When Venture Philanthropy Rocks the Ivory Tower

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Abstract

This essay explores the implication of venture philanthropy for higher education fund raising. The author provides a detailed description of venture philanthropy, including the social context driving its development. Then, the benefits brought to higher education by this style of philanthropy are explored. Finally, a single example of venture philanthropy is described in detail. The paper then outlines the issues for institutions seeking support from this new generation of funders.

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Setting the Stage for Venture Philanthropy

In 2001, Vance T. Peterson, President of the Council for the Advancement

and Support of Education, predicted “the last half of the final decade of the twentieth century will go down in history as one of the greatest periods of giving to American higher education” (Pulley, 2001). Peterson was right. Between 1999 and 2000, American universities amassed a record \$23.2 billion, marking the fifth consecutive year of double-digit percentage increase in private giving to higher education (Pulley, 2001).

Amazingly, despite a tanking stock market and an economy that slipped into recession, giving to higher education continued to grow 4.3 percent during 2000–01, as total private contributions to American colleges and universities reached a record \$24.2 billion. The year 2001–02 witnessed the first decline in giving to higher education in more than 15 years to \$23.9 billion, representing a 1.2 percent drop in total giving (Blumenstyk, 2003). The Council for Aid to Education found that higher education contributions again totaled \$23.9 billion for 2002–03 (Strout, 2004). Although this figure is the same as that for 2001–02, it represents a 2.2 percent decline from the prior year after adjusting for an inflation of 1.9 percent (Wolverton, 2004). Giving to higher education spiked again in 2004

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to \$24.2 billion, surpassing the high that was reached in 2001 (Strout, 2001).

Even with the slight slowdown in percentage growth in 2001–02 and fiscal year 2002–03, annual voluntary support for higher education has more than doubled since 1994 when total giving was about \$12 billion (Pulley, 2002). Furthermore, education's K-16 market share of total philanthropy has increased about 3 percent during the last two decades, as compared with other sectors that have dropped in market share or barely held their own. This suggests that donors continue to place a great value on education as a critically important investment in the future (Peterson, 2003).

These billions of dollars raised today for higher education from private coffers are no longer luxuries to provide “margins of excellence,” but vital sources of annual operating funds as colleges and universities are seeing an overall retrenchment from other income sources. Recently, the weak economy and stock market of the United States have depressed other revenue streams that institutions rely upon, namely endowments. Furthermore, state and federal budgets have come under intense pressure to cut support to higher education. These same economic factors also make it difficult to make up budget shortfalls through higher tuition. In addition, geopolitical changes in the world such as September 11, 2001; the tsunami disaster that hit SouthEast Asia in December 2004; and most recently Hurricane Katrina have affected the psychology of donors, threatening to alter their priorities and impact their decision to move away from giving to higher education in favor of human

needs they consider more urgent (Brower, 2001). At the same time, costs are rising in areas such as student services and business operations. These trends have resulted in a reliance on alternative revenue sources, mainly fund raising from private sources (Miller, 1994).

Just as private funding has recently become a vital source of revenue for the future of higher education, so has a new type of giving known as “venture or high-impact philanthropy.” Using multiple sources, a preliminary definition of the term follows:

Venture/High Impact Philanthropy (ven'cher fi lan'thro pe), n. Grant making based on principles used by venture capitalists for investing in new businesses; Activity is called the “new philanthropy” and is characterized by a challenging, rigorous, better-measured and entrepreneurial approach to giving; Grantors do not give only money, but give their time to organizations in the areas of accounting, marketing, operations management and whatever else they have expertise in. (Brower, 2001)

What makes venture philanthropy unique? Four key characteristics of venture philanthropy can help to answer this question. First of all, a close relationship between investor and investee is essential. Second, venture philanthropy requires a long-term commitment between donor and institution. These relationships often last between three and seven years. Venture philanthropists believe that large blocks of capital delivered over an extended period of time are needed to build the capacity of nonprofit organizations (Frumkin, 2003). Third,

venture philanthropists seek to strengthen the organization to meet its mission. Therefore, they focus on organizational capacity and infrastructure building, working on improving an organization's potential for lasting success. Finally, venture philanthropists seek to measure both the means and the ends of their contribution (Savage, 2002). This means that the social return on investment has become something that is measured and evaluated as an outcome of philanthropy.

The individuals practicing this type of philanthropy are known as venture philanthropists or new donors. These new donors practice what Sprinkel and Wendroff (2001) call "high-impact philanthropy," a new style of giving that rivals the revolution in private giving generated by John D. Rockefeller and Andrew Carnegie a century ago. New donors bring not just money but their time and experience. They desire clear benchmarks of performance to be developed jointly with the institution, with future support contingent on meeting those goals (Kramer, 2002). Venture philanthropy has brought the discipline of the investment world to a field that for over a century relied on good faith and trust (Frumkin, 2003).

Although venture philanthropy remains relatively small today, as recent surveys have estimated (there are about 40 institutional funders committed to the approach investing around \$60 million a year, compared with the total \$200 billion dollars given away each year by all donors), its influence is considerable. It has been the subject of growing media attention and the profile of its early practitioners has risen within the field.

Most significantly, several of the largest private foundations have recently begun to experiment with the language and practices of venture philanthropy (Frumkin, 2003). Regardless of size, this group is likely to remake or at least modify philanthropy. For colleges and universities in particular, this new type of giving will influence the way in which higher education will attract and use major gifts. Understanding what Sprinkel and Wendroff call "transformational giving," which focuses on the impact of the gift and the renewing relationship with the donor, will be the key to success in higher education fund raising, especially as the new donors are knocking at the door.

Some predict that there will be many more new donors knocking on the doors of the academy in the near future. Consider the observation made by two researchers, John Havens and Paul Schervish at the Boston College Social Welfare Research Institute. They project that from 1998 to 2052, close to \$41 trillion (in 1998 dollars) will move from one generation to another. Table 1 shows three different estimates of wealth transfer based on varying real growth in wealth. The middle, moderate estimate shows a total of \$40.4 in the last row, which illustrates the transfer of wealth to younger generations. They estimate that during this 55-year period, our economy will produce 10.1 million new millionaires.

