

New Money, New Demands

The Impact of the Venture Philanthropist

Michael Wolfe

Director of Advancement, Stanstead College, Stanstead, Quebec
Formerly Vice-President, Development, Canadian Museum of Civilization



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Contents

Abstract	5
Introduction	7
Fundraising and Philanthropy: An Overview	10
The Origins of Venture Philanthropy	16
Traditional Philanthropy.....	21
John D. Rockefeller, Sr.	23
Conclusions	30
Bibliography	38

Abstract

This paper examines the origins, impact and future of venture philanthropy. After an overview of the current state of philanthropy in North America and a brief discussion of some of the key sectoral trends that are important in fundraising, the author discusses the history, meaning and motivations behind venture philanthropy in order to determine what inspires philanthropic donors in their choice of charitable contributions. Historically, the style of giving practiced by John D. Rockefeller, Sr., set the example for the established model of philanthropy in the Industrial Age; this model continues to dominate the charitable world, emphasizing altruistic giving, community-building and appropriate but limited donor engagement. Understanding this mainstream philanthropic approach also helps to position today's venture philanthropy model along a broader continuum, thus allowing realistic evaluation of its strengths and weaknesses. The paper concludes with a number of suggestions for the future of traditional charities and the venture philanthropy movement.

The future is here today. But we have to learn to see it.
The future leaves tracks in the present.

HAROLD HODGKINSON

Introduction

The late twentieth century was a time of unparalleled wealth creation in North America. Between 1985 and 2000, the number of billionaires grew from thirteen to more than four hundred while the number of millionaires rose to over seven million.¹ Many of the beneficiaries of the new global economy were the owners of high-technology businesses and their stock-rich employees, who had suddenly and often at a relatively young age, amassed enormous personal fortunes. Having secured their own financial future, some of the newly wealthy turned their attention to philanthropic activities – in which, however, they sought to transform philanthropy by applying to charitable endeavours the same tenets that they believed had contributed to their success in business.

This new breed of “venture philanthropists” challenged the traditional relationship that had existed for decades between charities and donors. Their bottom-line focus began to influence the mindset of even small givers, and began to change the way in which many foundations, charities and other voluntary sector organizations pursued, received and used charitable donations. Younger and closer to media-style entrepreneurs than to the older model of patrician donors, venture philanthropists viewed the traditional methods of giving as ineffective, inefficient and in need of alteration. They demanded increased involvement with the charities they supported, a quantitative form of accountability in connection with the programs they underwrote and a tangible return on their philanthropic investment. By embracing a new approach to giving based on many of the principles of venture capitalism, they sought to change the way in which billions of charitable dollars were invested throughout the voluntary sector.

A number of venture philanthropists were publicly critical of the mainstream style of professional philanthropy established by the corporate tycoons of the previous century

¹ Phillips, *Wealth and Democracy*, 114. Just seventeen years after *Forbes* magazine began listing the 400 wealthiest Americans, the largest individual fortune in the United States climbed from \$2 billion (in 1982) to \$85 billion. In 2000 there were 10,000 American families with a net worth of at least \$65 million and 25,000 families with a net worth of at least \$10 million.

most notably by Andrew Carnegie and John D. Rockefeller, Sr. Their rejection of old-style giving elicited a counter-reaction from veteran foundation and nonprofit leaders, who rebuked the venture philanthropists for being less generous than their “Robber Baron” predecessors and insensitive to the complexities of the modern nonprofit environment. As the debate gathered momentum, it generated extensive media attention. Many prominent magazines and newspapers including *Time*, *Newsweek*, *Fortune* and the *New York Times* published stories about venture philanthropists and their efforts to revolutionize grant-making. To its high-tech advocates, venture philanthropy had become the “shibboleth of enlightened giving”³ and the undisputed future of philanthropy. To the adherents of traditional philanthropy, venture philanthropy appeared to be a passing fad built on “misguided hubris.”⁴

More recently, the precipitous fall in the value of many high-tech stocks and the complexities of the not-for-profit sector have combined to limit the scope of venture philanthropy. However, it is too early to dismiss it as a failure. Although still relatively small in terms of total contributed dollars, venture philanthropy is worthy of further investigation because it continues to influence philanthropic behaviour and practices. Moreover, it represents significant new resources and perspectives for the voluntary sector.

The challenges currently faced by the voluntary sector are considerable. Greater competition, shrinking budgets, reduced government appropriations, rapidly changing social needs, conflicting values and increasing public scrutiny have become the new reality. Over time, these challenges are almost certain to intensify. It will no longer be sufficient for charitable organizations to simply update their missions, develop new programs or improve their problem solving skills. Success will depend upon the voluntary sector’s ability to respond to change with new thinking, new structures and new links to resources.

Venture philanthropists have already had an impact on the way in which many charitable organizations receive and utilize a portion of their private funding. More importantly,

³ Carlson, “But is it Smart Money?” *Responsive Philanthropy* (Spring 2000), 2.

⁴ Ibid.

they have the potential to positively affect the future of the voluntary sector if they can be properly engaged, directed and stewarded. It will behoove charities and foundations to work with, rather than against this emerging group of donors to create a model for philanthropy that can effectively meet the challenges of the coming decades.

This paper examines the origins, impact and future of venture philanthropy. After an overview of philanthropy's current state in North America and a brief discussion of some of the key sectoral trends that are important to fundraisers, the author discusses the history, meaning and motivations behind venture philanthropy in order to determine what inspires philanthropic donors in their choice of charitable contributions.

Historically, John D. Rockefeller, Sr.'s traditional style of charitable giving set a leading example for the established model of philanthropy that grew out of the Industrial Age, and which continues to dominate the charitable world. Rockefeller's example highlights the importance of altruistic giving, community building and appropriate donor engagement. Understanding the mainstream approach also helps to position today's venture philanthropy model along a broader continuum, thus allowing realistic evaluation of its strengths and weaknesses. The paper concludes with a number of suggestions for the future both of traditional charities and of the venture philanthropy movement.

Fundraising and Philanthropy: An Overview

The current philanthropic marketplace presents voluntary sector organizations with a host of opportunities and challenges. Certainly the job of raising funds has never been more complex. A number of factors are responsible. First, the competition for charitable dollars has become increasingly intense. In Canada alone, there are approximately 77,000 registered charities and 100,000 nonprofit organizations, an increase of almost 25 percent since 1989.⁵ Second, the current economic downturn poses a significant threat to fundraising today and in the years ahead. Turbulent economic times have historically resulted in decreased giving from foundations and from the corporate sector. Likewise, statistics show that individual giving levels off during periods of economic instability.

