The New Philanthropists: More Sophisticated, More Demanding -- and Younger

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Steel magnate Andrew Carnegie once said that he who dies leaving behind many millions will "pass away unwept, unhonored and unsung." That philosophy took root in much of the last century, with major philanthropists giving vast fortunes in their later years to libraries, museums, hospitals and other institutions devoted to the public good.

But donors today aren't taking any chances. They are flexing philanthropic muscle at a younger age than their predecessors. At many top business schools, students are integrating the practice of philanthropy into education early on, and donors are often beginning to share substantial wealth long before accumulating the full measure of it.

Of the five biggest philanthropic gestures of 2012, three came from couples under the age of 40, according to the Chronicle of Philanthropy. A party in New York earlier this month celebrated philanthropic heroes Trump and Clinton -- Eric Trump (third child of Donald and Ivana Trump) and Chelsea Clinton (daughter of Bill and Hillary Clinton) **--** who were among the 20 donors under 40 honored at the *New York Observer's* First Annual Young Philanthropy Event.

Are business and philanthropy joining forces earlier than before because technology is trumpeting socially conscious causes into people's consciousness at a younger age? Or have the sins of Wall Street in recent years forced business to take on a more altruistic hue in order to prove to customers -- and other stakeholders -- that business can be beneficent as well as profitable?

"Business is almost trying to rebrand itself," says Wharton marketing professor Americus Reed. "I am seeing, institutionally and in terms of overall values individually with the students, that the whole Wall Street crisis caused business schools to reevaluate their own priorities and tell a different story. It's okay to make money -- but also, give back. You don't go to Wharton, get a job on Wall Street, then go to work at a hedge fund and retire at 40. That whole M.O. (modus operandi) is out the window."

Melissa Berman, president and CEO of Rockefeller Philanthropy Advisors, says that in the work they do, "we see that donors are not waiting to get to retirement age to start thinking about philanthropy, but are making it a much more meaningful part of their lives earlier than previous generations." For younger donors, it's not only about giving money. "I think there is a growing sense that the solutions to social problems are going to come from active engagement with nonprofits -- from contributing expertise, knowledge and networking. The question is, what else you can do besides write a check or write a check that clears after you're dead?"

Wharton management professor Michael Useem sees many factors behind the trend toward giving back, including the example set by the enormous transfer of wealth -- tens of billions of dollars -- by investor Warren Buffett and Microsoft founder Bill Gates to their foundations. "Their two acts have really been like thunder claps out there in terms of shaking up a world that would not normally have thought about giving away money at that level," he says. "The size of those two gifts and the impact has been just huge. And so the question is, how can you do something that might be, for you, equally consequential?"

Berman sees broader societal changes giving philanthropy a larger presence in business school. "I think that the last financial crisis as well as the Occupy Wall Street movement and Occupy around the world raised the issue of income inequality. Many people, including [those] who are not progressive at all, began to think about what that means to free enterprise."

Whatever the driver, some say the concept of giving has become core to identity. Notes Reed: "Students are saying, 'I want to be a captain of industry, but I don't want to be out there just chasing materialistic objects. I need something deeper. I need self actualization in addition to the usual metrics of success in business.'"

Philanthropy Goes to School

Many institutions these days are exposing students to social impact and philanthropy. If learning by doing teaches best, a group of students in a University of Pennsylvania urban studies class dabbled at a decidedly professional level in 2010 when they were entrusted with $100,000 -- in real money -- to give away. The funds came from the Ft. Worth, Tex.-based Once Upon A Time Foundation, which made similar grants to 12 other colleges. It allowed the class to undertake the same due diligence required of foundation and corporate-giving officers, and have real-life debates over issues like accountability and mission.

In 2011, Doris Buffett, older sister of Warren, created the Learning by Giving Foundation, which offers $10,000 grants to undergraduate courses across the U.S. to re-gift. The program perpetuates two classes of beneficiaries -- the students, who are inculcated in philanthropy by going through the process, and the end-use charities.

