

*Essays***Philanthropy's Timeless Challenges***by**Lynn Huntley**President, Southern Education Foundation*

Once a little five or six year old boy went into a big, old-time country store. The boy was wandering around looking into the big open barrels full of beans and other foodstuffs when the proprietor of the store, who had been watching the boy closely, grabbed the boy by the collar and accused him of trying to steal something. And although the boy protested that this was not so, the owner of the store grabbed the boy and with an angry red face told the boy that he didn't allow thieves in his store. To teach the boy a lesson, he held him up by the heels over a big open vat of molasses and told him that he was going to drop the boy, headfirst, into the molasses. The little boy looked down at the thick, dark molasses in the vat and looked up at the big mean man's face, closed his eyes, and said with a quavering voice, "Dear Lord, please help my tongue to be equal to the task."

Given the complexity of my subject today, I, too, am praying that my tongue will be equal to the task!

I recently attended the annual conference of the Council on Foundations. This is the major umbrella association of organized philanthropy. The conference attracted thousands of participants. There, as here, the program was a wonderful mix of thematic presentations, sessions devoted to "craft" matters such as organizational effectiveness and assessment, grants management and evaluation, and reviews of research about the state of philanthropy itself. Who gives what, how much and why? How can a culture of giving be enhanced? Who should regulate philanthropic activities and to what ends? Are there lessons to be learned from the Enron debacle or the tragic events of September 11? Is philanthropy--given its breadth, depth, diverse structures, aims and outcomes--a field with a unifying core? What are the implications of the new versus old philanthropy? Is the new philanthropy really new? There were sessions about the differences between family and private foundations, trends in corporate philanthropy, the nature of faith-based giving, and the inadequate attention paid to the philanthropic traditions of discrete minority groups. There were many types of affinity groups in evidence, providing fora for in-depth exploration of shared interests and space for advocacy and related agenda-setting efforts to influence the shape or direction of philanthropic policy, practice or priorities. All of these sessions and events were for the most part thoughtful and of value. They featured earnest people like those here assembled sharing a tremendous potpourri of ideas and information.

As I wandered the halls and went in and out of sessions, I was struck by the many new faces. Philanthropic institutions have high staff turnover, a practice that fuels creativity, as well as reinvention of wheels. I thought about the need always to consider philanthropy within the broader context of the expanding non-profit sector to which philanthropy is wed and for the support of whose activities philanthropies exist.

Clearly, donor and donee, unequal partners--one holding resources that the other seeks--have a curious symbiotic relationship that has to be part of any consideration of old or new manifestations of philanthropy. I was reminded that both sides of this unequal power equation have needs and purposes and function in both independent and interdependent ways. Having sat as donor as well as donee, I thought about the need for a bit more humility on both sides of the table. Philanthropy, like love, is a "many splended thing," a multifaceted, multicultural, multidisciplinary, multinational, multiracial, multisectoral thing that eludes easy definition or facile elucidation.

The other day, while riding home in my car, I was pondering the angle of incision into this vast subject and what I might say here. I happened to hear on National Public Radio an interesting talk about the link between structure and purpose in architecture. The architect who was the speaker made the point that purpose may dictate structure, but as needs evolve over time, structure may itself become a barrier to the achievement of new and changed purpose. Let me say that again. Purpose may dictate structure, but as time passes and needs evolve, structure may itself become a barrier to the achievement of new and changed purpose. If we develop a design plan for a house and construct an edifice to withstand dryness and sandstorms, but there are climactic changes that turn dry to wet and create flooding, then the old design plan, functional for its time, becomes dysfunctional in the changed circumstances. There may have been nothing wrong with the design plan in its time; it may have still good elements worth preserving; but the design plan and edifice to remain functional have to be reconceived, renovated or reconstructed. I want to use the metaphor about the links between design plan, purpose and changing settings to frame my remarks here today. I will focus in these remarks primarily upon foundations, since this is the area that I know best, although I suspect that some of my observations and questions are also relevant to other forms of organized philanthropic activity.

