within the local donor pools;
- Providing donors with a greater connection to recipients;
- Building institutional capacity and endowments, rather than using "money in, money out" strategies; and
- Organizing and operating more strategically.

Three key issues for emerging Latino philanthropy that warrant community attention and mainstream community encouragement are:

- Recruiting and developing high-level community and independent sector Latino champions;
- Continuing to explore and develop culturally-relevant models for engagement and service; and
- Developing culturally-specific approaches for appealing to Latino donors.

Continuing gains relative to Latino participation in the philanthropic arena and in American society suggest extraordinary potential for the Latino community's future. With Latinos soon to account for 25% of the U.S. population, encouragement of expanded Latino participation in philanthropy will be essential to the continued relevance, growth, and stability of the sector.

"Jewish Philanthropy: Values, History, and Community Structures that Shape Giving in the Jewish Community"

Gary Tobin

Philanthropy reflects community values and norms. Racial, ethnic, and religious groups find philanthropy at the intersection of communal social systems and relationships to the larger society. Philanthropy is not only a reflector, but also a determinate and molder, of values and norms. Jewish philanthropy is a case-in-point. The philanthropic structure itself is an engine that drives much of the Jewish communal agenda. The trends in Jewish philanthropy are toward increased giving to secular and non-Jewish organizations, accompanied by a decline in contributions to federation campaigns; however, Jewish philanthropy is thriving in both the secular and non-secular arenas. In order to understand the Jewish philanthropic system in its current context, it must be viewed from both its ideological and structural perspectives.

Three trends in American philanthropy are paralleled within Jewish philanthropy: the decline of umbrella campaigns, such as United Way and the Jewish federated campaigns; the rapid growth of private foundations; and an enormous accumulation of wealth, both from a healthy economy and soaring stock values. Donors have become involved more deeply in non-Jewish philanthropy for five reasons:

- With the removal of anti-Semitic barriers, Jews have achieved greater acceptance and integration into American society.
- Serving the non-Jewish community is seen by many as a mission of their Jewishness.
- Many donors believe that they must contribute to societal institutions outside the Jewish community as a way of "putting something back into the community."
- Donors may desire to represent the Jewish community, as ambassadors of the Jewish people, and to secure good will for Jewish causes.
- Non-Jewish causes may seem more compelling.

Jewish giving is anchored in three key values: the pervasive and obligatory nature of *tzehakah,* (the provision of aid to those in need); the role of Jewish philanthropy in reinforcing ethnic, cultural, and religious identity; and the use of philanthropy as a self-protective device, providing funds for political lobbying, legislative campaigns, and coalition-building with other interest groups. The Jewish community is struggling over the prioritization of these key values — between the provision of needed human services in the community and saving Jews all over the world. The ideological argument over philanthropic values is fueled by the fact that the Jewish community is, itself, in a state of transition. Although Jews have attained a high degree of integration into mainstream American society, the Jewish culture and behavior remains, to some extent, different and apart from the dominant Anglo-American culture. Contributing to this phenomenon is a continuing sense of survival fear. Today, this fear stems more from internal threats (such as cultural identity loss) than from external ones (such as anti-Semitism). These changes have created challenges for Jewish philanthropy. Jews are motivated to give more to non-Jewish causes because of their connection to mainstream American society. With the increasing tendency of Jewish human service organizations to receive support through public funding streams, confusion has developed within the community as to the roles of government, private charities, and the Jewish community relative to the financial support of these organizations and programs.

Jewish philanthropy is driven by a complex series of functions that both define and reflect Jewish communal values and beliefs.

- *Philanthropy as community-building.* Giving money to Jewish causes, institutions and organizations is a mechanism to define group membership.
- *Philanthropy as a teaching activity.* Jewish philanthropy may be viewed by many as a way to teach Jewish values.
- *Philanthropy as a volunteer development tool.* Philanthropy provides avenues for engagement, team-building, and an outlet for those who

want to be part of the Jewish community and are looking for ways to express their Jewish identity.

- *Philanthropy as leadership development.* While recruiting volunteers, in general, is a key goal of the philanthropic structure, recruiting leaders is even more desired.
- *Philanthropy as personal identity expression.* Jewish philanthropy can be a powerful mode of expression of one's personal identity, and offers a legitimate and valued way to express personal values and the commitment to being a Jew.
- *Fundraising as a value-definition activity.* The fundraising system helps define values and set priorities for the community; what donors fund defines the direction of the community and sets policy.
- *Building bridges among groups of Jews.* The fundraising system also serves to build bridges, foster communication networks, and develop relationships among various segments of the Jewish community, including American and Israeli Jews.
- *Building bridges to other groups in America.* Jewish philanthropic organizations designed to serve the non-Jewish community demonstrate the value of Jewish groups helping non-Jewish society.