Because so many companies aggressively publicize their activities in the voluntary sector, it is often assumed that the corporate sector provides a large share of the funds contributed to charity. In fact, corporate giving represents the smallest single source for philanthropy, less than five percent of total contributions.⁶ Some corporate leaders believe that the only purpose of business is to earn profits, and that it has no part to play in supporting nonprofits.⁷ Others are committed to philanthropy, but faced with myriad financial and global challenges, many have concluded that they must tie charitable giving to their corporate bottom line.

During the recession of the early 1990s, a number of companies began to explore ways of stretching the value of their cash gifts. The resulting approach, called “strategic philanthropy,” was used to determine charitable priorities based on a set of principles closely related to the company’s long-term business interests. The practice has continued, and many corporations apply strategic criteria to ensure that any philanthropic investment is integrated with their corporate objectives. A notable example was the highly publicized decision by Nortel Networks two years ago to withdraw its support for the United Way in

⁵ “Innovative Relationships,” *Ketchum Philanthropic Trends* [hereinafter “Ketchum”] (Spring 2002) 2.

⁶ *Ibid.*, 9. See also *Giving USA 2002*, 20.

⁷ Friedman, 30.

order to focus its donations on high-tech education in alignment with its business objectives.⁸

Many companies nowadays conduct internal audits concerning their donation and sponsorship practices, in order to evaluate how corporate giving can be more accountable to employee wishes. Investors Group, one of Canada's most generous national corporate entities, recently surveyed over 3,400 of its clients and employees about its charitable priorities.⁹ The results of the survey led the company to revise its philanthropic approach so as to provide greater support to projects that would directly benefit local organizations.

As a consequence, unrestricted corporate giving has becoming increasingly rare. The same companies that could be counted on to support a wide range of causes a few years ago are either reducing their philanthropic activity or restricting their giving to the communities they directly serve, or to other targeted interests. According to Ted Garrad, Vice-President–External at the University of Western Ontario, “Companies may be experiencing further retrenchment and will have to justify charitable giving more so than in the past and look for opportunities offering maximum benefits.”¹⁰

Like corporations, a number of prominent foundations in North America are re-evaluating their giving policies in response to prevailing economic conditions and evolving community needs. For example, a significant group of large foundations – including the J. W. McConnell Family Foundation – made the transition from funding major building and equipment needs in the 1980s and early 1990s, to investing in human capital and programs in the late 1990s.¹¹ There is now a strong trend of foundation support for community building initiatives and longer-term relationships with recipient organizations. Foundation giving in Canada and the United States continues to rise, but

⁸ Baillie and Golden, *Globe and Mail*, 5 February 2002, A15.

⁹ “Canadians Favour Local Initiatives” (Investors Group, 4 April 2002), 1. A recent Ipsos-Reid survey found that 77 percent of Canadian respondents wanted corporate charitable donations to go to local initiatives rather than to major national programs.

¹⁰ “Philanthropy in a Troubled Economy” *Ketchum* (Fall–Winter 2001), 4.

¹¹ “Foundation Giving Sector Profile,” *Ketchum* (Spring 2000), 15.

may soon be negatively affected by a decline in earnings brought about by the weakened economy.

In fundraising, individuals are the silent majority. Of all receipted gifts in Canada and the United States, individual donors account for 75 and 77 percent, respectively. In Canada, individual donations totaled \$5.4 billion in 2000. Of this amount, half was directed to religious organizations. The remainder amounted to one billion dollars more than the total received from the corporate and foundation sources combined.¹²

Overall, charitable giving in the United States fell in 2001 by 2.3 percent to \$212 billion. Foundation giving rose by 2.5 percent, but donations from individuals dropped by 1.7 percent. Corporate giving experienced the largest decline of any category, plunging by 14.5 percent.¹³ The recent Enron and Worldcom financial debacles will undoubtedly lead to further reductions in 2002.

While it is too early to fully determine the long-term repercussions that the recent recession will have on donations from private sources in general, and from venture philanthropists in particular, the downturn of the stock market has already caused individual and corporate support to wane. For example, in 2001 gifts of bequests by individuals in the United States fell by 7.1 percent.¹⁴ As many bequests are made up of large stock portfolios, the market crash diminished the value of many estate gifts. Despite current economic conditions, the pool of potential donors remains large. There are twice as many millionaires in the United States as there were five years ago.¹⁵ A survey of 200,000 Canadian millionaires (excluding the 10,000 elite family fortunes at the very top of the financial scale) revealed that only 10 percent were involved in volunteer charitable activity; yet almost 90 percent of the respondents indicated that their wealth would one

¹² See “Innovative Relationships,” 5. Religious organizations continue to receive approximately 50% of all individual donations in both Canada and the United States. In Canada, the health sector receives 20% of individual donations, social services 10%, philanthropy and voluntarism 8%, education and research 5% and culture and recreation 3%. In the United States, individuals contributed a total of \$160.7 billion in 2001 – again with 50% devoted to religious causes.

¹³ Lewis, “Charitable Giving Slides,” *Chronicle of Philanthropy*, 27 June 2002, 2.

¹⁴ *Ibid.*

¹⁵ “Are You Prepared for the Donors in Your Future?” *Advancing Philanthropy* (May–June 2002), 21.

day allow them to help others.¹⁶ Clearly a significant opportunity exists for fundraisers and nonprofit leaders in both Canada and the United States to engage the interest of these wealthy individuals.

Venture philanthropy's growth rate appears to have slowed considerably, but the trend continues to be felt in spite of the uncertain economic climate. In 2001, the 42 most active US venture philanthropy grantmakers established their total capitalization at just over \$400 million and disbursed nearly \$50 million to charity.¹⁷ Since its inception in 2000, Social Venture Partners – Canada's first venture philanthropy organization – has grown to fifty partners and has invested \$148,000 in programs related to youth, poverty and education.¹⁸ The number of resources that are emerging, even with the current economic recession, "is sufficiently large that the way the money is ultimately allocated will have a significant effect on what our society will look like."¹⁹

Perhaps the most encouraging news for fundraisers and charities is the impending intergenerational transfer of wealth during the twenty-first century. Depending on economic growth rates, indications are that \$40 to \$136 trillion will migrate between generations over the next fifty years.²⁰ It is anticipated that a large portion of the money, in combined lifetime giving and charitable bequests, will be directed to charities. Estimates range from a low of \$6 trillion to a high of \$50.6 trillion by 2052.²¹ The sheer size of the transfer and the anticipated distribution of the proceeds into literally thousands of small and medium sized foundations could change the face of philanthropy. Even at the low end, the transfer may unleash unprecedented new levels of financial resources within the voluntary sector.

The contraction of the economy has made raising money for charities more difficult but the prospect of shrinking resources has not slowed acquisition efforts by not-for-profit fundraisers. Most charities expect to raise almost as much money in 2002 as they did in

¹⁶ "Individual Giving Sector Profile," *Ketchum* (Spring 2000), 11.

¹⁷ Paulson, 1.