Importantly, Havens and Schervish conclude that there is a "golden age of philanthropy" dawning as a result of both this growth in wealth and the economic and emotional incentives to devote financial resources to charitable purposes that increasingly shape the

Table 1: Projections for intergenerational wealth transfer: 1998–2052^a

Total	Low estimate (2% real growth in wealth)	Middle estimate (3% real growth in wealth)	High estimate (4% real growth in wealth)
Number of estates	87,839,311	87,839,311	87,839,311
Value of estates (\$)	40.6	72.9	136.2
Estate fees (\$)	1.6	2.9	5.5
Estate taxes (\$)	8.5	18.0	40.6
Bequest to charity (\$)	6.0	11.6	24.8
Bequest to heirs (\$)	24.6	40.4	65.3

^aDerived from tables in Schervish and Havens (1999)
All dollar values are in trillions of 1998 dollars

moral sentiments of wealth holders (Havens and Schervish, 1999). It is likely that these individuals will share the philosophy of the recent venture philanthropists (Gaudiani, 2003). In fact, these future millionaires will quite possibly become the prospects of colleges and universities for funds vital to their operation and overall existence.

At the same time as this trend is taking hold, many of the large foundations have announced that they plan to substantially reduce their grants to colleges and universities. Some may stop giving altogether. They indicate a lack of common goals for innovation, few measurable results, and changes having little effect on the overall fabric of higher education as reasons for their decision to withdraw support (Marcy, 2003). This trend suggests that the tenets of venture philanthropy may be pervading all private revenue sources for the support of higher education, as more traditional donors and philanthropic organizations begin to focus more on results like the new donors (Gose, 2003a,b). This suggests that developing a clear understanding of this phenomenon and its

implications for the academy may be critical.

“The business of fundraising is not about money, but about people.” Although this quote can be found in Howard J. Seymour’s 1966 classic *Designs for Fund-Raising*, the message could not be more important today. As people change, it is necessary for the business of fund raising to adapt as well. Surprisingly, the increased importance of private fund raising in higher education has not been matched by increasing research into the practices of fund raising and the techniques to bring about success in the field. An understanding of what venture philanthropy is, who these new donors are, and how they are motivated to give and managed once they do is not currently available.

Regarding the motivations of venture philanthropists in particular, although there has been limited recent literature attempting to define what high-impact or activist philanthropy is and generally discuss the topic, this literature rarely looks at this type of giving in the context of higher education. Bornstein (2001) writes, “Although venture philanthropy is generating considerable buzz in the

fields of business and philanthropy, it garners little notice in higher education.” At the moment, the best information can be obtained by looking at profiles where venture philanthropy has broken down the walls of the ivory tower and high-impact donors have been successfully motivated to give to higher education. The growing importance of private funding for the future of higher education combined with the emergence of this new type of donor creates a need to understand more about this donor group: their characteristics, motivations, goals for how the academy uses their dollars, and finally their current and potential impact on higher education.

What Motivates Venture Philanthropists and Why Are They Different?

We want to use our brainpower, not just our checkbooks. (Paul Brainerd, Founder, Social Venture Partners, 1997)

The new philanthropists do not fit a common mold. They are the cyber and venture capital rich, women, ethnic and racial groups previously underrepresented or unrecognized in philanthropy, and those who have become wealthy through the intergenerational transfer of trillions of dollars over the recent years. New donors may be young, middle-aged, or older, and they may come from a tradition of giving or from a culture and tradition where giving is new (Sprinkel and Wendroff, 2001). This group may be diverse, but they seem to share one defining characteristic: they represent a group of peers who

became interested in philanthropy and how to give more than just money, but were frustrated by some of the existing structures (Gose, 2003a,b).

“Nontraditional donors,” or venture philanthropists, have joined but not replaced more traditional givers (Sprinkel and Wendroff, 2001). Their gifts, in many cases, represent significant shifts from previous donor profiles. The way in which they want to be cultivated, solicited, and acknowledged is different, and they view their gifts more as investments than donations. Brower (2001) emphasizes these differences especially in the early stages of donor cultivation, defining the new donors as “highly individualistic, often eccentric, and sometimes even chaotic.” Their desire for involvement in the organizations in which they are investing is greater than that of traditional donors and is often a point of concern or even anxiety for the recipient organization. Regardless, the varying coordinates provide a rich set of opportunities for organizations that wish to cultivate and access these potential investors (Sprinkel and Wendroff, 2001).

New donors give to issues. They like values-driven organizations with values woven into their mission. They want acceptance of their ideas and opinions, not just their money (Sprinkel and Wendroff, 2001). This focus on broad issues represents a major difference in the new philanthropy when compared with the old-style pattern of philanthropy that was more localized or institutionalized. For example, a gift to a school, a museum, or a community does not do much to attack a major issue in higher education. A good example of this issues-driven giving style is Bill Gates,

with the largest single donation since the start of the millennium (\$1 billion) to the United Negro College Fund to establish the Gates Millennium Scholars Program. The goal of the funding is to address issues of racial and ethnic minorities in America through providing higher education for these individuals. Another example was the Gates' launching of the US Library Program in 1997, with an issue-based goal to "give back with technology" (Brower, 2001). The projects that attract venture philanthropists, therefore, are more often designed to ameliorate educational, social, or behavioral conditions (Bornstein, 2001).

Although venture philanthropists will not replace the more traditional donor, they may represent a new challenge for higher education. On a positive note, the opportunities for the academy to harness the resources

and know-how of these new donors are abundant, provided that higher education is willing to open the doors necessary to collaboration with this type of philanthropist. To summarize and further clarify what makes the venture philanthropist unique, the chart below highlights the differences in motivational factors among various donor types.

Another unique characteristic of the venture philanthropist is that there seems to be little connection between the new donor's career and goals for philanthropic endeavors. For example, entertainment industry mogul David Geffen gave \$200 million in 2002 to UCLA's School of Medicine. Their desire for involvement in the institution over the long term is definitely a departure from the donor who gives to the institution "at a distance" and desires no benchmarking or measurement reporting after giving.

