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On the Frontlines

Your Inner Philanthropist

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By Susan A. Ostrander

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Consider the following advice, which appears on the Web site of Fidelity Charitable Gift Fund (italics are mine):

"First, determine what's most important to *you*. Then figure out what *you* hope to accomplish. … What three experiences have *you* found most rewarding? Who did *you* admire most as a child? Who do *you* admire now? Why? If *you* could take small steps to make the world better, what would *you* do first?"

Fidelity is not alone in urging donors to let their personal values, interests, and concerns guide their charitable choices. Many other philanthropic advisers and consultants are telling donors to look into the deepest regions of their selves before embarking on their "philanthropic journey," as Rockefeller Philanthropy Advisors calls it. Several new philanthropic relationships – donor circles, donor services, and venture philanthropy, to name a few – are also helping donors exercise more and more control in the charitable and voluntary sector.

At the same time, however, recipients of philanthropy are having less and less say in how their resources are spent. As a longtime researcher of the philanthropic sector who is actively involved in national and local funding organizations, such as the Boston Women's Fund and the Women's Funding Network, I am concerned by this trend. It is true that philanthropy cannot and should not sustain itself without donors who feel satisfied and accomplished. Favoring donors over recipients, however, is deeply problematic, on several fronts.

First, the most important function of philanthropy is to encourage democratic civic engagement and to build a strong civil society. A philanthropy that focuses on the needs and interests of donors clearly conflicts with this democratic aim, especially since the majority of philanthropic dollars comes from a small and very wealthy portion of the population.[1] Indeed, the wealthiest 1 percent of Americans (in terms of income) contribute 33 percent of philanthropic dollars in the U.S., and the wealthiest 20 percent contribute 80 percent of donations. While those who have more should give more, they shouldn't get to dictate how all donations are spent. When they do, they imperil the democratic goals of the nonprofit sector.

Another reason I am concerned about increased donor control has to do with nonprofit effectiveness. Achieving a social mission depends first and foremost on attending to the needs and interests of constituents and clients – not of donors. In today's increasingly donor-controlled philanthropy, nonprofit recipient groups are excluded from negotiations about the use of philanthropic resources. As a result, donors lack the valuable, on-the-ground knowledge that is essential to effective social sector strategies.

Too Far, Too Close

Some of the new relationships that heighten donor control, such as giving circles, widen the distance between donors and recipients. Others, such as venture philanthropy, encourage donors and recipients to partner in very close relationships. Neither of these scenarios is ideal.

In giving circles, donors pool their resources, and then decide together how to distribute them. Observers have heralded giving circles as a more democratic form of philanthropy because members often make their grantmaking decisions collectively. This "democracy," however, is limited to donors. Recipient groups, or those who might speak on their behalf, are excluded. Giving circles typically seek out projects on their own, and do not accept applications from potential recipient groups. Consequently, the issues they support may not be the ones most critical to their communities.

Philanthropic advisers are also increasing the distance between donors and recipients. Major philanthropists have long used advisers, but now more donors than ever are

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employing advisory firms – many of them commercial businesses. Even noncommercial firms, such as The Philanthropic Initiative (TPI), often use "the client's motivations, values, and goals" to guide charitable giving, says TPI's Web site. This makes good business sense, because wealthy donors tend to give according to personal considerations.[2] Even when advisers know what a community wants and needs, they still tend to cater to donors.

For example, the head of an advising firm once told me that he and his staff sometimes go back and forth between rooms full of donors and recipients to check whether their goals match. I asked him, "Why not just put them in the same room?" He answered that while recipient groups were eager for such direct exchange, donors would be uncomfortable with it. And his job, in the end, was to serve donors.

Donor-advised funds likewise emphasize benefits to donors, rather than to recipients. The Web site of Fidelity Charitable Gift Fund describes donor-advised funds as combining "immediate benefits with the ability to support your favorite charities on a flexible timetable." And Vanguard Charitable Endowment Program highlights the virtue of "investing today" while qualifying "for an immediate tax benefit." These Web sites mention neither recipient groups nor the social needs and issues they address. Fidelity, for example, merely refers customers to the GuideStar Web site.

In contrast to new philanthropic relationships that buffer donors from recipients, venture philanthropy and high-engagement philanthropy urge them to form intense partnerships. Beyond merely donating money, philanthropic "investors," as they prefer to be called, also provide long-term planning, recruit board members, serve as board members, hire executives, coach managers, help raise capital, monitor grantees, and even administer programs. In exchange for their support, philanthropic investors expect a clear return on their investment – not just financial returns, but also social and emotional ones.[3]

Loosening the Grip

While there has been a deafening silence on the topic of donor control, some recent rumblings concur that donor control has gone too far. Several authors in *The Chronicle of Philanthropy*, for example, have pointed out that the tightening of donors' grip has pulled nonprofits away from their missions and reduced their effectiveness. They also write that, contrary to the promises of venture philanthropy leaders, the answer to every nonprofit problem appears not to be a market solution. Other researchers have taken special issue with donor-advised funds because of widespread reports of their abuse for personal gain.[4]

It's time for nonprofits to join the outcry against heightened donor control. Overwhelmed by speeches, workshops, and guidebooks telling them to get used to it, nonprofits have rushed to give donors a more directive role in organizational governance. They have even begun to abandon earlier-established policies that discouraged donors from buying seats on boards and committees.

Nonprofits should instead take advantage of the decline in public trust of nonprofits to demand accountability to the recipients of philanthropy – not just to the donors. Donors who want to name their own causes or direct their own projects may indeed be trying to improve nonprofit accountability. But they cannot do so without putting recipients' needs and interests center stage.

How can nonprofits resist donor control? Here are a few suggestions. Openly negotiate with major donors and "investment partners." Don't simply defer to their initial wishes. Tell them about your most pressing needs. Show them how your projects address those needs and why they deserve donors' support. Be open to donors' ideas, but hold firm to your organization's commitment to represent the interests of your constituents.

If donors still insist on restricting the use of their gift, talk with them about how best to design that gift to meet the goals of your organization. Decline the gift if it does not contribute to your mission, and tell them why you are declining it.

The key to effective philanthropy is still to create the best match between the resources and needs of recipient groups and the resources and needs of donors. In this older, more egalitarian form of philanthropic relationship, both groups give – and get – in the end.[5] □

1 Schervish, P.G. & Havens, J.J. "Wealth and the Commonwealth: New Findings on Wherewithal and Philanthropy," *Nonprofit and Voluntary Sector Quarterly* 30, no. 1 (2001): 5-25.
2 Ostrower, F. *Why the Wealthy Give: The Culture of Elite Philanthropy* (Princeton, NJ: Princeton University Press, 1995).
3 Eilkenberry, A.M. & Kluver, J.D. "The Marketization of the Nonprofit Sector: Civil Society at Risk?" *Public Administration Review* 64, no. 2 (2004): 132-140.
4 Kerkman, L. "A Soaring Year: Assets at Donor-Advised Funds Rose by More Than 20%," *The Chronicle of Philanthropy* 18, no. 14 (May 4, 2006).
5 Ostrander S.A. & Schervish, P.G. "Giving and Getting: Philanthropy as Social Relation," in *Critical Issues in American Philanthropy*, ed. J. Van Til (San Francisco: Jossey-Bass, 1990).

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