¹⁸ "Innovative Relationships," 8.

¹⁹ Strom, *New York Times*, 27 April 2002, A12.

²⁰ Ibid. See also "Are You Prepared . . .?" 17.

²¹ Reis, "Venture Philanthropy," 2.

2001, and few have cancelled or postponed major campaigns or dramatically downsized contributed revenue objectives. Most agree that donors will consider major gift appeals with even greater care and that charities will need to experiment with new and innovative approaches to philanthropy to generate the desired results.

In these circumstances, fundraisers must develop effective strategies to rejuvenate the vitality, relevance and position of their organizations in the community. They must look internally, as well as externally, for ways to achieve this objective. Connecting with individual donors therefore, is paramount. Reaching this fragmented group, however, is a significant challenge – a challenge made more difficult by the growing divide separating two of the most prominent groups of philanthropists.

First, there are the traditional philanthropists, whose altruistic donations are often anonymous and typically selfless. Whether the gift comes from a foundation, a living donor or a posthumous bequest, the donation says, in effect, “I give this to you without expecting anything specific in return from you.” For decades, this altruistic sentiment has been the conventional driver of charitable fundraising strategies. It is also the law: the Canada Customs and Revenue Agency (CCRA) and the US Internal Revenue Service (IRS) both explicitly state that a charitable donation is one that is made without expectation of return.²²

It is important to note that during the twentieth century, foundations have habitually made grants to nonprofits for specific programs, encouraging innovation as the prospective recipients competed for funding. Traditionally, the involvement of foundations with the nonprofit has been as minimal as simply signing the cheque, or has extended to the provision of technical assistance and input concerning program management. “Whatever the level of involvement, foundations typically have not intervened in the daily operations of the nonprofits they fund, nor have they concerned

²² The pure definition described here is admittedly somewhat simplistic, as philanthropy is rarely based on pure altruism. In fact, almost every instance of philanthropy involves the creation of a reciprocal relationship between the donor and the recipient. Donors give for a variety of reasons; but in general, most give because they hope that their “return” will be a better community and society. For very wealthy donors, giving often reinforces their sense of status within the community.

themselves particularly with the organizational capacity of funded organizations.”²³ Their focus has remained fixed on the specific programs that they fund.

In contrast to this detached approach is the newer phenomenon of the venture philanthropist. Venture philanthropists are living donors who choose to have a personal impact on deciding how their money is used by recipient charitable organizations. Their reasons for giving may be as noble and selfless as those of traditional philanthropists; they may have, for example, a connection with a particular charity or, seeing a problem, respond by donating funds to help address it. But venture philanthropists question the efficacy of old-style giving. A recent article in *Forbes Magazine* called them “Darwinian and unsentimental” because of their insistence that organizations they support include them in their daily operations, follow a solid business plan, meet benchmarks and, above all, be held accountable.²⁴

Obviously, only a small fraction of donors have the resources of Microsoft’s Bill Gates, or Pierre Omidyar, the founder of eBay. Nevertheless, the sentiment that drives the venture philanthropy style of donating away from traditional giving is now being mimicked by the large and growing number of potential donors emanating from places like Wall Street, Bay Street and Silicon Valley (South and North).

Consulting programs have even been developed to help prospective donors make the adjustment from traditional philanthropy to venture philanthropy. Paul Brainerd, the inventor of PageMaker software, started Social Venture Partners to teach the newly wealthy how to invest in charities.²⁵ His program became just one of a number that continue to advise mostly younger people on how to plan for philanthropy in the context of sudden wealth.

²³ Collins et al., “Assessing Venture Philanthropy,” 1.

²⁴ Quentin Hardy, “The Radical Philanthropist,” 2; Greenfield, “A New Way of Giving,” 39.

²⁵ Zumwalt, “Next Generation Philanthropic Leadership,” 1.

The Origins of Venture Philanthropy

The term “venture philanthropist,” was originally coined in 1984 by the Peninsula Community Foundation of San Mateo, California.²⁶ It was popularized by Christine Letts, William Ryan and Allen Grossman in their 1997 *Harvard Business Review* article, “Virtuous Capital: What Foundations Can Learn From Venture Capitalists,” which enumerated factors that would inevitably transform the existing model of philanthropy – particularly the sharp decrease in federal government funding for social services that was increasing the demands on nonprofits and the growing influence of the newly wealthy.

The authors criticized traditional foundation philanthropy for its failure to support nonprofit capacity building. They asserted that without funds dedicated to the enhancement of organizational infrastructure, charities would increasingly find themselves unable to effectively implement, manage and sustain the very programs for which they had received funding. Moreover, the short-term approach to grant-making favoured by traditional foundations left nonprofits chronically under funded and obliged continually to fundraise merely to meet their overhead costs. Letts and her co-authors concluded that mainstream foundations were failing to achieve their objectives and that the social impact of their donations was not being fully realized.

As a solution, the authors suggested the adoption of six strategies and techniques used by venture capitalists that would help improve the impact of foundation gifts by shifting attention away from their traditional focus on research and development to the strengthening of organizational capacity. The strategies were:

1. Development of a close relationship between the donor and the recipient

It was suggested that the relationship begin by having the donor conduct “rigorous due diligence” to determine if the recipient was an appropriate venture philanthropy partner. The donor would then adopt a partnership, as opposed to an oversight role and become involved in the governance and management of the organization.

²⁶ “Why Venture Philanthropy?” (Venture Philanthropy Guide.org), 1.

2. Lengthening of the donor-recipient relationship

It was suggested that funding go well beyond the traditional one- to three-year commitment.

3. Increasing the size of the investment

Rather than funding a long list of organizations with smaller, project-centered grants, it was suggested that the focus be on a smaller number of recipients, but that the size of the grants be larger to help cover operating costs.

4. Deploying risk management and accountability

In order to lessen exposure to failure, it was suggested that venture philanthropists fund only a portion of a given project, since not every project would prove to be successful.

5. Insisting on performance measures

Rigorous standards of measurement were suggested, which would provide for more than just a basic accounting of the use of funds and allow for mid-term review and correction.

6. Creation of exit strategies

Venture philanthropists should plan to withdraw their support once the organization was able to sustain itself or had accomplished its mission.²⁷

The article struck a cord with many of the new high-tech billionaires and millionaires, who began to see venture philanthropy as an “antidote to what they felt were the failings of mainstream philanthropy.”²⁸ Despite the billions of dollars invested in philanthropy by charitable foundations over the years, intractable problems such as homelessness, poverty and income inequality had persisted. The existence of the paradox seemed to indicate that conventional charity was not as effective as it could be.

²⁷ Letts et al., “Virtuous Capital,” 36–41.

²⁸ Billitteri, “Venturing a Bet on Giving,” 2.

