

The New Face of Philanthropy

"He who dies rich dies thus disgraced," warned Andrew Carnegie, the 19th-century steel baron who late in life channeled his millions into one of history's greatest charitable outpourings. His plea to the elite of an emerging industrial power, as much as his gifts themselves, defined a model of philanthropy that is uniquely American.

On September 18, a modern media baron named Ted Turner donned Carnegie's mantle, stunning guests at a black-tie United Nations Association dinner in New York with a pledge to donate \$100 million a year for 10 years to a new foundation benefiting the U.N. And he threw down the gauntlet to the elite of his era: Share the wealth.

"The first day I became a billionaire, I went home to tell my wife, and she said, 'So what?'" Turner told Business Week recently. "She was obviously right If rich people just give philanthropy some thought, they'll realize it's the right thing to do."

Turner's gesture is, typically, a flamboyant exaggeration. Given the extraordinary accumulation of wealth from booms in technology, entertainment, and the stock market, American charitable causes have not gotten their share. And the superrich whom Turner is now prodding—billionaires such as William H. Gates III and Warren Buffett—haven't assumed philanthropic roles befitting their wealth.

However, there is a broad new philanthropic movement emerging from the 1980s and 1990s wealth boom. A new generation of entrepreneurs, entertainers, financiers, and executives finally is starting to give its money away. After stagnating for most of a decade, individual giving to charity has climbed 9.5% in the last two years, to \$130.4 billion last year, according to the American Association of Fundraising Counsel. Boston consultant H. Peter Karoff, an adviser to the wealthy, says his small collection of high net-worth clients alone has \$15 billion in new gifts in the works. "We're on the cusp of something big," he says.

The new money has the potential to reshape philanthropy dramatically. Impatient, restless, and activist, these rich are acting as "investor donors," Karoff says. A growing number are treating charity like a business, demanding accountability and efficiency from a nonprofit sector never strongly associated with either trait. Many donors are simply starting their

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own charities to fund pet projects rather than deal with nonprofit bureaucracies. "It's my money. It's my time," says Richard S. Fuld Jr., chief executive of Lehman Brothers Inc. and a donor to education causes. "I want to see an impact."

The new approach may be hard on some old-line charities, whose causes are out of fashion with the new money. Programs aimed at job creation and neighborhood development are hot with this crowd, as are charities involved in schools and the environment. The arts are vulnerable; so, too, are such "band-aid" social services as homeless shelters, and -- George Soros excepted -- international affairs. "The new generation doesn't have the same respect for traditional institutions," says Emmett D. Carson, CEO of the Minneapolis Foundation.

James D. Watkins typifies the new Carnegies. Watkins, 50, sold his microwave popcorn and french-fry business in 1991 to ConAgra Inc., and now has accumulated a \$70 million fortune. He reckons he has dispensed \$10 million, helping supply drugs to cancer-stricken Russian kids and funding a college exchange program to help bolster Russian agriculture--interests sparked while doing business in the former Soviet Union. "Nobody in my family ever had enough money to throw around," says Watkins. "Now that I've made a lot of money, the most enjoyable part is giving some of it back."

There's also Catherine S. Muther, a former vice-president at Cisco Systems Inc. "I'm interested in leveraging my wealth to change the world, to change the lives of women and girls," she says. Her \$3 million foundation has been funding initiatives such as an incubator for women's high-tech startups.

Jeffrey D. Jacobs, president of Oprah Winfrey's Harpo Entertainment Group, is another donor with a precise agenda. His Civitas Initiative funds graduate scholarships for students who are interested in developing new approaches to childhood development and child protection. "We want to discover what's working, and not reinvent what's not," Jacobs says. "When you write the checks, you get the power to change things."

Such donors are holding charities to standards higher than ever. Wall Street trader Paul Midor Jones II's Robin Hood Foundation dispenses money to dozens of New York City organizations--but only if they pass a rigorous examination of managerial skills and financial health.

John E. Abele, co-founder of Boston Scientific Corp., gives away up to \$6 million a year, but shuns most conventional nonprofits as too "diffuse, politically correct, and less effective." Instead, he set up his own charity: MiddleMAST, a program awarding grants to Boston public school teachers who dream up innovative math and science programs.