Let us begin by looking at some salient elements of the design plan for organized philanthropy in our country. In his book, "The Foundation, Its Place in American Life," published in 1930,ⁱ author Frederick P. Keppel reminds us that putting to one side the traditional charitable activities of religious institutions or dedicated funds and endowments for institutions of higher education, most foundations and related philanthropic structures are of fairly recent vintage, twentieth century creations. He reminds us that captains of industry and their heirs, desirous of using their monies for purposes that they, rather than government or democratically structured institutions would determine, set out to create foundations. Of their motives, Keppel says:

One can...only guess at the reasons for the creation of any specific foundation. The donor may not be averse to the publicity attending his gift. He may not be blind to the conveniences attending exemption from taxation. He may desire to perpetuate his own name or that of some one dear to him. He may be, and he often is, genuinely and intelligently interested in the objects the foundation is to serve. But the dominating reason, I am sure, is the recognition of "the stewardship of surplus wealth." A sense of stewardship alone, however, would not account for the greatest of these gifts. They represent a faith in man and in his possibilities for progress which lies deeper than the sense of stewardship.ⁱⁱ

Whatever the motive, the design plan for the early great foundations was to give almost unchallenged power to the donor to chart the course. Decision making about who would get the monies and for what purposes would be the sole domain of privately selected/elected individuals. Both the creators of these foundations and those whom they chose as directors, trustees and staff were to be outside of direct public control or even scrutiny. It was presumed that “father knows best.” Most were male and almost all were White, for this was a time when racial segregation of Blacks and the disenfranchisement of women and Blacks and the illiterate poor and propertyless of all ethnicities was still largely the order of the day.

The design plan for these early foundations was hotly contested in many quarters. “Why should the ‘robber barons’ be allowed both to amass large fortunes and also to maintain absolute control over who would receive their bounty?” critics asked. Some argued that the foundations were just further evidence of the corrupting influence and power of the wealthy and inconsistent with the public interest. “Why,” they asked, “should the wealthy be able to escape taxation of their resources so that they can exercise even more influence over the public? Wasn’t the creation of these new foundations just a way of depriving the government and the public of needed revenues? Since many of the new foundations’ founders were tied to industry, would the institutions that they created be merely vehicles for the consolidation of corporate power and influence?”

Today, the early laissez-faire model of foundations abides, strengths, limitations and all. Of course, arguments such as those just mentioned are rarely heard, except in occasional outbursts from legislators affronted by funding decisions made by some philanthropic entities. More often than not, philanthropies, because of their non-profit status and charitable purposes, are deemed presumptively to act in the public interest. The public entity charged with the obligation of oversight is for better or worse the Internal Revenue Service.

The early design plan for foundations and other philanthropies, indeed, the non-profit sector itself, has not been comprehensively and effectively reviewed or renovated for a long time. The non-profit sector of which they are a part has grown greatly. It has its own persona, fights against the incursions of the regulators, hires its own lobbyists and publicists, and fiercely defends its prerogatives and importance as a counterbalance to the public or business sectors.

Most ordinary Americans are ignorant of the structure of organized philanthropies and the role and influence of foundations of all types. Most Americans could not name the ten largest and richest foundations in the nation. Most could not name the presidents or chairs of these institutions nor the origins of the resources that they award each year. Nor could most Americans talk knowledgeably about the non-profit sector as a sector or reflect intelligently upon the regulatory structure that undergirds it. The old debates about philanthropic composition, practice, governance, structure and purpose are not matters of much public attention. The growth in small foundations, religious based foundations and other types of public charities has diverted public attention away from thinking about guiding principles and the differential roles played by these bastions of wealth in American life. We all enjoy tax exemptions for the

gifts to charity that we make, large or small, and we have become accustomed to lauding those of great wealth who see fit to give some or most of it away.

The natural and most well informed potential critics and analysts of philanthropic structures and practices--resource seeking organizations and institutions--have no interest in being perceived as "biting the hand that feeds them." Thus philanthropy is largely immunized from external critique.

Our nation has recently enjoyed one of the greatest economic expansions in human history. One recent study noted that "[m]ore than 16,200 new foundations were formed between 1980 and 1995, which is over 40 percent of the total number of active grant making foundations.ⁱⁱⁱ New amazing levels of wealth have been amassed. There is a new burst of resources and energy finding its way into the world of philanthropy. Young venture capitalists with huge fortunes and the cache of those involved in technology and/or inheritors of wealth from their parents (over the next few years it is estimated that between \$7 and \$8 trillion dollars will pass from one generation to the next^{iv}) are looking at the world around them and seeking ways to deploy their resources. Using entrepreneurial models grounded in capitalist practice and theory, they are increasingly resorting to virtual sources of information about the world of non-profit organizations. The Internet provides ready means for the creation of new philanthropies on-line and for the giving of funds to organizations deemed worthy. They are eager to encourage the non-profit institutions that they support to engage in entrepreneurial and income and fee generating activities to achieve charitable aims.