Advocates of venture philanthropy argued that the unwillingness of traditional philanthropists to provide funding for long-term infrastructure needs was a serious problem. They further contended that the traditional approach failed to demand measurable results and led to a difficult situation whereby even the best organizations were constantly under funded and ineffective. The entrepreneurial principles at the forefront of venture philanthropy appeared to offer a solution to these dilemmas.

An informal venture philanthropy network began to form across North America in many New Economy centres, including Silicon Valley, Seattle, New York, Northern Virginia, Boston, Ottawa and Calgary. The term was used to describe an expansive sphere of activities. Although a precise definition of venture philanthropy has never been universally agreed upon, it is generally accepted that the concept encompassed three common principles that evolved from the “Virtuous Capital” article. These principles were:

1. A “high-engagement,” long-term relationship between the venture philanthropist and the recipient organization, which might include the donor taking a seat on the board of the charity
2. A commitment to strengthen the organizational capacity of voluntary sector organizations with money and management expertise to enhance their capacity to help greater numbers of people with greater effectiveness
3. The use of performance standards developed by both parties, with future support contingent on the realization of mutually determined goals. “Virtuous Capital” had succeeded in stimulating discussion about the efficacy of traditional philanthropy but it was “left it up to the practitioners to implement solutions.”³⁰

To date, the results of the experiments with venture philanthropy have been mixed. For example, in the late 1990s the Roberts Enterprise Development Fund (REDF) of San

³⁰ Carlson, “Smart Money,” 3.

Francisco, one of the first venture philanthropy foundations, decided to help a small nonprofit organization called Asian Neighbourhood Design (AND) by providing it with much-needed capital and managerial expertise for a furniture-making initiative, which employed homeless people. REDF members took director positions on the AND board and worked closely with the organization to strengthen its internal and external operations. Within three years, the REDF hands-on approach had produced impressive and quantifiable results: AND's revenues jumped from \$750,000 to \$5 million, and the furniture business grew from 12 to 60 employees. Eventually, an additional 100 trainees were able to receive on-the-job experience every year.³¹

The Philanthropic Ventures Foundation (PVF) in Oakland, California, provided another example of venture philanthropy at work. PVF created the Teacher Resource Grants program, which provided inexpensive but badly needed school supplies to teachers in its region – supplies that would be useless unless they arrived quickly when the teacher needed them. Using the Internet, PVF notified more than 6,000 teachers that grants of up to \$1,500 would be available for classroom materials, field trips or teacher training courses. The foundation instituted a no-paperwork policy, which freed teachers from the time-consuming process of completing traditional grant application forms. The program also accepted requests by fax, responded with a decision within one hour of receipt and sent cheques within twenty-four hours.³²

In both examples, the foundation's deployment of venture philanthropy practices and principles helped create value for its partners. In reality, not every instance of venture philanthropy lives up to expectations. A case in point was the Community Ventures Fund (CVF) launched in the mid 1990s by the corporate philanthropy wing of pharmaceutical colossus Pfizer Inc. The fund hoped to provide seed money and managerial guidance to a variety of social welfare organizations located in New York City. The financial support was intended to help the agencies develop their own revenue streams to safeguard their financial viability. After merely three years, Pfizer closed down the CVF when it became

³¹ Ibid., 1.

³² Porter and Kramer, "Philanthropy's New Agenda," 127.

evident that many of the recipient organizations simply could not generate the type of revenue results that the Fund had anticipated.³³

In 2000, the Red Hat software company, a leading venture philanthropy proponent, launched the Center for Public Domain Charitable Foundation, with a \$30 million endowment of company stock. At first, the foundation identified its mission as providing public access to open-source software and related technologies. It later changed its focus to trying to “balance the competing demands of private ownership of intellectual property with the public’s access to knowledge.”³⁴ In the midst of shuffling its mandate, the value of the company’s stock plummeted before the pledged shares were formally transferred to the foundation. As a result, its assets retained a value of only \$5 million, forcing the foundation to renege on a number of its commitments, including a \$4-million donation to a Web-based project at the University of North Carolina.³⁵

The inconsistent outcomes of these early attempts at venture philanthropy rekindled the debate about what the fundamental principles of grant-making ought to be. To many outside observers, it appeared that the three main elements of venture philanthropy – building operating capacity, high levels of engagement between donors and recipients and clear performance expectations – were not new creations; in fact they had been the hallmarks of effective philanthropy for nearly a century. The venture philanthropists’ predecessors of the Gilded Age also applied their business acumen to the voluntary sector, and on an even larger and more institutionalized scale – committing billions of dollars to charitable endeavours and transforming the face of philanthropy in North America.

³³ Billitteri, 4.

³⁴ Cohen, “Open Source Fund Shuts Down,” 1.

³⁵ Ibid., 2.

Traditional Philanthropy

While the New Economy of the late twentieth century created enormous fortunes for some, its technological, social and economic ramifications also contributed to a dramatic and worrisome gap between the “haves” and “have-nots.” Similarly, the Old Economy of the late nineteenth century brought exceptional wealth to industrialists like John D. Rockefeller, Sr., and Andrew Carnegie, just as post-Civil War immigration, industrialization and urbanization permanently altered North American communities and gave rise to a host of social ills such as poverty, homelessness, crime, child labour, illiteracy and inadequate health care.

Despite historically incomparable improvements in measures of real income and standards of living, “somehow certain interests in the society had gained inordinate wealth and power while others were being reduced to the brink of destitution despite their hard work and achievement.”³⁶ In fact, not until the final decades of the twentieth century would economic inequality widen as it did during the late nineteenth century. Then as now, “the optimism nurtured by recent economic advances battled pessimism grounded in the hard realities of seemingly intractable social ills.”³⁷

For thousands of years, the Judeo-Christian practice of communal charity – “where giving [was] its own reward” – had formed the foundation of Western charitable activity.³⁸ Until the Industrial Revolution, this practice had seemed to be a sufficient way of responding to social difficulties. By the turn of the twentieth century however, many people had tired of dealing with the symptoms of social ills and began to search for fundamental causes. “Instead of falling back on isolated good deeds, they aspired to a systematic attack on the underpinnings” of those ills.³⁹ The movement’s leading advocates espoused the belief that “social redemption required a new type of cooperative

³⁶ Bird, “The Poor Be Damned,” 166.

³⁷ Putnam, *Bowling Alone* (2000), 381.

³⁸ Brodhead, “New Directions in Foundation Giving,” 3; Bird, “Community Foundations,” 3.

³⁹ Chernow, *Titan* (1998), 381.

activism.”⁴⁰ Organized federations were created to “foster and direct charitable activities” and philanthropy began to shift from a remedial focus to one that was far more concerned with preventive actions.⁴¹

The civic response to the problems of this “Progressive Era” produced what was arguably the most influential and enduring reform movement in North American history. It was during this period that “the organized charity movement became crystallized”⁴² through the founding of most of the significant community institutions that continue to this day to address social issues.