Savvy fundraisers are beginning to figure out how to appeal to the new philanthropists. "We don't talk very much about charity anymore," says Bruce L. Newman, executive director of the Chicago Community Trust. "We talk about entrepreneurialism and the ability to make change." Both the United Way and the United Jewish Appeal have created programs which allow donors to target their giving to specific agencies.

What is it the new philanthropists want? Focus and control. Carol F. Anderson, a managing director at HarbourVest Partners LLC in Boston, this year began funding a program designed to help first graders in disadvantaged Boston neighborhoods learn to read through one-on-one attention. "We've given larger amounts of money away, but always to existing charities," she says. "This is the first time we have said, here is a problem we want to solve, let's investigate the best way to have an impact on this problem, and have done the legwork ourselves."

Sometimes the causes are simply personal issues. PeopleSoft Inc. Chairman David A. Duffield, for example, plans to leave much of his \$2 billion fortune to animal welfare organizations in memory of Maddie, his schnauzer.

Who are the new Carnegies? Most are self-made. Most come from the upper rungs of industries--high-tech, finance, entertainment--that have led the economy in the past two decades, when U. S. personal wealth quadrupled to over \$20 trillion. Some are entrepreneurs who have realized massive profits from selling their companies. Some still run businesses whose stock-market values have soared in recent years.

Most are middle-aged or beyond, and are beginning to think about their legacies. "I could never totally reconcile the idea of making rich people richer as my full-life activity," says Michael Steinhardt, 56, who liquidated his \$5 billion hedge fund in 1995 to turn to philanthropy full-time. Says movie producer Steve Tisch, 48: "I'm at a point where I can concentrate more on helping others and less on banking my money."

Many of the new philanthropists simply are grateful for their sudden, sometimes unexpected, riches. "I need to recycle it, so I don't get fooled into thinking I deserve it," says Christopher F.O. Gabrieli, a partner with Boston's Bessemer Venture Partners whose foundation is funneling money into homeless shelters, food banks, and job-training efforts. David Filo, the 31-year-old co-founder of Yahoo! Inc., the Internet browser outfit, has given \$1 million to fund professorships at Tulane and Stanford, his alma maters. "There was really no reason to wait. I realized the money I have I will never spend," he says.

Some are propelled by deep religious and moral beliefs: Alan C. Ashton, the devout Mormon who founded WordPerfect Corp., says that giving is "a very healthy thing to do." He and his wife, Karen, have spent \$75 million to develop Thanksgiving Point, a nonprofit community center in their hometown of Orem, Utah, that features gardens, a zoo, a produce farm, and a golf course.

And many are bringing the energy and networking skills they honed in business to charity work. Steinhardt, who has dedicated some \$40 million in three years to revitalizing Jewish culture in America, has enlisted the Bronfman family and The Limited Inc. founder Leslie H. Wexner, among others, to help him raise \$17 million to build Jewish private schools. Dealmaker Henry R. Kravis has tapped 60 individuals and companies to create the \$60 million New York Fund, which lends to companies that relocate or hire people in blighted New York neighborhoods. "People used to come to me and ask for money," Kravis recalls. "I was astounded to see how much was spent on administration. I thought, I'd rather set up my own program."

Turner, the self-appointed philanthropic gadfly, says such efforts aren't enough. "I know a lot of these superrich. Warren [Buffett] is worth \$20 billion. I said, 'Warren ... you wouldn't miss a billion.'" (Buffett, who has given large amounts to the United Way and other charities, wouldn't comment.) Microsoft Chairman Bill Gates has earmarked \$200 million to buy computers and software for inner-city classrooms. But that represents just 0.5% of his \$43 billion fortune. And even the 9.5% inflation-adjusted increase in giving over two years pales compared to the stock market's 45% rise in that time. "An awful lot of people don't part very easily with their newfound wealth," says former Morgan Stanley & Co. banker Thomas A. Saunders, who now heads an \$800 million capital drive for the University of Virginia.

Still, there's hope. The wealthiest Americans in 1988 gave 10% of their income away, and by 1994 that figure had grown to 25%, says Boston College professor Paul G. Schervish. A five-year-old Fidelity fund allowing individuals with just \$10,000 to create their own charitable foundations has grown to \$1 billion in assets and distributed \$500 million to charities; Merrill Lynch has taken in \$2.2 billion in charitable assets in two years.

Are Americans growing more generous? A long-running bull market certainly helps them feel that way. And many people are reassessing their wealth as they get on in years. Either way, Carnegie would approve.

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