The higher education donor motivation matrix

Donor type	Why give?	For what goal?	To what type of institution?
Individuals	When societal needs rise, giving normally rises in turn	"Indirect" benefits such as enhancing the institution	
Alumni	Type of school/prestige; emotional attachment to institution	Prior participation in school events	Alma mater
Nonalumni	Combination of altruism and egoism; if giving has an impact on their own interests	Tangible outcomes (endowed professorship)	Financially struggling institutions
Corporations	To address social problems, to "do what is right" (but usually when economic conditions are stable); if it is related to what they do	Peer pressure (Seattle, where one corporate gift fuels another)	Wealthy, financially stable institutions
Foundations	To affect change in society; aligns with donor's mission	An overall effect on higher education	Well-defined, advantaged institutions
Venture philanthropist	Desire involvement in the organization; attracted by an investment with greater risk	Intangible outcomes/big picture issues (race in America)	Institutions that are willing to change

The type of institution that attracts venture philanthropists may also be unique. The new donor is interested in the transparency and flexibility of the institution and its mission. How willing is the institution to change from within? How easy is it to communicate to the leadership and obtain information from an institution? These are the questions that the venture philanthropist will ask when giving. These qualities need to be understood within the higher education development community to achieve success in soliciting and managing gifts from venture philanthropists.

Is Venture Philanthropy Really New?

Our field has had strategic, broadly focused partnership models of giving long before the term “venture philanthropy” arose during the dot-com revolution. (Susan V. Berresford, President of the Ford Foundation)

Many authors, while illuminating the differences in the new donor, also point out the similarities to a more traditional style of giving. Brower argues that over the twentieth century, effective philanthropy has come to depend on professional management as defined by a clear mission, experienced staff, and effective control of funds. Although the venture philanthropists may tweak this “giving philosophy” already established, there may not be major changes in the management of gifts once given (Brower, 2001). Kramer (2002) argues that the three main elements of venture philanthropy—building operating

capacity, close engagement between donors and recipients, and clear performance expectations—are not new at all. He emphasizes that venture philanthropy’s greatest lasting effect may be to reinforce a few basic principles of effective philanthropy that were already emerging.

Some of these basic principles may have been formed a century ago. In fact, it is clear that Andrew Carnegie and John D. Rockefeller also shared many of the same characteristics of today’s venture philanthropists. For example, they were noted for using their contributions to dictate various administrative functions of the agencies they chose to give to, resulting in a more business-like approach to the raising of money (Goldin, 1988). Just as Carnegie and Rockefeller, who accumulated fortunes in the late nineteenth century, were compelled to think about their philanthropy, so are similar conditions compelling people to think in the late twentieth and early twenty-first centuries about how they are going to organize their philanthropy as well (Think Tank, 2001). The similarities of the Rockefeller’s and other late nineteenth century donors to today’s late twentieth and early twenty-first century “venture philanthropists” can be explained through some brief examples.

When John D. Rockefeller helped to support what would later be Spelman College in the mid-1880s, he is reported to have sent his own landscape architects to redesign the campus and he selected the trees and shrubbery himself (Allen, 2002). This is akin to the due diligence that is performed by today’s venture

philanthropist. For example, when considering a grantee organization's capacity, is it common for venture philanthropists to send their own analysts out to examine in detail the business plan and financial records of the organization (Firstenberg, 2003).

Another example is provided by railroad baron Leland Stanford. When creating their university for Ivy League-quality education on the West Coast, he and his wife were intimately involved in the details, which ranged from construction of the physical plant to hiring faculty (Allen, 2002). This is a main characteristic of today's venture philanthropy, where the making of the grant is really the beginning of the process. Today's venture philanthropist, like Leland Stanford the century before, will remain engaged with the organization long after the money has changed hands (Firstenberg, 2003).

A second similarity of today's venture philanthropist to yesterday's industrial capitalist is the desire to give to issues. Just as Bill Gates is trying to solve problems of "race" in American higher education, from their beginnings the activities of giant philanthropic foundations like Rockefeller, Carnegie, and Ford were concerned with promoting the issues of "stability and orderly change in an emergent national society" (Arnove, 1980). In fact, the Ford Foundation was often described as "the world's largest investor in new ideas."

Finally, a third similarity is the explosion in millionaires that is predicted to take place today, which parallels what happened at the same time a century ago. By one estimate, the number of millionaires in the United States increased from 100 in

1880 to 40,000 in 1916 (Howe in Arnove, 1980). This dramatic increase in the number of wealthy individuals is similar to that predicted by Havens and Schervish today (Havens and Schervish, 1999). The new millionaires at the turn of the twentieth century, like today's new donors, had unprecedented latitude in deciding how to distribute their personal fortunes. Like Rockefeller, the new donors are looking for the best means to use their resources to promote human progress, in Rockefeller's words, "to enrich and sustain the lives and livelihoods of people throughout the world" (www.rockfound.org, 2005). Carnegie, like Rockefeller, gave to broad issues, such as the Carnegie Hero Fund Commission (see notes) he established in 1904 "to recognize those heroes of peace who had tried, successfully or unsuccessfully, to save human life." These ideals are not unlike those addressed by the Gates Foundation, George Soros' Open Society Institute, or the United Nations Foundation of today.

The impact that the new donor can have on higher education is significant, as was the impact that the industrial capitalists had on higher education at the time. The Rockefellers came to view education, especially higher education, as an important building block for the new social and economic order (Watkins, 2001). This may suggest that as more venture philanthropists emerge from this predicted transfer of wealth, they will look toward higher education in the same way.