⁴⁰ Putnam, 381.

⁴¹ Bird, “Community Foundations,” 4; Brodhead, “New Directions,” 3.

⁴² Bird, “The Poor Be Damned,” 130.

John D. Rockefeller, Sr.

Like their venture capitalist counterparts, the Robber Barons of the Gilded Age had a checkered history of philanthropic participation in the Progressive Era of reform. The most pernicious example was financier Jay Gould, who contributed essentially nothing to charity. Others like Andrew Carnegie, J. P. Morgan and Lord Strathcona, donated vast amounts of their fortunes to good works that continue to benefit communities across the continent.

John Davison Rockefeller, Sr., was unquestionably the most successful businessman and philanthropist of his day. He made his fortune through the Standard Oil Company, first in kerosene and then in oil, by rationalizing systems of large-scale production and transportation, to become history's first billionaire. His influence not only shaped the global oil industry, but also the course of twentieth-century industrial development and the rise of the modern multinational corporation. "More than anyone else, Rockefeller incarnated the capitalist revolution that followed the Civil War and transformed American life."⁴³

On the philanthropic side, he gave away more money than anyone before him, and his record for generosity has only been recently challenged by Bill Gates.⁴⁴ At the time of his death in 1937 at the age of 98, the Rockefeller Foundation had become the largest grant-making entity on earth, and Rockefeller had "accelerated the shift from personal, ad hoc charity"⁴⁵ to a professionalized form of detached philanthropy that continues to dominate traditional institutional giving to this day.

⁴³ Chernow, xvi.

⁴⁴ Gates has often been compared to Rockefeller. "Both enjoyed a market share of more than 80 percent, made huge investments in research and development, were generous philanthropists, were messianic in their beliefs that their business served the public weal, were not concerned with creature comforts, although they did enjoy extravagant homes" (Ken Auletta "Hard Core," in Remnick, 103).

⁴⁵ Chernow, 676.

Although the scale of his giving would evolve over time, Rockefeller's commitment to philanthropy and to community building predated his financial success. As a teenager, he became a small but steady giver to a variety of charitable causes. The Baptist Church and the Temperance Movement were for many years the most substantial beneficiaries. Much of Rockefeller's life centered on his church, and he came to regard his wealth as "a public trust, not as a private indulgence"⁴⁶ given to him by God for the benefit of mankind. Contrary to popular opinion, he was "acutely concerned" about the negative effects of industrialization and urbanization and approached his charitable work "with extreme gravity."⁴⁷

Rockefeller did not see personal charity as an obligation; it was "his pleasure, his pride, his recreation" and "not something to be left to underlings."⁴⁸ Like the venture philanthropists of more than one century later, he sought to personally investigate all requests before acting upon them, stating that he would not give to any cause "unless I am perfectly satisfied that it is the very best that I can do with the money."⁴⁹

The end of the nineteenth century was marked by the beginning of a tremendous national demand for kerosene, gas and oil that caused an exponential growth in Standard Oil's operations and in Rockefeller's income. It soon became apparent that his customary approach to philanthropy could not keep pace with the sheer magnitude of his fortune. For example, in the first week after the announcement of a large gift to an educational institution, Rockefeller received 15,000 personal letters requesting assistance and another 50,000 by the end of the month.⁵⁰ He simply could not give away money fast enough,

⁴⁶ Ibid., 467. For more on Rockefeller's involvement with the Baptist Church see Yergin, *The Prize*, 49 and Hawke, *John D*, 160.

⁴⁷ Chernow, 237–38.

⁴⁸ Ibid., 302.

⁴⁹ Allan Nevins, *A Study in Power* 1:342.

⁵⁰ Chernow, 300.

and the frustration he experienced as a result led to “a personal crisis more debilitating than anything he had encountered in business.”⁵¹

By the early 1890s, Rockefeller was forced to admit that he could no longer administer his philanthropy himself. “The pressure of these appeals for gifts has become too great for endurance . . . I am so constituted as to be unable to give away money with any satisfaction until I have made the most careful inquiry as to the worthiness of the cause. These investigations are now taking more of my time and energy than the Standard Oil itself. Either I must shift part of the burden, or stop giving entirely. And I cannot do the latter.”⁵²

Rockefeller had been greatly influenced by Andrew Carnegie’s 1889 article “Wealth,” in which Carnegie had asserted that it was the duty of the rich man to get rid of his fortune during his lifetime for the good of the community.⁵³ Likewise, he was impressed by the success of the Carnegie library program, which created 2,800 public libraries worldwide. Although it took many years to implement, Rockefeller realized that he would have to learn to deal with the scale of his wealth by donating money in a broader, more systematic manner. There were too many worthwhile causes; and even though he wanted to retain personal supervision of his giving, he also “wanted to avoid a breakdown.”⁵⁴

The strain of his business and the torrent of charitable appeals soon took their toll, and Rockefeller’s health began to deteriorate dramatically. Enervated by the crisis, he took two important steps. First, he hired Frederick Gates, a retired Baptist minister, to lead the effort of bringing order and structure to his charitable work. The second step, taken in 1897, was to retire from Standard Oil. Although he had not yet reached sixty years of age, Rockefeller gave up the leadership of the company to devote himself to the administration of his fortune and its application to philanthropy. Rockefeller’s absence from the day-to-day management of Standard Oil would not adversely affect his income.

⁵¹ Ibid.

⁵² Ibid., 321.

⁵³ Hacker, *The World of Andrew Carnegie*, 358.

⁵⁴ Chernow, 300. Rockefeller’s annual charitable giving increased from \$123,592 in 1889 to \$2,474,515 in 1900; by 1910, it had risen to \$71,453,231 (Hawke, 193, 224).

And despite federal anti-trust legislation in the early decades of the twentieth century, his personal fortune continued to grow at a fantastic rate and he was soon recognized, much to his consternation, as the world's richest man.⁵⁵

By the turn of the twentieth century, Rockefeller had begun to pour enormous amounts of money into far-reaching philanthropic undertakings, which focused on prevention rather than relief. In 1910, through an initial investment of \$50 million of Standard Oil stock, he created the Rockefeller Foundation.⁵⁶ Rockefeller did not invent the idea of a benevolent foundation – a few other wealthy Americans, including Benjamin Franklin, had established such trusts years before – but his generosity meant that his foundation could function on a scale that was unprecedented in history.

Directed by a board of “competent trustees for the public weal,”⁵⁷ rather than just family members, the foundation transformed the old-style practice of isolated, parochial and denominational giving into a more modern brand of philanthropy that supported influential projects at expansive institutions such as universities, research institutes and schools for minorities. By the 1920s the Rockefeller Foundation had become the largest grant-making foundation on earth and America's leading sponsor of medical science, education and public health.