Dozens of MBA and undergraduate business programs now offer philanthropy studies, either as part of course work or in distinct degree programs. Thirty-five courses involving philanthropy are offered in the U.S., according to the Aspen Institute Center for Business Education. These include "Strategic Philanthropy" at Stanford, "Philanthropic Foundations" at Yale and a host of courses on marketing, ethics and organizational dynamics that integrate philanthropy into a multidisciplinary approach with public policy or other departments.

The education sector has just gotten its first freestanding school of philanthropy. Indiana University is now offering a bachelor's, master's and PhD in philanthropic studies, with the first diplomas to be handed out next month. This school -- which was started in 2012, but built on a program that began developing in 1987 -- has been renamed the Indiana University Lilly Family School of Philanthropy, in recognition of the pharmaceutical family's long patronage of philanthropic studies.

"If the attitude stayed, 'We're all about making money,' then business schools would be ignoring the other part of what their students are going to be out doing when they are finished with school," says Eileen R. Heisman, president and CEO of the National Philanthropic Trust, a suburban Philadelphia charity and donor-advised fund with $1.7 billion under management. Graduates may land in the corporate-giving department of a bank, for instance, and need to understand the evolution that has taken place in those offices in the past decade from simply making grants to the local orchestra or museum to aligning giving with corporate goals -- a bank supporting programs of business literacy, for instance.

"Corporate giving has become more of a strategic function, which means it is to be directed by the company's interests and not by the personal preferences of top management," says Useem. "In that sense, corporate giving has become a more disciplined function. It's probably a good idea to have some course work that prepares students for that."

Some in-school strategies have attracted attention for their creativity. Wharton management professor Adam Grant took a page from Donald Trump's TV show "The Apprentice," leading a series of philanthropy charettes for MBA, undergraduate and law students and challenging them to raise money for the Make-A-Wish Foundation through raffles, auctions of signed items from athletes, donations from restaurants and the like. The immersion experiences have spread to other colleges, raising hundreds of thousands of dollars, and Grant -- author of a new book titled, *Give and Take: A Revolutionary approach to Success* -- has said these moments are among the most gratifying of his professional life.

"From the perspective of positive organizational scholarship, experiential activities like the Make-A-Wish challenge may enable students to develop, express, and sustain prosocial identities as giving, caring, helpful, or compassionate individuals," he wrote in a paper reflecting on the program. "The activities open up pathways for connecting with potential beneficiaries in need, mobilizing collective efforts to help these beneficiaries, and embedding these efforts in a visible, domain-specific role that translates the abstract notions of caring and compassion into more vivid, tangible behavioral acts."

"I think it was pretty powerful," says Guy Viner, 21, a Wharton junior whose team raised $12,000 last spring to send a 17-year-old Hodgkin's Lymphoma patient to the Summer Olympics in London. "It brings it down to a practical level. We tried to tell [the patient's] story to as many people as we could. He liked eating Butterfingers, so we sold Butterfingers outside of [local restaurant] Smokey Joe's."

Heisman, who is also a lecturer in Wharton's Graduate Leadership Program, says students are skilled at bringing entrepreneurial ideas to philanthropy. But even those well prepared in class can be surprised by the conditions on the ground. "They are sometimes shocked, because they are not used to seeing organizations without resources at their fingertips," she says. "In B2B and B2C, you can borrow money; the flow of money is familiar to them. In nonprofits, you don't produce a widget; you offer a social good, and the people who need it don't have the money to buy it. Social capital is so different from private capital. It's really startling to them."

But not all philanthropic ventures are traditional nonprofit charities. Katherina M. Rosqueta, founding executive director of Penn's Center for High Impact Philanthropy, points to the promise of hybrid models -- such as for-profit companies with a social purpose -- that offer "the best of what the financial capital markets can bring, and move beyond grants to create social change."

Others concur. One of the things schools could be doing a better job of is clearly communicating to students the full range of philanthropic routes -- "to say to them, 'A lot of you want purpose and to make a contribution with your work. Here are some role models,'" says management professor Katherine Klein, vice-dean of Wharton's Social Impact Initiative. "Maybe you have a traditional career and serve on nonprofit boards, or a non-traditional career in special enterprise, or, maybe you go into impact investing, or maybe you are an innovator within a large, established company that doesn't have a social mission. There are many ways to do this."