Whereas some of the literature points to the notion of venture philanthropy as not new but rooted in industrial capitalism, other authors are more

blatantly critical of those calling themselves venture philanthropists. For example, author Brendan Koerner believes that many business leaders assume that applying business skills to nonprofit work is all that is needed, but Koerner believes that dot-commers err in assuming that instant NASDAQ success qualifies them as nonprofit geniuses (Koerner, 2001). Some even discount the entire foundation that venture philanthropy is built upon and that “pure philanthropy is giving without strings in areas that offer minimal chance of personal recognition” (Allis, 2000). Allis prefers the more “classic giving” of Paul Mellon or John D. Rockefeller Jr., both of whom “performed lengthy due diligence but then gave away their money with the belief that it would be spent well” (Allis, 2000).

Nonetheless, leaders of venture philanthropy organizations contend that their approaches are indeed unique because of certain principles, such as helping to pay for an organization’s operating costs rather than programs and rigorously assessing results. Paul Shoemaker, executive director of Social Venture Partners in Seattle, calls the hands-on relationship a comprehensive “venture plan.”

Today’s venture philanthropy, however, is less radical than it was when it first came on the scene a few years ago. “There’s now a much better level of dialogue between what people think of as the new school and what people think of as the old school,” says Phil Buchanan, executive director of the Center for Effective Philanthropy” (Gose, 2003a,b). Venture philanthropists, acknowledging that they practice a different type of philanthropy, also recognize that their

approach is not a template for all of philanthropy. Vartan Gregorian, president of the Carnegie Corporation of New York, emphasized, “American philanthropy’s strength does not lie in its uniformity, but in its diversity” (Gregorian, 2001). Although some of the more traditional donor types, such as foundations, are incorporating some entrepreneurial approaches to grant making in their own work, “proponents of both the traditional and the ‘new’ philanthropies can learn from each other” (Bornstein 2001).

What Do Venture Philanthropists Bring To the Ivory Tower?

It is believed that these new philanthropists offer what some more traditional philanthropists have not provided. Their giving is both pragmatic *and* idealistic; and the combination, when used to cement partnerships, can have high-impact results (Sprinkel and Wendroff, 2001). It is widely reported that the first time the term “venture philanthropy” was used was in the 1997 seminal *Harvard Business Review* article “Virtuous Capital: What Foundations Can Learn From Venture Capitalists.” In this piece, the authors lay out six “lessons” or defining characteristics of this type of philanthropy. These six characteristics are discussed below, followed by the potential opportunity or challenge for higher education.

Risk: Venture philanthropists like to “manage” risk in return for high reward. Therefore, they are more likely to donate for riskier goals but a potential larger impact. This characteristic suggests that venture philanthropists are often interested in

less definite funding opportunities. These may be more challenging to implement than such gifts as a building naming opportunity or an endowed chair.

Performance measures: Performance is measured and rewarded to achieve long-term goals rather than short-term outcomes. Measuring performance over the long term may require recording and reporting practices that are new to the higher education enterprise. Also, the measure of performance of venture philanthropy is often tied to a private-sector model, which may ignore the “unique needs and culture of nonprofits” (Allen, 2002). Finally, institutions of higher education focus on teaching, conducting research, and sharing knowledge on a wide scale, and tend to address problems comprehensively. Therefore, a measurable result may be difficult to achieve.

Close relationships: Venture philanthropists work closely with organizations, sit on boards, and get involved in strategic planning. Many nonprofit groups that have worked with venture funds say the advice and aid in strategic planning they have received goes well beyond the support they have received from traditional foundations. Donors’ experiences may be valuable in strategic planning, but where strategic planning in higher education is often an insulated exercise, this may be a departure from the norm. Also, unlike other organizations, colleges and universities are often well staffed and may have less need for this type of relationship.

Size of funding: The funding is more of a continuum rather than a one-time gift. Financing for subsequent needs is critical. This type of funding may alter

the way the college or university manages money and develops financial projections.

Length of Relationship: The relationship between a new donor and an institution often spans several years, rather than the more traditional one-time grants. Donor relations departments may have to alter their current, shorter-term strategies to better build lasting, long-term relationships with their prospects.

Exit strategy: Venture philanthropists have exit strategies in place at the outset. The college or university, therefore, would be required to become more self-sufficient and sustainable through this type of philanthropy.

To assess whether these defining characteristics are actually present in venture philanthropists today, we look to the story of one donor who embodies these traits today.

The Jane Brown Story: Venture Philanthropy in Action

Jane Brown is an alumna of the University of Maryland (UMD) College Park. Like many other alumnae, Jane had not returned to her college campus in 25 years. She had been busy with her own career in journalism, serving as managing editor of the newly independent *Baltimore Magazine* and overseeing special features at *The Baltimore Sun*. But the grueling schedule of the 24/7 news cycle coupled with the birth of her son prompted Brown to leave the news business in search of more fulfilling work. She gravitated toward the world of philanthropy, and now runs the

Robert W. Deutsch Foundation, a private philanthropy funded by her technologist father. In fact, when we sat down to talk, she spoke extensively of her father's higher education experience, which was typical for those young people, mostly male, who attended college immediately after World War II to about 1970. "At that time, higher education was seen as a benefit to society," Jane emphasized. The federal government took a strong hand in building higher education, and subjects like physics, her Dad's major at the Massachusetts Institute of Technology (MIT), were strongly supported. Higher education in post-World War II America was an exciting realm, presenting new opportunities for many young people who would have never had the chance for a college education. Jane's father was one of these young people, enabled by the GI Bill to graduate from MIT and then on to the University of California at Berkeley to earn his Ph.D. in physics. "The goal of higher education back then was to build the defense infrastructure and capitalize on the growing scientific know-how within the universities for the betterment of the country as a whole," Jane explained. For example, the research that was funded in areas like physics provided the foundation for the advancement of society as a whole, not the individual, and although men like Robert Deutsch went on to become wealthy individuals running successful companies, the goal of the government-subsidized, advanced technical education he received was to build the United States' competitive advantage in a global economy.

"This is not the case today," Jane claims.

First the federal dollars began to decline, then the state's contribution to public education began to recede and in Maryland, higher education is the largest discretionary item in the State budget. That means that funding for higher education is at risk every year and has no protection from the budget knife. As tuitions have risen by more than 30% to make up for some portion of the declining federal and state support, the need for private philanthropy is greater than ever.