At this juncture, a number of ideological, structural, and procedural changes are dramatically altering Jewish philanthropy.

- *Change of ideology away from assimilation and Israel's survival.* Jewish identity in the United States is no longer expressed primarily through contributions of money for building the state of Israel, which many Jews now see as more self-sufficient.
- *Diversification of purposes and programs.* Jewish philanthropy is increasingly diversified in terms of purpose; its broad purposes are being further refined and subdivided into a vast array of sub-purposes.
- *Decentralization of fundraising institutions.* The revenue streams within the federation umbrella structure have multiplied to include not only the annual campaign, but also major fundraising through endowments, special campaigns, capital campaigns, and other mechanisms.
- *Privatization of allocations and grantmaking.* Increasing numbers of donors are removing themselves from the public consensus models of federations, and making more decisions through the establishment of Jewish family foundations, restricted endowments, and private philanthropic funds.
- *Demand for greater accountability.* Donors and grantors want assurances that their contributions are being spent for the programs or client groups in which they are most interested.
- *Increasing influence of women.* More and more women have accrued significant assets that allow them to serve as major contributors and decision-makers in Jewish philanthropy.
- *Professionalization of philanthropy.* While, in the past, Jewish philanthropy has depended heavily on lay involvement and direction, increasingly the system is professionally driven.

Current constraints upon the Jewish philanthropic system include:

- *New versus system-maintaining programs.* Donors struggle to sustain interest in maintaining projects and purposes when they often prefer innovative, interesting, and new programs.
- *Concentrating on "core" versus "marginal" Jews.* The philanthropic system becomes the arbiter of who is in and who is out — even using pejorative terms like "core" and "marginal" to suggest degrees of membership in the group.
- *Not enough information, too much information.* Jewish philanthropists and foundations feel that they do not have adequate knowledge about where to contribute to good programs, institutions, and ideas.
- *Need for peer groups.* Jews are now participants in a variety of American peer groups; Jewish peer groups still operate, but they have much less influence.
- *Need for professional assistance.* A well-developed cadre of professionals is needed to guide existing and emerging institutions, especially federations and foundations.

- *Mistrust of fundraising institutions.* Lack of trust in both existing and emerging institutions limits the amount of investment that individuals are willing to make in the Jewish communal enterprise.

Jewish philanthropy is currently in a state of flux and confusion, facing uncertainty in the determination of its mission, focus, and strategies. The fundraising messages are unclear, reflecting transition within the Jewish community as it tries to redefine itself in an era of success and acceptance. The great challenge for Jewish philanthropy over the next decade is to capture more dollars for specifically Jewish causes in a positive way. To compete with secular causes, Jewish philanthropy must frame its message in positive, rather than defensive, terms. The Jewish community has matured beyond the current constraints of its own philanthropic system.

"Foundations for the Future: Emerging Trends in Foundation Philanthropy"

Lucy Bernholz

Foundations are currently experiencing an unprecedented period of change. Historically, change in the foundation sector has been created from within or in response to legislative and regulatory changes. At the cusp of the 21st century, however, foundations face a barrage of simultaneous external forces that are redefining the world in which philanthropy operates. Never before in the history of the philanthropic sector has so much change taken place, at such a rapid pace, outside of the control of the foundations themselves. Bernholz offers an examination of the societal trends that are affecting philanthropy, analyzes the impact of these trends upon foundation programs and operations, and discusses ways that foundations might reinvent themselves to capitalize on the unique opportunities present in today's environment.

A number of significant trends are driving change in the philanthropic sector as a whole, and in the foundation sphere specifically:

- *Growth of the sector* due to the creation of new wealth, the intergenerational transfer of wealth, and the birth of "conversion foundations" from formerly nonprofit organizations;
- *The availability of new tools and services* to facilitate philanthropy, including the advent of e-philanthropy and the explosion of charitable management by financial services firms;
- *The culture of entrepreneurship* that now characterizes the American economy, especially the high technology sector;
- *Changes in the nation's demographic base,* including several states where whites will soon become minority populations, the role of second- and third-generation professional women, and the growth of the elderly population;
- *Changes in public funding practices,* primarily the devolution of funding and decision-making from the federal government to state and local jurisdictions; and
- *The growing public awareness of philanthropy,* largely a byproduct of the growth in the sector, but due also to increased media savvy by the foundations themselves and heavy media attention to the conversion foundations.