The foundation's early programs accomplished a great deal and bred a multitude of imitators. For example, funding in 1910 for a hookworm eradication program in the Southern states helped to cure quickly and inexpensively more than 500,000 people who had suffered from chronic anaemia. Ultimately the program treated millions of patients in 52 different countries and proved to be one of the most effective early examples of a “campaign against a wide spread disabling disease which medical science and philanthropy had ever combined to conduct.”⁵⁸

⁵⁵ Yergin, 99. Recognition as the world's richest man meant nothing to Rockefeller. “I dislike being characterized that way. Wealth isn't a distinction. If I have no other achievement to my credit than the accumulation of wealth, then I have made a poor job at my life” (Hawke, 218).

⁵⁶ Hawke, 222.

⁵⁷ Chernow, 563.

⁵⁸ *Ibid.*, 491.

The Rockefeller Institute for Medical Research was the first North American institute to subsidize full-time research into biomedicine, and it produced so many imitators that it eventually felt obliged to evolve from a research centre into a specialized medical university. In what was considered at the time to be a revolutionary step, Rockefeller had insisted that practicing scientists, as opposed to lay trustees, be appointed to the board and left in charge of expenditures.⁵⁹

The Rockefeller Foundation was also the first philanthropic institution to underwrite large-scale medical education initiatives, and did much to standardize what had been a notoriously inconsistent and negligent educational process. The foundation's initial investigations in 1910 revealed that only 23 of the 155 medical schools in Canada and the United States required more than a high-school education for entry.⁶⁰ Most were also woefully under-equipped and under-staffed. Schools that wished to receive foundation grants had to upgrade their entrance standards, institute four-year programs and adopt a full-time teaching approach. Over a thirty-year period, the Rockefeller Foundation spent today's equivalent of more than \$1 billion to instill a scientific approach to medical education and to end "the dark ages of medicine in North America."⁶¹

Although Rockefeller left behind a contradictory personal legacy,⁶² his impact on the voluntary sector was unquestionably positive. During his lifetime he contributed billions of dollars to philanthropic causes, and established the promotion of knowledge, "especially scientific knowledge, as a task no less important than giving alms to the poor or building schools, hospitals and museums."⁶³ In addition to accelerating and popularizing the transition from narrow denominational giving to more widespread secular and ecumenical causes, one of the most important legacies that Rockefeller bequeathed to philanthropy was the example of making of large, unrestricted contributions that struck at the source of a problem and benefited many, as opposed to

⁵⁹ Ibid., 472.

⁶⁰ Ibid., 492.

⁶¹ Ibid.

⁶² Ibid., 467. Chernow writes that the public saw two Rockefellers, "the good, religious man and the renegade businessman, driven by baser motives." Hawke believed that the press crucified Rockefeller "largely for the sins of others" and used him like "a lightning rod, deflecting discontent with the system and the conditions it had bred away from the system itself to himself" (*John D*, 221).

⁶³ Ibid., 676.

smaller, isolated gifts that impacted fewer people.⁶⁴ This form of philanthropy remains as the lifeblood for most charitable organizations in the twentieth century.

Rockefeller was guided in his philanthropy by key principles drawn from his religious involvement and from the world of business. While many of these principles were similar to the three tenets that today's venture philanthropists have espoused, there were also some notable differences.

Like the venture philanthropists, Rockefeller possessed an intense personal interest in the charitable enterprises that he chose to fund and it was not unusual for him to directly monitor their progress. Yet, in contrast to the venture philanthropists, he took pains to distance himself from involvement in the day-to-day operations of the organizations he supported, including his own foundation. Ideally, it was his intention that philanthropists should help charities to create beneficial projects, but then leave them to carry out their work "totally independent of him."⁶⁵

Despite charitable contributions of hundreds of millions of dollars to numerous institutions, Rockefeller rarely visited their sites, typically declined invitations to attend their public events and seldom, if ever, met with their boards of directors. This discreet behaviour contrasted sharply with the involvement and expectation of recognition of other philanthropists of the era, and of today. Thus, Rockefeller established the concept of "the patron as founder, not owner or overseer, of his creation."⁶⁶

In judging the efficacy of his not-for-profit initiatives, Rockefeller shared some of the "Darwinian" attitudes of today's venture philanthropists. He was determined to avoid

⁶⁴ Ibid., 238.

⁶⁵ Ibid., 496.

⁶⁶ Ibid., 497. Rockefeller gave nearly \$1 billion to the University of Chicago but only visited the campus three times. He gave hundreds of millions of dollars to the Rockefeller Institute for Medical Research (now the Rockefeller University) but only visited it once. He gave up his founders' right to make donations from the Rockefeller Foundation in 1917. Frederick Gates highlighted the difference between Rockefeller and his contemporaries in the area of philanthropy observing: "Mr. Carnegie is, I believe, a member of every board which he creates and of course, the managing member. Mr. Clark, who founded Clark University, undisguisedly and notoriously ran the institution until his death. Mr. Stanford died soon after designating his property for the Leland Stanford, Jr. University. His wife however, took up the reins and openly conducted the University for years demanding openly the dismissal of professors uncongenial to her and supervising every detail of administration."

giving recipient organizations a false sense of security through his contributions. Rather than putting restrictions on his donations, he attempted to develop organizational capacity and sustainability by providing large gifts that would allow institutions to get started, compete and hopefully outgrow his support, but not lead to an excessive dependency on his largesse. This slow, measured and fiscally responsible pattern of development was considered to be “a classic Rockefeller move.”⁶⁷

His reluctance to buttress weak organizations helped motivate his recipients to develop their own fundraising capabilities. This meshed with Rockefeller’s belief that his pace-setting philanthropy would engender similar and proportionate actions from others, and thus stimulate local communities to share in, and assist with, the financial support of their own social service institutions. Over time, this practice had the effect of embedding the concept of matching gifts into the core of North American philanthropy.⁶⁸

Finally, Rockefeller was as committed to the scrupulous application of systematic business methodologies to nonprofits as his most ardent venture philanthropy counterparts. It was his opinion that the performance standards of the nonprofit realm were somewhat “haphazard,”⁶⁹ and he sought to transpose the status quo by demanding the same intolerance of duplication, waste and disregard for detail from charities as he did from his enterprises in the corporate world. But even as Rockefeller kept exacting records of the results of his gifts, he steadfastly refrained from interfering with the outcomes. Instead, he relied on the expert opinion of institutional professionals and his philanthropy advisors “never pull[ing] rank and often yield[ing] to their judgment even when they ran counter to his own personal wishes.”⁷⁰

⁶⁷ Ibid., 475.

⁶⁸ Hawke, 195; Chernow, 315.

⁶⁹ Chernow, 314.

⁷⁰ Ibid., 492.