Today, close to one-third of the funds from private sources go to cover the operating budgets of colleges and universities, so it is critical that universities reconnect with alumni and other types of donors. This shift in funding sources has gone hand in hand with a shift in the perceived goal of higher education from providing a benefit to society to a benefit to the individual. "This trend began around the mid 1970's and holds today." Jane laments this trend, as the pressure from mounting student loans prevents students from choosing such vital career paths as teaching or social work and opting for degrees they perceive will allow them to earn more money when they graduate. More specifically, Jane viewed her own alma mater as symbolic of the more general trend in higher education.

Reconnecting with UMD College Park: the importance of leadership

These are the views Jane held when, in 1999, she was invited back to her alma mater after 25 years to attend the inauguration of its new president, Dr. C.D. (Dan) Mote Jr.

Dr. Mote insisted on creating a new foundation dedicated to the

flagship campus with its own board holding fiduciary oversight and responsibility for the foundation. While many large university systems have system-wide foundations, President Mote felt the need for a board passionately dedicated to College Park and thus created the University of Maryland College Park Foundation.

There was a UMD College Park Foundation Board established to oversee the activities of the foundation. Jane was approached by Brodie Remington, director of university relations, to sit on this newly established board. Although Jane had negative experiences with other institutions within the University System of Maryland, she decided to accept the invitation, seeing the ability to now make a difference.

Jane credits President Mote with bringing her back to her alma mater and the dynamic development staff for her growing involvement in a variety of initiatives. Ultimately, she stresses,

Dan Mote is a remarkable individual who recognizes the large and small contributions of external stakeholders and is truly a joy to work with. It is difficult for me to give my time or money to an institution with which I have no rapport with the institution's president. If I didn't have this feeling for Dan I wouldn't do what I do.

Jane's initial motivation therefore was not spurred by the institution's prestige or the economic success it has brought her (Leslie and Ramey, 1988), but rather by establishing a personal connection with President Mote and

Brodie Remington (Adams-Chau, 1988). "It's critical to have the top leadership on the same page when dealing with venture philanthropists," Jane emphasized. She feels that President Mote's responsiveness, emulated by Brodie Remington with whom she deals with on a more regular basis, has had everything to do with her relationship with UMD College Park. "There's no price tag for deep satisfaction and personal service," Jane said in explaining how President Mote often sends a handwritten note to thank her for something she has done. Jane credits Mote for having a broad vision and a deep understanding of the trends in higher education. "Dan has the ability to see how small investments over the long term can yield big results," which embodies Jane's style of philanthropy.

Jane's relationship with President Mote illustrates the importance of strong leadership that understands venture philanthropy and knows how to attract and nurture this type of donor. However, it is just as important to have a team that embodies this vision. In Jane's view, "a fish rots from the head down, so if the leader is not a visionary, it's likely their staff won't be either." The UMD College Park's development team "gets it" in Jane's words. "If an institution doesn't ask for feedback, then there's something wrong." Jane said that she feels the greatest strength of a development officer is to listen. Brodie sincerely wants to know what excites her. "As time has gone on, every new initiative that Brodie introduces me to is more incredible than the last."

When I asked Brodie and Barbara to comment on this issue, they both stressed that when working with a

donor like Jane, it is imperative to understand what is motivating that person. Brodie emphasized that when soliciting funds from a venture philanthropist, "You go in and ask at the right time, for the right reason, and with the right people." In fact, Brodie has made it a priority to recruit a team of good listeners, collaborative team players, and unique individuals who have the ability to understand donors like Jane. Brodie also echoed the importance of relationship building, emphasizing that after establishing a strong relationship with a donor like Jane, the need to ask for funds is often eliminated, as donors will identify what they want to fund and, if motivated enough, will also identify other funding sources. This relationship symbolizes the positive outcome that has arisen when high-impact donors feel that their ideas and opinions are being accepted (Sprinkel and Wendroff, 2001).

Establishing a long-term, multifaceted relationship

The long-term conversation that Jane feels is so crucial to a donor-development officer relationship has paid off in a number of ways on a number of levels. For example, Brodie created the initial spark that ignited Jane's interest and involvement in the creation of the Baltimore Incentive Awards, a scholarship program that supports students from nine Baltimore city high schools to attend UMD. "President Mote wanted to reconnect the Baltimore public school students to UMD College Park, which recently has become more and more selective," Jane said. The mission of the Awards was to recruit talented students from

the Baltimore public schools to attend UMD College Park, but the university had limited influence in Baltimore city. Jane saw this as a way to help by using not only her wallet but also her address book to make contacts on behalf of the university to help make this program a success.

Since Jane, like many other activist donors, works with so many community organizations, she has been able to get them connected to each other. Taking the networks of a donor and making them work for the good of the institution is something that development officers are doing more and more with activist donors like Jane. "If a development officer can harness the door-opening potential of a donor it can be very powerful for an institution as well as motivational for the donor," Jane stressed. In Jane's case, it was connecting research and ideas to the community by way of the people she knows to create partnerships that did not exist before.

Jane has been encouraged to expand her influence at UMD College Park by initiating and becoming involved in a wider array of initiatives. She is involved in *J-Lab*, an initiative at the School of Journalism to make journalism more interactive, something that she feels strongly about. Also, Jane is working with the Democracy Collaborative, an interdisciplinary center at the university that explores options for economic development in poor communities and issues of university engagement in their home communities. Finally, Jane has taken a leadership role on the College Park Foundation's Board of Directors. She has become involved in educating and motivating other board members on how to streamline their activities as a

board and have a greater impact on the institution. In this way, Jane is fostering a spirit of venture philanthropy from within. "I see great power in university partnerships and the ability of a university to connect donor interests with exciting initiatives." Like Bornstein (2001) observes, Jane's projects, like other venture philanthropists of today and industrial capitalists of the last century, have largely centered on ameliorating educational, social, or behavioral conditions in the community around them. Over the course of the last five years, Jane's involvement has translated into approximately \$500,000 in gifts to four different projects at the university. Currently she is working on a \$1,000,000 gift for a department at the university, but in structuring the deal the department has to agree to hit certain benchmarks.