These trends have numerous implications for the field of philanthropy. The exponential growth of the sector has produced an era of affiliation and association, with foundations aligned in a crazy quilt of common characteristics ranging from geography, to interest areas, to demographic identities. Individual giving, which has always dwarfed institutional philanthropy, is the target market for e-philanthropy, and a force that harbors changes for institutional givers as well. There has been significant growth in Internet-based giving, and Internet services for nonprofits, donors, and foundations.

Changes in the private sector are having a significant impact on the philanthropic community. Community foundations are being spurred to change by the growing number of charitable management services in the private financial sector that utilize many of the tools of the online world. The emergence of social entrepreneurs, who exist because of the implication that government and philanthropic models are predestined to fail, challenges many traditional operating assumptions of foundations. Venture philanthropy has extended one model of corporate success to philanthropy. Public grantmaking charities are emerging in many forms, with some organized by geographic community, some by interest areas, and some by like-mindedness of their donors.

The diversity of people participating in philanthropic institutions has increased, with some groups, such as women and young people, benefiting more from efforts to diversify than others, including people of color. There has also been a democratization of philanthropy, with new philanthropic tools and benefits opening doors to people of lesser means. In addition, the geographic center of philanthropy is shifting from New York to California. Finally, the rise of public-private partnerships and the blurring of the lines that traditionally separated the public, private, and nonprofit sectors challenge philanthropy's operating principles.

While some of the drivers of change today, particularly the Internet, may be revolutionary, the changes in foundations themselves are refinements and redirections of the past, not rejections of it. Today's models build directly on those created and refined earlier in this century. The way that the dramatic projected growth of the sector will impact the structure of foundations is much less predictable than the growth itself.

One scenario is simply an expansion of business-as-usual, but on a much grander scale. It is also possible that great change is at hand in how foundations operate, as well as how many and how large they are. Foundations of the future may be built from the Internet down, rather than from the filing cabinet and community up.

A true reorganization around information technology would allow foundations to leverage their own financial investments with information investments. The "Information Foundation" of the 21st century might gather data, make decisions from that information, and invest on those decisions with dollars and data-driven expertise gathered from, and shared with, the organizations it supports. Such an organization would force a re-valuing of foundation assets to include not only their financial resources, but also their information and knowledge base and learning system. The possibilities offered by the Information Foundation model also present new challenges for foundations seeking to measure their impact, since they would need to assess the impact of information as well as dollars. Despite this last difficulty, the Information Foundation model makes sense for the next century. As foundations are increasingly investing in information sharing, best practices discussions, and grantee networking, it makes sense for them to position themselves as knowledge sources as well as financiers.

Essentially, what is at stake is much more than a matter of mechanics. How grant decisions are made, what format is used for submitting applications, and when and how staff or board members meet with community organizations are mechanical decisions. The new tools allow the processes to be done with less waste, in less time, and by telecommuters. If that is the extent of their impact, foundations will have missed a huge opportunity. What we are experiencing is a chance to reconsider the century-old way of doing the business of philanthropy. Why not consider the possibilities of "open source" research processes instead of proprietary work commissioned for foundation boards? Why not employ "viral marketing" to grant funding, and request that current grantees suggest two other organizations for funding as a requirement of every grant they receive? Why not make all commissioned research that helps foundation board members understand the work also available to the groups actually doing the work? Why not have community partners serve "in residence" and have them assist foundations in creating processes that are helpful to the organizations in which they seek to build capacity?

The environmental nature of the drivers of foundation change is important and unique to foundation history. The drivers are unorganized and disconnected, and so, we might predict, will be their impact. Only as the foundations or their critics (or both) seize hold of the new possibilities will there emerge a direction to these changes. Until then, it is important to consider how individual philanthropy is changing as a result of e-philanthropy, and to look for connections between individual and institutional philanthropy. It is also critical to examine foundations themselves, and redefine the ways that foundations operate.

The scale and pace of change for foundations at the turn of the 21st century are unprecedented, and so is the source. These environmental trends are driving both the creation of new philanthropies and shaping the way they approach their work. What remains to be seen is how different 21st century foundations will look from those created in the 20th century.

"Community Structures for Philanthropy in an Era of Economic and Demographic Change"

Lon Burns

Delimited by a broad community construct, Burns considers the roles and operations of three specific sets of institutions: United Ways, community foundations, and alternative/identity funds. Organizations of this type play an important bridging role between organized philanthropy and the nonprofit sector (the operations of which encompass both grant seeking and grant making). By virtue of their need to raise funds to operate and make charitable contributions, these organizations must operate within a real market economy. As such, they must concern themselves with a host of issues more commonly encountered in the for-profit corporate sector. This reality underscores the clear distinction between these community- based funders and private foundations.