Some of the leaders of these new philanthropies talk unabashedly about the need to use market models to assess the value of non-profit activities and aims. In the much talked about 1997 *Harvard Business Review* article entitled, "Virtuous Capital: What Foundations Can Learn From Venture Capital" the authors urge foundations to borrow six strategies from venture capitalists: deploying risk management tools, creating performance measures, developing close relationships with their investments, investing more money, investing over time, and developing an exit strategy. The question of the applicability of business models to non-profit activity and of donor influence over donee activities has become a lightning rod. Says one commentator in a Committee for Responsive Philanthropy article,

Part of the model as it's presented is that the venture philanthropist does get very involved with the organization so they can bring in their expertise—which is great...But with that expertise comes an amount of control...Put another way, is it really going to be helpful to have donors with little or no nonprofit experience moonlighting for the organizations they fund?^v

I have high hopes for the good that many of these new philanthropists will do. Their exuberance, great aspirations, occasional brashness, excitement, and non-conventionality will doubtless contribute in fresh ways to the non-profit sector of which they are a part.

But underneath both the "old" and the "new" philanthropy, underneath all of the changes in form, in the donor pool, in structures, and even in dominant ideology, lies a core of important challenges, timeless and

reoccurring, that cry out for attention. These enduring challenges are as relevant to the new philanthropy of today and tomorrow as they were to the old philanthropy of yesterday.

Let us think together about some of these challenges and their implications for the design plan for foundations, specifically, and the non-profit sector, more generally.

The Challenge to Be More Transparent

The first challenge is what I call the challenge to be more transparent, or open or accessible to those who wish to know more about the whys and wherefores of philanthropic practice, policy and structure. As one author puts it, "Transparency does not happen accidentally; it arises from the decision to be fully accountable."^{vi} I would ask accountable to whom?

Many foundations and those at their helm have an "instrumental view" of their role. That is, they say that what matters is not who funded a particular non-profit or activities, but rather, what the institutions that receive the support do. Some foundations discourage donees from publicly disclosing the sources of their support, and most have relatively small public information or public relations offices, if any.

Of course, within the world of philanthropy itself the tradition is quite different. Their awards are given for sterling philanthropic practices, and institutions vie for recognition as leaders in particular areas or fields. Individuals seek recognition for good work as a means of advancing careers. Executives promote pride among board members by pointing to the important impacts of the work in which their institutions are involved. However, externally, the downside of this eschewing of the public or media limelight by foundations is that the public remains largely uninformed about who is making the funding decisions and how those decisions are being made. It is difficult to hold philanthropies accountable when their activities are below the radar screen.

In periods of declining public fund availabilities for social welfare and other pressing purposes, governmental officials often point to the non-profit sector and assert that it will take up the slack or alleviate the suffering caused by public funding reductions. Occasionally, newspapers will quote a few foundation leaders who dispute such assertions. But more often than not, a false public perception is created that cuts can be made without serious consequences on the well being of dependent groups because foundations and other non-profits can "make up the difference." In an era of conservative political ascendancy and limited support for an expansive social welfare state, philanthropic institutions would serve the public interest better were they to become more visibly involved in educating the public about who they are, what they do, and their limits.

To be sure there are strictures that philanthropic institutions and the non-profit sector must observe related to being non-partisan and not supporting lobbying activities in major ways. A fine balance must be struck, of course, between inviting incursions by governmental and other politicizing influence into philanthropic activities and operations and maintaining the independence and freedom from which much creativity

springs. Nevertheless, I believe that one of the timeless challenges that the world of philanthropy should address more fulsomely is how to balance the desire for independence with the need to use institutional power effectively to engage the public and ensure that the best decisions about important issues of public policy and well being are made.

The Challenge to Be More Representative

We live in a nation and world of growing racial, ethnic and class diversity. Our country itself is undergoing a demographic sea change. Within a few short years, the United States will be a “majority minority” country that will have to place increasing reliance on sons and daughters of immigrants who hail from distant points of the globe and low income African Americans and other groups to constitute much of the productive engine of national economic growth.

Wealth inequality in our nation is growing, not decreasing. A disproportionate share of national wealth is concentrated in the hands of the few. In the United States, one percent of the population owns about 40 percent of the wealth. Put differently, in the 1990s, “[t]he bottom 20 percent of the population in the United States received less than 5 percent of the nation’s total income while the top 20 percent received over 45 percent of the nation’s income. The United States’ income disparities were among the largest in the world in the 1990s.”^{vii}

Even as we celebrate the growth in philanthropic giving, we need to be mindful that this growth is a reflection of wealth and income inequality. Is it a positive thing that the disparities in wealth and wellbeing are growing in America? Is it a good thing to have more philanthropies whose governors and staff see the market as the primary means by which resources should be allocated? Is it a good thing to have the new venture capitalists/philanthropists in functional control of the institutions that they fund?