Jane heralded President Mote's move toward establishing a dedicated board at UMD. "The College Park Board has given me a way to be involved without dealing with the big brother of a large university system." She said that College Park's development team, under Brodie, is making great strides to get connected to other activist donors like her. She believes that board structure is critical to facilitating these connections. She stressed the importance of a "leaner and hungrier university" to activist donors like her. Jane has spurred an even more decentralized structure, breaking down the College Park Foundation to strengthen individual school boards so donors' efforts can be more focused and results realized more quickly and efficiently, creating a more streamlined structure that appeals to high-impact donors (Sprinkel and Wendroff, 2001).

Challenges for the venture philanthropist and the institution

When I asked Jane what her biggest challenges were in working with an institution like UMD College Park, she said the most formidable challenge is tenured faculty. "Tenured faculty are so antithetical to a productive and dynamic system." Protecting donors from faculty is sometimes very important. On the development side, Brodie stressed that sometimes the biggest challenge is educating donors so they get to the point where "their idea is your idea," focusing their interests so that the college is benefited as well without exhausting unnecessary resources. Therefore, although the activist donor can often present a challenge to the institution, the results can often be quite significant both financially and in other areas.

When I asked Jane what characterizes her style of giving as a venture philanthropist, she spoke extensively about the level of engagement of the new donor. "The way the new donors will operate as philanthropists is the way they operate in their day to day business, with a high level of involvement." Like a venture capitalist, the venture philanthropist will not put all of the funds in up front, but will "invest" and establish a longer term relationship that is more intense, but also more rewarding. "I believe that a highly engaged approach is a personal choice, and can vary from person to person." When I asked Jane if she believed that venture philanthropists required a similarly unique approach to development, she enthusiastically agreed. "This type of giving is very different from, say, donating an

endowed chair to a school, which is a very passive form of giving.” Most importantly, she believes the trend toward venture philanthropy is not something that is going to go away. “As younger, more engaged philanthropists emerge on the higher education scene, they will serve as an example to other potential donors to ‘cross the chasm’ and become involved.”

Jane continues to become more and more involved with UMD College Park. “The relationship has become more complex, but also more rewarding,” she said. Although she has given a relatively small amount in total funds to the institution, her ability to create “networks from networks” and open doors to additional funding and support for a host of initiatives has proved extremely valuable for the university. Of course, Jane is poised to give much larger gifts when the time is right. When asked about the future of her alma mater, UMD College Park, Jane emphasized that “although it has become a dynamic and great institution, they are only now beginning to tap their vast philanthropic potential.”

The practices of these new philanthropists are challenging more experienced leaders in philanthropy to think about *changing roles and relationships* with grantee partners, using *new tools and approaches* that stretch philanthropy *beyond traditional grant making* and into more opportunistic and market-based models.

(W.K. Kellogg Foundation, January 1999 Report)

Changing Roles and Relationships

Thinking about the way in which a venture philanthropist like Jane Brown and a college or university collaborate leads to a set of new and unique roles that present both opportunities and challenges for the academy.

The idea generator vs. the idea processor

The venture philanthropist, similar to an entrepreneur, approaches philanthropy with a full docket of ideas. These ideas are often in the form of broad, issue-based goals that have, as the desired outcome, a social return on investment. An important characteristic of higher education that has plagued these high-impact philanthropists, according to Gose (2003a, b), is an existing rigidity within the academy that traditionally does not allow for this type of input of ideas from donors. Options for philanthropy in higher education have often been generated by the institutions themselves as opposed to the donors. However, for venture philanthropists, one of the most important qualifications for organizations with which they will work is the ability, in Jane Brown’s words, to listen and respond to a philanthropist’s ideas in creative and thoughtful ways.

This suggests that development officers, who are often used to being the *idea generators*, will have to become the *idea processors*, possessing the ability to craft a solution to fulfill what the venture philanthropist determines as a perceived need for the institution. This means that development officers will have to, in New Schools Venture Fund’s CEO Kim

Smith's words, "acknowledge the power of venture philanthropists as entrepreneurs, who are a special kind of change agent" (The Philanthropy Roundtable, 2003). Smith explains that the challenge is to harness the new energy and insight brought by these individuals—that unique way of approaching problems and tackling change—and focus it on higher education's problems.

The Jane Brown story presents a good example of how a successful development officer–venture philanthropist relationship can work. Brown emphasizes that the key characteristics embodied by the university's president, Dan Mote, and development head Brodie Remington are strong listening skills and responsiveness to her ideas. She further explains that it is essential for the institution to have a broad vision and a deep understanding of the trends in higher education and an ability to react quickly to these trends.

Although there has been a necessary role reversal in the donor–development officer relationship when working with the high-impact donor, this does not imply that the development officer has no influence over their donor subject. Nor does it mean that the venture philanthropist's ideas are always the right fit for an institution, or for higher education in general. In the case of UMD's relationship with Jane Brown, Brodie Remington emphasized that even though it is imperative to understand what motivates Jane Brown, it does not mean that a fit cannot be made between the institution's goals and Brown's ideas. As Brodie emphasized, "a good development officer has the ability to

make a venture philanthropist believe that the institution's goals are her own."

Investor–investee

Sprinkel and Wendroff (2001) explain that venture philanthropists view their gifts as investments in the future. Like choosing a long-term partner, venture philanthropists enter the playing field with trepidation, afraid of getting hurt. As confidence builds, so does the investment, but this investment is a two-way street and requires significant work on the institution's part, similar to the way an investor works with a financial manager. In the groundbreaking *Harvard Business Review* article on venture philanthropy, the authors relate venture philanthropists to venture capitalists to explain this relationship. "As an industry, venture capitalist firms fund a very small percentage of the businesses that are started each year, but the impact that venture capitalists have on their chosen companies is quite significant" (Letts *et al.*, 1997). The impact is significant because there has been extreme due diligence and care taken during the screening process (Frumkin 2003).