The environment within which these organizations operate can be defined by four primary conditions:

- *Wealth* — a robust economy creating new wealth accompanied by the anticipated transfer of wealth transfer in coming years;
- *Information* — a continuing shift from a service economy to an information economy, driven primarily by the Internet and donors using this information to make philanthropic choices;
- *Economic changes* — including mergers, acquisitions, downsizing, and a significant expansion of the nonprofit sector; and
- *Societal changes* — including rapid demographic shifts (particularly in the West), a growing divide between the rich and the poor, a narrowing of community identifications, and changes in individual and institutional leadership models.

The United Way is an American institution based upon the model of business and community leaders coming together to assess local charitable needs and to make informed decisions about how to raise and disburse funds to those in need. In recent years, giving to United Ways has decreased, leaving the funds depleted and facing numerous difficulties, including increased competition from other charitable mechanisms, a broadening of values held throughout communities, and controversy and tensions between the United Way and its member agencies. In an effort to adapt to the changing realities of the landscape in which they operate, United Ways have promoted the availability of donor-designated contributions, and embraced a marketing strategy geared toward the development of a more positive image of themselves.

Community foundations have, almost since their inception, allowed donors the option to direct their philanthropy or to empower the foundation with discretion over grantmaking, suggest a general program area, or specify the exact recipients of their grants. Community foundations share with the United Ways a specific geographical focus. Typically, they are place-specific, generic funds whose goals are to:

- Maintain and enhance the educational, social, cultural, health, and civic resources of the fabric of the community through the support of qualified nonprofit organizations;
- Manage assets and distribute income, and principal when permitted, from funds created by

donors' charitable contributions and bequests in a manner consistent with donors' specific and general interests and intent; and

- Provide philanthropic leadership that builds endowment and nurtures and promotes improvements in the quality of life in the community.

Among the greatest challenges faced by community foundations is the need for frequent rededication and clarification of their missions. In particular, as the community foundation increases in size and service options, its leadership must address the question of whether its role is to address community needs, to assist donors to make charitable donations, or both. In recent years, community foundations have joined together to achieve greater impact through the development of collaborative associations.

In contrast, rather than being defined by geography, alternative/identity funds are defined in terms of the issues to which they relate. These funds are relatively new to the philanthropic landscape and have been growing rapidly since their inception, some thirty years ago. Alternative/identity funds now number in excess of two hundred. With their focus upon workplace fundraising, alternative funds constitute one of the most significant competitors to United Ways. While competition is a concern to United Ways, empirical evidence has demonstrated that a broader variety of choice actually increases overall giving. In some cases, however, this increase in giving is not attributable to a growing donor pool, but rather to a smaller number of donors giving at higher levels (particularly true for many United Ways).

The phenomenon of increased giving brought about by a larger array of choices suggests the need for future study. If the initial findings prove accurate, then, as Internet technology grows, there is the very real potential that online philanthropy may increase giving and decrease the need for place-based funds. As society and the philanthropic environment continue to change, a number of operational issues must be addressed. These include:

- *Information sharing* — involving broad-based collaboration among sectors and organizations, the use of new technology, and maintenance of the philanthropic infrastructure and commitment;
- *Change management* — responding to clearly-identified needs for organizational agility, "border artists" (those who can move in between sectors), transformative and adaptive actions, and adaptation to increasing diversity;
- *Marketing* — encompassing strategies such as "branding" (image creation) and enhanced communication of the organization's message to the community; and
- *Maintaining the mission* — through resource expansion, mission management, and the development of organizational skill sets.

Finally, there are a number of issues that suggest the need for research, including the impact of technology, infrastructure analysis, distinctions between for-profits and nonprofits, new relationships, sector and organizational impact, and community participation.

The 21st century is a period of rapid change, including the development of new technologies and philanthropic tools, and changes in the very definition of what constitutes "community." In such a time, the philanthropic sector must remain sensitive to a number of issues if it is to maintain its currency and its relevance to its constituencies. Organizations must enhance their ability to describe their essential roles and the value of their services. The philanthropic sector must seek creative ways to assess its ever-changing potential, and then to find ways in which to apply those creative visions. There must be an increasing commitment to openness and inclusiveness at the decision-making level as the sector explores the need to increase the size and effectiveness of organized philanthropy. Community intermediaries, such as United Ways and community foundations, must recognize the necessity for almost constant self-study and organizational adaptation to the changing realities of their operational environments. And above all, attention needs to be paid to those changing environments, and to the related impact of new modes of community and organizational leadership

WHAT IS "NEW" ABOUT NEW PHILANTHROPY?

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