Conclusions

John D. Rockefeller, Sr., was instrumental in establishing the style of philanthropy that has remained predominant for the past 100 years. The rise to prominence of private foundations, the legitimization of foundation support for scientific research and development, the acceptance of professional staff within the voluntary sector, the creation of organizations like the Community Chest and then the United Way, even the tradition of public-private partnerships in the field of social service – all have their roots in the Rockefeller model of traditional philanthropy.⁷¹ Furthermore, it is evident today that the idea of applying the lessons of business (albeit with certain important differences) venture philanthropy’s “new” set of guiding precepts is essentially similar to what Rockefeller himself first established.

As successful and significant as the traditional model of philanthropy has been, it would be naive to paint its accomplishments too vividly, or to gloss over its shortcomings. Philanthropy is changing. New types of donors, the influence of technology and the Internet, the expected transfer of trillions of dollars between generations and the ever-increasing need for social services, combined with declining government funding and the heightened competition for resources (both human and financial) among nonprofits, have all converged to transform the voluntary sector. While venture philanthropy remains relatively small in terms of the amount of money it has produced, its emergence has helped to stimulate a penetrating debate about how the sector should respond to the challenges it will face in the future.

At the heart of the issue is accountability – the process of public disclosure on how an organization contributes to the public good through its programs and services. In contrast to most traditional philanthropists, who trusted charities to spend their donations wisely, today’s donors want to know more about where their contributions go. They want to know how much of their money goes to program and how much to administration. In the National Survey of Giving, Volunteering and Participating conducted by the Canadian Centre for Philanthropy in 2000, 46 percent of the donors surveyed stated that they were

⁷¹ Ibid., 3.

reluctant to give more because they were concerned that their money would not be used efficiently.⁷² The negative publicity surrounding the handling of donations to the September 11, 2001 relief efforts has surely exacerbated these troubling sentiments.

Even small-scale donors seek out organizations that can effectively plan ahead and demonstrate results. They want to support organizations that can demonstrate vitality and relevance coupled with a clear purpose and a drive to succeed. Few would oppose reasonable measures designed to increase the public's confidence that their donations are well used. However, the venture philanthropists argue that this form of accountability will best realized through the rigorous deployment of the same performance evaluation standards used in assessing venture capital initiatives, along with the involvement of funders on the boards of grantee organizations. Both of these notions have been seen as particularly controversial.

Many venture philanthropists believe that the opportunity to offer their managerial and entrepreneurial expertise at the trustee level will result in greater organizational discipline and will help nonprofits to become stronger and more effective. Indeed, much of the thinking among high-tech donors is that the injection of venture-capital-style business discipline into the field of philanthropy will create an environment where the best and most productive programs, rather than the charity bureaucracy, are rewarded.⁷³ Others contend that nonprofit boards need to consider new membership criteria because the involvement of "well-intentioned, community-minded individuals [is] no longer good enough. To be effective, [not-for-profit] boards need businesspeople with the ability to understand and govern a complex industry" and major donors who avoid board involvement shirk their responsibility.⁷⁴

The importance of accountability was underscored by Tim Brodhead, president of the J. W. McConnell Family Foundation, when he remarked that many traditional foundations today are less willing to invest in organizations "just because their intentions are good or

⁷² "Innovative Relationships," 5. A 1998 study by the Canadian Centre for Philanthropy revealed that 40 percent of Canadian donors were not convinced that their charitable donations would be used wisely (see Floyd, 124, Fig. 1.11).

⁷³ Borsook, *Cyberselfish*, 186.

⁷⁴ Ryan, "The New Landscape for Nonprofits," *HBR*, 135; Billitteri, "Venturing a Bet," *Chronicle of Philanthropy*, 9.

they have been around for a long time: what is key are relationships, trust, willingness to question and if need be to change and especially the ability to demonstrate results.”⁷⁵ Paul Light, director of the governmental studies program at the Brookings Institution in Washington, D.C., invoked an even greater sense of urgency when he posited that the voluntary sector “will face a very dire future” if does not work diligently to respond to the issue of accountability.⁷⁶

Venture philanthropy critics caution that it is improper for donors to be involved in their grantees’ operations to such a degree because of the potential for excessive influence over their missions, management and policies. “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,” remarked Bruce Sievers, executive director of the Walter and Elise Haas Fund. “But with that expertise comes an amount of control. To have a funder come in and reshape [an] organization, potentially in their image, simply because they are supplying funds, is very problematic.”⁷⁷ They also point to the dangers of venture philanthropists being “too strident about the wonders of running nonprofits like businesses, too quick to offer solutions to nonprofits and too anxious for fast results.”

⁷⁸

Increased scrutiny and accountability are both desirable, and the venture philanthropist’s managerial and financial skills can contribute to positive outcomes. Still, nonprofits should never put bottom-line concerns ahead of their social mission. They must remain true to the idea that their goals – in essence, the achievement of positive social outcomes – are by nature quite different from the goals of organizations within the for-profit domain, where outputs that produce a return on investment are of paramount importance. The reality is that many human predicaments “do not lend themselves to notions of efficacy, either because they can’t be solved quickly or obviously or because the end

⁷⁵ Brodhead, “New Directions,” 7.

⁷⁶ Cohen, “Grantmakers Prepare for Change,” *Philanthropy Journal*, 20 May 2002, p. 2.

⁷⁷ Carlson, “Smart Money,” *Responsive Philanthropy*, 2. Sievers has also argued that nonprofits have become a vital independent voice in society, balancing the influence of both the state and the for-profit sector, and that therefore the involvement of a foundation in the internal workings of a nonprofit organization would be improper (see Reis, “Unleashing New Resources,” 20).

⁷⁸ Cohen, “Open Source Shuts Down,” 2.

result isn't very measurable.”⁷⁹ Voluntary sector organizations need to focus their attention on the relationship between contributed dollars and programmatic results, fully aware that “in philanthropy, there are no bottom-line equivalents to the for-profit world.”⁸⁰

Nonprofits simply cannot afford to have vast numbers of donors acting like venture philanthropists. Nor should donors not begin with a preconceived notion that charities don't know what they are doing and cannot be trusted to spend donor money wisely. The mindset that charities are a black hole threatens to deconstruct the traditional notion of philanthropy. Furthermore, it is unrealistic for venture philanthropists or their charitable partners to believe that chronic social problems such as poverty and homelessness will “yield to the same hands-on interventionist approach that has proved successful in business.”⁸¹

Voluntary sector organizations must realize that the money contributed by venture philanthropists is usually tied aid. While charities will gladly accept the money, in practice, most are neither mentally nor structurally prepared for the consequences. What they want to do is thank the donor, send a tax receipt and put the funds to use in a way they see fit. Instead, they are compelled to find a meaningful role for the venture philanthropist within their program, and may even have to make changes to their standard operating procedures because they feel obliged to accept the advice of a donor whose knowledge of the organization may be rather limited.⁸²

Ideally, a nonprofit organization's development department would be large enough to dedicate specialized teams to the systematic pursuit, recruitment and stewardship of

⁷⁹ Borsook, 187. Borsook feels that this may also explain why small charities involved in unglamorous causes get so little attention from venture philanthropists.