This investment must be explained in more than just financial terms. For example, as Jane Brown explained how she defined her role with UMD, she discussed her ability to "build networks". Brown's relationship with UMD started many years ago when she was a student in the 1970s. Although her role as a venture philanthropist began only six years ago, this role has grown and developed since that time. Through a successful *idea generator–idea processor*

relationship with the university's president and his development staff, Jane has become more invested both financially and otherwise, contributing not only her ideas, but her time and her Rolodex of contacts to benefit the institution, building the networks that have helped to launch a series of initiatives on campus. Financially, Jane has already invested \$500,000 into four different projects at the university and is close to making a \$1 million gift in the coming year, but it is also the nonmonetary benefits that make Jane such a valuable part of the UMD.

Consultant–client

Looking at the way in which many donors carry out their giving, venture philanthropists observed that a tremendous amount of effort was being sunk into the process of selecting grant recipients and very little effort was being devoted to helping organizations succeed once the check was sent (Frumkin, 2003). Through this lens, another adaptation of roles and relationships has emerged with the advent of today's venture philanthropist. The institution has had to assume the role of client and the venture philanthropist has become more of a consultant, providing not only ideas but also ways to implement these ideas and the desire to measure the results of initiatives funded. This is akin to venture philanthropy pioneer Paul Shoemaker's "venture plan" at his organization, Social Venture Partners, which includes helping to pay for an organization's operating costs rather than programs. Kim Smith calls them "wrap-around services" to help organizations succeed (*Philanthropy Magazine*, 2003).

The venture philanthropist comes with not only ideas but also expertise and a "for-profit attitude" to maximize resources for the best possible result. Venture philanthropists, like consultants, are motivated by the quality of an institution more than the prestige of an institution, similar to the findings of Marcy (2001) in her review of nonalumni donors to higher education. For example, in Jane Brown's case, a further motivation may be that the institution was also her alma mater. Additionally, she spoke extensively of her connections to Baltimore and the proximity of UMD to her "area of interest." This indicates that characteristics such as location could be a factor.

New Tools and Approaches

The venture philanthropist is not bound by financial coffers, but possesses many other resources that the academy must tap into. Therefore, the practice of "profiling" potential prospects for solicitation by colleges and universities based upon their financial wealth is no longer as valuable as it once was. From the research provided by Schervish and Havens at Boston College (1999 and 2001), it is clear that the number of millionaires that will be created over the next four to five decades will dramatically alter the playing field for potential donors. As the transfer of millions from one generation to another takes place, the profile of donors will change at a rapid pace, requiring the academy to adapt in different ways.

For example, we see Jane Brown becoming one of UMD's most influential donors before she has

even given over \$1 million to her alma mater. Her influence is felt not only through the financial assistance she has provided the institution, but by the depth of her contact list and her ability to use it to help the institution in a number of ways—from recruiting and motivating other trustees to think creatively and boldly to helping young people in Baltimore, where UMD has been criticized for not doing enough.

Although most venture philanthropists will agree that their approach is not new in history, since the Carnegies and Rockefellers that came before them probably also viewed their philanthropy as a good investment, there is something that is clearly distinctive about venture philanthropy. This distinctiveness has been called “agent-animated philanthropy,” where high-impact donors strive to be productive of outcomes in the same way they have been, or continue to be, formative of outcomes in their business ventures in the new economy (Schervish, O’Herlihy and Havens 2001). In this way, venture philanthropy is both market conscious and knowledge based.

Stretching philanthropy beyond traditional grant making

The venture donor is often ready to be an active spokesperson for the initiative. This can be valuable for an institution, because it helps them reach into places and communities to which they may have not had prior access. The venture philanthropist will become actively engaged in the institution, whether through participating on the board of directors,

volunteering on-site at the organization, or encouraging others to support the cause or the organization (www.kirschfoundation.org). Beyond the grant, benchmarks are another way that venture philanthropists go beyond the traditional giving style. Susan Berresford, president of the Ford Foundation, explains that “We (the donors) are not so good at describing the short-term changes we expect from a series of grants that will ultimately contribute to the larger change”. She explains that it is healthy to spell out a series of assumptions that underlie grants. Rather than “giving a person a fish rather than teaching that person to fish,” venture philanthropists will not see their gift as purely monetary, but rather a gift of their network, their experience, and their desire to support organizations that are working to change to a model of self-sufficiency rather than dependency.

Recommendations to the Academy

Taking chances, thinking outside the box, investing time, money, and expertise...these are, in Sprinkel Grace’s words, the “new models for action” of the venture philanthropist that the literature puts forth. The new era of philanthropists are looking for a very specific return on their investment and a benefit from their philanthropy. Now higher education needs to respond. How can the academy better prepare for the new donor, the venture philanthropist? Three recommendations, or lessons, can be learned from this research.

Develop a clear understanding of the motivations of venture philanthropists

Drawing from the “motivation matrix” that I created to distinguish the motivations of other types of donors from venture philanthropists, it is interesting to note how many “I” words emerge. This phenomenon is very similar to what Sprinkel and Wendroff (2000) call the “5 I’s” to understanding Twenty-first Century Motivators for Major Giving. These are *issues, ideas, involvement, impact, and investment*.

Venture philanthropists want to tackle big issues, like Jane Brown’s desire to connect UMD to the inner city youth in Baltimore. These issues often take the shape of broad and lofty ideas, but represent the starting point for most venture philanthropists as they connect with higher education. Venture philanthropists’ involvement in their cause can be significant. “I feel very strongly that you want to be involved with an organization in a way that goes beyond simply writing a check,” says Charles Simoyi, a venture philanthropist who Forbes estimates is worth around \$1 billion. Simoyi goes on to explain, “Certainly, before you make the commitment, you want to really understand the organization. Typically, I become close friends with the principals” (Corporation for Public Broadcasting Leadership Development Meeting, 2004). This level of involvement will go far beyond the doors of the development director. The venture philanthropist will sometimes even take a seat on the college’s board to help shape strategy (Letts *et al.*, 1997). Jane Brown exemplified this level of involvement by sitting on UMD College Park’s board. The new

donor will be motivated by an impact that is concrete and measurable. There must be clear objectives that provide a focus for the relationship between the donor and the institution. Finally, the size, length, and type of investment may be different from the traditional donor and new to the higher education institution.