Contrary to perception, the world of philanthropy is still largely dominated by people of European descent. There are few Blacks, Latinos, or Asians at the helm of the nation’s foundations as members of governing boards or executive staff. Recent survey data from the Council on Foundations indicates that 90 percent of all foundation board members and 84 percent of all full time paid professional staff are White.^{viii} While many philanthropic institutions have become feminized in terms of staffing and White women have begun to achieve deserved leadership positions, there is still a long way to go and minority group women lag significantly behind their White female counterparts in securing leadership or staff positions. Is there cause for concern when the color and class lines in philanthropy are so apparent? Should decisions about whose needs are to be met first, what policies and research should be advanced rest so heavily in unrepresentative hands? Will this contribute ill or good to efforts to deepen civic participation, consolidate, preserve and expand democratic values and legitimate a thriving non-profit sector? There is an old saying “You don’t know what you don’t know.” Do we believe that there is real value in having experience, class and race borne diversity reflected in philanthropy?

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The early design plan for philanthropy was not concerned with diversity at any level. This has begun to change with all deliberate speed. To my mind, much more needs to be done. The strength of the philanthropic enterprise will increasingly revolve around its ability to adapt the design plan to a more open, more diverse American people who seek to embed in all sectors of society, public, private and non-profit, a real substantive commitment to *e pluribus unum*. At a time when global dangers grow, attentiveness to strengthening our national sense of shared destiny and fortune is a challenge to which we dare not give short or formulaic shrift.

The Challenge to Adapt to Globalization

We live in a world in which technology is fuelling globalization of national economies. Multinational businesses in primary pursuit of maximum profits move from one city to another, one state to another, one nation to another, reinforcing even within and certainly among nations a culture of competition for money and resources. This market-driven movement of resources does not promote cooperation for common and shared economic advancement of *all* members of the community of nations and their many peoples. Developments in Argentina or Japan really do influence the dynamics of wealth accumulation, patterns of giving, perceptions of priorities and economic well being in the United States. International institutions are increasingly involved in activities that affect previously nationally focused efforts to address problems and meet needs. Transnational movements related to environment, the divide between rich and poor, developed and developing nations, international human rights, women's rights, crime and terrorism are growing by leaps and bounds. What are the implications of these developments on philanthropy?

Globalization is not new in the sense that the world around us has always been shaped by the movement of peoples, goods, resources and conflicts among nations. But the scale, pace and nature of the change wrought by the revolution in technology has created a world of the 21st century that puts such matters and trends into bold relief. How can philanthropies that reflect to varying degrees the intentions of founding donors long departed or whose current leadership have little international experience or cache respond to the many issues presented by the growing inequality between and among nations and peoples? Is there a need for these institutions of philanthropy to develop new structures and strategies to work effectively on matters of global reach? How can philanthropies gain the knowledge and expertise needed to influence the dynamics or even discourse among nations about trade, aid, development, global capitalism or human rights? Given the link between philanthropy and wealth in our nation, will leaders be willing to take the hard look at economic forces and practices that are creating "losers" as well as "winners" around the world?

The challenge to become bigger than ourselves, to reach beyond our comfort or experiential zone, is a constant challenge to which philanthropies are now called with new urgency to respond.

The Challenge to Collaborate

Foundations and other forms of philanthropy have discrete identities, histories, goals and capacities of which they are each proud. On some *sub rosa* level, their leaders compete with one another. Few have any

staff whose purpose it is to work primarily and over time with brother and sister philanthropies and merge resources and credit to achieve agreed upon and shared goals. Most recognize the value of collaboration and joint planning and funding efforts since few have all of the resources they wish to have to optimize the impact of their work in particular areas. However, while all speak to grantseekers about cooperation with like-minded organizations and opine about the benefits of partnerships and sharing, there are not enough, truth-told, partnerships and collaborative activities among donors. And given the inclinations evidenced to date of new philanthropists to chart separate and individualized courses, there is little to suggest that finding ways to collaborate will become any easier in the time that lies ahead.

But the scale of problems with which philanthropies are being called to grapple and their very complexity suggest that the design plan for each going its own way needs to be rethought. New structures and approaches to shared planning, learning, leadership and problem solving are needed if the challenges of today and tomorrow are to be met. The challenge to collaborate runs contrary to the desire of donors for blank slates on which to write with inspired and highly individualistic pens. Still we ignore the question of how to work more effectively across the philanthropic sector as a whole to our collective detriment.