⁸⁰ Zinko, “Cyber-Rich Folks Being Taught the Basics of Philanthropy,” *San Francisco Chronicle*, 13 October 1999, 1.

⁸¹ Brodhead, 6.

⁸² For example, Jeanne Laborzetta, the CEO of Family Service Mid-Peninsula in Silicon Valley commented, “There is discussion among many nonprofit CEOs that there are people [new donors] coming in now who don't understand what we do and how we do it and are trying to impose their value system on us. They are not using standards that make sense” (Coffey, “Venture Philanthropy,” 2).

venture philanthropists. Developing a plan with the appropriate staff and budget to target and solicit venture philanthropists might pay off handsomely; but there are few voluntary organizations capable of doing this. Most of the resources of a typical nonprofit development team are already overburdened. The more widespread this venture philanthropy practice becomes, the more thinly stretched voluntary sector organization development departments will become. Trying to win the attention and support of individual donors with their narrow interests may become similar to trying to win the lottery.

For the most part, nonprofits need untied donations of the more altruistic, old-style kind. To convince more people to give in that way, they will have to re-establish their trust, their traditional giving behaviors and the sense that the donor's dollar is being well spent. To do this, nonprofits will have to identify and engage donors on their own terms, whether they are traditional givers or venture philanthropists. Americans excel at creating marketing and communications opportunities and at maintaining the personal relationships that are so crucial to philanthropy over time. Canadians, on the other hand, have a traditional reliance on government, meaning that there is less perceived need for private philanthropy. William Thorsell, the president of the Royal Ontario Museum, has said that there is "a shortage of compelling, inspiring objects for philanthropy that are sustained by long-term relationships."⁸³

To overcome such obstacles, nonprofit fundraising appeals must be relevant to donors' interests, utilize tools that offer donors a worthwhile experience and offer access to results. Prospective donors must be convinced that their association with a charity has value and benefit. Managing the all-important relationships with donors – working systematically to retain them and to interact and build community – must be at the centre of any strategy. This simple standard of compelling, inspiring projects sustained by long-term relationships should be the litmus test to which all nonprofit fundraising plans are subjected. The end result will be a community of donors who are convinced that their gifts produce good value and who are happy to make repeat donations.

It remains too early to predict the impact and legacy of venture philanthropy. A number of nonprofit organizations have benefited from its emergence, and a small but influential

⁸³ Thorsell, "Canadian Generosity," *Globe and Mail*, 22 April 2000, A17.

group of high-tech entrepreneurs have become committed donors of major gifts. The movement has provided a broader range of giving options and opportunities for expanded personal involvement to prospective donors that should help inspire further generosity. Supporters of venture philanthropy remain optimistic that still possesses great potential, in spite of the recent economic downturn. Other observers, such as Ross McGregor, the former chairman of the fundraising consulting firm Ketchum Canada, are more cautious in their predictions. “We see enormous potential in the high-tech constituency, but the jury is still out in terms of how much that potential will be realized.”⁸⁴

It seems clear that while venture philanthropy represents a new model of giving, it is by no means a replacement for the traditional forms of philanthropy established by donors like John D. Rockefeller, Sr. Perhaps venture philanthropy’s most enduring effect will be to reinforce some of Rockefeller’s own basic principles of effective philanthropy: the careful selection of charitable projects that result in impactful, meaningful and demonstrable outcomes; the frequent provision of significant untied gifts; and the reliance on experienced professional experts for program monitoring and evaluation.

Aspiring venture philanthropists would be wise to study the Rockefeller model in order to avoid the criticisms levelled at their predecessors: namely, that venture philanthropy has not been proportionate to the wealth that it has produced; that it has too often taken the form of in-kind products and services, rather than cash; and that it has been directed to eccentric projects of personal interest, rather than toward programs with more universal appeal.⁸⁵ As noted earlier, criticisms of unrealistic accountability expectations on the part of people who lacked a thorough knowledge of the nonprofit world also plagued the early venture philanthropists.

Venture philanthropy has clearly influenced the way charitable organizations think about fundraising. Donors want to make their money count and charities must seriously consider their goals and objectives. Moreover, they have to convince their current and prospective donors that they are capable, properly run organizations that think

⁸⁴ Humphreys, *National Post Online*, 6 July 2000.

⁸⁵ *Ibid.* Cisco co-founder Sandy Lerner funds a search for alien life. Steve Kirsch, founder of Infoseek, funds a program that looks for asteroids that might strike earth. David Duffield, founder of PeopleSoft funds a program to prevent the killing of unwanted pets.

strategically and, above all else, that are devoted to donor relations and services. They must be proactive; and they must make strategic choices. They can do that by creating more durable tools and programs that build community and involve a broad segment of the public in their programs.

Venture philanthropy represents important sources of financial support, human resources and invigorating perspectives for the voluntary sector. There are hundreds of new millionaires created every year in North America and many are relatively young participants in the high-technology sector. Gordon Floyd, vice-president of the Canadian Centre for Philanthropy has said, “We see a lot of people who, if not ready to be donors today, look like they will be able to be pretty generous in the future and charities should be lining up to court these new technology entrepreneurs.”⁸⁶ The voluntary sector needs to engage these people to develop and strengthen their organizations but, as the venture philanthropy experience has shown, it must be careful when engaging donors on their terms.

Beyond engaging in debate over the merits of their respective giving styles, traditional and venture philanthropists need to continue to try to learn from one another and to work together. This promises to remain an elusive goal as “many non-profit groups think ‘profit’ is a dirty word, while many businesses can’t fathom how anything branded ‘non-profit’ can help improve their bottom line.”⁸⁷ What is certain is that each form of giving has something to offer the voluntary sector and given the scope of today’s social dilemmas there is obviously room for both. It will require patience and perseverance through the respectful exchange of dialogue to build a productive and sustainable model that utilizes the strengths of both styles of giving.

As John D. Rockefeller, Sr., demonstrated through his charitable activities, “the role of philanthropy is not to control wealth and knowledge but to expand and share those resources.”⁸⁸ Using strategies such as traditional and venture philanthropy, nonprofits and funders “can work together to create an open and self-sustaining volunteer sector –

⁸⁶ Ibid., 3.

⁸⁷ Shore, *The Cathedral Within* (1999), 215.

⁸⁸ Ibid., 216.

one that values, connects and builds on diverse individuals, organizations and resources in the communities that philanthropy exists to serve.”⁸⁹

⁸⁹ Todd Cohen, “Woes Magnify Charity’s Promise,” 3.

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