

# Defending the Old Guard

New-age philanthropists who say nonprofits should be run more like businesses are missing the point



the major museums, hospitals, universities and other institutions that make our lives here in New York and around the country and the world so much better. Indeed, there are almost 2 million nonprofit institutions in the United States today and most of them were established by the “older generation.” It is the philanthropy of the “older generation” that continues to provide food for the hungry, homes for the homeless and the myriad safety net services essential for the poor in this nation and around the world.

And isn't the old guard just as interested in knowing how the dollars are being spent as is the new-age philanthropist? In my 25 years at New York University, raising more than \$2.5 billion for the university, I never received a gift without the donor wanting to be involved and expecting regular reports on the uses of that money. Most major donors become members of the advisory committees established to implement their projects, and many become members of the Board of Trustees of NYU so they can be involved not only in their individual projects, but in the direction of the university as a whole.

And donors have always sought to give —with strings attached. I have never been involved in a major gift without protracted discussions with the donor to assure that the monies contributed meet both the donor's best hopes and the institution's needs. Indeed, I consider it part of my professional responsibility as a fundraiser to discuss with donors the nature and uses of their gifts. I have yet to meet a prospective donor who hands me a blank check and says “goodbye.”

To say, moreover, as some articles report, that the new philanthropists want to make philanthropy more “businesslike” (so that the nonprofits can be as efficient as corporations in America's private business sector) amazes me. Are they talking about General Motors, the airlines, the Ford Motor Company, the

**T**he distinction that is currently being made in the media between “old” and “new” philanthropists baffles me. These articles attribute to the “new” philanthropists a desire to be a genuine part of the projects they support, to know how their money is being spent and to support innovative ideas—not simply the status quo.

But does anyone believe that the “old guard” philanthropists are radically different from their new-age counterparts? Indeed, isn't the old guard just as interested in making the world a better place as these so-called new philanthropists? Without the “old generation” of philanthropists—from the Carnegies and Rockefellers to the present day—we would have few of



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steel industry, private agricultural farms that need subsidies from the government to make a profit? Are they talking about Enron, WorldCom, Tyco? Are they talking about the corruption, greed and absolutely disgraceful salaries that some of the CEOs in private industry are making? Are they suggesting that the nonprofit sector look to the profit sector for examples of efficiency and ethical behavior? I doubt it.

I find it particularly disturbing to read such statements as those in a recent article in *The Economist* that asserted: "The new philanthropists rightly insist on making their money go further, because in the past, a lot of donors' cash has been wasted." It is true that some of the projects that donors have funded have not always reached the goals they set. But this does not necessarily mean that

their cash has been wasted. Innovation and experimentation in the search for more effective ways of dealing with the difficult social, environmental and medical problems that face us are a basic function of philanthropy. Because philanthropists are not bound by pressures from voters or shareholders, they can try new ways of doing things. Obviously, some of these approaches will not succeed. But to say this is wasting money misses the point on why philanthropy, and the experiments it funds, is so important.

Now, I do not mean to infer that foundations and other forms of philanthropy should not be supervised more effectively by the government. In line with this, Senate Finance Committee Chairman Charles Grassley has stated repeatedly that "in Congress, we need to do more oversight to make sure the checks and balances work and supervise the tax credits we're giving. We give tax deductions for charitable giving, so there's a public policy interest in how the money gets used." He also has pointed out that "those who turn a blind eye to the problems in the charitable sector or seek only a fig leaf of reform, potentially cause real long-term damage to nonprofits." What is needed, the senator warns, is "real reform to help ensure continued public confidence and support for nonprofits."

I think Senator Grassley is correct in wanting real reform in the governance of nonprofits. He is also correct, in my view, to suggest that many of the provisions of Sarbanes-Oxley be applied to the nonprofit

world. This would require that boards be more active in the supervision and operation of the institutions; that they know what their executives are paid; that they demand greater disclosure and accountability and that whistle-blowers be protected—to name a few of Senator Grassley's suggestions.

Rather than jostle for the last word, it is time for "old guard" philanthropists and so-called "new-age" philanthropists to join together to work for these and other reforms to ensure that the corruption and mismanagement that has plagued corporate America in this post-Enron era does not infect nonprofits. All philanthropists—whether we call them old or new—have a critical role to play in this effort and a critical stake in the outcome.

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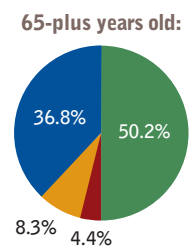
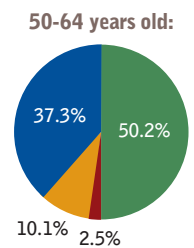
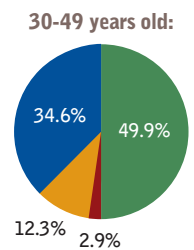
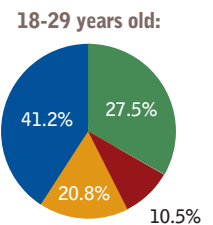
### Defending Nonprofits

There is one aspect of the "new" philanthropists' approach to philanthropy, however, that deserves special attention. In much of what they say and in many articles written about them, there is the assertion that the source of new ideas and creativity resides only outside major communal institutions. This is an assumption I believe is not true. No one has a monopoly on creativity. New ideas and new approaches sprout in many places and in the heads of many individuals, whether such individuals are working in established organizations or creating new ones. Indeed, many of the most creative ideas have sprouted within existing organizations—organizations which many of the "new" philanthropists would view as stodgy and frozen in the status quo. What the community needs today is for these "new" philanthropists not to deride the established communal organizations, but to work where it is appropriate in partnership with them—exchanging ideas, strategizing over programs and problems, exploring and evaluating what is being done and what should be done. In this way, each can learn from the other. Where such partnerships have existed, the whole community benefits. ▲

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### How often do you donate any money to nonprofit charitable causes?



**KEY:**  
■ **FREQUENTLY**  
■ **OCCASIONALLY**  
■ **RARELY**  
■ **NEVER**

Source: Zogby International, New York