The Challenge to Lead on Issues of Social Justice and Inequality

In a piece called, “The Seven Deadly Myths of the U.S. Nonprofit Sector,”^x Dr. Emmett Carson raises a set of important issues. He notes that although some philanthropic institutions have played, especially in recent years, an important role in supporting efforts by unpopular groups to effect needed social change, by and large, donor institutions, as a group, have lagged behind the major social change movements of the day. In a separate piece, Dr. Carson remarks:

It appears that progress on social justice is most likely to occur when foundations support the social justice efforts initiated by culture-specific groups after they have gained sufficient public support. Stated differently, it is only when culture-specific groups pursue their social justice agendas long enough and publicly enough to have them become acceptable to the broader public that foundations appear to become willing to support their activities.^x

Most foundations did not support efforts by African Americans or women to secure the full measure of their civil and political rights during the heyday of the civil rights or women's rights movements. Few support such advocacy, litigation, public policy or other such related activities today. Most did not and do not engage in work related to school finance reform or other issues that go fundamentally to the way in which public funds are used to confer differential benefits of discrete sub groups of Americans. Few are concerned about helping the enormous influx of new immigrants find their way in their new adopted country. Most donors, especially corporate donors about whom I have thus far said little explicitly, are adverse to supporting any activity that might be construed by potential clients or consumers as contentious or controversial. Questions related to international human rights, the environment, development and other such matters are on the agenda only of a very few. Even in relation to peace and international security,

matters at the forefront of every Americans' concerns today and related questions of civil and constitutional rights, few foundations have stepped up to the funding plate to promote probing debate and deepen understanding about what is at stake.

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I am not here to be overly critical of what donors are supporting. Please do not misconstrue the intent of this point. Working on improving education, supporting the activities of faith-based entities or the arts or youth related programs are important and valuable. But I am suggesting that the faultlines that our society and world are facing, the fault-lines of gross disparities in wealth and development within and outside of our country, of conflict and war and human rights violations, of environmental degradation or putting brakes on corporate excesses or crime and imprisonment or child poverty are by and large areas of limited philanthropic engagement. This needs to change if we are to reap the full benefit of having a large philanthropic sector.

Where will the leadership come from within the world of philanthropy to tackle the most vexatious issues of today and tomorrow? From what ranks are boards of philanthropic entities looking for leaders with wide-angle lens visions of how to use resources for maximum impact? What premium is put on courage, on the willingness to step out in service of unpopular causes, or to take on matters for which there are few clear, uncontentious answers?

In closing, let me return to the metaphor of our design plan for philanthropy. I think that we have a solid design for foundations, but it needs renovation. The basic structure is sound, but more needs to be done.

The only constant in our world is change. Old and new challenges lie ahead. With the intelligence, resources, ingenuity and creativity that reposes in the diverse world of philanthropy, we have the supplies and tools that we need to erect more sturdy design plans and structures to serve our nation well in the difficult times that lie ahead. As you listened to my presentation, I hope that you identified things that you can do to initiate the reconstruction process. Together, let us marshal the will to build a new philanthropy that meets timeless challenges in sparkling, creative and effective ways.

ⁱ Keppel, Frederick P., *The Foundation: Its Place in American Life* (New York: The Macmillan Company, 1930).

ⁱⁱ Keppel at 18.

ⁱⁱⁱ Clotfelter, Charles T., and Thomas Ehrlich, eds. *Philanthropy and the Nonprofit Sector* (Bloomington, Indiana: Indiana University Press, 1999), 19.

^{iv} Colhoun, Alexander, "Holding Charities to a Higher Standard" (published online by the Christian Science Monitor at www.csmonitor.com/durable/1999/12/06/p16s1.htm, 2002).

^v Carlson, Neil F., "But is it Smart Money? Nonprofits Question the Value of Venture Philanthropy" (published online by the National Committee for Responsive Philanthropy at: www.ncrp.org/articles/rp/00spring/smartmoney.html, 2002).

^{vi} Taylor, H. Art, "The Accountability Challenge for Charities" (published online at: www.give.org/news/accountability.asp, 2002).

^{vii} Comparative Human Relations Initiative, *Beyond Racism: Overview Report* (Atlanta, Georgia: The Southern Education Foundation, Inc., 2000).

^{viii} "Foundation Management Report," Eighth Edition (Washington, DC: Council on Foundations, 1996), 73-74 and 159-160.

^{ix} Hamilton, C., L. Huntley, N. Alexander, A Guimarães, and W. James, eds., *Beyond Racism, Race and Inequality in Brazil, South Africa, and the United States* (Boulder, CO: Lynne Rienner Publishers, Inc., 2001).

^x Clotfelter and Ehrlich at 250.