Alter the engagement and asking process

The unique motivations of venture philanthropists require the higher education development community to alter the way donors are managed. New donors see their investment as much more than a financial “transaction.” Rather, donors view a gift as an opportunity to fuel a “transformation” at the institution with their style of giving. These donors seek transformation of themselves to become not only donors but also social investors. Similarly, they seek transformation of the institutions they fund and of the issues they support.

The way in which higher education development has historically functioned is through a step-by-step transactional process beginning with the identification of the donor, also called “prospecting.” The process moves through the qualification and cultivation of the donor, then on to soliciting the donor for a gift, and then to acknowledgment, recognition, and donor maintenance. This method for acquiring new donors does not meet the motivations of the new donor. Therefore, the method is structured to have limited success with this group of individuals.

However, the propensity for venture philanthropists to use a

transformational approach to giving has given way to a new strategy for attracting and nurturing them, called the *Transformational Infinity Loop*, which Kay Sprinkel Grace and Alan Wendroff first developed and presented in their recent work on high-impact philanthropy (Sprinkel and Wendroff, 2001).

Using this strategy responds to the motivations of the venture philanthropist, including the desire to have the investment tied to an issue, a clear impact, and ongoing measurement and evaluation. Rather than adhering to a linear, step-by-step traditional formula, the development officer's strategy will be defined by the cornerstone of ongoing communication and an inevitably longer and richer relationship with the donor.

Create the organizational conditions that attract venture philanthropists

Colleges and universities that seek to attract venture philanthropists to knock on their doors must take stock of their institutional environment. Do they have the right qualifications to attract this group of donors? Do they send the right message to this donor community?

First, an institution must clearly communicate a results-oriented message to donors, including values-obvious outreach. This can be done through a number of mediums, including written materials like catalogues and brochures, the school's mission statement, its development officers, and, importantly, its alumni base. Clear statements of, and action on, mission—why you exist, not just what you do; vision—what you

desire to accomplish both within and beyond the institution's walls; and values are key.

Second, an institution must have a visibly strong staff, as evidenced in the case of Jane Brown and UMD and her reliance on key staff members at the institution to make their partnership work. Third, the institution must offer the donor the opportunity to become involved beyond making a financial gift. These opportunities often appear, as in the case of Jane Brown, after intense collaboration between the donor and the development officer. As more opportunities emerge, the donor will become more deeply rooted into the institution. Finally, the institution must make a commitment to stewardship, the ongoing relationship with donors after the gift is made. If this step in the development process is left behind, effectiveness is lost.

Venture philanthropy may not be a "necessary evil" for all higher education institutions. Larger, more prestigious colleges and universities may not have the immediate need to alter their fund-raising strategies to attract the new donor community, as endowments and financial solvency vary greatly in the higher education playing field. This study shows that one of the most unique and often the most challenging traits of the new donor is their need to keep a tight lid on donations not only as a way of asserting one's will but also as a way of imposing accountability. Venture philanthropists believe that if they are giving of their time and money, they are entitled to a certain amount of control that makes them comfortable. This intrusive and controlling style of interaction and a demand for compelling near term results may be

more than some institutions can handle or actually need to handle.

In fact, large, wealthy colleges and universities can, and do, turn down all kinds of offers and, in rare cases, return gifts accompanied by conditions that they cannot accept or that do not fit a particular fund-raising plan (Strom, 2004). Larger institutions are more accustomed to the capital campaign structure, which are by nature restrictive to external influences in the form of ideas from venture philanthropists. Many established institutions of higher education prefer the capital campaign structure because they usually raise big sums of money that are dedicated to an agenda they control.

Nevertheless, it is important to remember the forecasting done by Schervish and Havens on the transfer of wealth that will be happening in the next 50 years. As the pool of new donors becomes larger, it is inevitable that they will become a bigger contender in the philanthropic community at large and a force for even the most prestigious higher education institutions to contend with. At present, inviting venture philanthropists into the donor mix is clearly a choice for some institutions, but for other types of institutions, venture philanthropy may present a great opportunity for raising funds.

It is hoped that this study will form the basis for future research on the topic of venture philanthropy in higher education. The Jane Brown story provides a limited look at how venture philanthropy has taken root in higher education, but additional profiles of venture philanthropists will serve to inform and prepare the academy to become more effective in their fund-

raising efforts. Secondly, a closer look at the different types of venture philanthropy initiatives is warranted. An examination and critique of the value that different models of venture philanthropy bring to colleges and universities will not only broaden the definition of venture philanthropy but also provide potential avenues for higher education development. This study suggests that venture philanthropy has evolved since the early part of the millennium, and will continue to evolve. A few years ago, the concepts of venture philanthropy and high engagement grant making—as it is more commonly referred to today—were overinflated with airy promises to transform philanthropy as we know it. Today, we can see that although there is clear progress toward that promise, venture philanthropy has not been revolutionary, as it comprises a small percentage of total grant making to higher education. However, having the tools to define the characteristics and motivations of venture philanthropists will be a skill that may be required for the future growth of the academy. As Mario Morino, one of the foremost experts on venture philanthropy, explains,

Venture philanthropy is important because if successful, a few, small, high-impact grantmakers can influence the other philanthropic activities of an institution's investors. They can model a way of partnering with grant recipients that may be worthy of emulation by large donors and foundations alike. In this way tens of millions of dollars can be leveraged to influence tens of billions, and philanthropy's vulnerability can be transformed into strength.

It is still unclear as to whether venture philanthropy will have the level of impact that Morino suggests within the higher education realm, but it is clear that further research needs to be done to provide the academy with a better understanding of this trend.

Note

¹ The twofold mission of the Carnegie Hero Fund Commission is to recognize persons who perform acts of heroism in civilian life in the United States and Canada, and to provide financial assistance for those disabled and the dependants of those killed helping others.

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