"I think it's about philanthropy in the broadest sense," says Diana C. Robertson, Wharton professor of legal studies and business ethics. "It's giving back, it's being a good citizen, understanding what your reputation is within a community, your school, your workplace, your neighborhood. Our students are really interested in this."

Is Philanthropy Increasing?

The fact that philanthropy is diversifying into these hybrid models might make its full impact harder to measure. The numbers show that philanthropy has hovered between about 1.8% and 2.3% of GDP, according to the Congressional Research Service and other sources. That would mean the enormous gifts made by Gates and Buffett have not released a torrent of largess that has changed the scale and impact of philanthropy.

"Middle-income people give a huge amount of money, and I don't know that it really speaks to them," says Heisman. "It's like a movie star who has five houses and a castle in France. It doesn't mean anything to me."

It's not surprising that philanthropy has not gone up as a percentage of GDP, says Kim Meredith, executive director of the Stanford Center on Philanthropy and Civil Society, since most giving -- 71% -- comes from individuals. "I think you see these levels of consistency, and that is because for Middle America and lower-income America, their income has not gone up, and they are the people giving the gifts," she says.

Moreover, adds the Rockefeller Philanthropy Advisors' Berman, "if you think about the amount of wealth lost in the last economic downturn [along] with persistently high unemployment, the fact that giving has not plummeted is just remarkable."

On the other hand, in the few short years since Buffett and Gates made their "Giving Pledge" public in 2010, 105 billionaires have signed on. Bloomberg LP founder Michael R. Bloomberg, Oracle Corp.

co-founder Larry Ellison, Huntsman Corp. founder Jon Huntsman and wife Karen, film entrepreneur George Lucas, investor Ronald O. Perelman, Facebook chairman Mark Zuckerberg and others have now committed to giving away the majority of their fortunes before or at their deaths, so the full force of the effort has yet to be felt.

Some of these billionaires are choosing to channel their gifts though their own foundations or community foundations, which means that true impact waits until distributions find their way to causes. Andrew Carnegie might approve. The scale of this transfer of wealth dwarfs his generosity. At his death in 1919, he had given away about $350 million -- $4.7 billion, adjusted for inflation. Gates and Buffett together have given 10 times that amount, or just over $45 billion.

New Generation Wants Proof

What is keeping philanthropy from budging beyond 2.5% of GDP? It's not decreased awareness. Social media makes it easier than ever to learn about disaster and famine -- or endowment and building campaigns at one's alma mater. Fidelity launched a widget this month that allows clients to initiate grants from donor advised funds directly to the Red Cross, Boston Symphony Orchestra and other recipients without having to leave that charity's website. More information than ever is accessible about best practices in philanthropy and a potential recipient's worthiness.

Even so, more research is needed. What individual and institutional donors "care about that is still missing from the market is information around effectiveness, because nobody wants to waste their money," says Rosqueta. "You want to feel confident that your money is going to make a difference. That is exactly the problem our center was established to address. Until people have confidence that their money is having an impact, you're not going to see the increase in philanthropy that people would hope for."

The next generation will likely bring its zeal for metrics to giving. Measuring impact is more important to donors between the ages of 21 and 40 than it was to previous generations, according to a 2013 survey by the Frey Chair for Family Philanthropy program at the Johnson Center for Philanthropy in Grand Rapids, and consulting firm 21/64. The stakes are huge: The study notes that an estimated $41 trillion in bequests will be transferred into the hands of post-Baby Boom generations in the first half of the 21st century.

It's no wonder then that the increased discussion of philanthropy in business schools is bubbling up from the students. "You meet with them, and they have all kinds of ideas about things they would like to do and they would like the school to do," says Robertson. "I'd like to think our students are becoming more aware of the world and are resolved to making it a better place."

"I think we're in incredibly good hands," suggests Heisman. "I don't have one worry going forward. Young people are smart, they're engaged and they are passionate. I think they need to be employed and get experience putting their ideas to use."

Says Klein: "It has struck me that when I was growing up, we didn't have very many business leaders as heroes -- there wasn't a Gates or a Jobs people knew about. When I was in my 20s, those who wanted a professional degree and wanted to change the world and weren't sure how that would happen went to law school. Today, if you want to change the world but aren't sure how, you're more likely to consider business school."